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COMPANY INFORMATION

BOARD OF DIRECTORS	Anwar Saifullah Khan Osman Saifullah Khan Kulsum Saifullah Khan Jehangir Saifullah Khan Hoor Yousafzai Assad Saifullah Khan Asif Saifullah Khan	- Chairman - Chief Executive
AUDIT COMMITTEE	Hoor Yousafzai Jehangir Saifullah Khan Assad Saifullah Khan	- Chairperson - 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 Salahuddin Saif & Aslam (Attorney's at Law)	
BANKERS	Albaraka Islamic Bank First National Bank Modaraba National Bank of Pakistan The Bank of Punjab United Bank Limited	
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	

DIRECTORS' REVIEW REPORT

The un-audited financial statements of the Company for the Half year ended on December 31, 2009 are being presented to you with the following observations.

FINANCIAL HIGHLIGHTS

During the period your Company has shown substantial turnaround in its operations by earning a Gross Profit Margin of 5.47 % as compared to recording a Gross Loss of 3.05 % for the corresponding period of last year.

This was primarily due to a surge in the demand for coarse count yarns in the domestic and international textiles markets.

As a result of these factors, your Company earned an Operating Profit of Rs. 13.465 million in comparison with an Operating Loss of Rs. 42.099 million for the corresponding period of last year.

It is important to note that the benefits of this recovery will remain limited unless the following issues are addressed by the Government:

- 1) An improvement in the public safety and security environment of the country, especially in the NWFP.
- 2) Power shortages issues.
- 3) Unending rise in electricity and fuel tariffs.
- 4) Continuing volatility of the Rupee in the foreign exchange markets

GENERAL MARKET CONDITIONS

The increasing global demand for yarn is helping to provide some breathing space to the domestic textile industry after the severe challenges since the global economic recession started in 2008.

The major difficulties faced by the textile industry include:

- 1) Change in parity of PKR versus US Dollars.
- 2) Increase in prices of energy inputs and the shortage of electricity and natural gas in the country.
- 3) Rising interest rates and financial charges.
- 4) Domestic and regional political uncertainty.

QUALIFICATION IN AUDITORS' REPORT

The Auditors have qualified the report on the basis that your Company has recognized the deferred tax asset despite the availability of unused tax losses. As explained in the Annexed Note. 8.1, the Management takes the view that taxable profits will be available in the near foreseeable future to utilize the unused tax losses, because the Company has been achieving a consistent growth in sales. However the current losses are as a

result of a sharp rise in operating costs, and not because of any decline in sales or turnover.

FUTURE OUTLOOK

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

These latest hurdle placed before the yarn manufacturing industry is the setting of an export ceiling (quota) on yarn by the government. In addition, the energy shortages and rising tariffs also continue to present very substantial operational challenges and remain as factors which have the potential to effect the future profitability of your Company.

The Federal and Provincial Governments should implement additional programs to support the special initiative announced by the Honorable Prime Minister instructing the Federal Board of Revenue to provide fiscal relief in rehabilitating the economic life in the NWFP. These special initiatives will enable our textile industry to become competitive globally. Further measures also need to be taken immediately are to reduce financial, power and energy costs.

Your Company's management is hopeful that the State Bank of Pakistan will take some steps which would support the textile manufacturing sector.

Your Company's management is cognizant of the rising degree of leverage in the Company's capital structure and is in the process of negotiating with lenders for the conversion of a part of our short term finances to long term financing.

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.

Place: Islamabad
Dated: 26 February, 2010

OSMAN SAIFULLAH KHAN
Chief Executive

**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, 2009 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 for interim financial reporting. 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, 2009 and 2008 have not been reviewed, as we are required to review only the cumulative figures for the half-year ended 31 December, 2009.

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 (Note 8.1).

