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 **- Chairperson** Jehangir Saifullah Khan **- Member** Assad Saifullah Khan **- Member**
CHIEF FINANCIAL OFFICER	Zaheen-ud-Din Qureshi
COMPANY SECRETARY	Mumtaz H. Chaudhry
AUDITORS	Hameed Chaudhri & Co., Chartered Accountants
LEGAL ADVISORS	Dr. Pervez Hassan Hassan & Hassan, Advocates Salahuddin Saif & Aslam (Attorney's at Law)
BANKERS	Albaraka Islamic Bank First National Bank Modaraba National Bank of Pakistan The Bank of Punjab United Bank Limited
HEAD OFFICE	Kulsum Plaza, 4th Floor, 2020 – Blue Area, Islamabad Phone : (051) 2823924, 2829415 Fax : (051) 2822564, 2278537 Email : ktm@saifgroup.com
REGISTERED OFFICE	APTMA House, Tehkal Payan, Jamrud Road, Peshawar Phone : (091) 5843870, 5702941 Fax : (091) 5840273 Email : Peshawar@saifgroup.com
MILLS	Saifabad, Kohat Phone : (0922) 518615, 518712 Fax : (0922) 512295 Email : ktmkht@saifgroup.com
WEB SITE	www.kohattextile.com

VISION AND MISSION STATEMENT

VISION

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

MISSION

- Give our shareholders a competitive return on their investment through market leadership, sustainable business growth and sound financial management.

- Earn and sustain the trust of our stakeholders through efficient resource management.

- Provide the highest quality products and services consistent with customer needs and continue to earn the respect, confidence and goodwill of our customers and suppliers.

- Foster a culture of trust and openness in order to make professional life at the **Kohat Textile Mills Limited** a stimulating and challenging experience for all our people.

- Strive for the continuous development of Pakistan while adding value to the textile sector.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 43rd Annual General Meeting of the Shareholders of **M/s KOHAT TEXTILE MILLS LIMITED** will be held at **APTMA House, Tehkal Payan, Jamrud Road, Peshawar** on **Monday** the **30 November, 2009** at **10:30** AM to transact the following business:-

1. To confirm the minutes of the last Annual General Meeting.

2. To receive and adopt Annual Audited financial statements of the company for the year ended on 30.06.2009 together with the Auditors' and Directors' Reports thereon.

3. To appoint Auditors for the year 2009-2010 and fix their remuneration. The retiring auditors M/s Hameed Chaudhri & Co., Chartered Accountants, being eligible offered themselves for reappointment.

4. To transact any other business with the permission of the chair.

By order of the Board

Date : **09 November, 2009**

MUMTAZ H. CHAUDHRY
Company Secretary

NOTES:

i. Share Transfer Books of the Company will remain closed from **24.11.2009 to 30.11.2009** (both days inclusive) for the purpose of determination of entitlement.

ii. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his/her behalf. Proxies, in order to be effective must be received at the Registered Office of the Company not later than 48 hours before the meeting.

iii. 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.

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

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

DIRECTORS' REPORT TO THE MEMBERS

On behalf of Board of Directors, it gives me pleasure to present the 43rd Annual Audited Financial Statements for the Year ended 30th June 2009.

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's total Net Sales increased marginally by 0.42% from Rs. 1,438 million last Year to Rs. 1,445 million in the Year under review.

This marginal result was because of the stagnation in the yarn market.

Profitability

The Gross Profit earned during the Year was Rs. 0.43 million as against Rs. 67.71 million during the previous Year. The decrease in Gross Profit is due to an increase in operating costs. This was as a result of a spiraling in the cost of inputs caused by the elevated prices of petroleum products, a mandatory increase in minimum wage, the inflationary impact on raw material costs and disruptions to productivity from power outages and the hike in transportation and logistics costs.

Factors contributing to the loss suffered during the current Year include high inflation, the severe liquidity crunch, inconsistent electricity supply, the erosion in value of the Pak Rupees vs US Dollar, the withdrawal of exchange risk cover by the State Bank of Pakistan, deteriorating law and order situation and the high borrowing cost.

As a direct consequence of all these factors, the distribution and administrative cost increased by Rs. 8.17 million and finance cost increased by Rs. 28.46 million from 112.39 million last Year to Rs. 140.85 million in the year under review. The rise in finance cost was attributable to higher borrowing cost due to higher mark-up rates imposed by the State Bank of Pakistan, resulting in an after tax loss of Rs. 133.47 million during the current Year compared to a loss of Rs. 55.22 million during the previous corresponding period.

The textile industry is in the midst of a crisis of historic proportions. The All Pakistan Textile Mills Association estimates that as many as half a million spindles had to shut down during the Year under review as they were no longer economically viable in the prevailing operational environment.

LOSS PER SHARE

The loss per share of the Company remained at Rs. 6.42 as compared to Rs. 2.65 for 2008.

APPROPRIATIONS

In view of the Net Loss suffered by the Company your Directors have decided not to recommend any dividend this Year.

EXPANSION AND MODERNIZATION

To promote efficiency and achieve economies of scale, your Company is pursuing the policy of replacing old plant and machinery in a phased manner from its own resources.

CONTRIBUTION TO THE NATIONAL ECONOMY

Besides payment to the financial institutions against long and short-term debt, the Company contributed Rs. 40.435 million (2008: Rs. 18.929 million) to the National Exchequer during the Year under review in sales tax, surcharges and various other levies.

QUALIFICATION IN AUDITOR'S REPORT

The Auditors have qualified the report on the basis that Company has recognized the deferred tax asset of Rs.63.526 million despite the availability of unused tax losses. The Management is of the view that the Company has been achieving consistent sales growth as per our plan. However the operating cost structure has suddenly increased which resulted in losses.

FUTURE OUTLOOK

At present the international economy is going through a global financial crisis and credit crunch, while the situation in Pakistan is made worse by the turmoil in the external and political environment.

The Federal Government's Trade Policy 2009 – 12 will provide some productivity benefits for your Company as and when it is implemented. However, the Government urgently needs to take additional measures to maintain the global competitiveness of Pakistan's textile industry.

Unfortunately, the present trend of increasing input costs, high cost of domestic borrowing and the continual rupee devaluation are unlikely to be reversed in the near future.

Therefore the Company faces an uphill task to maintain sales, achieve cost reduction targets and reach economies of scale. The management is focusing on these measures to position the Company for capturing emergent opportunities when the textile market recovers.

