CONTENTS

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 **- Chairpreson** 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 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

VISION AND MISSION STATEMENT

VISION

- To attain market leadership through unmatched quality, a diverse and unique product mix, empowered employees, world class systems, and the highest ethical and professional standards.

MISSION

- Give our shareholders a competitive return on their investment through market leadership, sustainable business growth and sound financial management.
- Earn and sustain the trust of our stakeholders through efficient resource management.
- Provide the highest quality products and services consistent with customer needs and continue to earn the respect, confidence and goodwill of our customers and suppliers.
- Foster a culture of trust and openness in order to make professional life at the **Kohat Textile Mills Limited** a stimulating and challenging experience for all our people.
- Strive for the continuous development of Pakistan while adding value to the textile sector.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 44th Annual General Meeting of the members of **Kohat Textile Mills Limited** will Insha Allah be held at registered office of the Company, **APTMA House, Jamrud Road, Peshawar** on **Friday, October 29, 2010** at **12:00 Noon.** to transact the following business:

1) To confirm the minutes of the 43rd Annual General Meeting held on November 30, 2009.

2) To receive, consider and adopt Annual Audited Financial Statements for the year ended June 30, 2010 together with the Directors' and Auditors' Reports thereon.

3) To appoint Auditors for the year 2010-2011 and fix their remuneration. The retiring auditors M/s. Hameed Chaudhri & Co., Chartered Accountants, being eligible offered themselves for re-appointment.

4) To transact any other business with the permission of the Chair.

By order of the Board

Date : **08 October, 2010**

MUMTAZ H. CHAUDHRY
Company Secretary

NOTES:

i. Share Transfer Books of the Company will remain closed from 23.10.2010 to 29.10.2010 (Both Days Inclusive)

ii. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy to attend and vote on his / her behalf. The instrument appointing the proxy, duly completed, must be received at the Company's Registered Office not later than 48 hours before the time of holding of the meeting.

iii. CDC individual Account holders or Sub-account holders are required to bring with them their original Computerized National Identity Card (CNIC) / original passport along with participant's ID number and their account number in order to facilitate identification.

iv. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of meeting.

v. Members are requested to promptly notify any change in their address.

DIRECTORS' REPORT TO THE MEMBERS

On behalf of Board of Directors of Kohat Textile Mills Limited, it gives me pleasure to present the 44th Annual Audited Financial Statements for the Year ended 30th June 2010.

OPERATING RESULTS

The major highlights of your Company as compared to the corresponding period of the preceding Financial Year are as follows:

Turnover

Your Company achieved significant growth in turnover by an increase of 17% from Rs. 1,445 million last Year to Rs. 1,687 million during the Year under review.

This was primarily due to surge in the demand for coarse count yarn in the domestic and international market.

Profitability

The Gross Profit earned during the Year was Rs.172.036 million as compared to Rs.0.426 million for the previous Year. The increase in Gross Profit was due to an upbeat yarn market with well focused operations planning.

During the year Company has earned Profit Before Tax amounting Rs.21.652 million as compared to loss of Rs.189.993 million in previous year.

Profit Before Tax includes adjustment of Rs.24.859 million reimbursed in respect of mark-up rate subsidy under Fiscal Relief package announced by Federal Government to Rehabilitate the Economic Life in Khyber Pakhtunkhwa.

EARNINGS / LOSS PER SHARE

Earnings per share of the Company was Re. 0.79 as compared to loss per share Rs. 6.42.

PROFIT APPROPRIATION

The Board in its meeting held on October 8, 2010 decided not to recommend cash dividend / bonus shares as management is considering for expansion and modernization.

EXPANSION AND MODERNIZATION

Your Company is pursuing the policy of replacing old plant and machinery in a phased manner from own resources to promote efficiency and economy of operations.

Your Company has disposed-off 31 Ring Frames costing Rs.54.216 million at a loss of Rs.9.312 million to achieve economies of scale.

CONTRIBUTION TO THE NATIONAL ECONOMY

Besides payment to the financial institutions against long and short-term debt, the Company contributed Rs.78.83 million (2009: Rs. 40.435 million) to the National Exchequer during the Year under review in sales tax, surcharges and various other levies.

QUALIFICATION IN AUDITORS REPORT

The auditor's have qualified the report on the basis that company has booked the amount of relief ("subsidy") receivable for the period January to June 2010 under the Honorable Prime Minister's announcement of Fiscal Relief Package to rehabilitate the economic life in Khyber Pakhunkhwa, FATA and PATA for next two years.

The management understands that according to the definition of the Government Grant, as defined in IAS 20, the markup rate subsidy announced does not come under the ambit of IAS 20 because there is no such past or future conditions for the entity to comply with, therefore the qualification remains unjustified. Secondly, as per the matching concept of generally accepted accounting principles together with para 19 of IAS 18, it is allowed to book the income in the period in which related costs are booked.

The other qualification in the auditor's report is on the basis that company has recognized the deferred tax asset of Rs.66.784 million despite of the availability of unused tax losses. The management is of the view that in the current year company has recovered from huge losses and has projected reasonable profits in the coming quarters of current financial year. Moreover, your company is also well equipped to meet the customer's quality requirements and is in a position to earn more profits in the future; therefore, recognition of deferred tax asset is justified.

FUTURE OUTLOOK

The increasing global demand for textile products and consequent rise in the domestic demand for the yarn will provide a degree of satiability to the local textile sector. Consequent increase in yarn prices will help the textile spinning industry to reap some benefits.

We can future guarantee the improvement, if following factors are addressed and resolved to a greater extent by the Government of Pakistan;

- Power shortages and endless tariff hike
- An improvement in Political stability, public safety and security environment of the country and especially in the region of Khyber Pakthunkhwa
- Exclusion of textile sector from zero rated category
- Stability of Pak Rupee parity with the USD.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

We are pleased to report that your Company has taken the necessary steps to comply with the provisions of the Code of Corporate Governance, as incorporated in the listing rules of the Stock Exchanges.

a) The financial statements, for the Year ended on 30th June 2010 prepared by the Management of the Company, present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.

b) The Company has maintained proper books of account.

c) Appropriate accounting policies have been consistently applied in the preparation of financial statements. The accounting estimates are based on reasonable and prudent judgment.

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no uncertainties upon the Company's ability to continue as a going concern.

g) There has been no departure from the best practices of Corporate Governance, as detailed in the Listing Regulations.

h) The Board of Directors has formed an Audit Committee. It comprises of three members of the Board.

i) The Company has prepared and circulated a Statement of Ethics and Business Strategy among Directors and key employees.

j) The Board of Directors has adopted a Mission Statement and a Statement of Overall Corporate Strategy.

k) Key operating and financial data of the Company for the last six Years is reproduced below:

Year Ended	**30 June**					
	2010	**2009**	**2008**	**2007**	**2006**	**2005 9 months**
Operating assets (RS 000)	759,674	800,154	752,160	644,698	676,148	618,061
Net worth (Rs 000)	314,214	297,755	366,046	306,829	329,693	281,243
Production (Kgs 000)	6,585	5,614	5,783	6,232	6,105	4,138
Turnover (Rs 000)	1,686,696	1,444,643	1,438,648	1,317,002	1,180,286	786,446
Gross Profit (Rs 000)	172,036	426	67,708	101,870	128,311	26,088
Profit/(loss) before finance cost (Rs 000)	115,993	(49,829)	25,620	60,500	87,827	51
Net Profit/(loss) after taxation (Rs 000)	16,459	(133,469)	(55,221)	(22,864)	(1,550)	(24,306)
Earning/(Loss)per share (Rs)	0.79	(6.42)	(2.65)	(1.10)	(0.10)	(2.76)
No. of Spindles installed	30,000	44,000	44,000	44,000	44,000	44,000

i) During the Year 05 meetings of the Board of Directors were held. Attendance by each director is as follows:

Name of Director	**No of meetings attended**
Anwar Saifullah Khan	05
Osman Saifullah Khan	04
Kulsum Saifullah Khan	03
Jehangir Saifullah Khan	05
Hoor Yousafzai	05
Assad Saifullah Khan	05
Asif Saifullah Khan	03

Leave of absence was granted to Directors who could not attend any of the Board meetings.

m) The Directors, Chief Executive, Chief Financial Officer, Company Secretary, their spouses and minor children have made no transactions in the Company's shares during the Year under review other than those disclosed in the pattern of shareholdings.

n) There are no outstanding statutory payments due on account of taxes, duties, levies & charges except of a normal and routine matter.

o) The Company operates an un-funded gratuity scheme for its eligible employees. Provision is made annually to cover obligations under the scheme in accordance with actuarial recommendations.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the Company under section 236(2) (d) of the Companies Ordinance, 1984 and additional information as required by the Code of Corporate Governance is annexed.

