بسم الله الرحمن الرحيم

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	Nauman Ahmed	
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 Bank (Pakistan) Limited 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 45th Annual General Meeting of the members of **Kohat Textile Mills Limited** will Insha Allah be held at registered office of the Company, **APTMA House, Tehkal Payan, Jamrud Road, Peshawar** on **Monday, October 31, 2011** at **03:00 P.M.** to transact the following business:

1) To confirm the minutes of the Extra Ordinary General Meeting held on February 02, 2011.

2) To receive, consider and adopt Annual Audited Financial Statements for the year ended June 30, 2011 together with the Directors' and Auditors' Reports thereon.

3) To appoint Auditors for the year 2011-2012 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 : **03 October, 2011**

MUMTAZ H. CHAUDHRY
Company Secretary

NOTES:

i. Share Transfer Books of the Company will remain closed from 25.10.2011 to 31.10.2011 (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

Dear Shareholdres

On behalf of the Board of Directors, it gives me pleasure to present the 45th Annual Audited financial statements for the year ended June 30, 2011.

GENERAL MARKET CONDITIONS

The year under review was an exceptional one for Pakistan's spinning industry. However, the performance of the Company can not be compared with other spinning mills manufacturing cotton yarns because the Company is designed to engage in manufacturing of synthetic fiber yarns for sale in local market. At the time of writing of this report it is unclear how the FY 2012 will unfold. The global economy is teetering on the brink of a "double dip" recession. Raw material prices both in domestic and international markets are volatile; the next two months will set the pricing tone for the year ahead.

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 26% from Rs. 1,687 Million last Year to Rs. 2,134 Million during the year under review.

This was primarily due to significant increase in the yarn rates and sharp rise in raw material prices.

Profitability
The Gross Profit earned during the year was Rs. 134.065 Million as compared to Rs. 172.036 Million for the previous year. The decrease in Gross Profit was due to sudden decrease in yarn demand in the last quarter.

During the year Company has earned Profit Before Tax amounting Rs. 27.771 Million as compared to Rs.21.652 Million in the previous year.

Your Company has been able to generate strong cash flows from operations of Rs.158.882 Million during the year. Cash flow from operations was used to repay Rs. 81.250 Million long-term debt and we reduced short-term borrowing by Rs. 36.480 Million.

Under the Honorable Prime Minister's Package for Fiscal Relief to Rehabilitate Economic Life in Khyber Pakthunkhwa, FATA and PATA the Company received a mark up subsidy of Rs. 53.629 Million(2010: Rs.24.859 Million). These funds were predominantly used to reduce leverage thereby improving our ability to compete in the years ahead.

FUTURE OUTLOOK

At the time of writing, the outlook for the global economy is grim. We operate in a business largely driven by discretionary spending and so expect that demand for textile products will remain muted in the near term. In addition, the present trend of increases in inflation, borrowing cost and cost of fuel and energy coupled with disruptions in power supply may lead to deterioration in the market condition.

The Management of your Company is considering various capital expenditure options aimed at reducing operational expenses.

EARNINGS PER SHARE

Earnings per share of the Company were Rs. 0.31 as compared to Rs. 0.79. The major reason for decrease in earnings per share is due to increase in rate of minimum tax from 0.5% to 1% of the turnover.

PROFIT APPROPRIATION

The Board in its meeting held on October 3, 2011 decided not to recommend cash dividend / bonus shares as your Management is considering an expansion and modernization program for the plant.

CONTRIBUTION TO THE NATIONAL ECONOMY

Besides payment to the financial institutions against long and short-term debt, the Company contributed Rs.84.527 Million (2010: Rs. 78.83 Million) to the National Exchequer during the year under review in sales tax, surcharges and various other levies.

EMPHASIS OF THE MATTER PARAGRAPH IN AUDITORS' REPORT

The auditors' in their report has drawn attention to Note 27.2 of the Financial Statements highlighting that the Company has booked the amount of relief ("subsidy") amounting Rs. 24.859 Million in the previous year instead of the current year's profit & loss account. However, there is no impact on accumulated losses of the Company as at 30 June, 2011.

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 are no such past or future conditions for the entity to comply with. Secondly, as per the matching concept of generally accepted accounting principles together with para 19 of IAS 18, the Company is allowed to book the income in the period in which the related costs are booked.

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 2011 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					
	2011	2010	2009	2008	2007	2006
Property, plant & equipment (RS 000)	727,438	759,674	800,154	752,160	644,698	676,148
Net worth (Rs 000)	320,647	314,214	297,755	366,046	306,829	329,693
Production (Kgs 000)	6,568	6,585	5,614	5,783	6,232	6,105
Sales (Rs 000)	2,133,636	1,686,696	1,444,643	1,438,648	1,317,002	1,180,286
Gross Profit (Rs 000)	134,065	172,036	426	67,708	101,870	128,311
Profit/(loss) from operations (Rs 000)	106,533	115,993	(49,829)	25,620	60,500	87,827
Net Profit/(loss) after taxation (Rs 000)	6,433	16,459	(133,469)	(55,221)	(22,864)	(1,550)
Earning/(Loss)per share (Rs)	0.31	0.79	(6.42)	(2.65)	(1.10)	(0.10)
No. of Spindles installed	29,520	30,000	44,000	44,000	44,000	44,000

l) During the Year 04 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	04
Osman Saifullah Khan	02
Kulsum Saifullah Khan	02
Jehangir Saifullah Khan	04
Hoor Yousafzai	04
Assad Saifullah Khan	04
Asif Saifullah Khan	02

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 31 October, 2011 until the conclusion of the next Annual General Meeting.