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 2009 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,					30, Sep.,
	2009	2008	2007	2006	2005 9 months	2004
Operating assets (Rs 000)	800,154	752,160	644,698	676,148	618,061	450,662
Net worth (Rs 000)	297,755	366,046	306,829	329,693	281,243	206,275
Production (Kgs 000)	5,614	5,783	6,232	6,105	4,138	3,410
Turnover (Rs 000)	1,444,643	1,438,648	1,317,002	1,180,286	786,446	629,323
Gross Profit (Rs 000)	426	67,708	101,870	128,311	26,088	45,372
Profit/(loss) before finance cost (Rs 000)	(49,829)	25,620	60,500	87,827	51	11,287
Net (loss) after taxation (Rs 000)	(133,469)	(55,221)	(22,864)	(1,550)	(24,306)	(4,483)
Loss per share (Rs)	(6.42)	(2.65)	(1.10)	(0.10)	(2.76)	(0.51)

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
Javed Saifullah Khan	04
Anwar Saifullah Khan	02
Osman Saifullah Khan	04
Kulsum Saifullah Khan	03
Omar Saifullah Khan	03
Jehangir Saifullah Khan	04
Hoor Yousafzai	04

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 30 November, 2009 until the conclusion of the next Annual General Meeting.

ACKNOWLEDGEMENT

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

for and on behalf of the Board

Anwar Saifullah Khan
Chairman/Director

Dated: 09 November, 2009

PATTERN OF SHAREHOLDING
AS AT 30TH JUNE, 2009

Incorporation Number of the Company C 43 of 1966 - 1967

No. of Share Holders	Shareholding From	Shareholding To	Total Shares Held
447	1	100	56,994
152	101	500	61,100
58	501	1,000	51,780
65	1,001	5,000	166,541
12	5,001	10,000	66,670
5	10,001	15,000	81,734
3	15,001	20,000	57,000
4	25,001	30,000	103,582
2	30,001	35,000	65,500
4	35,001	40,000	154,098
2	40,001	45,000	85,000
3	45,001	50,000	139,500
1	60,001	65,000	62,500
1	85,001	90,000	90,000
1	95,001	100,000	100,000
1	100,001	110,000	107,887
2	110,001	120,000	223,404
1	2,905,001	2,910,000	2,906,700
1	6,340,001	6,345,000	6,340,010
1	9,875,001	9,880,000	9,880,000
766	**TOTAL**		**20,800,000**

Categories of Share Holders	Number of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, their spouse & minor Children	8	209,097	1.01
Associated Companies, Undertaking & related parties	13	16,415,093	78.92
NIT and ICP	5	84,000	0.40
Banks Development Financial Institutions Non-Banking Financial Institutions	5	3,009,000	14.47
Insurance Companies	1	200	0.00
Joint Stock Companies	15	154,250	0.74
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	717	925,284	4.45
B. Foreign		Nil	Nil
Others	2	3,076	0.01
	766	**20,800,000**	**100.00**

DETAIL OF CATEGORY OF SHARE HOLDERS
AS AT 30 JUNE, 2009

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 Iqbal 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)	79,050	0.38
2	Investment Corporation of Pakistan	4,550	0.02
3	IDBP (ICP UNIT)	400	0.00
		84,000	**0.40**
Bank, Development Financial Institutions, Non Banking Financial Institutions			
1	United Bank Limited	100,000	0.48
2	Habib Bank Limited	100	0.00
3	Muslim Commercial Bank Limited	2,000	0.01
4	National Bank of Pakistan	2,906,900	13.98
	Total	**3,009,000**	**14.47**

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	Nasreen 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	Azee Securities (Pvt) Limited	1,000	0.00
12	Ali Hussain Rajab Ali Ltd.	49,000	0.24
13	Cooper & Co. (Pvt) Limited	90,000	0.43
14	Ismail Iqbal Securities (Pvt) Ltd.	200	0.00
15	Durvesh Securities (Pvt) Ltd.	6,000	0.03
	Total	**154,250**	**0.74**
General Public (Local)	**Total**	**925,284**	**4.45**
Others			
1	Abondent Properties	3,075	0.01
2	Securities & 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 Regulations 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 the Stock Exchange.

4. Casual vacancies occurred in the Board during the year were filled by the board forthwith.

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 regard of particulars of significant policies along with the dates on which they were approved of 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 purposes 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 silent matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the 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 and audit committee, which comprises of three members. All members, including the chairman of the committee, are non-executive directors.

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

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

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), 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 the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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 principals contained in the Code have been complied with.

For and behalf of the Board

Place : Islamabad
Dated : 09 November, 2009

ANWAR SAIFULLAH KHAN
Chairman / Director

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF 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** to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange and Chapter XI of the Islamabad Stock Exchange 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 personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (XIII) of Listing Regulations 37 (now 35) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of 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, 2009.

Place : Lahore
Dated : 09 November, 2009

HAMEED CHAUDHRI & CO.,
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KOHAT TEXTILE MILLS LIMITED** as at 30 June, 2009 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, except for the fact that deferred tax asset has been recognised despite the availability of unused tax losses (notes 22) and the extent to which these may affect the annexed financial statements, respectively give a true and fair view of the state of the Company's affairs as at 30 June, 2009 and of the loss, 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).

Place : Lahore
Dated : 09 November, 2009

HAMEED CHAUDHRI & CO.,
Chartered Accountants
Engagement Partner. Abdul Majeed Chaudhri

BALANCE SHEET

	Note	2009	2008
		(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		**(226,094)**	(106,553)
		(18,094)	101,447
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS	8	**315,849**	264,599
NON-CURRENT LIABILITIES			
Sub-ordinated loan	9	**100,000**	0
Long term financing	10	**287,500**	250,000
Liabilities against assets subject to finance lease	11	**7,973**	32,660
Long term deposits	12	**1,018**	1,526
Deferred liability - Staff retirement benefits	13	**20,659**	20,339
		417,150	304,525
CURRENT LIABILITIES			
Trade and other payables	14	**126,602**	71,489
Accrued interest / mark-up	15	**24,024**	26,241
Short term borrowings	16	**293,026**	501,734
Current portion of long term liabilities	17	**87,257**	31,403
		530,909	630,867
CONTINGENCIES AND COMMITMENTS	18		
		1,245,814	1,301,438

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

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

HOOR YOUSAFZAI
DIRECTOR

AS AT 30 JUNE, 2009

	Note	2009	2008
		(Rupees in thousand)	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	19	**800,154**	752,160
Long term loans	21	**1,185**	2,421
Long term deposits		**1,137**	1,137
Deferred taxation	22	**63,526**	41,588
		866,002	797,306
CURRENT ASSETS			
Stores, spare parts and loose tools	23	**23,009**	25,356
Stock-in-trade	24	**101,094**	188,602
Trade debts	25	**237,316**	267,681
Loans and advances	26	**3,667**	2,900
Deposits and short term prepayments	27	**558**	844
Other receivables	28	**192**	1,448
Taxation	29	**3,242**	847
Sales tax refundable		**9,923**	16,397
Bank balances	30	**811**	57
		379,812	504,132
		1,245,814	1,301,438

JEHANGIR SAIFULLAH KHAN
DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2009