AUDITORS

The present auditors M/s Hameed Chaudhri & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. As suggested by the Audit Committee, the Board recommends their appointment as auditors of the Company to hold office from the conclusion of the Annual General Meeting to be held on 29 October, 2010 until the conclusion of the next Annual General Meeting.

ACKNOWLEDGEMENT

The Directors wish to record their appreciation of the steadfast support of our valued customers and bankers. We also highlight and acknowledge the hard work put in by all the stakeholders and employees. We are confident that the Executives, Officers and Staff will continue to show the same dedication and performance for the successful operations of your Company in the future.

For and on behalf of the Board

HOOR YOUSAFZAI
Director

Dated: 8 October, 2010

PATTERN OF SHAREHOLDING
AS AT 30TH JUNE, 2010

Incorporation Number of the Company C 43 of 1966 - 1967

No. of Share Holders	Shareholding From	Shareholding To	Total Shares Held
452	1	100	27,745
145	101	500	45,461
52	501	1,000	46,393
71	1,001	5,000	205,419
15	5,001	10,000	117,685
6	10,001	15,000	88,867
2	15,001	20,000	38,000
4	20,001	25,000	91,121
2	25,001	30,000	54,931
2	35,001	40,000	72,898
1	40,001	45,000	43,200
1	45,001	50,000	49,000
2	55,001	60,000	119,849
1	60,001	65,000	62,500
1	85,001	90,000	90,000
1	90,001	95,000	93,830
1	95,001	100,000	100,000
1	100,001	105,000	101,600
1	105,001	110,000	107,887
1	115,001	120,000	116,704
1	2,905,001	2,910,000	2,906,900
1	6,340,001	6,345,000	6,340,010
1	9,875,001	9,880,000	9,880,000
765	**TOTAL**		**20,800,000**

Categories of Share Holders	Number of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, their spouse & minor Children	8	209,097	1.01
Associated Companies, Undertaking & related parties	13	16,415,093	78.92
NIT and ICP	5	30,020	0.14
Banks Development Financial Institutions Non-Banking Financial Institutions	5	3,017,253	14.51
Insurance Companies	1	200	0.00
Joint Stock Companies	11	98,050	0.47
Modarabas & Mutual Funds		Nil	Nil
Share holders holding 10%	As mentioned under the head Associated Companies, Banks, Development Financial Institutions & Non Banking Financial Institutions.		
Executives		Nil	Nil
General Public			
A. Local	720	1,027,211	4.94
B. Foreign		Nil	Nil
Others (to be specified)	2	3,076	0.01
	765	**20,800,000**	**100.00**

DETAIL OF CATEGORY OF SHARE HOLDERS
AS AT 30 JUNE, 2010

Sr. No.	Name of Shareholders	Shares Held	Percentage
Directors, Chief Executive and their spouses and Minor Children			
1	Anwar Saifullah Khan	1,526	0.01
2	Osman Saifullah Khan	62,500	0.30
3	Jehangir Saifullah Khan	116,704	0.56
4	Kulsum Saifullah Khan	11,867	0.06
5	Hoor Yousafzai	500	0.00
6	Assad Saifullah Khan	500	0.00
7	Asif Saifullah Khan	500	0.00
8	Samina Saifullah Khan	15,000	1.07
	Total	**209,097**	**1.01**
Associated Companies, Undertaking and Related Parties			
1	Saif Holdings Limited	9,880,000	47.50
2	Globecomm (Pvt) Limited	6,340,010	30.48
3	Humayun Saifullah Khan	10,000	0.05
4	Javed Saifullah Khan	107,887	0.52
5	Salim Saifullah Khan	715	0.00
6	Iqbal Saifullah Khan	4,450	0.02
7	Gulshan Saifullah Khan	600	0.00
8	Shirin Saifullah Khan	500	0.00
9	Shehernaz Saifullah Khan	14,000	0.07
10	Yasmin Saifullah Khan	5,000	0.02
11	Shirin Saifullah Khan	5,000	0.02
12	Zeb Saifullah Khan	20,000	0.10
13	Omar Saifullah Khan	26,931	0.13
	Total	**16,415,093**	**78.92**
NIT & ICP			
1	National Bank of Pakistan (Trustee Wing)	24,076	0.12
2	Investment Corporation of Pakistan	4,550	0.02
3	IDBP (ICP UNIT)	400	0.00
4	National Investment Trust Limited	994	0.00
		30,020	**0.14**
Bank, Development Financial Institutions, Non Banking Financial Institutions			
1	United Bank Limited	100,000	0.48
2	Habib Bank Limited	100	0.00
3	Muslim Commercial Bank Limited	2,000	0.01
4	National Bank of Pakistan	2,906,900	13.98
5	The Bank of Punjab	8,253	0.04
	Total	**3,017,253**	**14.51**

Sr. No.	Name of Shareholders	Shares Held	Percentage
Insurance Companies			
1	Eastern "Federal Union Insurance Company"	200	0.00
	Total	**200**	**0.00**
Joint Stock Companies			
1	Assadullah Limited	500	0.00
2	Molasses Export Company Limited	100	0.00
3	Fateh Textile Mills Limited	50	0.00
4	Murree Brewery Company Limited	50	0.00
5	Ambreen Silk Mills Limited	400	0.00
6	Naseer Shaheed Limited	300	0.00
7	United Executors & Trustee Company Limited	2,200	0.01
8	Azeem Services Limited	100	0.00
9	NH Securities (Pvt) Limited	4,000	0.02
10	Pak Ismailia Cooperative	350	0.00
11	Co-oper & Co. (Private) Limited	90,000	0.43
	Total	**98,050**	**0.47**
General Public (Local)	**Total**	**1,027,211**	**4.94**
Others			
1	Abondent Properties	3,075	0.01
2	Secruties & Exchange Commission of Pakistan	1	0.00
	Total	**3,076**	**0.01**

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 36 of Listing Regulations of the Karachi and Islamabad Stock Exchange respectiverly, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of non-executive directors and at present, all the members of the Board are non-executive directors except for Chief Executive Officer.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No Casual vacancy occurred in the Board during the year.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged in-house orientation courses for its directors during the year to apprise them of the duties and responsibilities.

10. The Board has approved appointment of Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee, which comprises of three members. All members, including the chairman of the committee, are non-executive directors.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has set-up an effective internal audit function and the personnel involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

For and behalf of the Board

Place: Islamabad
Dated: 08 October, 2010

Anwar Saifullah Khan
Chairman/Director

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **KOHAT TEXTILE MILLS LIMITED** (the Company) to comply with the Listing Regulation No. 35 and 36 of the Karachi and Islamabad Stock Exchanges, respectively, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub - Regulation (xiii-a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June, 2010.

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

Place: Lahore
Dated: 08 October, 2010

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KOHAT TEXTILE MILLS LIMITED** (the Company) as at 30 June, 2010 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as described in note 5.1 to the financial statements with which we concur;

   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and, except for the fact that deferred tax asset has been recognised despite the availability of unused tax losses and mark-up subsidy on business loans received subsequent to the balance sheet date has been recognised in these financial statements as detailed in notes 22.1 and 28.2 respectively and the extent to which these may affect the annexed financial statements, respectively give a true and fair view of the state of the Company's affairs as at 30 June, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

Place: Lahore
Dated: 08 October, 2010

BALANCE SHEET

	Note	2010	2009
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL			
Authorised capital			
22,000,000 ordinary shares of Rs.10 each		**220,000**	220,000
Issued, subscribed and paid-up	7	**208,000**	208,000
ACCUMULATED LOSS		**(195,256)**	(226,094)
		12,744	(18,094)
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS	8	**301,470**	315,849
NON-CURRENT LIABILITIES			
Sub-ordinated loan	9	**100,000**	100,000
Long term financing	10	**262,500**	287,500
Liabilities against assets subject to finance lease	11	**0**	7,973
Long term deposits	12	**1,263**	1,018
Deferred liability - Staff retirement benefits	13	**23,906**	20,659
		387,669	417,150
CURRENT LIABILITIES			
Trade and other payables	14	**143,645**	126,602
Accrued interest / mark-up	15	**46,534**	24,024
Short term borrowings	16	**553,799**	293,026
Current portion of long term liabilities	17	**89,221**	87,257
		833,199	530,909
CONTINGENCIES AND COMMITMENTS	18		
		1,535,082	1,245,814

The annexed notes form an integral part of these financial statements.
The Chief Executive is out of Pakistan and in his absence these financial statement have been signed by two Directors as required under section 241(2) of the companies ordinance, 1984.