ACKNOWLEDGEMENT

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

For and on behalf of the Board

OSMAN SAIFULLAH KHAN
Chief Executive

Dated: 03 October, 2011

PATTERN OF SHAREHOLDING
AS AT 30TH JUNE, 2011

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
67	1,001	5,000	169,243
15	5,001	10,000	117,685
8	10,001	15,000	103,867
2	15,001	20,000	38,000
2	20,001	25,000	47,000
2	25,001	30,000	54,931
1	32,001	35,000	32,300
2	35,001	40,000	72,896
2	40,001	45,000	88,200
1	50,001	55,000	50,212
2	55,001	60,000	119,849
1	60,001	65,000	62,500
1	85,001	90,000	90,000
1	100,001	105,000	101,600
1	105,001	110,000	107,887
1	115,001	120,000	116,704
1	160,001	165,000	160,963
1	2,925,001	2,930,000	2,926,554
1	6,340,001	6,345,000	6,340,010
1	9,875,001	9,880,000	9,880,000
762	**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	4	9,616	0.05
Banks Development Financial Institutions Non-Banking Financial Institutions	4	2,936,907	14.12
Insurance Companies	1	200	0.00
Joint Stock Companies	12	143,050	0.69
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	718	1,082,961	5.21
B. Foreign		Nil	Nil
Others (to be specified)	2	3,076	0.01
	762	**20,800,000**	**100.00**

DETAIL OF CATEGORY OF SHARE HOLDERS
AS AT 30 JUNE, 2011

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	0.07
	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)	3,672	0.02
2	Investment Corporation of Pakistan	4,550	0.02
3	IDBP (ICP UNIT)	400	0.00
4	National Investment Trust Limited	994	0.00
		9,616	**0.05**
Bank, Development Financial Institutions, Non Banking Financial Institutions			
1	Habib Bank Limited	100	0.00
2	MCB Bank Limited	2,000	0.01
3	National Bank of Pakistan	2,926,554	14.07
4	The Bank of Punjab	8,253	0.04
	Total	**2,936,907**	**14.12**

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	Ali Hussain Rajab Ali	45,000	0.22
12	Co-oper & Co. (Private) Limited	90,000	0.43
	Total	**143,050**	**0.69**
General Public (Local)	**Total**	**1,082,961**	**5.21**
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. 35 of Listing Regulations of the Karachi Stock Exchange, Chapter XIII of Listing Regulations of the Lahore Stock Exchange and Chapter XI of Listing Regulations of the Islamabad Stock Exchange 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 their 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 chairperson 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: 03 October, 2011

Osman Saifullah Khan
Chief Executive

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 Regulations of the Karachi and Islamabad Stock Exchanges 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, Listing Regulations of the Karachi and Islamabad Stock Exchanges require 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, 2011.

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

Place: Lahore
Dated: 03 October, 2011

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KOHAT TEXTILE MILLS LIMITED** (the Company) as at 30 June, 2011 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;

   (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 respectively give a true and fair view of the state of the Company's affairs as at 30 June, 2011 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).

Without qualifying our opinion we draw attention to note 27.2 to the financial statements. Mark-up subsidy on business loans aggregating Rs.24.859 million, pertaining to the current financial year ended 30 June, 2011, was recognised in the profit and loss account for the preceding financial year ended 30 June, 2010.

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

Place: Lahore
Dated: 03 October, 2011

BALANCE SHEET

	Note	2011	2010
		(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		**(180,957)**	(195,256)
		27,043	12,744
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	**8**	**293,604**	**301,470**
NON-CURRENT LIABILITIES			
Loans from an Associated Company	**9**	**160,000**	100,000
Long term financing	**10**	**187,500**	262,500
Long term deposits	**11**	**952**	1,263
Deferred liability - Staff retirement benefits	**12**	**28,310**	23,906
		376,762	387,669
CURRENT LIABILITIES			
Trade and other payables	**13**	**165,257**	143,645
Accrued interest / mark-up	**14**	**57,121**	46,534
Short term borrowings	**15**	**517,319**	553,799
Current portion of long term liabilities	**16**	**75,000**	89,221
		814,697	833,199
CONTINGENCIES AND COMMITMENTS	**17**		
		1,512,106	1,535,082

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

OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE

AS AT 30 JUNE, 2011

	Note	2011	2010
		(Rupees in thousand)	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	18	727,438	759,674
Long term loans	20	1,016	1,275
Long term deposits		1,137	1,137
Deferred taxation	21	66,784	66,784
		796,375	828,870
CURRENT ASSETS			
Stores, spare parts and loose tools	22	20,555	20,934
Stock-in-trade	23	442,184	421,020
Trade debts	24	216,050	221,283
Loans and advances	25	5,367	2,552
Deposits and short term prepayments	26	1,672	998
Mark-up subsidy receivable	27	15,301	24,859
Other receivables	28	3,478	400
Taxation	29	1,925	3,079
Sales tax refundable		8,722	10,512
Bank balances	30	477	575
		715,731	706,212
		1,512,106	1,535,082

HOOR YOUSAFZAI
DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2011

	Note	2011	2010
		(Rupees in thousand)	
SALES	31	**2,133,636**	1,686,696
COST OF SALES	32	**1,999,571**	1,514,660
GROSS PROFIT		**134,065**	172,036
DISTRIBUTION COST	33	**6,250**	6,752
ADMINISTRATIVE EXPENSES	34	**37,983**	39,051
OTHER OPERATING EXPENSES	35	**2,608**	11,097
OTHER OPERATING INCOME	36	**(19,309)**	(857)
		27,532	56,043
PROFIT FROM OPERATIONS		**106,533**	115,993
FINANCE COSTS	37	**78,762**	94,341
PROFIT BEFORE TAXATION		**27,771**	21,652
TAXATION			
- Current	29	**21,336**	8,433
- Prior year	29	**2**	18
- Deferred	21	**0**	(3,258)
		21,338	5,193
PROFIT AFTER TAXATION		**6,433**	16,459
OTHER COMPREHENSIVE INCOME		**0**	0
TOTAL COMPREHENSIVE INCOME		**6,433**	16,459
		------- Rupees -------	
EARNING PER SHARE	38	**0.31**	0.79

