



**In The Name Of Allah
The Merciful
The Compassionate**

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COMPANY INFORMATION**BOARD OF DIRECTORS**

Anwar Saifullah Khan - **Chairman**
Osman Saifullah Khan - **Chief Executive**
Kulsum Saifullah Khan
Jehangir Saifullah Khan
Hoor Yousafzai
Assad Saifullah Khan
Asif Saifullah Khan

AUDIT COMMITTEE

Hoor Yousafzai - **Chairperson**
Jehangir Saifullah Khan - **Member**
Assad Saifullah Khan - **Member**

CHIEF FINANCIAL OFFICER

Zaheen-ud-Din Qureshi

COMPANY SECRETARY

Mumtaz H. Chaudhry

AUDITORS

Hameed Chaudhri & Co.,
Chartered Accountants

LEGAL ADVISOR

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, 3rd Floor,
2020 - Blue Area, Islamabad
Phone : (051) 2823924, 2829415
Fax : (051) 2278537, 2822564
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

CYBER

www.kohattextile.com

DIRECTORS' REVIEW REPORT

The un-audited financial statements of the company for the quarter and nine months ended on March 31, 2010 are being presented to you with the following observations.

FINANCIAL HIGHLIGHTS & GENERAL MARKET CONDITIONS

Your Company has shown a substantial turnaround in its operations by earning a Gross Profit Margin of 6.40% as compared to recording a Gross Loss of 2.22% for the corresponding period of the last year.

Your Company earned an Operating Profit of Rs. 36.257 million against Operating Loss of Rs. 59.750 million for the corresponding period of the last year.

This was primarily due to a surge in the demand for coarse count yarns in the domestic and international textiles markets. The benefits of this recovery will remain limited unless the following issues are addressed by the Government:

- The public safety and security environment of the country, especially in the Khyber Pakhtunkhwa Province.
- Severe interruptions in the supply of electricity.
- Setting internationally competitive electricity tariffs for the manufacturing sector.
- Increasing rate of inflation

The increasing global demand for yarn is helping to improve the market conditions for Pakistan's domestic textile industry.

FUTURE OUTLOOK

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

The electricity deficit is at an all time high, resulting in frequent power outages which in turn lead to machinery shutdowns and lower operational efficiencies. These outages occur during peak as well as off-peak hours. Increasingly, the supply of natural gas to industrial units is also prone to curtailment, even in the summers, we are experiencing low gas pressure availability that is resulting in the low efficiency/ break-downs of gas generators installed by your company.

The Government has to take immediate measures to control the increasing cost of power as well as to overcome the power shortages. These steps are essential for reducing the input costs faced by Pakistan's textile industry and will enable this industry to become internationally cost competitive relative to textile manufacturers in China, India and Bangladesh.

Failure to correct these structural issues affecting the textile manufacturing sector will result in the continued loss of international market share with a negative effect on Pakistan's balance of trade.

Manufacturers based in the Khyber Pakhtunkhwa Province face the very substantial challenge of the deteriorating law and order situation. This issue has to be tackled on an emergency footing in order to secure the jobs and future opportunities of all the communities' dependant on the textile manufacturing sector.

Aware of the responsibility to shareholders and to the local economies that depend upon your Company for their livelihood and wellbeing, your Management is dedicated to overcoming the challenges on the road to profitability.

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: 28 April, 2010

ANWAR SAIFULLAH KHAN
Chairman / Director

**CONDENSED INTERIM BALANCE SHEET
AS AT 31 MARCH, 2010**

| | Note | Un-audited 31 Mar, 2010 (Rupees in thousand) | Audited 30 June, 2009 |
|---|------|---|-----------------------------|
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL | | | |
| Authorised Capital | | 220,000 | 220,000 |
| Issued, subscribed and paid-up | | 208,000 | 208,000 |
| ACCUMULATED LOSS | | (247,085) | (226,094) |
| | | (39,085) | (18,094) |
| SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS | | 306,521 | 315,849 |
| NON-CURRENT LIABILITIES | | | |
| Sub-ordinated loan | 6 | 100,000 | 100,000 |
| Long term financing | 7 | 281,250 | 287,500 |
| Liabilities against assets subject to finance lease | | 1,157 | 7,973 |
| Long term deposits | | 1,192 | 1,018 |
| Deferred liability - Staff retirement benefits | | 26,719 | 20,659 |
| | | 410,318 | 417,150 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 242,741 | 126,602 |
| Accrued interest / mark-up | | 40,192 | 24,024 |
| Short term borrowings | | 498,256 | 293,026 |
| Current portion of: | | | |
| - Long term financing | 7 | 62,500 | 62,500 |
| - Liabilities against assets subject to finance lease | | 8,459 | 24,757 |
| | | 852,148 | 530,909 |
| CONTINGENCIES AND COMMITMENTS | 8 | | |
| | | 1,529,902 | 1,245,814 |
| ASSETS | | | |
| NON - CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 763,965 | 800,154 |
| Long term loans | | 1,079 | 1,185 |
| Long term deposits | | 1,137 | 1,137 |
| Deferred taxation | | 89,673 | 63,526 |
| | | 855,854 | 866,002 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 24,475 | 23,009 |
| Stock-in-trade | | 437,539 | 101,094 |
| Trade debts | | 188,245 | 237,316 |
| Loans and advances | | 3,732 | 3,667 |
| Deposits and short term prepayments | | 1,690 | 558 |
| Other receivables | | 1,452 | 192 |
| Taxation | | 3,583 | 3,242 |
| Sales tax refundable | | 9,792 | 9,923 |
| Cash and bank balances | | 3,540 | 811 |
| | | 674,048 | 379,812 |
| | | 1,529,902 | 1,245,814 |

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

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.