HOOR YOUSAFZAI
DIRECTOR

AS AT 30 JUNE, 2010

	Note	2010	2009
		(Rupees in thousand)	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	19	759,674	800,154
Long term loans	21	1,275	1,185
Long term deposits		1,137	1,137
Deferred taxation	22	66,784	63,526
		828,870	866,002
CURRENT ASSETS			
Stores, spare parts and loose tools	23	20,934	23,009
Stock-in-trade	24	421,020	101,094
Trade debts	25	221,283	237,316
Loans and advances	26	2,552	3,667
Deposits and short term prepayments	27	998	558
Mark-up subsidy receiveable	28	24,859	0
Other receivables		400	192
Taxation	29	3,079	3,242
Sales tax refundable		10,512	9,923
Bank balances	30	575	811
		706,212	379,812
		1,535,082	1,245,814

JEHANGIR SAIFULLAH KHAN
DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2010

	Note	2010	2009
		(Rupees in thousand)	
SALES	31	**1,686,696**	1,444,643
COST OF SALES	32	**1,514,660**	1,444,217
GROSS PROFIT		**172,036**	426
DISTRIBUTION COST	33	**6,752**	10,365
ADMINISTRATIVE EXPENSES	34	**39,051**	39,573
OTHER OPERATING EXPENSES	35	**11,097**	317
OTHER OPERATING INCOME	36	**(857)**	(685)
		56,043	49,570
PROFIT / (LOSS) FROM OPERATIONS		**115,993**	(49,144)
FINANCE COSTS	37	**94,341**	140,849
PROFIT / (LOSS) BEFORE TAXATION		**21,652**	(189,993)
TAXATION			
- Current	29	**8,433**	258
- Prior year	29	**18**	252
- Deferred	22	**(3,258)**	(57,034)
		5,193	(56,524)
PROFIT / (LOSS) AFTER TAXATION		**16,459**	(133,469)
OTHER COMPREHENSIVE INCOME		**0**	0
TOTAL COMPREHENSIVE INCOME / (LOSS)		**16,459**	(133,469)
		------- Rupees -------	
EARNING / (LOSS) PER SHARE	38	**0.79**	(6.42)

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

The Chief Executive is out of Pakistan and in his absence these financial statement have been signed by two Directors as required under section 241(2) of the companies ordinance, 1984.

HOOR YOUSAFZAI
DIRECTOR

JEHANGIR SAIFULLAH KHAN
DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2010

	2010	2009
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) for the year - before taxation	**21,652**	(189,993)
Adjustments for non-cash and other charges:		
Depreciation and amortisation	**43,450**	60,046
Staff retirement benefits - gratuity (net)	**3,247**	320
Unclaimed payable balances written-back	**(32)**	(19)
Loss / (gain) on disposal of operating fixed assets	**9,312**	(334)
Finance cost (excluding bank charges)	**92,597**	139,055
CASH FLOW FROM OPERATING ACTIVITIES		
-Before working capital changes	**170,226**	9,075
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	**2,075**	2,347
Stock-in-trade	**(319,926)**	87,508
Trade debts	**16,033**	30,365
Loans and advances	**1,115**	(767)
Deposits and short term prepayments	**(440)**	286
Mark-up subsidy receivable	**(24,859)**	0
Other receiveable	**(208)**	1,256
Sales tax refundable	**(589)**	6,474
Increase in trade and other payables	**17,075**	55,132
	(309,724)	182,601
CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES		
- Before taxation	**(139,498)**	191,676
Income taxes paid	**(8,288)**	(2,905)
CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES		
- After taxation	**(147,786)**	188,771
Long term loans - net	**(90)**	1,236
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	**(147,876)**	190,007
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(25,993)**	(19,429)
Sale proceeds of operating fixed assets	**13,711**	11,997
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(12,282)**	(7,432)
CASH FLOW FROM FINANCING ACTIVITIES		
Sub-ordinated loan	**0**	100,000
Long term financing - net	**(6,250)**	100,000
Liabilities against assets subject to finance lease - net	**(24,759)**	(31,333)
Long term deposits	**245**	(508)
Short term borrowings - net	**260,773**	(208,708)
Finance costs paid	**(70,087)**	(141,272)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES	**159,922**	(181,821)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**(236)**	754
CASH AND CASH EQUIVALENTS - At beginning of the year	**811**	57
CASH AND CASH EQUIVALENTS - At end of the year	**575**	811

The annexed notes form an integral part of these financial statements.
The Chief Executive is out of Pakistan and in his absence these financial statement have been signed by two Directors as required under section 241(2) of the companies ordinance, 1984.

HOOR YOUSAFZAI
DIRECTOR

JEHANGIR SAIFULLAH KHAN
DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2010

	Share capital	Accumulated loss	Total equity
	------------- (Rupees in thousand) -------------		
Balance as at 30 June, 2008	208,000	(106,553)	101,447
Loss after taxation for the year ended 30 June, 2009	0	(133,469)	(133,469)
Transfer from surplus on revaluation of operating fixed assets on account of incremental depreciation for the year - net of deferred taxation	0	10,445	10,445
Surplus realised on disposal of revalued fixed assets - net of deferred taxation	0	3,483	3,483
Balance as at 30 June, 2009	208,000	(226,094)	(18,094)
Profit after taxation for the year ended 30 June, 2010	0	16,459	16,459
Transfer from surplus on revaluation of operating fixed assets on account of incremental depreciation for the year - net of deferred taxation	0	8,787	8,787
Surplus realised on disposal of revalued fixed assets - net of deferred taxation	0	5,592	5,592
Balance as at 30 June, 2010	**208,000**	**(195,256)**	**12,744**

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

The Chief Executive is out of Pakistan and in his absence these financial statement have been signed by two Directors as required under section 241(2) of the companies ordinance, 1984.

HOOR YOUSAFZAI
DIRECTOR

JEHANGIR SAIFULLAH KHAN
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2010

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. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is also the Company's functional currency.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates / judgments and associated assumptions used in the preparation of financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:

a) staff retirement benefits;
b) recognition and measurement of deferred tax assets and liabilities;
c) useful life of property, plant and equipment; and
d) taxation.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

5.1 Accounting standards, amendments and interpretations, which have been effective and adopted by the Company

(a) IAS 1 (revised) - 'Presentation of Financial Statements', requires presentation of transactions with owners in Statement of Changes in Equity and with non-owners in the Statement of Comprehensive Income. The revised standard requires an entity to opt for presenting such transactions either in a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. The Company has applied IAS 1 (revised) from 01 July, 2009 and has elected to present one performance statement (i.e. profit and loss account). However, since there are no non-owner changes in equity, there is no impact of such revised standard on these financial statements.

(b) Revised IAS 23 'Borrowing Costs' (amendment) removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Company's current accounting policy is in compliance with this amendment and, therefore, there is no effect of this change on the Company's financial statements.

(c) IFRS 7 (Amendment) 'Financial Instruments: Disclosures'; the amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings / (loss) per share.

(d) IFRS 8 'Operating Segments' introduces the 'management approach' to segment reporting. IFRS 8 requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Company's decision makers in order to assess each segment's performance and to allocate resources to them. This IFRS has no impact on the financial statements of the Company.

5.2 Standards, amendments to published standards and interpretations that are effective for the annual periods beginning on or after 01 July, 2009 but not relevant to the Company's financial statements

Other new standards, interpretations and amendments to existing standards, which are mandatory for accounting periods beginning on or after 01 July, 2009 are considered not to be relevant nor have any significant effect on the Company's operations; therefore are not detailed in these financial statements.