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

OSMAN SAIFULLAH KHAN	**HOOR YOUSAFZAI**
CHIEF EXECUTIVE	DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2011

	2011	2010
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year - before taxation	**27,771**	21,652
Adjustments for non-cash and other charges:		
Depreciation	**44,084**	43,450
Staff retirement benefits - gratuity (net)	**4,404**	3,247
Unclaimed payable balances written-back	**(96)**	(32)
(Gain) / loss on sale of operating fixed assets	**(19,213)**	9,312
Finance cost	**77,691**	92,597
PROFIT BEFORE WORKING CAPITAL CHANGES	**134,641**	170,226
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	**379**	2,075
Stock-in-trade	**(21,164)**	(319,926)
Trade debts	**5,233**	16,033
Loans and advances	**(2,815)**	1,115
Deposits and short term prepayments	**(674)**	(440)
Mark-up subsidy receivable	**42,787**	(24,859)
Other receivables	**(3,078)**	(208)
Sales tax refundable	**1,790**	(589)
Increase in trade and other payables	**21,708**	17,075
	44,166	(309,724)
CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES	**178,807**	(139,498)
Income tax paid	**(20,184)**	(8,288)
Long term loans - net	**259**	(90)
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES	**158,882**	(147,876)
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(34,939)**	(25,993)
Sale proceeds of operating fixed assets	**42,304**	13,711
NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES	**7,365**	(12,282)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan obtained from an Associated Company	**60,000**	0
Long term financing - net	**(81,250)**	(6,250)
Liabilities against assets subject to finance lease	**(7,971)**	(24,759)
Long term deposits	**(311)**	245
Short term borrowings - net	**(36,480)**	260,773
Finance cost paid - net	**(100,333)**	(70,087)
NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES	**(166,345)**	159,922
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(98)**	(236)
CASH AND CASH EQUIVALENTS - At beginning of the year	**575**	811
CASH AND CASH EQUIVALENTS - At end of the year	**477**	575

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

OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE

HOOR YOUSAFZAI
DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2011

	Share capital	Accumulated loss	Total equity
	------------- (Rupees in thousand) -------------		
Balance as at 30 June, 2009	208,000	(226,094)	(18,094)
Total Comprehensive income for the year	0	16,459	16,459
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation):			
- on account of incremental depreciation for the year	0	8,787	8,787
- upon sale of revalued assets	0	5,592	5,592
Balance as at 30 June, 2010	208,000	(195,256)	12,744
Total comprehensive income for the year	0	6,433	6,433
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation) on account of incremental depreciation for the year	0	7,866	7,866
Balance as at 30 June, 2011	**208,000**	**(180,957)**	**27,043**

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

OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE

HOOR YOUSAFZAI
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2011

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 the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and 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 by the provisions of and directives issued under the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ from the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives have been followed.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except for the following:

- modification of foreign currency translation adjustments;
- recognition of employee retirement benefits at present value; and
- measurement of certain operating fixed assets at revalued amounts.

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The estimates / judgments and associated assumptions used in the preparation of the 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 resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Staff retirement benefits - gratuity

The present value of defined benefit obligation depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact the carrying amount of the obligation. The present value of the obligation and the underlying assumptions are disclosed in note 12.

b) Taxation

In making the estimate for income taxes payable by the Company, the management looks at the applicable law and decisions of appellate authorities on certain issues in the past.

c) Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicator of impairment is identified.

d) Stores & spares and stock-in-trade

The Company reviews the net realisable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make the sales.

e) Provision for impairment of trade debts

The Company assesses the recoverability of its trade debts if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indications that the trade debt is impaired.

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

5.1 Amendments to published standards that are effective in current financial year and are relevant to the Company

The following amendments to published standards are mandatory for the financial year beginning 01 July, 2010:

(a) IAS 1 (Amendment), 'Presentation of Financial Statements' is effective from 01 July, 2010. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

(b) IAS 7 (Amendment), 'Statement of Cash Flows' is effective from 01 July, 2010. The amendment provides clarification that only expenditure that results in a recognised asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognised assets in the balance sheet. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

(c) IAS 17 (Amendment), 'Classification of leases of land and buildings'. The amendment deletes the specific guidance regarding classification of lease of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, lease of land should be classified as either finance or operating, using the general principles of IAS 17. There is no effect of this amendment on the Company's financial statements.

(d) IFRS 8 (Amendment), 'Operating Segments'. This amendment clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. Since the operations of the Company are considered as a single reportable segment, therefore the amendment will have no effect on the Company's financial statements.

5.2 New accounting standards, amendments to existing approved accounting standards and interpretations that are effective in current financial year but are not relevant to the Company

The other new standards, amendments to existing approved accounting standards and interpretations are mandatory for the periods beginning on or after 01 July, 2010 are considered not to be currently relevant as these do not have any significant effect on the Company's current financial reporting and operations; however, these may affect the accounting for future transactions and events.

5.3 New accounting standards, amendments to existing approved accounting standards and interpretations that are issued but not yet effective and have not been early adopted by the Company

The following new standards, amendments to existing approved accounting standards and interpretations are not effective for the periods beginning on or after 01 July, 2010 and have not been early adopted by the Company:

(a) IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for the periods beginning on or after 01 January, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with a financial instrument. The amendment will only affect the disclosures in the Company's financial statements.