	Note	2009	2008
		(Rupees in thousand)	
SALES	31	**1,444,643**	1,438,648
COST OF SALES	32	**1,444,217**	1,370,940
GROSS PROFIT		**426**	67,708
DISTRIBUTION COST	33	**10,365**	7,732
ADMINISTRATIVE EXPENSES	34	**39,890**	34,356
		50,255	42,088
		(49,829)	25,620
FINANCE COSTS	35	**140,849**	112,392
OPERATING LOSS		**(190,678)**	(86,772)
OTHER OPERATING INCOME	36	**685**	673
LOSS BEFORE TAXATION		**(189,993)**	(86,099)
TAXATION			
- Current	29	**258**	7,194
- Prior years'	29	**252**	14
- Deferred	22	**(57,034)**	(38,086)
		(56,524)	(30,878)
LOSS AFTER TAXATION		**(133,469)**	(55,221)
		------- Rupees -------	
LOSS PER SHARE	37	**(6.42)**	(2.65)

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

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

HOOR YOUSAFZAI
DIRECTOR

JEHANGIR SAIFULLAH KHAN
DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2009

	2009	2008
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the year - before taxation	**(189,993)**	(86,099)
Adjustments for non-cash and other charges:		
Depreciation and amortisation	**60,046**	52,872
Staff retirement benefits - gratuity (net)	**320**	5,680
Unclaimed balances written-back	**(19)**	(71)
Gain on disposal of vehicles	**(334)**	(170)
Finance costs	**140,849**	112,392
CASH FLOW FROM OPERATING ACTIVITIES		
- Before working capital changes	**10,869**	84,604
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	**2,347**	(1,054)
Stock-in-trade	**87,508**	150,069
Trade debts	**30,365**	(128,255)
Loans and advances	**(767)**	(1,426)
Deposits and short term prepayments	**286**	335
Other receivables	**1,256**	(1,132)
Sales tax refundable	**6,474**	(6,267)
Increase / (decrease) in trade and other payables	**55,132**	(18,343)
	182,601	(6,073)
CASH INFLOW FROM OPERATING ACTIVITIES - Before taxation	**193,470**	78,531
Taxes paid	**(2,905)**	(8,249)
CASH INFLOW FROM OPERATING ACTIVITIES - After taxation	**190,565**	70,282
Long term loans - net	**1,236**	(515)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**191,801**	69,767
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(19,429)**	(15,626)
Sale proceeds of operating fixed assets	**11,997**	1,110
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(7,432)**	(14,516)
CASH FLOW FROM FINANCING ACTIVITIES		
Deposit for shares	**100,000**	0
Long term financing - net	**100,000**	0
Liabilities against assets subject to finance lease - net	**(31,333)**	(27,127)
Long term deposits	**(508)**	72
Short term borrowings - net	**(208,708)**	75,426
Finance costs paid	**(143,066)**	(103,680)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(183,615)**	(55,309)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**754**	(58)
CASH AND CASH EQUIVALENTS - At the beginning of the year	**57**	115
CASH AND CASH EQUIVALENTS - At the end of the year	**811**	57

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

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

HOOR YOUSAFZAI	**JEHANGIR SAIFULLAH KHAN**
DIRECTOR	DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2009

	Share capital	Accumulated loss	Total equity
	------------- (Rupees in thousand) -------------		
Balance as at 30 June, 2007	208,000	(54,554)	153,446
Loss after taxation for the year ended 30 June, 2008	0	(55,221)	(55,221)
Transfer from surplus on revaluation of operating fixed assets on account of incremental depreciation for the year - net of deferred taxation	0	3,222	3,222
Balance as at 30 June, 2008	208,000	(106,553)	101,447
Loss after taxation for the year ended 30 June, 2009	0	(133,469)	(133,469)
Transfer from surplus on revaluation of operating fixed assets on account of incremental depreciation for the year - net of deferred taxation	0	10,445	10,445
Surplus realised on disposal of revalued fixed assets - net of deferred taxation	0	3,483	3,483
Balance as at 30 June, 2009	**208,000**	**(226,094)**	**(18,094)**

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

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

HOOR YOUSAFZAI
DIRECTOR

JEHANGIR SAIFULLAH KHAN
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2009

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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984 (the Ordinance), the requirements of the Ordinance and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Where the requirements of the Ordinance and the directives issued by SECP differ with the requirements of IFRSs, the requirements of the Ordinance and the directives issued by SECP shall prevail.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

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

3.2 Functional and presentation currency

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

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

a) Deferred liability - Staff retirement benefits (gratuity);

b) taxation; and

c) useful life of depreciable assets and provision for impairment there against.

5. ACCOUNTING STANDARDS, IFRIC INTERPRETATIONS AND AMENDMENTS

5.1 Standards, interpretations and amendments to the published approved accounting standards that are effective in the current accounting year

The following standards, interpretations and amendments to existing standards have been published that are mandatory and relevant for the Company's accounting year beginning on 01 July, 2008:

(a) IFRS 7 'Financial Instruments: Disclosures' - The Securities & Exchange Commission of Pakistan (SECP), vide SRO 411(I)/2008 dated 28 April, 2008 notified the adoption of IFRS 7 which is mandatory for the Company's accounting periods beginning on or after the date of notification i.e. 28 April, 2008. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

(b) Other new standards, interpretations and amendments to existing standards that are mandatory for accounting periods beginning on or after 01 July, 2008, which are not considered relevant nor have any significant effect on the Company's operations are not detailed in these financial statements.

5.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July, 2009:

(a) IAS 1 (Revised), 'Presentation of Financial Statements' (effective from 01 January, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities may choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of the above standard will only impact the presentation of the financial statements.

(b) IAS 19 (Amendment), 'Employee Benefits' (effective from 01 January, 2009).

(i) The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

(ii) The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation

(iii) The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

(iv) IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The management is in the process of assessing the impact of adoption of IAS 19 on the Exchange's financial statements.

(c) IAS 23 (Amendment), 'Borrowing Costs' (effective from 01 January, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial Instruments: Recognition and Measurement'. The amendments will have impact on the Company's financial statements to the extent of borrowing costs, if any, directly attributable to the acquisition of or construction of qualifying assets.

(d) IAS 32 (Amendment), 'Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective from 01 January, 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments will have no impact on financial statements of the Company.

(e) IAS 36 (Amendment), 'Impairment of Assets' (effective from 01 January, 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment is not expected to have a significant effect on the Company's financial statements.

(f) IAS 38 (Amendment), 'Intangible Assets' (effective from 01 January, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have a significant effect on the Company's financial statements.

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Taxation

(a) Current

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

(b) Deferred

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

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

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

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

6.2 Provisions

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

6.3 Trade and other payables

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

6.4 Foreign currency translations

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak Rupees at the exchange rates prevailing on the balance sheet date. All exchange differences are charged to profit and loss account.

6.5 Staff retirement benefits - (defined benefit plan)

The Company operates an un-funded gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on 30 June, 2008 on the basis of the projected unit credit method by an independent Actuary.