5.3 Standards, interpretations and amendments to published approved accounting standards and interpretations not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations of International Financial Reporting Standards will be effective for accounting periods beginning on or after the dates specified below:

- IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January, 2010).
- IAS 7 (Amendments) 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January, 2010).
- IAS 17 (Amendments) 'Leases' (effective for annual periods beginning on or after 01 January, 2010).
- IAS 24 (Revised) 'Related Party Disclosures' (effective for annual periods beginning on or after 01 February, 2010).
- IAS 32 (Amendments) 'Financial Instruments: Presentation – Classification of Rights Issues' (effective for annual periods beginning on or after 01 January, 2010).
- IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January, 2010).
- IFRS 2 (Amendment) 'Share-based Payments - Group Cash-settled Share-based Payment Transactions' (effective for annual periods beginning on or after 01 January, 2010).
- IFRS 5 (Amendments) 'Non-current Assets Held for Sale and Discontinued Operations' (effective for annual periods beginning on or after 01 January, 2010).
- IFRS 8 (Amendments) 'Operating Segments' (effective for annual periods beginning on or after 01 January, 2010).
- IFRIC 14 (Amendments) - 'The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction' (effective for annual periods beginning on or after 01 January, 2011).
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 01 July, 2010).

The International Accounting Standards Board made certain amendments to the existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2011 financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

6.1 Taxation

(a) Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset may be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

6.2 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

6.3 Trade and other payables

Creditors relating to trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

6.4 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on the balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to profit and loss account.

6.5 Staff retirement benefits - (defined benefit plan)

The Company operates an un-funded gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on 30 June, 2010 on the basis of projected unit credit method by an independent Actuary.

Net cumulative unrecognised actuarial gains / losses relating to pervious reporting periods in excess of 10% of present value of defined benefit obligation is recognised as income or expense over the estimated remaining working life of the employees.

6.6 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

6.7 Borrowings and borrowing costs

All borrowings are recorded at the proceeds received. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which these are incurred.

6.8 Property, plant and equipment

These are stated at fair value, except for fire extinguishing equipment, furniture & fixtures, vehicles and live stock, based on valuations carried-out with sufficient regularity by external independent Valuers, less subsequent amortisation / depreciation. Any accumulated amortisation / depreciation at the date of revaluation is eliminated against the gross carrying amount of asset and the net amount is restated to the revalued amount of asset. Fire extinguishing equipment, furniture & fixtures, vehicles and live stock are stated at historical cost less accumulated depreciation. Cost of some items of plant and machinery consists of historical cost and exchange fluctuation effects on foreign currency loans capitalised during prior years. Borrowing costs are also capitalised for the period upto the date of commencement of commercial production of the respective plant and machinery, acquired out of the proceeds of such borrowings. Historical cost includes expenditure that is directly attributable to the acquisition of items. Capital work-in-progress is stated at cost.

Operating fixed assets, as detailed in note 8, were revalued during prior years. Surplus arisen on revaluation of these assets was credited to the surplus on revaluation of operating fixed assets account in accordance with the requirements of section 235 of the Companies Ordinance, 1984 and shall be held on the balance sheet till realisation. Revaluation is carried-out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of these assets (net of deferred taxation) is transferred directly to accumulated loss.

Depreciation is taken to profit and loss account applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 19.1. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to operating fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of item can be measured reliably. All other repairs and maintenance are charged to income during the financial year in which they are incurred.

Gain / loss on disposal of property, plant and equipment, if any, is taken to profit and loss account.

6.9 Intangible assets

These are stated at cost less accumulated amortisation except assets-in-progress, which are stated at cost. Amortisation is charged to income applying straight-line method to amortise the cost of intangible assets over their estimated useful life. Rate of amortisation is stated in note 20.

Gain / loss on retirement / disposal of intangible assets is taken to profit and loss account.

6.10 Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets. The related obligation of lease is accounted for as liability. Finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Depreciation is charged at the rates stated in note 19.1 applying reducing balance method to write-off the cost of asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

Finance cost and depreciation on leased assets are charged to income currently.

6.11 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated to the balance sheet date.

6.12 Stock-in-trade

Basis of valuation are as follows:

Particulars		**Mode of valuation**
Raw materials:		
At mills	-	At lower of moving average cost and market value.
In transit	-	At cost accumulated to the balance sheet date.
Work-in-process	-	At manufacturing cost.
Finished goods	-	At lower of cost and net realisable value.
Waste	-	At contracted rates.

Cost in relation to work-in-process and finished goods consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of moving average cost.

Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

6.13 Trade debts

Trade debts are carried at original invoice amount less an estimate for doubtful debts based on review of outstanding amounts at the year-end. Bad debts are written-off when identified.

6.14 Cash and cash equivalents

Cash and cash equivalents, for the purpose of cash flow statement, comprise of cash-in-hand and at banks, which are subject to an insignificant risk of change in value. Cash and cash equivalents are carried in the balance sheet at cost, except for foreign currency deposits which are carried at fair value.

6.15 Revenue recognition

- Local sales through agents are recorded on intimation from agents whereas direct sales are recorded when goods are despatched to customers. Export sales are booked on shipment of goods.

- Return on bank deposits is accounted for on ‘accrual basis’.

6.16 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities are included in the profit and loss for the year. All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

6.17 Off-setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

6.18 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account.

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010	2009		2010	2009
(No. of shares)			(Rupees in thousand)	
14,525,400	14,525,400	ordinary shares of Rs. 10 each fully paid in cash	**145,254**	145,254
6,274,600	6,274,600	ordinary shares of Rs.10 each issued as fully paid-up by conversion of loans and debentures	**62,746**	62,746
20,800,000	20,800,000		**208,000**	208,000

7.1 16,220,010 (2009: 16,220,010) ordinary shares are held by the following Associated Companies at the year-end:

	2010	2009
	(No. of shares)	
- Saif Holdings Ltd.	**9,880,000**	9,880,000
- GlobeComm (Pvt.) Ltd.	**6,340,010**	6,340,010
	16,220,010	16,220,010

8. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - Net

This represents surplus over book values resulted from the revaluations of freehold land, buildings on freehold land and plant & machinery during the years 1984, 1995, 2004, 2005 and 2008 adjusted only by surplus realised on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation.

The Company, as at 31 December, 2008, has revalued its plant & machinery, diesel generators & fuel reservoir, gas fired power plant, electric installations and equipment & appliances. The latest revaluation exercise has been carried-out by Indus Surveyors (Pvt.) Ltd. Gulberg, Lahore to replace the carrying amounts of these assets with their depreciated market values. The net appraisal surplus arisen on the latest revaluation aggregating Rs.100.274 million has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

	Note	2010	2009
		(Rupees in thousand)	
Balance at beginning of the year		**315,849**	264,599
Add: surplus arisen on revaluation carried-out during the year		**0**	100,274
Less: related deferred taxation		**0**	35,096
		0	65,178
		315,849	329,777
Less:			
- transferred to accumulated loss on account of incremental depreciation for the year - net of deferred taxation		**8,787**	10,445
- surplus realised on disposal of revalued asset - net of deferred taxation		**5,592**	3,483
		14,379	13,928
Balance at end of the year		**301,470**	315,849

9. SUB-ORDINATED LOAN - Unsecured

The Company and Saif Holdings Ltd. (SHL) have entered into a loan agreement on 21 October, 2009; 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.

The effective mark-up charged by SHL during the year ranged between 14.23% to 14.57% (2009: at the rate of 15.44%) per annum.

10. LONG TERM FINANCING - Secured

	Note	2010	2009
The Bank of Punjab (BoP)			
Term finance - I	**10.1**	**250,000**	250,000
Term finance - II	**10.2**	**93,750**	100,000
		343,750	350,000
Less: current portion grouped under current liabilities including an instalment amounting Rs.6.250 million due on 30 June, 2010, which has been repaid on 22 July, 2010		**81,250**	62,500
		262,500	287,500

10.1 This finance facility is secured against first pari passu charge on fixed assets of the Company for Rs. 333.334 million. Originally, the principal balance of this finance facility was repayable in 20 equal quarterly instalments of Rs.12.500 million with effect from August, 2009. However BoP, vide its letter Ref # BOP/CBU (N)/2009/420 dated 08 September, 2009, has approved extension in repayment of this finance facility; accordingly, repayment of the year-end balance will commence from August, 2010.