(b) IFRS 9, 'Financial Instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until 01 July, 2013 but is available for early adoption.

(c) IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for the periods beginning on or after 01 January, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment will only affect the disclosures in the Company's financial statements.

(d) IAS 24 (Revised), 'Related Party Disclosures' (effective for the periods beginning on or after 01 January, 2011). The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard is applied, the Company will be required to disclose transactions with its associates. At this stage it is not possible to assess the impact, if any, of the revised standard on the related party disclosures in the Company's financial statements.

(e) IAS 34 (Amendment), 'Interim Financial Reporting' (effective for periods beginning on or after 01 January, 2011). This amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The amendment will only affect the disclosures in the Company's condensed interim financial information.

There are a number of other minor amendments and interpretations to other approved accounting standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted 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 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.

6.2 Staff retirement benefits - (defined benefit plan)

The Company operates an un-funded retirement 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 the projected unit credit method by an independent Actuary.

6.3 Trade and other payables

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

6.4 Taxation

(a) Current and prior year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantially enacted by the balance sheet date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available, if any. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

(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 deductible temporary differences, unused tax losses and tax credits can 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 other comprehensive income / equity in which case it is included in other comprehensive income / equity.

6.5 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.

6.6 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 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the balance sheet date. Exchange gains and losses are taken to profit and loss account.

6.8 Property, plant and equipment

Operating fixed assets, other than fire extinguishing equipment, furniture & fixtures, vehicles and live stock, are stated at fair value, based on valuations carried-out with sufficient regularity by external independent Valuers less subsequent depreciation. Any accumulated 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.

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.

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 18.1. 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.

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 lives. Rate of amortisation is stated in note 19. 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 18.1 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 upto the balance sheet date. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

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 and other receivables

Trade debts are recognised initially at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

6.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash-in-hand and balances with banks.

6.15 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- 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 assets and liabilities

Financial assets and financial liabilities are recognised at the time 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 is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include deposits, trade debts, mark-up subsidy receivable, bank balances, loans from an Associated Company, long term financing, lease finances, trade & other payables, short term borrowings and accrued financial charges. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

6.17 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

6.18 Impairment loss

The carrying amounts of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

6.19 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 44 to these financial statements.

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2011	2010		2011	2010
(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 Ordinary shares held by the Associated Companies at the year-end were as follows:

	2011	2010
	(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 PROPERTY, PLANT AND EQUIPMENT - 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, had revalued its plant & machinery, diesel generators & fuel reservoir, gas fired power plant, electric installations and equipment & appliances. The latest revaluation exercise was 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 was 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:

	2011	2010
Balance at begning of the year	**301,470**	315,849
Less:		
- transferred to accumulated loss on account of incremental depreciation for the year - net of deferred taxation	**7,866**	8,787
- surplus realised on disposal of revalued asset - net of deferred taxation	**0**	5,592
	7,866	14,379
Balance at end of the year	**293,604**	301,470

9. LOANS FROM AN ASSOCIATED COMPANY - Unsecured

	Note	2011	2010
		(Rupees in thousand)	
Sub-ordinated loan	9.1	100,000	100,000
Other loan	9.2	60,000	0
		160,000	100,000

9.1 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 is five years;

(c) the loan carries interest at the rate of 3-months KIBOR + 2% payable quarterly; and

(d) the loan is 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 from 14.55% to 15.58% (2010: 14.23% to 14.57%) per annum.

9.2 SHL, during June, 2011, has disbursed amounts aggregating Rs.60 million to the Company against an unsecured long term loan facility of Rs.90 million. As per the agreement terms, the loan carries interest equal to the borrowing cost of SHL + 0.1% per annum. The effective mark-up rate charged by SHL, during the year, was 3.99% per annum; mark-up is payable on quarterly basis. The loan is repayable through one-time bullet payment during January, 2015.

10. LONG TERM FINANCING - Secured

	Note	2011	2010
The Bank of Punjab (BoP)			
Term finance - I	10.1	200,000	250,000
Term finance - II	10.2	62,500	93,750
		262,500	343,750
Less: current portion grouped under current liabilities		75,000	81,250
		187,500	262,500

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, approved extension in repayment of this finance facility; accordingly, repayment of principal balance has commenced from August, 2010.

10.2 BoP, during the financial year ended 30 June, 2009 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. Under the Prime Minister's Fiscal Relief Package, to rehabilitate the economic life in Khyber Pakhtunkhwa, the effective mark-up rate during the current financial year was 7.5% per annum (2010: mark-up rates ranged from 15.58% to 15.85%) per annum.

11. 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.

12. 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:

	2011	2010
- 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**	10 years

The amount recognised in the balance sheet is as follows:	**(Rupees in thousand)**	
Present value of defined benefit obligation	**30,239**	25,835
Unrecognised actuarial loss	**(1,929)**	(1,929)
Net liability as at 30 June,	**28,310**	23,906
Net liability as at 01 July,	**23,906**	20,659
Charge to profit and loss account	**9,361**	8,467
Payments made during the year	**(4,957)**	(5,220)
Net liability as at 30 June,	**28,310**	23,906

The movement in the present value of defined benefit obligation is as follows:		
Opening balance	**25,835**	24,494
Current service cost	**6,261**	5,402
Interest cost	**3,100**	2,939
Benefits paid	**(4,957)**	(5,220)
Actuarial gain	**0**	(1,780)
Closing balance	**30,239**	25,835

Charge to profit and loss account:		
Current service cost	**6,261**	5,402
Interest cost	**3,100**	2,939
Actuarial loss recognised	**0**	126
	9,361	8,467