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

6.6 Dividend and appropriation to reserves

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

6.7 Borrowings and borrowing costs

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

6.8 Operating fixed assets

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

Operating fixed assets, as detailed in note 9, were revalued during the current and prior years. Surplus arisen on revaluation of these assets was credited to the surplus on revaluation of operating fixed assets account in accordance with the requirements of section 235 of the Companies Ordinance, 1984 and shall be held on the balance sheet till realisation. Revaluation is carried-out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of these assets (net of deferred taxation) is transferred directly to accumulated loss.

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

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

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

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

6.9 Intangible assets

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

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

6.10 Assets subject to finance lease

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

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

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

6.11 Stores, spare parts and loose tools

These are valued at moving average cost. Items-in-transit are valued at cost accumulated to the balance sheet date.

Materials in transit are stated at cost comprising invoice value and other charges paid thereon.

The Company reviews the carrying amount of stores and spare parts on a regular basis and provision is made for obsolescence.

6.12 Stock-in-trade

Basis of valuation are as follows:

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

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

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

6.13 Trade debts

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

6.14 Cash and cash equivalents

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

6.15 Revenue recognition

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

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

6.16 Financial instruments

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

6.17 Off-setting of financial instruments

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

6.18 Related party transactions

Sale, purchase and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the Associates, which are on the actual basis.

6.19 Impairment

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

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2009	2008		**2009**	2008
(No. of shares)			**(Rupees in thousand)**	
14,525,400	14,525,400	ordinary shares of Rs. 10 each fully paid in cash	**145,254**	145,254
6,274,600	6,274,600	ordinary shares of Rs.10 each issued as fully paid-up by conversion of loans and debentures	**62,746**	62,746
20,800,000	20,800,000		**208,000**	208,000

7.1 16,220,010 (2008: 16,220,010) ordinary shares are held by the following Associated Companies at the year-end:

	2009	2008
	(No. of shares)	
- Saif Holdings Ltd.	**9,880,000**	9,880,000
- GlobeComm (Pvt.) Ltd.	**6,340,010**	6,340,010
	16,220,010	16,220,010

8. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS

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

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

	Note	**2009**	2008
		(Rupees in thousand)	
Balance at beginning of the year		**264,599**	153,383
Add: surplus arisen on revaluation carried-out during the year	**19.4**	**100,274**	144,936
Less: related deferred taxation		**35,096**	30,498
		65,178	114,438
		329,777	267,821
Less: transferred to accumulated loss on account of incremental depreciation for the year - net of deferred taxation		**10,445**	3,222
Surplus realised on disposal of revalued asset - net of deferred taxation		**3,483**	0
Balance at end of the year		**315,849**	264,599

9. SUB-ORDINATED LOAN - Unsecured

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

(a) SHL has lent an unsecured loan amounting Rs.100 million to the Company on 09 April, 2009 to meet its financial obligations;

(b) maturity period of the loan shall not be less than five years;

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

(d) the loan shall remain sub-ordinated to all other financial facilities availed / to be availed by the Company from any financial institution.

10. LONG TERM FINANCING - Secured

The Bank of Punjab (BoP)			
Term finance - I	**10.1**	**250,000**	250,000
Term finance - II	**10.2**	**100,000**	0
		350,000	250,000
Less: current portion grouped under current liabilities		**62,500**	0
		287,500	250,000

10.1 This finance facility is secured against first pari passu charge on fixed assets of the Company for Rs. 333.334 million. The principal balance of this finance facility is repayable in 20 equal quarterly instalments of Rs.12.500 million commencing August, 2009. However BoP, vide its letter Ref # BOP/CBU (N)2009/424 dated 08 September, 2009 had approved extension in repayment of this finance facility; accordingly, repayment of the year end balance will commence from August, 2010.

10.2 BoP, during the current financial year for balance sheet restructuring of the Company, has 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 commencing March, 2010 and is secured against registered first pari passu hypothecation charge on fixed assets of the Company valuing Rs.133.334 million.

10.3 These term finance facilities carry mark-up at the rate of 3-months KIBOR plus 325 basis points with floor of 11% per annum payable quarterly. The effective mark-up rate charged by BoP, during the current financial year, ranged between 16.02% to 18.80% (2008: 12.84% to 13.42%) per annum.

11. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2009			2008		
	Upto one year	**From one year to five years**	**Total**	Upto one year	From one year to five years	Total
	------------------------ (Rupees in thousand) ------------------------					
Minimum lease payments	**32,155**	**8,407**	**40,562**	37,945	40,301	78,246
Less: finance cost						
- allocated to future periods	**2,271**	**304**	**2,575**	6,285	2,511	8,796
- accrued during the year	**127**	**0**	**127**	257	0	257
	2,398	**304**	**2,702**	6,542	2,511	9,053
	29,757	**8,103**	**37,860**	31,403	37,790	69,193
Less: security deposits adjustable on expiry of lease terms	**5,000**	**130**	**5,130**	0	5,130	5,130
Present value of minimum lease payments	**24,757**	**7,973**	**32,730**	31,403	32,660	64,063

11.1 The Company has entered into lease agreements with First National Bank Modaraba and AlBaraka Islamic Bank to acquire plant & machinery, gas fired powder plant and vehicles. The liabilities under the lease agreements are payable in monthly instalments by May, 2011. These facilities, during the current financial year, carried finance cost at the rates ranging from 12.51% to 17.15% (2008:12.16% to 12.83%) per annum. The Company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. These lease finance facilities are secured against charge over leased assets, ranking charge over all present and future movable fixed assets of the Company including plant & machinery and equipment and demand promissory note.

12. LONG TERM DEPOSITS

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

13. DEFERRED LIABILITY - STAFF RETIREMENT BENEFITS (Gratuity)

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

	2009	2008
- discount rate	**12%**	12%
- expected rate of eligible salary increase in future years	**11%**	11%
- average expected remaining working life time of employees	**11 years**	11 years

The amount recognised in the balance sheet is as follows:	**2009**	2008
	(Rupees in thousand)	
Present value of defined benefit obligation	**24,494**	24,314
Unrecognised actuarial loss	**(3,835)**	(3,975)
Net liability as at 30 June,	**20,659**	20,339
Net liability as at 01 July,	**20,339**	14,659
Charge to profit and loss account	**12,675**	10,437
Payments made during the year	**(12,355)**	(4,757)
Net liability as at 30 June,	**20,659**	20,339

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

Present value of defined benefit obligation as at 01 July,	**24,314**	14,606
Current service cost	**9,617**	9,122
Interest cost	**2,918**	1,315
Benefits paid	**(12,355)**	(4,757)
Actuarial loss	**0**	4,028
Present value of defined benefit obligation as at 30 June,	**24,494**	24,314
Charge to profit and loss account for the year ended 30 June,		
Current service cost	**9,617**	9,122
Interest cost	**2,918**	1,315
Actuarial loss recognised	**140**	0
	12,675	10,437

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

	2009	2008	2007	2006	2005
	------------------- (Rupees in thousand) -------------------				
Present value of defined benefit obligation	**24,494**	24,314	14,606	16,933	14,012
Experience adjustment on obligation	**0**	4,028	(1,593)	3,154	0

14. TRADE AND OTHER PAYABLES

	Note	2009	2008
		(Rupees in thousand)	
Creditors		**10,769**	14,055
Due to Associated Companies		**95,288**	40,123
Accrued expenses		**20,391**	17,157
Unclaimed dividends		**154**	154
		126,602	71,489

14.1 This includes balance amounting Rs.94.800 million payable to Mediterranean Textile Company - an Associated Company in respect of normal business transactions. (2008: balance payable to Saif Textile Mills Ltd.)