10.2 BoP, during the preceding financial year for balance sheet restructuring of the Company, had converted short term running finance facility of Rs.100 million into Term Finance - II facility. This facility is repayable in 16 equal quarterly instalments of Rs.6.250 million commenced from March, 2010 and is secured against registered first pari passu hypothecation charge on fixed assets of the Company valuing Rs.133.334 million.

10.3 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 current financial year, ranged between 15.58% to 15.85% (2009: 16.02% to 18.80%) per annum.

11. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	**2010**			2009		
	Upto one year	**From one year to five years**	**Total**	Upto one year	From one year to five years	Total
	------------------	**(Rupees**	**in thousand)**	------------------		
Minimum lease payments	**8,342**	**0**	**8,342**	32,155	8,407	40,562
Less: finance cost						
- allocated to future periods	**216**	**0**	**216**	2,271	304	2,575
- accrued during the year	**25**	**0**	**25**	127	0	127
	241	**0**	**241**	2,398	304	2,702
	8,101	**0**	**8,101**	29,757	8,103	37,860
Less: security deposits adjustable on expiry of lease terms	**130**	**0**	**130**	5,000	130	5,130
Present value of minimum lease payments	**7,971**	**0**	**7,971**	24,757	7,973	32,730

11.1 The Company has entered into lease agreements with First National Bank Modaraba and AlBaraka Islamic Bank to acquire plant & machinery, gas fired power plant and vehicles. The liabilities under the lease agreements are payable in monthly instalments by May, 2011. These facilities, during the current financial year, carried finance cost at the rates ranging from 7.50% to 15.67% (2009:12.51% to 17.15%) 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.

12. LONG TERM DEPOSITS

These deposits have been received in accordance with the Company's Car Incentive Scheme and against these deposits vehicles have been provided to the employees. These are adjustable after specified periods by transfer of title of vehicles to the respective employees.

13. DEFERRED LIABILITY - STAFF RETIREMENT BENEFITS (Gratuity)

Projected unit credit method, as allowed under IAS 19 (Employee Benefits), has been used for actuarial valuation based on the following significant assumptions:

	2010	2009
- discount rate	**12%**	12%
- expected rate of eligible salary increase in future years	**11%**	11%
- average expected remaining working life time of employees	**10 years**	11 years

The amount recognised in the balance sheet is as follows:

	2010	2009
	(Rupees in thousand)	
Present value of defined benefit obligation	**25,835**	24,494
Unrecognised actuarial loss	**(1,929)**	(3,835)
Net liability as at 30 June,	**23,906**	20,659
Net liability as at 01 July,	**20,659**	20,339
Charge to profit and loss account	**8,467**	12,675
Payments made during the year	**(5,220)**	(12,355)
Net liability as at 30 June,	**23,906**	20,659

The movement in the present value of defined benefit obligation is as follows:

Opening balance	**24,494**	24,314
Current service cost	**5,402**	9,617
Interest cost	**2,939**	2,918
Benefits paid	**(5,220)**	(12,355)
Actuarial gain	**(1,780)**	0
Closing balance	**25,835**	24,494

Charge to profit and loss account:

Current service cost	**5,402**	9,617
Interest cost	**2,939**	2,918
Actuarial loss recognised	**126**	140
	8,467	12,675

Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2010	2009	2008	2007	2006
	---------------(Rupees in thousand)---------------				
Present value of defined benefit obligation	**52,835**	24,494	24,314	14,606	16,933
Experience adjustment on obligation	**(1,780)**	0	4,028	(1,593)	3,154

14. TRADE AND OTHER PAYABLES

	Note	2010	2009
		(Rupees in thousand)	
Creditors		**13,566**	10,769
Bills payable	**14.1**	**87,038**	0
Due to Associated Companies	**14.2**	**5,720**	95,288
Accrued expenses		**35,563**	20,391
Workers' (profit) participation fund - allocation for the year		**1,163**	0
Workers' welfare fund		**442**	0
Unclaimed dividends		**153**	154
		143,645	126,602

14.1 These are secured against import documents.

14.2 This includes balance amounting Rs.5.231 million (2009: Rs. 94.800 million) payable to Mediterranean Textile Company, Egypt - an Associated Company in respect of normal business transactions.

15. ACCRUED MARK-UP AND INTEREST

	2010	2009
Mark-up accrued on:		
- sub-ordinated loan	**17,819**	3,459
- long term financing	**13,361**	13,979
- short term borrowings	**15,283**	6,432
Interest accrued on lease finances	**71**	154
	46,534	24,024

16. SHORT TERM BORROWINGS

	Note	2010	2009
Borrowings from:			
- banking companies and a financial institution - secured	**16.1**	**543,799**	283,026
- an Associated Company - unsecured	**16.2**	**10,000**	10,000
		553,799	293,026

16.1 Short term finance facilities available from various commercial banks and a Modaraba aggregate Rs.532.500 million (2009: Rs.650 million). These facilities, during the current financial year, carried mark-up at the rates ranging from 2.39% to 16.48% (2009:4.63% to 18.27%) per annum payable on quarterly basis. Facilities available for opening letters of credit / guarantee from various commercial banks aggregate Rs. 230.500 million (2009: Rs. 298 million) of which the amounts aggregating Rs. 82.736 million (2009: Rs. 230.407 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, 2011.

16.2 The Company, during the preceding financial year, had obtained a short term loan from Saif Holdings Limited (an Associated Company) for a period of one year to meet its working capital requirements. The parties on 11 February, 2010 have mutually agreed to renew this loan facility for a further period of one year on the same terms and conditions. This loan, during the year, carried mark-up at the rates ranging from 6.52% to 12.41% (2009:15.07% to 17.82%) per annum.

	Note	2010	2009
		(Rupees in thousand)	
17. CURRENT PORTION OF LONG TERM LIABILITIES			
Long term financing	10	**81,250**	62,500
Liabilities against assets subject to finance lease	11	**7,971**	24,757
		89,221	87,257

18. CONTINGENCIES AND COMMITMENTS

18.1 The Company has filed a claim for Rs.268 thousand with the Customs and Central Excise Department in respect of rebate of excise duty already paid for manufacturing of man-made yarn.

18.2 (a) National Bank of Pakistan, on behalf of the Company, has issued an inland bank guarantee of Rs.8 million (2009: Rs.8 million) in favour of Sui Northern Gas Pipelines Ltd. (SNGPL). The guarantee is secured against pari passu charge over the Company's fixed assets for Rs. 8 million.

(b) AlBaraka Islamic Bank, on behalf of the Company, has issued a bank guarantee of Rs.3 million (2009: Rs.3 million) in favour of SNGPL. The guarantee is secured against first pari passu charge for Rs.5 million over the Company's current assets.

(c) United Bank Limited, during the current financial year on behalf of the Company, has also issued a bank guarantee of Rs.8 million in favour of SNGPL. The guarantee is secured against pari passu hypothecation charge for Rs.20 million over the Company's fixed assets.

18.3 Commitments, other than for capital expenditure, against irrevocable letters of credit outstanding at the year-end were for Rs.128.764 million (2009: Rs.56.593 million).

	Note	2010	2009
19. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	19.1	**748,745**	792,683
Capital work-in-progress - gas fired power plant		**10,316**	0
Stores held for capital expenditure - in transit		**613**	7,471
		759,674	800,154