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

	2011	2010	2009	2008	2007
	---------------(Rupees in thousand)---------------				
Present value of defined benefit obligation	**30,239**	25,835	24,494	24,314	14,606
Experience adjustment on obligation	**0**	(1,780)	0	4,028	(1,593)

13. TRADE AND OTHER PAYABLES

	Note	2011	2010
		(Rupees in thousand)	
Creditors		**24,440**	12,062
Advances from customers		**20,146**	1,504
Bills payable	13.1	**94,770**	87,038
Due to Associated Companies	13.2	**0**	5,720
Accrued expenses		**23,730**	35,563
Workers' (profit) participation fund - allocation for the year		**1,462**	1,163
Workers' welfare fund		**556**	442
Unclaimed dividends		**153**	153
		165,257	143,645

13.1 These are secured against import documents.

13.2 2010 balance included Rs. 5.231 million payable to Mediterranean Textile Mills Ltd., Egypt - an Associated Company in respect of normal business transactions.

14. ACCRUED MARK-UP AND INTEREST

	2011	2010
Mark-up accrued on:		
- loans from an Associated Company	**33,048**	17,819
- long term financing	**11,750**	13,361
- short term borrowings	**12,323**	15,283
Accrued lease finance charges	**0**	71
	57,121	46,534

15. SHORT TERM BORROWINGS

	Note	2011	2010
Borrowings from:			
- commercial banks and a modaraba - secured	15.1	**507,319**	543,799
- an Associated Company - unsecured	15.2	**10,000**	10,000
		517,319	553,799

15.1 Short term finance facilities available from various commercial banks and a Modaraba aggregate Rs.532.500 million (2010: Rs.532.500 million). These facilities, during the current financial year, carried mark-up at the rates ranging from 2.39% to 17.24% (2010:2.39% to 16.48%) per annum payable on quarterly basis. Facilities available for opening letters of credit / guarantee from various commercial banks aggregate Rs. 230.500 million (2010: Rs. 230.500 million) of which the amounts aggregating Rs. 80.422 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 March, 2012.

15.2 The Company, during the financial year ended 30 June, 2009, obtained a short term loan from Saif Holdings Ltd. (an Associated Company) for a period of one year to meet its working capital requirements. The parties, during February, 2010 and 2011, 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 3.99% to 13.46% (2010: 6.52% to 12.41%) per annum.

16. CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2011	2010
		(Rupees in thousand)	
Long term financing	10	75,000	81,250
Liabilities against assets subject to finance lease	16.1	0	7,971
		75,000	89,221

16.1 The Company acquired plant & machinery and vehicles from AlBaraka Bank (Pakistan) Ltd. and First National Bank Modaraba under finance lease arrangements. The lease liabilities were payable in monthly instalments by May, 2011 and were secured against charge over leased assets and promissory notes. The Company, during the current year, has fully paid the outstanding rentals and also exercised its option to purchase the leased assets upon completion of the lease terms.

17. CONTINGENCIES AND COMMITMENTS

17.1 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.

17.2 (a) National Bank of Pakistan, on behalf of the Company, has issued an inland bank guarantee of Rs.8 million (2010: 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 Bank (Pakistan) Ltd., on behalf of the Company, has issued a bank guarantee of Rs.3 million (2010: 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, on behalf of the Company, has issued a bank guarantee of Rs.9 million (2010: 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.

17.3 Commitments, other than for capital expenditure, against irrevocable letters of credit outstanding at the year-end were for Rs.35.308 million (2010: Rs.128.764 million).

18. PROPERTY, PLANT AND EQUIPMENT

	Note	2011	2010
Operating fixed assets	18.1	726,104	748,745
Capital work-in-progress:			
- gas fired power plant		0	10,316
- advance for purchase of vehicle		584	0
Stores held for capital expenditure - in transit		750	613
		727,438	759,674

18.1 Operating fixed assets - tangible

	Owned														Leased			
		Buildings on freehold land																
				Residential														
	Freehold land	Factory	Non - factory	officers	worke-rs	Plant & machi-nery	Diesel genera-tors & fuel reservoir	Gas fired power plant	Elect-ric install-ations	Equip-ment & applia-nces	Fire exting-uish-ing equip-ment	Furnit-ure & fixtu-res	Vehic-les	Live-stock	Plant & machin-ery	Gas fired power plant	Vehic-les	Total
	(Rupees in thousand)																	
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
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
Year ended 30 June, 2011:																		
Additions	0	2,258	5,228	0	0	22,116	0	10,316	0	1,976	0	378	2,262	0	0	0	0	44,534
Transfers:																		
cost / revaluation	0	0	0	0	0	122,907	0	37,814	0	0	0	0	2,207	0	(122,907)	(37,814)	(2,207)	0
depreciation	0	0	0	0	0	(55,185)	0	(12,687)	0	0	0	0	(1,130)	0	55,185	12,687	1,130	0
Disposals:																		
cost / revaluation	0	0	0	0	0	(38,965)	0	(4,566)	0	(168)	0	0	(4,664)	0	0	0	0	(48,363)
depreciation	0	0	0	0	0	20,449	0	1,847	0	54	0	0	2,922	0	0	0	0	25,272
Depreciation charge	0	4,806	2,041	1,196	469	20,752	118	3,118	1,283	1,577	49	309	1,269	0	5,001	1,855	241	44,084
Book value as at June 30, 2011	173,700	92,753	42,703	22,729	4,222	315,690	1,459	36,617	11,548	15,519	439	3,041	5,683	1	0	0	0	726,104
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
As at 30 June, 2011																		
Cost / revaluation	173,700	113,964	48,885	26,621	7,668	582,305	5,066	52,205	24,003	39,623	1,460	6,471	12,461	1	0	0	0	1,094,433
Accumulated depreciation	0	21,211	6,182	3,892	3,446	266,615	3,607	15,588	12,455	24,104	1,021	3,430	6,778	0	0	0	0	368,329
Book value	173,700	92,753	42,703	22,729	4,222	315,690	1,459	36,617	11,548	15,519	439	3,041	5,683	1	0	0	0	726,104
Depreciation rate (%)	0	5	5	5	10	7.5	7.5	7.5 & 33.33	10	10	10	10	20	0	7.5	7.5	20	

