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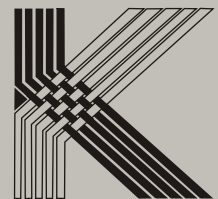
If undelivered, please return to :
KOHINOOR MILLS LIMITED
(Formerly Kohinoor Weaving Mills Limited)
8-KM, MANGA RAIWIND ROAD,
DISTT. KASUR, PAKISTAN.

Lion Press Tel: 7353087



Kohinoor Mills Limited

(Formerly Kohinoor Weaving Mills Limited)



HALF YEARLY REPORT
FOR THE PERIOD ENDED
DECEMBER 31, 2006



COMPANY INFORMATION

Board of Directors

Mr. Aamir Fayyaz Sheikh	Chief Executive /Chairman
Mr. Asad Fayyaz Sheikh	
Mr. Ali Fayyaz Sheikh	
Mr. Muhammad Hanif Khan	
Mr. Salman Akram Raja	
Mr. Najeeb Malik	
Syed Mohsin Raza Naqvi	
Mr. Rashid Ahmed	
Mr. Gul Nawaz	NIT Nominee

Audit Committee

Mr. Rashid Ahmed	Chairman
Mr. Ali Fayyaz Sheikh	Member
Mr. Muhammad Hanif Khan	Member

Chief Financial Officer

Syed Mohsin Raza Naqvi

Head of Internal Audit

Mr. Hamid-ur-Rehman

Company Secretary

Mr. Muhammad Imran

Auditors

Riaz Ahmad & Company
Chartered Accountants

Bankers

Al Baraka Islamic Bank B.S.C. (E.C)
Allied Bank of Pakistan Limited
Askari Commercial Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
PICIC Commercial Bank Limited
Prime Commercial Bank Limited
Saudi Pak Commercial Bank Limited
Standard Chartered Bank Limited
The Bank of Punjab
United Bank Limited

Registered Office, Mills &

Shares Department

8th K.M. Manga Raiwind Road,
District Kasur.

Cell: (92-333) 4998801-10

Tel: (92-42) 5391941-45

Fax: (92-42) 5391946

E-mail: info@kohinoormills.com

Web site: www.kohinoormills.com



DIRECTORS' REPORT

The directors of the Company present the un-audited financial statements for the half year ended December 31, 2006. These accounts are presented in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

Operating and Financial Results

During the half year ended December 31, 2006, your company earned a gross profit of Rs. 637 million on sales of Rs. 4,041 million as compared to gross profit of Rs. 350 million on sales of Rs. 2,988 million for the corresponding half year of the previous financial year. Profit before tax for the half year is Rs. 113 million as compared to a loss before tax of Rs. 18 million during the corresponding half year of the previous financial year. During the first quarter ended September 30, 2006 your company earned net loss after tax of Rs. 7.9 million while during the second quarter ended December 31, 2006 the profit after tax is Rs. 87 million, closing current half year ended December 31, 2006 at Rs. 79 million as compared to loss after tax of Rs. 46 million during the corresponding period. This turn around in the operation and profitability of the company was primarily attributable to the increased capacity utilization in home textile, hosiery and dyeing division(s). Gross margin increased to 15.7 % during the current period from 11.7% during the corresponding period of the previous financial year. Increase in administrative and distribution costs was in absolute terms only and were 6.48% of sales value compared to 7.11 % during the corresponding period. Escalating financial cost continues to affect the results of your company and were Rs. 263 million during the current period as compared to Rs. 172 million during the corresponding period ended December 31, 2005, which increase is primarily attributable to increasing interest rates in the country.

Weaving Division

Escalating cost of doing business in Pakistan coupled with declining trend in the demand of greige fabric continued to affect the operations of this division. Intense competition and rapidly changing market scenarios are putting strain on the



profitability of this division. Your company is focusing more towards in house consumption of greige fabric in dyeing and home furnishing division(s) reducing dependence on external factors presently affecting the operations of the division. Modernization of existing resources is also planned and is expected to materialize during the current year.

Dyeing Division

Capacity utilization continued to improve in this division and is likely to increase further with the addition of new washing range. During the second quarter ended December 31, 2006, this division has shown significant improvement and the trend is likely to continue.