ANWAR SAIFULLAH KHAN
Chairman / Director

JEHANGIR SAIFULLAH KHAN
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE QUARTER AND NINE MONTHS ENDED 31 MARCH, 2010 (UN-AUDITED)**

| | For the 3rd Quarter | | Cumulative | |
|--|----------------------------------|-------------------|--------------------------|--------------------------|
| | Jan - Mar 2010 | Jan - Mar 2009 | Jul - 2009 Mar - 2010 | Jul - 2008 Mar - 2009 |
| | ----- (Rupees in thousand) ----- | | | |
| SALES | 418,373 | 448,428 | 1,091,324 | 1,010,322 |
| COST OF SALES | 385,332 | 453,697 | 1,021,478 | 1,032,753 |
| GROSS PROFIT / (LOSS) | 33,041 | (5,269) | 69,846 | (22,431) |
| DISTRIBUTION COST | 1,355 | 3,320 | 4,983 | 7,984 |
| ADMINISTRATIVE EXPENSES | 9,217 | 9,109 | 28,929 | 29,860 |
| | 10,572 | 12,429 | 33,912 | 37,844 |
| | 22,469 | (17,698) | 35,934 | (60,275) |
| OTHER OPERATING INCOME | 323 | 47 | 323 | 525 |
| OPERATING PROFIT/(LOSS) | 22,792 | (17,651) | 36,257 | (59,750) |
| FINANCE COST | 28,291 | 32,489 | 87,242 | 99,820 |
| LOSS BEFORE TAXATION | (5,499) | (50,140) | (50,985) | (159,570) |
| TAXATION | | | | |
| Current | 2,095 | 0 | 5,463 | 0 |
| Prior | 0 | 0 | 18 | 252 |
| Deferred | (2,913) | (17,488) | (26,147) | (53,155) |
| | (818) | (17,488) | (20,666) | (52,903) |
| LOSS AFTER TAXATION | (4,681) | (32,652) | (30,319) | (106,667) |
| OTHER COMPREHENSIVE INCOME | | | | |
| Incremental depreciation in respect of surplus on revaluation of operating fixed assets - net of deferred taxation | 3,109 | 3,433 | 9,328 | 7,041 |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | (1,572) | (29,219) | (20,991) | (99,626) |
| | ----- (Rupees) ----- | | | |
| LOSS PER SHARE | (0.23) | (1.57) | (1.46) | (5.13) |

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

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ANWAR SAIFULLAH KHAN
Chairman / Director

JEHANGIR SAIFULLAH KHAN
Director

CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE PERIOD OF NINE MONTHS ENDED 31 MARCH, 2010 (UN-AUDITED)

| | Nine Months ended | |
|---|----------------------|-----------|
| | 31, March | 31, March |
| | 2010 | 2009 |
| | (Rupees in thousand) | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Loss for the period - before taxation | (50,985) | (159,570) |
| Adjustments for non cash and other charges | | |
| Depreciation and amortisation | 44,988 | 42,451 |
| Staff retirement benefits (gratuity) - net | 6,060 | (1,984) |
| Gain on disposal of vehicles | 0 | (296) |
| Finance cost | 87,242 | 99,820 |
| CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES | 87,305 | (19,579) |
| - Before working capital changes | | |
| (Increase) / decrease in current assets: | | |
| Stores, spare parts and loose tools | (1,466) | 888 |
| Stock-in-trade | (336,445) | (28,443) |
| Trade debts | 49,071 | 12,620 |
| Loans and advances | (65) | (5,163) |
| Deposits and short term prepayments | (1,132) | 379 |
| Other receivables | (1,260) | 859 |
| Sales tax refundable | 131 | 2,180 |
| Increase / (Decrease) in trade and other payables | 116,139 | 161,655 |
| | (175,027) | 144,975 |
| CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES | (87,722) | 125,396 |
| -After working capital changes | | |
| Taxes paid | (5,822) | (433) |
| CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES - After taxation | (93,544) | 124,963 |
| Long term loans - net | 106 | 1,244 |
| NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES | (93,438) | 126,207 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditures | (8,799) | (10,401) |
| Sale proceeds of vehicles | 0 | 1,220 |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | (8,799) | (9,181) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Long term financing obtained | (6,250) | 100,000 |
| Long term deposits | 174 | (569) |
| Liabilities against assets subject to finance lease-net | (23,114) | (18,346) |
| Short term borrowings - net | 205,230 | (105,936) |
| Finance cost paid | (71,074) | (91,528) |
| NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES | 104,966 | (116,379) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,729 | 647 |
| CASH AND CASH EQUIVALENTS - At the beginning of the period | 811 | 57 |
| CASH AND CASH EQUIVALENTS - At the end of the period | 3,540 | 704 |

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

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.