18.2 Disposal of operating fixed assets

Particulars	Cost / revaluation	Accumulated depreciation	Book value	Sale proceeds	Gain	Sold through negotiations / as per Company policy to:
	------------ (Rupees in thousand) ------------					
Plant & machinery:						
1 Comber Reiter	6,494	3,322	3,172	5,720	2,548	Saif Textile Mills Ltd. (an Associated Company).
5 Combers Reiter	32,471	17,127	15,344	34,280	18,936	- do-
	38,965	20,449	18,516	40,000	21,484	
Gas fired power plant:						
Various parts	4,566	1,847	2,719	0	(2,719)	Scrapped.
Equipment & appliances:						
Laptop	78	32	46	45	(1)	Saif Textile Mills Ltd. (an Associated Company).
Laptop	90	22	68	68	0	Mediterranean Textile Mills Ltd. (an Associated Company).
	168	54	114	113	(1)	
Vehicles:						
Toyota Corolla	1,135	892	243	360	117	Mr. Zaheen-ud-Din, employee.
Suzuki Cultus	748	587	161	240	79	Mr. Zahid Hameed, ex-employee.
Suzuki Bolan	477	384	93	200	107	Mr. Atiq-ur-Rehman, employee.
Nissan Sunny	959	880	79	225	146	Mr. Afzal Azam Khan, Karachi.
Honda City	1,345	179	1,166	1,166	0	Saif Textile Mills Ltd.
	4,664	2,922	1,742	2,191	449	
	48,363	**25,272**	**23,091**	**42,304**	**19,213**	

18.3 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:

	2011	2010
	(Rupees in thousand)	
Owned:		
Freehold land	**474**	474
Buildings on freehold land:		
- Factory	**31,029**	30,328
- Non-factory	**14,384**	9,706
Residential:		
- Officers	**336**	353
- Workers	**258**	286
Plant & machinery	**256,993**	203,401
Diesel generators & fuel reservoirs	**952**	1,029
Gas fired power plant	**32,497**	6,100
Electric installations	**6,258**	6,954
Equipment & appliances	**15,330**	15,025
Leased:		
Plant & machinery*	**0**	69,178
Gas fired power plant*	**0**	25,245
	358,511	368,079

* transferred to owned assets during the current year.

	Note	2011	2010
		(Rupees in thousand)	
18.4 Depreciation for the year has been apportioned as under:			
Cost of sales		**40,209**	39,619
Administrative expenses		**3,875**	3,831
		44,084	43,450

19. INTANGIBLE ASSETS - Computer software

The 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.

20. LONG TERM LOANS - Secured

	Note	2011	2010
Loans to employees	**20.1**	**1,332**	1,597
Less: current portion grouped under current assets		**316**	322
		1,016	1,275

20.1 These interest-free loans have been advanced for various purposes and are secured against employees' gratuity benefits. These loans, except for six loans, are recoverable in lump sum at the time of retirement by way of adjustment against gratuity benefits of the respective employees.

21. DEFERRED TAXATION - Net

Due to location of mills premises 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 Income Tax Ordinance, 2001 started from tax year 2010. As at 30 June, 2011, no adjustment has been incorporated in deferred tax asset account as taxable profits will not be available during the tax exemption period against which the deferred tax asset may be utilised.

22. STORES, SPARE PARTS AND LOOSE TOOLS

	2011	2010
Stores	**10,447**	7,831
Spare parts	**8,946**	12,039
Loose tools	**1,162**	1,064
	20,555	20,934

23. STOCK-IN-TRADE

	2011	2010
Raw materials:		
- at mills	**161,586**	308,007
- in-transit	**135,397**	61,567
	296,983	369,574
Work-in-process	**46,097**	46,262
Finished goods including inventory valuing Rs. 35.115 million valued at fair value	**99,104**	5,184
	442,184	421,020

23.1 The entire closing stock-in-trade inventory is pledged with commercial banks as security for short term borrowings (note 15.1).

24. TRADE DEBTS - Unsecured, considered good

These represent receivables from local customers.

25. LOANS AND ADVANCES	**Note**	**2011**	2010
		(Rupees in thousand)	
Current portion of long term loans		**316**	322
Advances - considered good			
- employees		**623**	375
- suppliers		**4,428**	1,855
		5,367	2,552

26. DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits		**1,205**	245
Short term prepayments		**467**	753
		1,672	998

27. MARK-UP SUBSIDY RECEIVABLE

27.1 The Federal Government, during the year, 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 preceding financial year by adjusting the relevant expenses (note 37).

27.2 Mark-up subsidy aggregating Rs.24.859 million, received during the current financial year, was recognised in the profit and loss account for the preceding financial year ended 30 June, 2010 as the management was of the view that the requirements of IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) were not applicable to the subsidy received by the Company. Further, matching concept requires to book income in the period in which related costs are incurred.

28. OTHER RECEIVABLES

Due from an Associated Company	**28.1**	**2,768**	0
Letters of credit		**504**	400
Others		**206**	0
		3,478	400

28.1 This represents receivable from Mediterranean Textile Mills Ltd., Egypt - an Associated Company in respect of normal business transactions.