Qualified Conclusion

Based on our review, except for the matter referred to in the aforementioned 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, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Place : Lahore
Date : 26 February, 2010

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Hameed Chaudhri

CONDENSED INTERIM BALANCE SHEET
AS AT 31 DECEMBER, 2009

	Note	(Un-audited) 31 December, 2009	(Audited) 30 June, 2009
(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			
		(245,513)	(226,094)
		(37,513)	(18,094)
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS			
		309,630	315,849
NON-CURRENT LIABILITIES			
Sub-ordinated loan	4	100,000	100,000
Long term financing	5	300,000	287,500
Liabilities against assets subject to finance lease		2,069	7,973
Long term deposits		1,131	1,018
Deferred liability - Staff retirement benefits		24,242	20,659
		427,442	417,150
CURRENT LIABILITIES			
Trade and other payables		93,914	126,602
Accrued interest / mark-up		37,684	24,024
Short term borrowings		465,031	293,026
Current portion of:			
- long term financing	5	50,000	62,500
- liabilities against assets subject to finance lease		16,344	24,757
		662,973	530,909
CONTINGENCIES AND COMMITMENTS			
	6	1,362,532	1,245,814
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	7	781,878	800,154
Long term loans		1,164	1,185
Long term deposits		1,137	1,137
Deferred taxation	8	86,760	63,526
		870,939	866,002
CURRENT ASSETS			
Stores, spare parts and loose tools		20,243	23,009
Stock-in-trade		254,530	101,094
Trade debts		188,681	237,316
Loans and advances		11,146	3,667
Deposits and short term prepayments		915	558
Other receivables		129	192
Taxation		3,475	3,242
Sales tax refundable		10,754	9,923
Cash and bank balances		1,720	811
		491,593	379,812
		1,362,532	1,245,814

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

Osman Saifullah Khan
Chief Executive

Hoor Yousafzai
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE QUARTER AND HALF-YEAR ENDED 31 DECEMBER, 2009 (UN-AUDITED)**

	For the 2nd Quarter		Cumulative	
	Oct. - Dec. 2009	Oct. - Dec. 2008	Jul. - Dec. 2009	Jul. - Dec. 2008
----- Rupees in thousand -----				
SALES	395,265	279,394	672,951	561,894
COST OF SALES	372,930	310,260	636,146	579,056
GROSS PROFIT / (LOSS)	22,335	(30,866)	36,805	(17,162)
DISTRIBUTION COST	2,038	2,989	3,628	4,664
ADMINISTRATIVE EXPENSES	9,883	11,385	19,712	20,751
	11,921	14,374	23,340	25,415
	10,414	(45,240)	13,465	(42,577)
OTHER OPERATING INCOME	0	242	0	478
OPERATING PROFIT/(LOSS)	10,414	(44,998)	13,465	(42,099)
FINANCE COST	30,554	37,682	58,951	67,331
LOSS BEFORE TAXATION	(20,140)	(82,680)	(45,486)	(109,430)
TAXATION				
- Current	1,980	0	3,368	0
- Prior year	18	252	18	252
- Deferred	(14,437)	(26,296)	(23,234)	(35,667)
	(12,439)	(26,044)	(19,848)	(35,415)
LOSS AFTER TAXATION	(7,701)	(56,636)	(25,638)	(74,015)
OTHER COMPREHENSIVE INCOME				
Incremental depreciation in respect of surplus on revaluation of operating fixed assets - net of deferred taxation	3,110	1,804	6,219	3,608
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(4,591)	(54,832)	(19,419)	(70,407)
----- Rupees -----				
LOSS PER SHARE	(0.37)	(2.72)	(1.23)	(3.56)