ANWAR SAIFULLAH KHAN
Chairman / Director

JEHANGIR SAIFULLAH KHAN
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD OF NINE MONTHS ENDED 31 MARCH, 2010 (UN-AUDITED)**

| | Share Capital | Accmulated Loss | Total equity |
|---|---------------------------------|--------------------|-----------------|
| | ------(Rupees In thousand)----- | | |
| Balance as at 30 June, 2008 | 208,000 | (106,553) | 101,447 |
| Loss after taxation for the period from 01 July, 2008 to 31 March, 2009 | 0 | (106,667) | (106,667) |
| Other comprehensive income for the period from 01 July, 2008 to 31 March, 2009 | 0 | 7,041 | 7,041 |
| Balance as at 31 March, 2009 | 208,000 | (206,179) | 1,821 |
| Loss after taxation for the quarter ended 30 June, 2009 | 0 | (26,802) | (26,802) |
| Other comprehensive income for the quarter ended 30 June, 2009 | 0 | 6,887 | 6,887 |
| Balance as at 30 June, 2009 | 208,000 | (226,094) | (18,094) |
| Loss after taxation for the period from 01 July, 2009 to 31 March, 2010 | 0 | (30,319) | (30,319) |
| Other comprehensive income for the quarter ended 31 March, 2010 | 0 | 9,328 | 9,328 |
| Balance as at 31 March, 2010 | 208,000 | (247,085) | (39,085) |

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

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ANWAR SAIFULLAH KHAN
Chairman / Director

JEHANGIR SAIFULLAH KHAN
Director

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD OF NINE MONTHS ENDED 31 MARCH, 2010 (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; 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).
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, 2009.
4. 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.
5. The significant judgement, 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, 2009.

6. 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.

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

7. LONG TERM FINANCING - Secured

| | (Un-audited) 31 March, 2010 | (Audited) 30 June, 2009 |
|--|-----------------------------------|-------------------------------|
| | (Rupees in thousand) | |
| | Note | |
| The Bank of Punjab (BoP) | | |
| Term finance - I | 7.1 | 250,000 |
| Term finance - II | | 100,000 |
| | | 350,000 |
| Less : current portion grouped under current liabilities | | 62,500 |
| | | 287,500 |
| | | 281,250 |

- 7.1 These term finance facilities carry mark-up at the rate of 3-months KIBOR plus 325 basis points with floor of 11% per annum payable quarterly. The effective mark-up rate charged by BoP, during the financial year, ranged between 15.58% to 15.85% (2009: 16.02% to 18.80%) per annum.

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, 2009.
- 8.2 Commitments for irrevocable letters of credit outstanding as at 31 March, 2010 amounted to Rs. 1.408 million (30 June, 2009: Rs.56.593 million).

9. PROPERTY, PLANT AND EQUIPMENT

| | Note | (Un-audited) 31 March, 2010 | (Audited) 30 June, 2009 |
|------------------------------------|------|-----------------------------------|-------------------------------|
| (Rupees in thousand) | | | |
| Operating fixed assets | 9.1 | 756,087 | 792,683 |
| Capital work-in-progress | | 7,878 | 0 |
| Store held for capital expenditure | | 0 | 7,471 |
| | | <u>763,965</u> | <u>800,154</u> |

9.1 Operating fixed assets - tangible

| | | |
|---|----------------|----------------|
| Opening book value | 792,683 | 752,160 |
| Additions during the period / year: | | |
| Owned: | | |
| - plant and machinery | 6,997 | 7,057 |
| - gas fired power plant | 0 | 2,179 |
| - electric installations | 0 | 10 |
| - equipment & appliances | 555 | 395 |
| - furniture & fixtures | 0 | 54 |
| - Vehicles | 840 | 2,263 |
| | <u>8,392</u> | <u>11,958</u> |
| 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 | (44,988) | (60,046) |
| Closing book value | <u>756,087</u> | <u>792,683</u> |

10. TRANSACTIONS WITH RELATED PARTIES

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

| | (Un-audited) Jul-Mar 2010 | (Audited) Jul-Mar 2009 |
|---------------------------------------|---------------------------------|------------------------------|
| (Rupees in thousand) | | |
| Sale of goods and services | 16,302 | 151,515 |
| Purchase of: | | |
| - goods and services | 20,456 | 119,410 |
| - fixed assets | 0 | 1,265 |
| Mark-up accrued on sub-ordinated loan | 10,812 | 0 |

- 10.2** Trade and other payables include due to Associated Companies aggregating Rs.9.300 million (30 June, 2009: Rs.95.288 million).
- 10.3** 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.
- 10.4** 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.

11. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue in the Board of Directors' meeting held on 28 April, 2010.

12. GENERAL

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

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.

ANWAR SAIFULLAH KHAN
Chairman / Director

JEHANGIR SAIFULLAH KHAN
Director