29. TAXATION - Net

	2011	2010
	(Rupees in thousand)	
Balance of advance tax at beginning of the year	**3,079**	3,242
Add: income tax deducted / paid during the year	**20,184**	8,288
	23,263	11,530
Less: provision made during the year:		
- current	**(21,336)**	(8,433)
- prior	**(2)**	(18)
	(21,338)	(8,451)
Balance of advance tax at end of the year	**1,925**	3,079

29.1 Income tax assessments of the Company have been completed upto the Tax Year 2010; the return for the said year has not been taken up for audit till 30 June, 2011.

29.2 Provisions for the current and preceding years represent 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, 2011 aggregated Rs.593.771 million.

30. BANK BALANCES

These represent balances in current accounts.

31. SALES

	2011	2010
Own manufactured goods:		
Local:		
- yarn	**2,127,120**	1,668,473
- waste	**6,516**	2,950
	2,133,636	1,671,423
Trading activities:		
- yarn	**0**	11
- raw materials	**0**	15,262
	0	15,273
	2,133,636	1,686,696

32. COST OF SALES

	Note	2011	2010
		(Rupees in thousand)	
Raw materials consumed	32.1	**1,762,618**	1,230,665
Packing materials consumed		**25,621**	22,371
Salaries, wages and benefits	32.2	**117,271**	102,837
Power and fuel		**123,445**	105,368
Repair and maintenance		**19,962**	16,057
Depreciation		**40,209**	39,619
Insurance		**4,171**	2,114
Textile cess		**29**	7
		2,093,326	1,519,038
Adjustment of work-in-process			
Opening		**46,262**	34,118
Closing		**(46,097)**	(46,262)
		165	(12,144)
Cost of goods manufactured		**2,093,491**	1,506,894
Cost of yarn purchased		**0**	13
Adjustment of finished goods			
Opening stock		**5,184**	12,937
Closing stock		**(99,104)**	(5,184)
		(93,920)	7,753
		1,999,571	1,514,660

32.1 Raw materials consumed

	2011	2010
Opening stock	**369,574**	54,039
Add:		
Purchases	**1,689,791**	1,529,666
Cost of raw materials sold	**0**	16,045
Insurance	**236**	482
	1,690,027	1,546,193
	2,059,601	1,600,232
Less: closing stock	**296,983**	369,574
	1,762,618	1,230,658
Add: cotton cess	**0**	7
	1,762,618	1,230,665

32.2 These include Rs.6,195 thousand (2010: Rs.5,604 thousand) in respect of staff retirement benefits - gratuity.

33. DISTRIBUTION COST

	Note	2011	2010
		(Rupees in thousand)	
Freight and forwarding		**375**	396
Travelling and conveyance		**17**	429
Salaries and benefits	33.1	**5,366**	4,882
Commission		**0**	419
Rent, rates and utilities		**180**	158
Communication		**109**	167
Insurance		**203**	298
Others		**0**	3
		6,250	6,752

33.1 These include Rs.1,318 thousand (2010: Rs.1,191 thousand) in respect of staff retirement benefits - gratuity

34. ADMINISTRATIVE EXPENSES

	Note	2011	2010
Directors' remuneration and fees		**2,807**	2,716
Salaries and benefits	34.1	**12,024**	12,048
Travelling and conveyance		**506**	685
Rent, rates and taxes		**4,085**	8,283
Entertainment and guest house expenses		**974**	873
Communication		**1,405**	1,447
Printing and stationery		**1,009**	1,009
Utilities		**2,897**	1,720
Insurance		**1,297**	681
Vehicles' running and maintenance		**2,878**	2,529
Repair and maintenance		**2,124**	1,520
Advertisement		**65**	59
Subscription		**107**	69
Newspapers & periodicals		**24**	28
Depreciation		**3,875**	3,831
Auditors' remuneration:			
- statutory audit		**500**	500
- short provision for the preceding year		**0**	200
- half yearly review		**110**	110
- certification charges		**35**	10
- consultancy services		**145**	145
- out-of-pocket expenses		**15**	0
		805	965
Legal and professional (other than Auditors')		**593**	327
Others		**508**	261
		37,983	39,051

34.1 These include Rs.1,848 thousand (2010: Rs.1,672 thousand) in respect of staff retirement benefits - gratuity.

34.2 The Company, during the current financial year, has shared administrative expenses aggregating Rs.5.518 million (2010: Rs.3.378 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.

35. OTHER OPERATING EXPENSE

	Note	2011	2010
		(Rupees in thousand)	
Workers' (profit) participation fund		**1,571**	1,163
Workers' welfare fund		**547**	442
Loss on sale of plant & machinery		**0**	9,312
Donations	35.1	**490**	180
		2,608	11,097

35.1 The balance includes Rs.390 thousand (2010: Rs.180 thousand) 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

	Note	2011	2010
Gain on sale of operating fixed assets	18.2	**19,213**	0
Sale of scrap		**0**	323
Unclaimed payable balances written-back		**96**	32
Exchange fluctuation gain - net		**0**	502
		19,309	857

37. FINANCE COST - Net

	2011	2010
Mark-up on sub-ordinated loan	**15,180**	14,360
Mark-up on other loan from an Associated Company	**49**	0
	15,229	14,360
Mark-up on long term financing	**50,218**	54,655
Less: mark-up subsidy	**(27,520)**	(15,423)
	22,698	39,232
Mark-up on short term borrowings	**64,357**	48,712
Less: mark-up subsidy	**(25,885)**	(11,004)
	38,472	37,708
Lease finance charges	**736**	2,170
Less: mark-up subsidy	**(224)**	(873)
	512	1,297
Exchange fluctuation loss	**780**	0
Bank and other charges	**1,071**	1,744
	78,762	94,341