15. ACCRUED MARK-UP AND INTEREST

	Note	2009	2008
Mark-up accrued on:			
- sub-ordinated loan	**15.1**	**3,459**	0
- long term financing		**13,979**	8,342
- short term borrowings		**6,432**	17,615
Interest accrued on lease finances		**154**	284
		24,024	26,241

15.1 Effective Mark-up charged during the year was 15.44%.

16. SHORT TERM BORROWINGS

	Note	2009	2008
Borrowings from:			
- banking companies and a financial institution	**16.1**	**283,026**	501,734
- an Associated Company	**16.2**	**10,000**	0
		293,026	501,734

16.1 Short term cash, trust receipt, running and murabaha finance facilities available from National Bank of Pakistan, United Bank Limited, The Bank of Punjab, First National Bank Modaraba and AlBaraka Islamic Bank aggregate Rs.650 million (2008: Rs.775 million). These facilities, during the current financial year, carried mark-up at the rates ranging from 4.63% to 18.27% (2008:4.98% to 15.32%) per annum payable on quarterly basis. Facilities available for opening letters of credit / guarantee from the aforementioned banks aggregate Rs. 298 million (2008: Rs.348 million) of which the amount aggregating Rs. 230.407 million (2008: Rs.281.932 million) remained unutilised at the balance sheet date. The aggregate facilities are secured against pledge of stock-in-trade, charge on current assets of the Company and lien on documents of title to imported goods. These facilities are expiring on various dates by February, 2010.

16.2 The Company, during the current financial year, has obtained a short term loan from Saif Holdings Limited - an Associated Company for the period of one year to meet its working capital requirements. This loan carries mark-up at the rates ranging from 15.07% to 17.82% per annum.

17. CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2009	2008
Current portion of long term financing	10	**62,500**	0
Current portion of liabilities against assets subject to finance lease	11	**24,757**	31,403
		87,257	31,403

18. CONTINGENCIES AND COMMITMENTS

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

18.2 (a) National Bank of Pakistan, on behalf of the Company, has issued an inland bank guarantee of Rs.8 million (2008: Rs.8 million) in favour of Sui Northern Gas Pipelines Ltd. (SNGPL). The guarantee is secured against pari passu charge on the Company's fixed assets for Rs. 8 million.

(b) AlBaraka Islamic Bank, on behalf of the Company, has also issued a bank guarantee of Rs.3 million (2008: Rs.3 million) in favour of SNGPL. The guarantee is secured against second charge for Rs.5 million on the Company's current assets.

18.3 Commitments, other than for capital expenditure, against irrevocable letters of credit outstanding at the year-end were for Rs.56.593 million (2008: Rs.55.068 million).

19. PROPERTY, PLANT AND EQUIPMENT

		2009	2008
		(Rupees in thousand)	
Operating fixed assets	19.1	**792,683**	752,160
Stores held for capital expenditure - in transit		**7,471**	0
		800,154	752,160

19.1 OPERATING FIXED ASSETS - Tangible

	Owned														Leased			
		Buildings on leasehold land																
				Residential														
	Freehold land	Factory	Non - factory	officers	workers	Plant & machinery	Diesel generators & fuel reservoir	Gas fired power plant	Electric install-ations	Equipment & appliances	Fire extinguish-ing equipment	Furniture & fixtures	Vehicles	Live-stock	Plant & machinery	Gas fired power plant	Vehicles	Total
	------ (Rupees in thousand) ------																	
As at 30 June, 2007																		
Cost / revaluation	115,900	92,740	25,790	21,195	7,668	501,618	28,408	6,462	23,993	34,840	1,460	5,965	15,280	1	122,507	37,814	0	1,041,641
Accumulated depreciation	0	34,880	6,393	3,114	3,282	248,052	20,474	869	14,494	17,771	791	2,023	9,747	0	28,436	6,617	0	396,943
Book value	115,900	57,860	19,397	18,081	4,386	253,566	7,934	5,593	9,499	17,069	669	3,942	5,533	1	94,071	31,197	0	644,698
Year ended 30 June, 2008:																		
Additions	0	187	0	0	0	9,337	0	0	0	1,556	0	74	2,314	0	400	0	2,207	16,075
Revaluation surplus	57,800	13,892	14,534	5,426	0	0	0	0	0	0	0	0	0	0	0	0	0	91,652
Disposals: Cost / revaluation	0	0	0	0	0	0	0	0	0	0	0	0	4,504	0	0	0	0	4,504
depreciation	0	0	0	0	0	0	0	0	0	0	0	0	(3,564)	0	0	0	0	(3,564)
	0	0	0	0	0	0	0	0	0	0	0	0	940	0	0	0	0	940
	173,700	71,939	33,931	23,507	4,386	262,903	7,934	5,593	9,499	18,625	669	4,016	6,907	1	94,471	31,197	2,207	751,485
Depreciation charge	0	6,211	1,057	939	451	25,674	793	559	950	1,746	67	400	1,055	0	9,440	3,120	147	52,609
Elemination against gross carrying amount	0	(40,202)	(7,284)	(3,942)	(1,856)	0	0	0	0	0	0	0	0	0	0	0	0	(53,284)
Net book value as at June 30, 2008	173,700	105,930	40,158	26,510	5,791	237,229	7,141	5,034	8,549	16,879	602	3,616	5,852	1	85,031	28,077	2,060	752,160
Year ended 30 June, 2009:																		
Additions	0	0	0	0	0	7,057	0	2,179	10	395	0	54	2,263	0	0	0	0	11,958
Disposals: Cost / revaluation	0	0	0	0	0	0	23,342	0	0	0	0	0	3,537	0	0	0	0	26,879
depreciation	0	0	0	0	0	0	(12,603)	0	0	0	0	0	(2,613)	0	0	0	0	(15,216)
	0	0	0	0	0	0	10,739	0	0	0	0	0	924	0	0	0	0	11,663
	173,700	105,930	40,158	26,510	5,791	244,286	(3,598)	7,213	8,559	17,274	602	3,670	7,191	1	85,031	28,077	2,060	752,455
Depreciation charge	0	10,593	2,008	1,326	579	27,536	914	670	1,178	1,686	60	367	1,389	0	8,389	2,939	412	60,046
Revaluation surplus	0	0	0	0	0	79,894	6,217	1,036	6,876	242	0	0	0	0	1,977	4,032	0	100,274
Net book value as at June 30, 2009	**173,700**	**95,337**	**38,150**	**25,184**	**5,212**	**296,644**	**1,705**	**7,579**	**14,257**	**15,830**	**542**	**3,303**	**5,802**	**1**	**78,619**	**29,170**	**1,648**	**792,683**
As at 30 June, 2008																		
Cost / revaluation	173,700	106,819	40,324	26,621	7,668	510,955	28,408	6,462	23,993	36,396	1,460	6,039	13,090	1	122,907	37,814	2,207	1,144,864
Accumulated depreciation	0	889	166	111	1,877	273,726	21,267	1,428	15,444	19,517	858	2,423	7,238	0	37,876	9,737	147	392,704
Book value	**173,700**	**105,930**	**40,158**	**26,510**	**5,791**	**237,229**	**7,141**	**5,034**	**8,549**	**16,879**	**602**	**3,616**	**5,852**	**1**	**85,031**	**28,077**	**2,060**	**752,160**
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**
Depreciation rate (%)	0	10	5	5	10	10	10	10	10	10	10	10	20	0	10	10	20	