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

Osman Saifullah Khan
Chief Executive

Hoor Yousafzai
Director

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2009 (UN-AUDITED)**

	Half-year ended	
	31 Dec. 2009	31 Dec. 2008
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the period - before taxation	(45,486)	(109,430)
Adjustments for non-cash and other charges:		
Depreciation and amortisation	29,920	27,902
Staff retirement benefits - gratuity (net)	3,583	219
Gain on disposal of vehicles	0	(249)
Finance cost (excluding bank charges)	57,992	67,331
CASH FLOW FROM OPERATING ACTIVITIES	46,009	(14,227)
- Before working capital changes		
Decrease / (increase) in current assets:		
Stores, spare parts and loose tools	2,766	(2,039)
Stock-in-trade	(153,436)	(83,307)
Trade debts	48,635	(12,081)
Loans and advances	(7,479)	(3,903)
Deposits and short term prepayments	(357)	(152)
Other receivables	63	1,120
Sales tax refundable	(831)	(2,617)
(Decrease) / increase in trade and other payables	(32,688)	83,751
	(143,327)	(19,228)
CASH OUTFLOW FROM OPERATING ACTIVITIES - Before taxation	(97,318)	(33,455)
Taxes paid	(3,619)	(165)
CASH OUTFLOW FROM OPERATING ACTIVITIES - After taxation	(100,937)	(33,620)
Long term loans - net	21	1,289
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(100,916)	(32,331)
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(11,644)	(8,804)
Sale proceeds of vehicles	0	467
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(11,644)	(8,337)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing - net	0	100,000
Liabilities against assets subject to finance lease - net	(14,317)	(15,485)
Long term deposits	113	59
Short term borrowings - net	172,005	22,238
Finance cost paid	(44,332)	(63,307)
NET CASH INFLOW FROM FINANCING ACTIVITIES	113,469	43,505
NET INCREASE IN CASH AND CASH EQUIVALENTS	909	2,837
CASH AND CASH EQUIVALENTS - At the beginning of the period	811	57
CASH AND CASH EQUIVALENTS - At the end of the period	1,720	2,894

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

Osman Saifullah Khan
Chief Executive

Hoor Yousafzai
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2009 (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, 2008	208,000	(106,553)	101,447
Loss after taxation for the half-year ended 31 December, 2008	0	(74,015)	(74,015)
Other comprehensive income for the half-year ended 31 December, 2008	0	3,608	3,608
Balance as at 31 December, 2008	208,000	(176,960)	31,040
Loss after taxation for the half-year ended 30 June, 2009	0	(59,454)	(59,454)
Other comprehensive income for the half-year ended 30 June, 2009	0	10,320	10,320
Balance as at 30 June, 2009	208,000	(226,094)	(18,094)
Loss after taxation for the half-year ended 31 December, 2009	0	(25,638)	(25,638)
Other comprehensive income for the half-year ended 31 December, 2009	0	6,219	6,219
Balance as at 31 December, 2009	208,000	(245,513)	(37,513)

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

Osman Saifullah Khan
Chief Executive

Hoor Yousafzai
Director

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2009 (UN-AUDITED)**

1. CORPORATE INFORMATION

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 is un-audited; it has been prepared and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standard (IAS) 34 (Interim Financial Reporting). The figures for the half-year ended 31 December, 2009 have, however, been subjected to limited scope review by the external Auditors as required by the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual published financial statements of the Company for the year ended 30 June, 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation of balances adopted in the preparation of this condensed interim financial information are the same as those applied in preparation of the annual published financial statements of the Company for the year ended 30 June, 2009 except for the changes mentioned below:

3.1 IAS I (Revised) - (Presentation of Financial Statements). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from 'owner changes in equity'. All 'non-owner changes in equity' are required to be shown in a performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income).

The Company has adopted IAS I (Revised) with effect from 01 July, 2009 and has chosen to present all non-owner changes in equity in one performance statement - statement of comprehensive income (profit and loss account). The interim financial information has been prepared under the revised disclosure requirements.

3.2 In addition to above, following amendments to standards are mandatory for the first time for financial year beginning on 01 July, 2009 and are also relevant to the Company. The adoption of these amendments does not have significant impact on the condensed interim financial information of the Company.

- IAS 23 (Amendment) - Borrowing Costs
- IAS 36 (Amendment) - Impairment of Assets
- IAS 39 (Amendment) - Financial Instruments: Recognition and Measurement

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after 01 July, 2009 but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in the condensed interim financial information.