19.1 Operating fixed assets - tangible

	Owned														Leased			
		Buildings on freehold land																
				Residential														
	Freehold land	Factory	Non - factory	officers	workers	Plant & machinery	Diesel generators & fuel reservoir	Gas fired power plant	Electric installations	Equipment & appliances	Fire extinguishing equipment	Furniture & fixtures	Vehicles	Livestock	Plant & machinery	Gas fired power plant	Vehicles	Total
	(Rupees in thousand)																	
As at 30 June, 2008																		
Cost / revaluation	173,700	106,819	40,324	26,621	7,668	510,955	28,408	6,462	23,993	36,396	1,460	6,039	13,090	1	122,907	37,814	2,207	1,144,864
Accumulated depreciation	0	889	166	111	1,877	273,726	21,267	1,428	15,444	19,517	858	2,423	7,238	0	37,876	9,737	147	392,704
Book value	173,700	105,930	40,158	26,510	5,791	237,229	7,141	5,034	8,549	16,879	602	3,616	5,852	1	85,031	28,077	2,060	752,160
Year ended 30 June, 2009:																		
Additions	0	0	0	0	0	7,057	0	2,179	10	395	0	54	2,263	0	0	0	0	11,958
Disposals:																		
cost / revaluation	0	0	0	0	0	0	(23,342)	0	0	0	0	0	(3,537)	0	0	0	0	(26,879)
depreciation	0	0	0	0	0	0	12,603	0	0	0	0	0	2,613	0	0	0	0	15,216
Depreciation charge	0	10,593	2,008	1,326	579	27,536	914	670	1,178	1,686	60	367	1,389	0	8,389	2,939	412	60,046
Revaluation surplus	0	0	0	0	0	79,894	6,217	1,036	6,876	242	0	0	0	0	1,977	4,032	0	100,274
Book value as at June 30, 2009	173,700	95,337	38,150	25,184	5,212	296,644	1,705	7,579	14,257	15,830	542	3,303	5,802	1	78,619	29,170	1,648	792,683
Year ended 30 June, 2010:																		
Additions	0	4,887	3,333	0	0	12,451	0	0	0	1,024	0	0	840	0	0	0	0	22,535
Disposals:																		
cost / revaluation	0	0	0	0	0	(54,216)	0	0	0	0	0	0	0	0	0	0	0	(54,216)
depreciation	0	0	0	0	0	31,193	0	0	0	0	0	0	0	0	0	0	0	31,193
Depreciation charge	0	4,923	1,967	1,259	521	20,952	128	568	1,426	1,620	54	331	1,287	0	5,896	2,188	330	43,450
Book value as at June 30, 2010	173,700	95,301	39,516	23,925	4,691	265,120	1,577	7,011	12,831	15,234	488	2,972	5,355	1	72,723	26,982	1,318	748,745
As at 30 June, 2009																		
Cost / revaluation	173,700	106,819	40,324	26,621	7,668	518,012	5,066	8,641	24,003	36,791	1,460	6,093	11,816	1	122,907	37,814	2,207	1,129,943
Accumulated depreciation	0	11,482	2,174	1,437	2,456	221,368	3,361	1,062	9,746	20,961	918	2,790	6,014	0	44,288	8,644	559	337,260
Book value	173,700	95,337	38,150	25,184	5,212	296,644	1,705	7,579	14,257	15,830	542	3,303	5,802	1	78,619	29,170	1,648	792,683
As at 30 June, 2010																		
Cost / revaluation	173,700	111,706	43,657	26,621	7,668	476,247	5,066	8,641	24,003	37,815	1,460	6,093	12,656	1	122,907	37,814	2,207	1,098,262
Accumulated depreciation	0	16,405	4,141	2,696	2,977	211,127	3,489	1,630	11,172	22,581	972	3,121	7,301	0	50,184	10,832	889	349,517
Book value	173,700	95,301	39,516	23,925	4,691	265,120	1,577	7,011	12,831	15,234	488	2,972	5,355	1	72,723	26,982	1,318	748,745
Depreciation rate (%)	0	5	5	5	10	7.5	7.5	7.5	10	10	10	10	20	0	7.5	7.5	20	

19.2 Disposal of plant and machinery

Particulars	Cost / revaluation	Accumulated depreciation	Book value	Sale proceeds	(Loss)	Sold through negotiations to:
	------------ (Rupees in thousand) ------------					
Ring frames	39,374	23,699	15,675	7,161	(8,514)	Nauhad Textile Machinery Traders, Faisalabad.
Cone winder	1,831	896	935	250	(685)	-- do --
Ring frames	13,011	6,598	6,413	6,300	(113)	Saif Textile Mills Ltd. (an Associated Company).
	54,216	31,193	23,023	13,711	(9,312)	

19.3 Had the operating fixed assets been recognised under the cost model, the carrying amounts of each revalued class of operating fixed assets would have been as follows:

	2010	2009
	(Rupees in thousand)	
Owned:		
Freehold land	**474**	474
Buildings on freehold land:		
- Factory	**30,328**	26,945
- Non-factory	**9,706**	6,771
Residential:		
- Officers	**353**	372
- Workers	**286**	318
Plant & machinery	**203,401**	220,744
Diesel generators & fuel reservoirs	**1,029**	1,113
Gas fired power plant	**6,100**	6,594
Electric installations	**6,954**	7,727
Equipment & appliances	**15,025**	15,599
Leased:		
Plant & machinery	**69,178**	74,787
Gas fired power plant	**25,245**	27,292
	368,079	388,736

19.4 a) The management, during the current financial year, in order to ascertain the useful life of operating fixed assets carried-out an internal exercise and assessed the remaining useful life of depreciable assets. Keeping in consideration the assessed useful life of depreciable assets the depreciation rates were found excessive for factory buildings, plant & machinery, diesel generators & fuel reservoir and gas fired power plant. Consequently, depreciation rates have been reduced to 5% from 10% for factory buildings and to 7.5% from 10% for plant & machinery, diesel generators & fuel reservoir and gas fired power plant. The management, in this regard, has also obtained opinion from independent Valuers [M/s Dimen Associates (Pvt.) Ltd., Lahore approved Valuers of Pakistan Banks Association]; the Valuers have confirmed the depreciation rates adopted by the management.

b) The aforementioned revision has been accounted for as change in accounting estimates in accordance with the requirements of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). The effect of this change in accounting estimate has been recognised prospectively in the profit and loss account of the current year. Had there been no revision, profit for the current year would have been lower by Rs.14.834 million with corresponding effect on the carrying values of operating fixed assets. Accordingly, earnings per share for the year ended 30 June, 2010 would have been Re.0.08 instead of Re.0.79.

	Note	**2010**	2009
		(Rupees in thousand)	
19.5 Depreciation for the year has been apportioned as under:			
Cost of sales		**39,619**	55,904
Administrative expenses		**3,831**	4,142
		43,450	60,046

20. INTANGIBLE ASSETS - Computer software

This computer software was fully amortised during the financial year ended 30 June, 2009 and is still in use. Amortisation was charged to income applying the straight-line method at the rate of 20% per annum.

21. LONG TERM LOANS - Secured

	Note	2010	2009
Loans to employees	**21.1**	**1,597**	1,541
Less: current portion grouped under current assets		**322**	356
		1,275	1,185

21.1 These interest-free loans have been advanced for various purposes and are secured against employees' gratuity benefits. These loans, except for twenty three loans (2009: twenty two loans), are recoverable in lump sum at the time of retirement by way of adjustment against gratuity benefits of the respective employees.

21.2 The fair value adjustments as required by IAS 39 (Financial Instruments: Recognition and Measurement) arising in respect of staff loans are not considered material and hence not recognised.

22. DEFERRED TAXATION - Net

This is composed of the following:

	Note	2010	2009
Deductible temporary differences arising in respect of:			
- unused tax losses	**22.1**	**200,667**	203,397
- minimum tax recoverable against normal tax charge in future years		**32,009**	26,724
		232,676	230,121
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		**(133,325)**	(139,748)
- lease finances		**(32,567)**	(26,847)
		(165,892)	(166,595)
		66,784	63,526

22.1 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.

		2010	2009
23.	**STORES, SPARE PARTS AND LOOSE TOOLS**	**(Rupees in thousand)**	
	Stores	**7,831**	12,113
	Spare parts	**12,039**	9,793
	Loose tools	**1,064**	1,103
		20,934	23,009
24.	**STOCK-IN-TRADE**		
	Raw materials:		
	- at mills	**308,007**	54,039
	- in-transit	**61,567**	0
		369,574	54,039
	Work-in-process	**46,262**	34,118
	Finished goods	**5,184**	12,937
		421,020	101,094

24.1 The entire closing stock-in-trade inventory is pledged with commercial banks as security for short term borrowings (note 16.1).