19.2 Disposal of vehicles

Particulars	Cost / revaluation	Accumulated depreciation	Book value	Sale proceeds	Gain	Sold through negotiation to:
	------------ (Rupees in thousand) ------------					
VEHICLES						
Toyota Corolla	1,233	861	372	392	20	Company Employee.
Toyota Corolla	1,103	770	333	360	27	-do-
Suzuki Cultus	611	405	206	212	6	-do-
Fork lifter	590	577	13	255	242	Gohar Chipboard (Pvt.) Ltd., Rawalpindi.
	3,537	2,613	924	1,219	295	
DIESEL GENERATORS & FUEL RESERVOIRS	23,342	12,603	10,739	10,778	39	Engro Foods Ltd.
	26,879	15,216	11,663	11,997	334	

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

	2009	2008
	(Rupees in thousand)	
Owned:		
Freehold land	**474**	474
Buildings on freehold land:		
- Factory	**26,945**	29,939
- Non-factory	**6,771**	7,127
Residential:		
- Officers	**372**	391
- Workers	**318**	354
Plant & machinery	**220,744**	0
Diesel generators & fuel reservoirs	**1,113**	0
Gas fired power plant	**6,594**	0
Electric installations	**7,727**	0
Equipment & appliances	**15,599**	0
Leased:		
Plant & machinery	**74,787**	0
Gas fired power plant	**27,292**	0
	388,736	38,285

19.4 Surplus on each class of asset, as a result of latest revaluation as detailed in note 9, has been determined as follows:

Particulars	Owned					Leased		Total
	Plant & machinery	Diesel generat-ors & fuel reserv-oirs	Gas fired power plant	Electric installat-ions	Equipment & applia-nces	Plant & machinery	Gas fired power plant	
	(Rupees in thousand)							
Cost / revaluation as at 31 December, 2008	515,534	28,407	8,561	23,993	36,692	122,906	37,814	773,907
Accumulated depreciation to 31 December, 2008	285,706	21,624	1,702	15,869	20,374	42,128	11,141	398,544
Book value before revaluation adjustments as at 31 December, 2008	229,828	6,783	6,859	8,124	16,318	80,778	26,673	375,363
Revalued amounts	309,722	13,000	7,895	15,000	16,560	82,755	30,705	475,637
Revaluation surplus	**79,894**	**6,217**	**1,036**	**6,876**	**242**	**1,977**	**4,032**	**100,274**

	Note	2009	2008
		(Rupees in thousand)	
19.5 Depreciation for the year has been apportioned as under:			
Cost of sales		**55,904**	49,036
Administrative expenses		**4,142**	3,573
		60,046	52,609

20. INTANGIBLE ASSETS - Computer software

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

21. LONG TERM LOANS - Secured

	Note	2009	2008
Loan to an executive	**21.1**	**0**	1,387
Loans to employees	**21.2**	**1,541**	1,268
		1,541	2,655
Less: current portion grouped under current assets		**356**	234
		1,185	2,421

21.1 (a) Movement in this account is as follows:

	2009	2008
Opening balance	**1,387**	1,237
Add: disbursed during the year	**770**	300
Less: recovered during the year	**(2,157)**	(150)
	0	1,387

(b) This represents interest-free loan, which was advanced to the executive during the financial year ended 30 June, 2005 for construction of house and was secured against his gratuity benefits. The outstanding balance has been fully adjusted during the current financial year.

21.2 These interest-free loans have been advanced for various purposes and are secured against employees' gratuity benefits. These loans, except for twenty two loans (2008: nine loans), are recoverable in lump sum at the time of retirement by way of adjustment against gratuity benefits of the respective employees.

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

22. DEFERRED TAXATION - Net

	Note	2009	2008
		(Rupees in thousand)	
The deferred tax asset comprises of temporary differences arising due to:			
Debit balances arising in respect of:			
- unused tax losses		**203,397**	147,968
- minimum tax recoverable against normal tax charge in future years		**26,724**	26,739
	22.1	**230,121**	174,707
Credit balances arising in respect of :			
- accelerated tax depreciation allowances		**(139,748)**	(115,232)
- lease finances		**(26,847)**	(17,887)
		(166,595)	(133,119)
		63,526	41,588

22.1 Deferred tax asset has been recognised based on the projections prepared by the management indicating reasonable probability that taxable profits will be available in the foreseeable future against which the unused tax losses will be utilised.

23. STORES, SPARE PARTS AND LOOSE TOOLS

	2009	2008
Stores	**12,113**	13,802
Spare parts	**9,793**	10,252
Loose tools	**1,103**	1,302
	23,009	25,356

24. STOCK-IN-TRADE

	2009	2008
Raw materials	**54,039**	119,959
Work-in-process	**34,118**	29,147
Finished goods	**12,937**	39,496
	101,094	188,602

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

25. TRADE DEBTS - Unsecured, considered good

These represent receivables from local customers.

	2009	2008
26. LOANS AND ADVANCES	(Rupees in thousand)	
Current portion of long term loans	**356**	234
Advances - considered good		
- executives	**165**	124
- employees	**461**	408
	626	532
- suppliers	**2,685**	2,134
	3,667	2,900
27. DEPOSITS AND SHORT TERM PREPAYMENTS		
Security deposits	**5**	5
Short term prepayments	**553**	839
	558	844
28. OTHER RECEIVABLES		
Quality claims	**0**	47
Letters of credit	**192**	945
Others	**0**	456
	192	1,448
29. TAXATION - Net		
Balance of advance tax / (provision) at beginning of the year	**847**	(194)
Less: provision made during the year:		
- current	**(258)**	(7,194)
- prior	**(252)**	(14)
	(510)	(7,208)
	337	(7,402)
Add: income tax deducted / paid during the year	**2,905**	8,249
Balance of advance tax at end of the year	**3,242**	847

29.1 Income tax assessments of the Company have been completed upto the Tax Year 2008; the return for the said year has not been taken-up for audit till 30 June, 2009.