38. EARNINGS PER SHARE

	2011	2010
	Rupees in thousands	
Profit after taxation attributable to ordinary shareholders	**6,433**	16,459
	No. of shares	
Weighted average number of shares outstanding during the year	**20,800,000**	20,800,000
Earnings per share	**0.31**	0.79

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, 2011 and 30 June, 2010, which would have any effect on the earnings 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.235,810 thousand (2010: Rs.246,696 thousand), the financial assets which are subject to credit risk aggregated to Rs.234,170 thousand (2010: Rs.248,099 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 30 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, 2011 along with comparative is tabulated below:

	2011	2010
	(Rupees in thousand)	
Long term deposits	**1,137**	1,137
Trade debts	**216,050**	221,283
Security deposits	**1,205**	245
Mark-up subsidy receivable	**15,301**	24,859
Bank balances	**477**	575
	234,170	248,099

All the trade debts at the balance sheet date represent domestic parties.
The aging of trade debts at the balance sheet dateis as follows:

	2011	2010
	(Rupees in thousand)	
Not past due	**180,686**	142,862
Past due 1-30 days	**1,097**	99
Past due more than 30 days	**34,267**	78,322
	216,050	221,283

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. 154.252 million (2010: 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:

	2011			
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**
	------------------ Rupees in thousand ------------------			
Loans from an Associated Company	**160,000**	**215,627**	**17,906**	**197,721**
Long term financing	**262,500**	**297,614**	**73,403**	**224,211**
Trade and other payables	**163,239**	**163,239**	**163,239**	**0**
Accrued mark-up and financial charges	**57,121**	**57,121**	**57,121**	**0**
Short term borrowings	**517,319**	**556,139**	**556,139**	**0**
	1,160,179	**1,289,740**	**867,808**	**421,932**

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

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:

	2011	
	----- in thousand -----	
	Rupees	**U.S.$**
Short term borrowings	**50,433**	586
Bills payable	**94,769**	1,101
Accrued mark-up	**217**	3
Gross balance sheet exposure	**145,419**	1,690
Outstanding letters of credit	**32,845**	382
Total exposure	**178,264**	2,072

	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

The following significant exchange rates have been applied:

	Average rate		**Balance sheet date rate**	
	2011	2010	**2011**	2010
U.S. $ to Rupee	**86.56**	84.94	**86.05**	85.60

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 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.

	2011	2010
Effect on profit for the year	**----- in thousand -----**	
U.S. $ to Rupee	**14,542**	13,842

The weakening of Rupee against U.S. Dollar would have had an equal but opposite impact on 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:

	2011	2010	**2011**	2010
	Effective rate			
Financial liabilities	%	%	**Carrying amount Rupees in thousand**	
Variable rate instruments				
Long term loans from an Associated Company	**3.99 to 15.58**	14.23 to 14.57	**160,000**	100,000
Long term financing	**7.5**	15.58 to 15.85	**262,500**	343,750
Liabilities against assets subject to finance lease	**0**	7.50 to 15.67	**0**	7,971
Short term borrowings	**2.39 to 17.24**	2.39 to 16.48	**517,319**	553,799

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 2010.

	Decrease	Increase
	Rupees in thousand	
As at 30 June, 2011		
Cash flow sensitivity - variable rate financial liabilities	**(9,398)**	9,398
As at 30 June, 2010		
Cash flow sensitivity - Variable rate financial liabilities	**(10,055)**	10,055

The sensitivity analysis prepared is not necessarily indicative of the effects on profit 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, 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:

	2011	2010
	(Rupees in thousand)	
Long term loan obtained	**60,000**	0
Sale of :		
-goods and services	**0**	16,453
- fixed assets	**41,279**	6,300
Purchase of:		
- goods and services	**94,020**	15,920
- fixed assets	**359**	0
Mark-up expense on long and short term loans	**16,336**	15,192

42. REMUNERATION OF DIRECTORS AND EXECUTIVES

Particulars	Director		Executives	
	2011	2010	**2011**	2010
	(Rupees in thousand)			
Managerial remuneration	**2,700**	2,700	**3,698**	2,944
Retirement benefits	**0**	0	**321**	260
Medical expenses reimbursed	**104**	16	**156**	117
	2,804	2,716	**4,175**	3,321
Number of persons	**1**	1	**2**	2

42.1 In addition to the above, meeting fees amounting Rs. 3 thousand (2010: Rs.nil) were paid to three directors during the current financial year.

43. CAPACITY AND PRODUCTION

		2011	2010
		(Figures in thousand)	
No. of spindles installed		**30**	30
No. of spindles shifts worked		**30,378**	30,562
Rated capacity at 20's count	Kgs	**11,870**	12,320
Actual production 1,095 shifts (2010:1,095 shifts)	Kgs	**6,568**	6,585
Actual production converted into 20's count	Kgs	**15,094**	13,640

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. OPERATING SEGMENT

These financial statements have been prepared on the basis of single reportable segment.

44.1 Yarn sales represent 99% (2010: 99%) of the total sales of the Company.

44.2 100% (2010: 100%) of the Company's sales relate to customers in Pakistan.

44.3 All non-current assets of the Company as at 30 June, 2011 are located in Pakistan.

44.4 Four (2010:two) of the Company's customers having sales aggregating Rs.1,296 million (2010:Rs.732.274 million) contributed towards 61% (2010: 43%) of the Company's sales. Each customer individually exceeded 10% of total sales.

45. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 03 October, 2011 by the board of directors of the Company.

46. 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.

OSMAN SAIFULLAH KHAN	**HOOR YOUSAFZAI**
CHIEF EXECUTIVE	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 45th Annual General Meeting of the Company to be held on 31st October, 2011.

Signed this ______________________________ day of ______________2011

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.