25. TRADE DEBTS - Unsecured, considered good
These represent receivables from local customers.

		2010	2009
26.	**LOANS AND ADVANCES**		
	Current portion of long term loans	**322**	356
	Advances - considered good		
	- executives	**0**	165
	- employees	**375**	461
		375	626
	- suppliers	**1,855**	2,685
		2,552	3,667
27.	**DEPOSITS AND SHORT TERM PREPAYMENTS**		
	Security deposits	**245**	5
	Short term prepayments	**753**	553
		998	558

28. MARK-UP SUBSIDY RECEIVABLE

28.1 The Federal Government, subsequent to the balance sheet date, has included the entire Textile Sector of Khyber Pakhtunkhwa in the Prime Minister's Fiscal Relief Package to rehabilitate the economic life in FATA / PATA / Khyber Pakhtunkhwa. The Company, in terms of SMEFD Circular No.11 dated 01 July, 2010 read with SMEFD Circular Letter No.13 of 2010 dated 31 August, 2010, is eligible to avail mark-up rate differential on business loans comprising of long term financing, lease finances and short term borrowings outstanding as at 31 December, 2009. The Company's claims aggregating Rs.24.859 million have been processed by the banks and credits there against given to the Company during the months of September and October, 2010, which have been recognised during the current financial year by adjusting the relevant expenses (note 37).

28.2 In the opinion of external Auditors, to comply with the requirements of IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), the aforementioned mark-up subsidy should have been recognised in the profit and loss account for the year ending 30 June, 2011 instead of the profit and loss account for the current year ended 30 June, 2010.

29. TAXATION - Net

	2010	2009
	(Rupees in thousand)	
Balance of advance tax at beginning of the year	**3,242**	847
Add: income tax deducted / paid during the year	**8,288**	2,905
	11,530	3,752
Less: provision made during the year:		
- current	**(8,433)**	(258)
- prior	**(18)**	(252)
	(8,451)	(510)
Balance of advance tax at end of the year	**3,079**	3,242

29.1 Income tax assessments of the Company have been completed upto the Tax Year 2009; the return for the said year has not been taken up for audit till 30 June, 2010.

29.2 Provision for the current year represents minimum tax payable under section 113 of the Income Tax Ordinance, 2001 (the Ordinance). Due to location in the most affected area, the Company's income is exempt from tax for a period of three years under clause 126F of the second schedule to the Ordinance starting from the tax year 2010.

29.3 No numeric tax rate reconciliation is presented in these financial statements as the Company is only liable to pay tax due under section 113 of the Ordinance.

29.4 Tax losses available for carry forward as at 30 June, 2010 aggregated Rs.573.335 million.

30. BANK BALANCES

These represent balances in current accounts.

31. SALES

Own manufactured goods:		
Local		
- yarn	**1,668,473**	1,212,510
- waste	**2,950**	13,552
	1,671,423	1,226,062
Export - yarn	**0**	27,657
	1,671,423	1,253,719
Trading activities:		
- yarn	**11**	124,467
- raw materials	**15,262**	66,457
	15,273	190,924
	1,686,696	1,444,643

	Note	2010	2009
32. COST OF SALES		**(Rupees in thousand)**	
Raw materials consumed	**32.1**	**1,230,665**	906,876
Packing materials consumed		**22,371**	20,172
Salaries, wages and benefits	**32.2**	**102,837**	88,176
Power and fuel		**105,368**	111,683
Repair and maintenance		**16,057**	17,659
Depreciation		**39,619**	55,904
Insurance		**2,114**	2,158
Textile cess		**7**	44
Doubling charges		**0**	1,701
		1,519,038	1,204,373
Adjustment of work-in-process			
Opening		**34,118**	29,147
Closing		**(46,262)**	(34,118)
		(12,144)	(4,971)
Cost of goods manufactured		**1,506,894**	1,199,402
Cost of yarn purchased		**13**	218,256
Adjustment of finished goods			
Opening stock		**12,937**	39,496
Closing stock		**(5,184)**	(12,937)
		7,753	26,559
		1,514,660	1,444,217

	2010	2009
32.1 Raw materials consumed		
Opening stock	**54,039**	119,959
Add:		
Purchases	**1,529,666**	774,978
Cost of raw materials sold	**16,045**	65,617
Insurance	**482**	299
	1,546,193	840,894
	1,600,232	960,853
Less: closing stock	**369,574**	54,039
	1,230,658	906,814
Add: cotton cess	**7**	62
	1,230,665	906,876

32.2 These include Rs.5,604 thousand (2009: Rs.8,388 thousand) in respect of staff retirement benefits - gratuity.

33. DISTRIBUTION COST	Note	2010	2009
Freight and forwarding		**396**	2,310
Travelling and conveyance		**429**	478
Salaries and benefits	**33.1**	**4,882**	5,044
Commission		**419**	1,186
Export expenses		**0**	459
Rent, rates and utilities		**158**	144
Communication		**167**	300
Insurance		**298**	424
Advertisement		**0**	7
Others		**3**	13
		6,752	10,365

33.1 These include Rs.1,191 thousand (2009: Rs.1,785 thousand) in respect of staff retirement benefits - gratuity

	Note	2010	2009
34. ADMINISTRATIVE EXPENSES		**(Rupees in thousand)**	
Directors' remuneration and fees		**2,716**	2,732
Salaries and benefits	**34.1**	**12,048**	12,338
Travelling and conveyance:			
- directors		**0**	3
- others		**685**	661
Rent, rates and taxes		**8,283**	7,586
Entertainment and guest house expenses		**873**	817
Communication		**1,447**	1,437
Printing and stationery		**1,009**	1,157
Utilities		**1,720**	1,549
Insurance		**681**	2,179
Vehicles' running		**2,529**	2,359
Repair and maintenance		**1,520**	1,169
Advertisement		**59**	97
Subscription		**69**	167
Newspapers & periodicals		**28**	50
Depreciation		**3,831**	4,142
Auditors' remuneration:			
- statutory audit		**500**	175
- short provision for the preceding year		**200**	24
- half yearly review		**110**	110
- certification charges		**10**	25
- consultancy services		**145**	120
		965	454
Legal and professional (other than Auditors')		**327**	384
Others		**261**	292
		39,051	39,573

34.1 These include Rs.1,672 thousand (2009: Rs.2,502 thousand) in respect of staff retirement benefits - gratuity.

34.2 The Company, during the current financial year, has shared administrative expenses aggregating Rs.3.378 million (2009: Rs.1.874 million) with its Associates on account of proportionate expenses of the combined offices at Karachi and Lahore. These expenses have been booked in the respective heads of account.

	Note	2010	2009
35. OTHER OPERATING EXPENSE			
Loss on sale of plant & machinery	**19.2**	**9,312**	0
Donations	**35.1**	**180**	317
Workers' (profit) participation fund		**1,163**	0
Workers' welfare fund		**442**	0
		11,097	317

35.1 The balance represents (2009: Rs.180 thousand) amount donated to Saifullah Foundation for Sustainable Development (a social welfare society) administered by the following directors of the Company:

- Mr. Anwar Saifullah Khan
- Mr. Osman Saifullah Khan
- Begum Kulsum Saifullah Khan
- Mr. Jehangir Saifullah Khan

36. OTHER OPERATING INCOME

	2010	2009
	(Rupees in thousand)	
Sale of scrap [net of sales tax of Rs.52 thousand (2009:Rs.53 thousand)]	**323**	332
Gain on disposal of operating fixed assets	**0**	334
Unclaimed payable balances written-back	**32**	19
Exchange fluctuation gain - net	**502**	0
	857	685

37. FINANCE COST - Net

Mark-up on subordinated loan	**14,360**	3,459
Mark-up on long term financing	**54,655**	52,099
Less: mark-up subsidy	**(15,423)**	(1,701)
	39,232	50,398
Mark-up on short term borrowings	**48,712**	65,342
Less: mark-up subsidy	**(11,004)**	0
	37,708	65,342
Lease finance charges	**2,170**	6,580
Less: mark-up subsidy	**(873)**	(1,147)
	1,297	5,433
Exchange fluctuation loss - net	**0**	14,423
Bank and other charges	**1,744**	1,794
	94,341	140,849

38. EARNINGS / (LOSS) PER SHARE

Profit / (loss) after taxation attributable to ordinary shareholders	**16,459**	(133,469)
	No. of shares	
Weighted average number of shares outstanding during the year	**20,800,000**	20,800,000
Earnings / (loss) per share	**0.79**	(6.42)

38.1 A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 June, 2010 and 30 June, 2009, which would have any effect on the earnings / (loss) per share if the option to convert is exercised.

39. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:
- credit risk; - liquidity risk; and - market risk.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

39.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted and primarily arises from trade debts. Out of the total financial assets of Rs.249,696 thousand (2009: Rs.240,810 thousand), the financial assets which are subject to credit risk aggregated to Rs.248,099 thousand (2009: Rs.239,269 thousand).