29.2 Provision for the current year represents tax on income chargeable under the final tax regime; (2008: provision for the corresponding year represented minimum tax on turnover due under section 113 of the Income Tax Ordinance, 2001).

29.3 Numeric tax rate reconciliation has not been presented in these financial statements as the Company's income falls under the final tax regime.

30. BANK BALANCES

These represent balances in current accounts.

31. SALES

	Note	2009	2008
		(Rupees in thousand)	
Own manufactured goods:			
Local			
- yarn		**1,212,510**	1,168,483
- waste		**13,552**	28,850
		1,226,062	1,197,333
Export - yarn		**27,657**	1,190
		1,253,719	1,198,523
Trading activities:			
- yarn		**124,467**	33,191
- raw materials		**66,457**	206,934
		190,924	240,125
		1,444,643	1,438,648

32. COST OF SALES

	Note	2009	2008
Raw materials consumed	**32.1**	**906,876**	993,027
Packing materials consumed		**20,172**	25,285
Salaries, wages and benefits	**32.2**	**88,176**	94,402
Power and fuel		**111,683**	119,904
Repair and maintenance		**17,659**	21,411
Depreciation		**55,904**	49,036
Insurance		**2,158**	2,684
Textile cess		**44**	44
Doubling charges		**1,701**	2,834
		1,204,373	1,308,627
Adjustment of work-in-process			
Opening		**29,147**	28,038
Closing		**(34,118)**	(29,147)
		(4,971)	(1,109)
Cost of goods manufactured		**1,199,402**	1,307,518
Cost of yarn purchased		**218,256**	36,457
Adjustment of finished goods			
Opening stock		**39,496**	66,461
Closing stock		**(12,937)**	(39,496)
		26,559	26,965
		1,444,217	1,370,940

32.1 Raw materials consumed

	Note	2009	2008
		(Rupees in thousand)	
Opening stock		**119,959**	244,172
Add:			
Purchases		**774,978**	667,496
Cost of raw materials sold		**65,617**	201,116
Insurance		**299**	199
		840,894	868,811
		960,853	1,112,983
Less: closing stock		**54,039**	119,959
		906,814	993,024
Add: cotton cess		**62**	3
		906,876	993,027

32.2 These include Rs.8,388 thousand (2008: Rs.6,907 thousand) in respect of staff retirement benefits - gratuity.

33. DISTRIBUTION COST

	Note	2009	2008
Freight and forwarding		**2,310**	2,190
Travelling and conveyance		**478**	151
Salaries and benefits	**33.1**	**5,044**	4,031
Commission		**1,186**	719
Export expenses		**459**	285
Rent, rates and utilities		**144**	119
Communication		**300**	210
Insurance		**424**	0
Advertisement		**7**	25
Others		**13**	2
		10,365	7,732

33.1 These include Rs.1,785 thousand (2008: Rs.1,469 thousand) in respect of staff retirement benefits - gratuity

34. ADMINISTRATIVE EXPENSES

	Note	2009	2008
		(Rupees in thousand)	
Directors' remuneration and fees		**2,732**	2,723
Salaries and benefits	**34.1**	**12,338**	12,629
Travelling and conveyance:			
- directors		**3**	328
- others		**661**	761
Rent, rates and taxes		**7,586**	3,132
Entertainment and guest house expenses		**817**	654
Communication		**1,437**	1,433
Printing and stationery		**1,157**	1,746
Utilities		**1,549**	723
Insurance		**2,179**	1,834
Vehicles' running		**2,359**	2,393
Repair and maintenance		**1,169**	617
Advertisement		**97**	54
Subscription		**167**	177
Newspapers & periodicals		**50**	24
Depreciation		**4,142**	3,573
Amortisation of intangible assets		**0**	263
Auditors' remuneration:			
- statutory audit		**175**	175
- short provision for the preceding year		**24**	25
- half yearly review		**110**	61
- certification charges		**0**	10
- consultancy and tax services		**120**	110
		25	25
		454	406
Legal and professional (other than Auditors')		**384**	478
Donations	**34.2**	**317**	180
Others		**292**	228
		39,890	34,356

34.1 These include Rs.2,502 thousand (2008: Rs.2,061 thousand) in respect of staff retirement benefits - gratuity.

34.2 This includes an amount of Rs.180 thousand (2008: Rs.180 thousand) donated to Saifullah Foundation for Sustainable Development (a social welfare society) administered by the following directors of the Company.

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

34.3 The Company, during the current financial year, has shared administrative expenses aggregating Rs.1.874 million (2008: Rs.1.838 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. FINANCE COSTS

	2009	2008
	(Rupees in thousand)	
Mark-up on:		
- subordinated loan	**3,459**	0
- long term financing [net of mark-up subsidy aggregating Rs.1,701 thousand (2008: Rs. 851 thousand)]	**50,398**	31,964
- short term borrowings	**65,342**	63,468
Lease finance charges [net of mark-up subsidy aggregating Rs.1,147 thousand (2008: Rs.775 thousand)]	**5,433**	8,390
Exchange fluctuation loss - net	**14,423**	7,216
Bank and other charges	**1,794**	1,354
	140,849	112,392

36. OTHER OPERATING INCOME

Sale of scrap [net of sales tax - Rs.53 thousand (2008:Rs.65 thousand)]	**332**	432
Gain on disposal of operating fixed assets	**334**	170
Unclaimed balances written-back	**19**	71
	685	673

37. LOSS PER SHARE

There is no dilutive effect on the loss per share of the Company, which is based on:

Loss after taxation attributable to ordinary shareholders	**(133,469)**	(55,221)
	No. of shares	
Weighted average number of shares in issue during the year	**20,800,000**	20,800,000
	Rupees	
Loss per share	**(6.42)**	(2.65)

38. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

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

38.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties fail completely to perform as contracted and arises principally from trade debts and bank balances. Out of the total financial assets of Rs.240.810 million (2008: Rs.271.535 million), the financial assets which are subject to credit risk aggregated Rs.239.269 million (2008: Rs. 268.880 million).

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. To manage exposure to credit risk in respect of trade debts, management constantly follows up counter parties for recovery of amounts and performs credit reviews taking into account the customer's financial position, past experience and other factors. The management has set a maximum credit period of 60 days in respect sales to reduce the credit risk.