4. SUB-ORDINATED LOAN - Unsecured

The Company and Saif Holdings Ltd. (SHL) have entered into a loan agreement on 21 October, 2009, however, the terms of loan agreement are effective from 09 April, 2009. Salient terms of the agreement are as follows:

- (a) SHL has lent an unsecured loan amounting Rs. 100 million to the Company on 09 April, 2009 to meet its financial obligations;
- (b) maturity period of the loan shall not be less than five years;
- (c) the loan carries interest at the rate of 3 Months KIBOR + 2% payable quarterly; and
- (d) the loan shall remain sub-ordinated to all other financial facilities availed / to be availed by the Company from any financial institution.

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Effective interest rate charged by SHL during the period ranged between 14.31% to 14.57% (30 June, 2009:15.44%) per annum.

		Un-audited 31 Dec., 2009	Audited 30 June, 2009
	Note	(Rupees in thousand)	
5. LONG TERM FINANCING - Secured			
The Bank of Punjab (BoP)			
Term finance - I	5.1	250,000	250,000
Term finance - II		100,000	100,000
		350,000	350,000
Less : current portion grouped under current liabilities		50,000	62,500
		300,000	287,500

5.1 BoP, during the current period, has approved extension in repayment of this finance facility; accordingly, period-end balance of this finance facility is repayable in 20 equal quarterly instalments commencing August, 2010.

6. CONTINGENCIES AND COMMITMENTS

6.1 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, 2009.

6.2 Commitments for irrevocable letters of credit outstanding as at 31 December, 2009 amounted to Rs.48.823 million (30 June, 2009: Rs.56.593 million).

		Un-audited Half-year ended 31 Dec., 2009	Audited Year ended 30 June, 2009
	Note	(Rupees in thousand)	
7. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	769,584	792,683
Capital work-in-progress		4,267	0
Store held for capital expenditure		8,027	7,471
		781,878	800,154
7.1 Operating fixed assets - tangible		792,683	752,160
Opening book value		792,683	752,160
Additions during the period / year:			
Owned:			
- plant and machinery		5,739	7,057
- gas fired power plant		0	2,179
- electric installations		0	10
- equipment & appliances		242	395
- furniture & fixtures		0	54
- vehicles		840	2,263
		6,821	11,958
Revaluation surplus		0	100,274
Book value of operating fixed assets disposed-off during the year		0	(11,663)
Depreciation charge for the period / year		(29,920)	(60,046)
		769,584	792,683

8. DEFERRED TAXATION - Net

	Un-audited Half-year ended 31 Dec., 2009	Audited Year ended 30 June, 2009
Deferred tax asset comprises of temporary differences arising due to:		
Debit balances arising in respect of:		
- unused tax losses	8.1 224,322	203,397
- minimum tax recoverable against normal tax charge in future years	26,944	26,724
	251,266	230,121
Credit balances arising in respect of:		
- accelerated tax depreciation allowances	(145,397)	(139,748)
- lease finances	(19,109)	(26,847)
	(164,506)	(166,595)
	86,760	63,526

8.1 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.

9. TRANSACTIONS WITH RELATED PARTIES

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

	Un-audited Half-year ended 31 Dec., 2009	31 Dec., 2008
	(Rupees in thousand)	
Sale of goods and services	13,436	24,091
Purchase of goods and services	13,772	115,455
Purchase of fixed assets	0	1,265
Mark-up accrued on sub-ordinated loan	7,282	0

9.2 Trade and other payables include due to Associated Companies aggregating Rs. 9.824 million (30 June, 2009: Rs. 95.288 million).

9.3 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.

9.4 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.

10. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue in the Board of Directors' meeting held on 26 February, 2010.

11. GENERAL

Figures in the condensed interim financial information have been rounded-off to the nearest thousand Rupees except stated otherwise.

Osman Saifullah Khan
Chief Executive

Hoor Yousafzai
Director