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 60 days for local debtors to reduce the credit risk.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The maximum exposure to credit risk as at 30 June, 2010 along with comparative is tabulated below:

	2010	2009
	(Rupees in thousand)	
Long term deposits	**1,137**	1,137
Trade debts	**221,283**	237,316
Security deposits	**245**	5
Mark-up subsidy receivable	**24,859**	0
Bank balances	**575**	811
	248,099	239,269

All the trade debts at the balance sheet date represent domestic parties.

The ageing of trade debts at the balance sheet date is as follows:

Not past due	**142,862**	197,178
Past due 1-30 days	**99**	2,344
Past due more than 30 days	**78,322**	37,794
	221,283	237,316

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.163 million approximately have been realised subsequent to the year-end and for other debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

39.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company's treasury department maintains flexibility in funding by maintaining availability under committed credit lines.

Financial liabilities in accordance with their contractual maturities are presented below:

	2010				
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**	**5 years and above**
	Rupees in thousand				
Sub-ordinated loan	**100,000**	**169,902**	**14,230**	**155,672**	**0**
Long term financing	**343,750**	**468,361**	**128,807**	**339,554**	**0**
Liabilities against assets subject to finance lease	**7,971**	**8,212**	**8,212**	**0**	**0**
Trade and other payables	**142,040**	**142,040**	**142,040**	**0**	**0**
Accrued mark-up and financial charges	**46,534**	**46,534**	**46,534**	**0**	**0**
Short term borrowings	**553,799**	**592,318**	**592,318**	**0**	**0**
	1,194,094	**1,427,367**	**932,141**	**495,226**	**0**

	2009				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	Rupees in thousand				
Sub-ordinated loan	100,000	210,667	21,556	114,958	74,153
Long term financing	350,000	493,867	108,384	385,483	0
Liabilities against assets subject to finance lease	32,730	35,432	27,155	8,277	0
Trade and other payables	126,602	126,602	126,602	0	0
Accrued mark-up and financial charges	24,024	24,024	24,024	0	0
Short term borrowings	293,026	314,398	314,398	0	0
	926,382	1,204,990	622,119	508,718	74,153

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up / interest rates effective at the respective year-ends. The rates of mark-up / interest have been disclosed in the respective notes to these financial statements

39.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

(a) Currency risk

The Company is exposed to currency risk on short term borrowings, import of raw materials and stores & spares denominated in U.S. Dollar. The Company's exposure to foreign currency risk is as follows:

	2010	
	----- in thousand -----	
	Rupees	**U.S.$**
Short term borrowings	**50,891**	595
Bills payable	**87,038**	1,018
Accrued mark-up	**353**	4
Gross balance sheet exposure	**138,282**	1,617
Outstanding letters of credit	**128,764**	1,504
Total exposure	**267,046**	3,121

	2009	
	----- in thousand -----	
Outstanding letters of credit	56,593	696

The following significant exchange rates have been applied:

	Average rate		**Reporting date rate**	
	2010	2009	**2010**	2009
U.S. $ to Rupee	**84.94**	79.00	**85.60**	81.30

Sensitivity analysis

At the reporting date, if Rupee had strengthened by 10% against U.S. Dollar, with all other variables held constant, profit after taxation for the current year would have been higher by the amount shown below mainly as a result of foreign exchange gain on translation of foreign currency financial liabilities.

	2010	2009
Effect on profit for the year	**----- in thousand -----**	
U.S. $ to Rupee	**13,842**	0

The weakening of Rupee against U.S. Dollar would have had an equal but opposite impact on the profit after taxation.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the Company.

(b) Interest rate risk

At the reporting date, the mark-up and interest rate profile of the Company's significant financial liabilities is as follows:

	2010	2009	**2010**	2009
	Effective rate			
Financial liabilities	**%**	**%**	**Carrying amount**	
Variable rate instruments			**Rupees in thousand**	
Sub-ordinated loan	**14.23 to 14.57**	15.440	**100,000**	100,000
Long term financing	**15.58 to 15.85**	16.02 to 18.80	**343,750**	350,000
Liabilities against assets subject to finance lease	**7.50 to 15.67**	12.51 to 17.15	**7,971**	32,730
Short term borrowings	**2.39 to 16.48**	4.63 to 18.27	**553,799**	293,026

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in mark-up / interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in mark-up / interest rates at the balance sheet date would have (decreased) / increased profit for the year by the amounts shown below. The analysis is performed on the same basis for the year 2009.

	Decrease	**Increase**
As at 30 June, 2010	**Rupees in thousand**	
Cash flow sensitivity - variable rate financial liabilities	**(28)**	28
As at 30 June, 2009		
Cash flow sensitivity - Variable rate financial liabilities	**21**	(21)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit (2009: loss) for the year and liabilities of the Company.

39.4 Fair value of financial instruments

Carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

40. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratio under the financing agreements.

41. TRANSACTIONS WITH RELATED PARTIES

The Company has related party relationship with its Associated Companies, employee benefits plan, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. There were no transactions with key management personnel other than under the terms of employment. Amounts due from and to related parties are shown under receivables and payables and remuneration of key management personnel is disclosed in note 42. Other significant transactions with Associated Companies during the year were as follows:

	2010	2009
	(Rupees in thousand)	
Sale of :		
- goods and services	**16,453**	177,953
- fixed assets	**6,300**	0
Purchase of:		
- goods and services	**15,920**	340,337
- fixed assets	**0**	1,753

42. REMUNERATION OF DIRECTORS AND EXECUTIVES

Particulars	Director		Executives	
	2010	2009	**2010**	2009
	-------------- (Rupees in thousand) ---------------			
Managerial remuneration	**2,700**	2,700	**2,944**	2,818
Retirement benefits	**0**	0	**260**	231
Medical expenses reimbursed	**16**	23	**117**	75
	2,716	2,723	**3,321**	3,124
Number of persons	**1**	1	**2**	2

42.1 No meeting fee was paid to directors during the current financial year; (2009: meeting fees of Rs.2 thousand were paid to one non-executive director and Rs. 7 thousand to executive directors).

43. CAPACITY AND PRODUCTION

		2010	2009
		Figure in thousand	
No. of spindles installed		**30**	44
No. of spindles shifts worked		**30,562**	36,289
Rated capacity at 20's count	Kgs	**12,320**	14,114
Actual production 1,095 shifts (2009:1,095 shifts)	Kgs	**6,585**	5,614
Actual production converted into 20's count	Kgs	**13,640**	14,542

It is difficult to describe precisely the production capacity in textile spinning industry since it fluctuates widely depending on various factors, such as count of yarn spun, spindles speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted in a particular year.

44. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 08 October, 2010 by the board of directors of the Company.

45. FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison; however, no material re-arrangements have been made in these financial statements.

The Chief Executive is out of Pakistan and in his absence these financial statement have been signed by two Directors as required under section 241(2) of the companies ordinance, 1984.

HOOR YOUSAFZAI
DIRECTOR

JEHANGIR SAIFULLAH KHAN
DIRECTOR

PROXY FORM

I/we____

of____

a Member(s) of **KOHAT TEXTILE MILLS LIMITED** and holder of ____________________

Ordinary Shares, do hereby appoint____________________________

of____

or failing him__________________________________

of____

a member of **KOHAT TEXTILE MILLS LIMITED,** vide Registered Folio No.__________and/or

CDC participant I.D. No.________________ and Sub Account No. ________________

as my/our proxy to act on my/our behalf at the 44th Annual General Meeting of the Company to be held on 29 th October, 2010.

Signed this ________________________________ day of _______________2010

Signature

Affix
Revenue
Stamp

(Signature should agree with the Specimen Signature registered with the Company).

NOTES:

1. No proxy shall be valid unless it is duly stamped with a revenue stamp.
2. In the case of Bank or Company, the proxy form must be executed under its Common seal and signed by its authorised person.
3. If this proxy form is signed under a power of attorney or other authority then a notarially certified copy of that power of attorney/authority must be deposited alongwith this proxy form.
4. This form of proxy duly completed must be deposited at the Registered office of Company at least 48 hours before the meeting.
5. Individual CDC Account holders shall produce his/her original National Identity Card or Passport, account and participant's ID # to prove his/her identity. A corporate member from CDC must submit the board of directors' resolution or power of attorney and the specimen signature of the nominee, attending meeting.