Concentration of credit risk rises 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, 2009 along with comparative is tabulated below:

	2009	2008
	(Rupees in thousand)	
Long term deposits	**1,137**	1,137
Trade debts	**237,316**	267,681
Short term deposits	**5**	5
Bank balances	**811**	57
	239,269	268,880

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

The ageing of trade debts at the reporting date is:		
Not past due	**197,178**	216,072
Past due 0-30 days	**2,344**	5,342
Past due more than 31 days	**37,794**	46,267
	237,316	267,681

Based on past experience, the management believes that no impairment allowance is necessary in respect of trade debts past due as some of the debts have been recovered subsequent to the year-end and for other debts there are reasonable grounds to believe that the amounts will be recovered in short course of time.

38.2 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 maintains flexibility in funding by maintaining availability under committed credit lines.

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

	2009						
	Carrying Amount	**Contractual cash flows**	**6 months or less**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
	------------------------- (Rupees in thousand) -------------------------						
Financial Liabilities:							
Sub-ordinated loan	**100,000**	**210,667**	**10,711**	**10,845**	**32,695**	**82,263**	**74,153**
Long term financing	**350,000**	**493,867**	**52,410**	**55,974**	**115,875**	**269,608**	**0**
Liabilities against assets subject to finance lease	**32,730**	**40,562**	**15,956**	**16,199**	**8,407**	**0**	**0**
Long term deposits	**1,018**	**1,018**	**605**	**0**	**156**	**257**	**0**
Trade and other payables	**126,602**	**126,602**	**126,602**	**0**	**0**	**0**	**0**
Accrued interest / mark-up	**24,024**	**24,024**	**24,024**	**0**	**0**	**0**	**0**
Short term borrowings	**293,026**	**314,398**	**314,398**	**0**	**0**	**0**	**0**
	927,400	**1,211,138**	**544,706**	**83,018**	**157,133**	**352,128**	**74,153**

	2008						
	Carrying Amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
	------------------------- (Rupees in thousand) -------------------------						
Financial Liabilities:							
Long term financing	250,000	368,804	16,913	16,637	80,462	201,171	53,621
Liabilities against assets subject to finance lease	64,063	78,246	19,360	18,585	32,075	8,226	0
Long term deposits	1,526	1,526	0	1,174	165	187	0
Trade and other payables	71,489	71,489	71,489	0	0	0	0
Accrued interest / mark-up	26,241	26,241	26,241	0	0	0	0
Short term borrowings	501,734	529,378	529,378	0	0	0	0
	915,053	1,075,684	663,381	36,396	112,702	209,584	53,621

38.3 Market risk

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

38.4 Currency risk

The Company is exposed to currency risk on import of raw materials and stores and spares mainly denominated by EURO and US Dollars. The Company's exposures to foreign currency risk for US Dollars is as follows:

	2009	2008
	(Rupees in thousand)	
Bills payable (on balance-sheet exposure) - grouped under creditors	**(94,800)**	0
Outstanding letters of credit (off balance-sheet exposure)	**(56,593)**	0

The following significant exchange rate has been applied:

	Average rate		**Reporting date rate**	
	2009	2008	**2009**	2008
USD to PKR	**79.00**	67.80	**81.30**	68.20
EURO to PKR	**113.56**	94.50	**N/A**	N/A
CHF to PKR	**N/A**	61.11	**N/A**	N/A

38.5 Sensitivity analysis

At the reporting date, if the PKR had strengthened by 10% against US dollar with all other variables held constant, post-tax loss for the year would have been lower by the amount shown below, as a result of translation of foreign bills payable at new foreign currency exchange rate.

	2009	2008
	(Rupees in thousand)	
Effect on profit or loss		
US Dollars	**(9,480)**	0

The weakening of PKR against US dollar would have an equal but opposite impact on the post tax loss.

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

38.6 Interest rate risk

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was as follows:

Financial liabilities	**2009** Effective rate % age	2008 Effective rate % age	**2009** Carrying amount (Rupees in thousand)	2008 Carrying amount (Rupees in thousand)
Variable rate instruments				
Long term financing	**16.02 to 18.80**	12.84 to 13.42	**350,000**	250,000
Liabilities against assets subject to finance lease	**12.51 to 17.15**	12.16 to 12.83	**32,730**	64,063
Short term borrowings	**4.63 to 18.27**	4.98 to 15.32	**293,026**	501,734

Fair value sensitivity analysis for variable rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Loss 100 bp Increase	(Decrease)
	(Rupees in thousand)	
As at 30 June, 2009		
Cash flow sensitivity - variable rate financial liabilities	**19**	**(19)**
As at 30 June, 2008		
Cash flow sensitivity - Variable rate financial liabilities	22	(22)

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

38.7 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from investments in equity instruments. The Company is not exposed to other price risk as it has no such investment.

38.8 Fair value of financial instruments

The carrying amounts of financial assets and 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 transactions.

38.9 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and 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 the shareholders or issue new shares.

39. TRANSACTIONS WITH RELATED PARTIES

The Company has related party relationship with its Associated Companies, employee benefits plan, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. There were no transactions with key management personnel other than under the terms of employment. Amounts due from and to related parties are shown under receivables and payables and remuneration of key management personnel is disclosed in note 40. Other significant transactions with Associated Companies during the year were as follows:

	2009	2008
	(Rupees in thousand)	
Sale of goods and services	**177,953**	776,392
Purchase of:		
- goods and services	**340,337**	276,761
- fixed assets	**1,753**	0

40. REMUNERATION OF DIRECTORS AND EXECUTIVES

Particulars	**Director**		**Executives**	
	2009	2008	**2009**	2008
	-------------- **(Rupees in thousand)**	---------------		
Managerial remuneration	**2,700**	2,700	**2,818**	3,981
Retirement benefits	**0**	0	**231**	333
Medical expenses reimbursed	**23**	11	**75**	130
	2,723	2,711	**3,124**	4,444
Number of persons	**1**	1	**2**	3

40.1 Meeting fee of Rs.2,000 (2008: Rs.3,000) was paid to one (2008: three) non-executive directors during the year; further, Rs.6,500 were paid to executive directors during the year under this head (2008: Rs. 9,000).

41. CAPACITY AND PRODUCTION

		2009	2008
		(Figures in thousand)	
No. of spindles installed		**44**	44
No. of spindles shifts worked		**36,289**	47,131
Rated capacity at 20's count	Kgs	**14,114**	17,806
Actual production 1,095 Shifts (2008:1,097 Shifts)	Kgs	**5,614**	5,783
Actual production converted into 20's count	Kgs	**14,542**	18,897

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.

42. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 09 November, 2009 by the board of directors of the Company.

43. FIGURES

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

- Corresponding figures have neither been re-arranged nor re-classified.

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

HOOR YOUSAFZAI
DIRECTOR

JEHANGIR SAIFULLAH KHAN
DIRECTOR

PROXY FORM

I/we____

of____

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

Ordinary Shares, do hereby appoint_____________________________

of____

or failing him_________________________________

of____

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

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

as my/our proxy to act on my/our behalf at the 43rd Annual General Meeting of the Company to be held on 30th November, 2009.

Signed this ______________________________ day of _________________2009

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.