Hosiery Division

Despite increasing competition from local and international players, this division is maintaining its momentum in capacity utilization by increasing its customer base and portfolio of products. With planned diversification in marketing, this division is likely to explore niche customers during the next half year. Management of your company is confident that results of this division will continue to make significant contribution towards the profitability of the organization.

Genertek Division

The newly imported gas engines have recently commenced commercial production. Interruptions caused by the load shedding of gas in the second quarter of the financial year affected results of this division as your company had to use HFO based engines to meet the energy requirements of our operations. After the resumption of uninterrupted gas supply, this division is expected to generate less expensive power during the second half of the year ending June 30, 2007.

Hometex Division

Despite volatility in the Pakistani home furnishing market experienced after post quota regime and increased pricing pressure from neighboring low cost countries, this division has been able to maintain a steady form of capacity utilization especially in the last quarter of the current financial year. Our vertical integration is showing positive results and your company is focusing towards diversified portfolio of products.

Change of Name of the Company

Pursuant to the approval of Shareholders in the 19th Annual



General Meeting held on October 28, 2006, regarding change of name of the company during the period ended December 31, 2006, Securities and Exchange Commission of Pakistan approved the change in the name of your company as "Kohinoor Mills Limited" (Formerly Kohinoor Weaving Mills Limited).

FUTURE PROSPECTS

Your company is keeping its focus in implementing the strategy explained in the Directors' report dated September 30, 2006, as a result of which company has been able to show positive results in the second quarter ended December 31, 2006. As part of debt restructuring, expensive loans have been swapped with softer LTF loans. Investment in BMR is underway, diversification in customer base is being made and gas power generators are being commissioned. As regards disposal of short term securities, your company is closely observing the volatile stock market and is hopeful to achieve target prices shortly.

Management of the company is striving to maintain the momentum achieved in the second quarter and is confident that after successful implementation of all the measures planned, the results of the company for the year ending June 30, 2007 will show further improvement.

ACKNOWLEDGEMENT

The board places on record its gratitude to its valued shareholders, banks, financial institutions and customers, whose cooperation, continued support and patronage have enabled the Company to strive for constant improvement. During the period under review, relations between the management and employees remained cordial and we wish to place on record our appreciation of the dedication and hard work of the staff and workers of the Company.

For and on behalf of the Board

AAMIR FAYYAZ SHEIKH
Chief Executive/Chairman

Kasur:
February 16, 2007



REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of **KOHINOOR MILLS LIMITED (FORMERLY KOHINOOR WEAVING MILLS LIMITED)** as at 31 December 2006, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "Financial Statements"), for the half year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on review engagement 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The figures of the profit and loss account for the quarters ended 31 December 2005 and 2006 have not been reviewed as we are required to review only the cumulative figures for the half year ended 31 December 2006.

Based on our review, except for the matter referred to in the preceding paragraph, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore:
February 16, 2007



CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2006

	NOTE	(Un Audited) December 31, 2006 Rupees	(Audited) JUNE 30, 2006 Rupees
SHARE CAPITAL AND RESERVES			
Authorized share capital			
80,000,000 (June 2006: 80,000,000) ordinary shares of Rupees 10 each		800,000,000	800,000,000
30,000,000 (June 2006: 30,000,000) preference shares of Rupees 10 each		300,000,000	300,000,000
		<u>1,100,000,000</u>	<u>1,100,000,000</u>
Issued, subscribed and paid up share capital			
36,365,008 (June 2006: 33,059,099) ordinary shares of Rupees 10 each fully paid up in cash	3	363,650,080	330,590,990
Reserves			
Capital reserves		143,933,578	219,199,038
Revenue reserves-General		1,200,967,860	1,154,891,192
		<u>1,344,901,438</u>	<u>1,374,090,230</u>
Total equity		<u>1,708,551,518</u>	<u>1,704,681,220</u>
NON-CURRENT LIABILITIES			
Long term financing:			
Redeemable capital	4	79,998,250	119,997,375
Long term loans		<u>1,100,017,672</u>	<u>1,318,959,250</u>
		<u>1,180,015,922</u>	<u>1,438,956,625</u>
CURRENT LIABILITIES			
Trade and other payables		729,310,924	824,760,026
Interest accrued on loans and redeemable capital		126,683,923	102,548,401
Short term finances-Secured		3,425,600,554	3,094,888,901
Current portion of long term liabilities		620,318,791	550,652,641
Provision for taxation		59,961,077	107,031,197
		<u>4,961,875,269</u>	<u>4,679,881,166</u>
Total liabilities		<u>6,141,891,191</u>	<u>6,118,837,791</u>
Contingencies And Commitments	5	-	-
TOTAL EQUITY AND LIABILITIES		<u>7,850,442,709</u>	<u>7,823,519,011</u>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		3,788,372,671	3,889,514,146
Operating fixed assets	6	<u>145,867,049</u>	<u>210,112,805</u>
Capital work-in-progress	6	<u>3,934,239,720</u>	<u>4,099,626,951</u>
Intangible fixed assets			
Software		5,442,323	5,000,250
		<u>3,939,682,043</u>	<u>4,104,627,201</u>
Long term investment			
Long term security deposits		10,638,540	11,940,000
		<u>3,120,751</u>	<u>3,120,751</u>
		13,759,291	15,060,751
		<u>3,953,441,334</u>	<u>4,119,687,952</u>
CURRENT ASSETS			
Stores, spares and loose tools		283,948,964	260,523,603
Stock-in-trade		1,494,429,493	1,354,021,919
Trade debts		1,113,152,375	1,038,801,576
Advances, deposits, prepayments and other receivables		755,132,995	605,592,653
Short term investments		189,730,008	263,694,008
Cash and bank balances		60,607,540	181,197,300
		<u>3,897,001,375</u>	<u>3,703,831,059</u>
TOTAL ASSETS		<u>7,850,442,709</u>	<u>7,823,519,011</u>

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

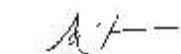
Kasur:
February 16, 2007

AAMIR FAYYAZ SHEIKH
Chief Executive


GUL NAWAZ
Director


CONDENSED PROFIT AND LOSS ACCOUNT (UN - AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2006

Note	Half year ended		Quarter ended	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
	-----Rupees-----			
SALES	4,040,954,088	2,988,583,074	2,227,230,482	1,595,443,493
COST OF SALES	7	<u>3,403,396,623</u>	<u>2,638,563,869</u>	<u>1,791,644,165</u>
GROSS PROFIT		637,557,465	350,019,205	435,586,317
DISTRIBUTION COST		183,844,958	154,653,831	140,632,338
ADMINISTRATIVE EXPENSES		78,072,941	57,963,369	41,043,439
OTHER CHARGES		8,434,395	2,994,885	8,434,395
OTHER OPERATING INCOME		(8,986,432)	(19,439,300)	(5,583,932)
		<u>261,365,862</u>	<u>196,172,785</u>	<u>184,526,240</u>
OPERATING PROFIT		376,191,603	153,846,420	251,060,077
FINANCE COST		263,153,093	171,959,590	145,436,497
PROFIT / (LOSS) BEFORE TAXATION		113,038,510	(18,113,170)	105,623,580
PROVISION FOR TAXATION		33,902,752	28,265,102	18,498,581
PROFIT / (LOSS) AFTER TAXATION		<u>79,135,758</u>	<u>(46,378,272)</u>	<u>87,124,999</u>
EARNINGS PER SHARE - BASIC AND DILUTED		2.18	(1.28)	2.40
		<u>(0.46)</u>	<u>(0.46)</u>	<u>(0.46)</u>

Kasur:
February 16, 2007

AAMIR FAYYAZ SHEIKH
Chief Executive


GUL NAWAZ
Director



CONDENSED CASH FLOW STATEMENT (UN - AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2006

	Half year ended	Half year ended
	December 31, 2006	December 31, 2005

-----Rupees-----

CASH FLOWS FROM OPERATING ACTIVITIES

Cash generated from operations (Note 8)	516,779,990	219,671,845
Finance cost paid	(239,017,571)	(145,254,592)
Income taxes paid	(36,516,566)	(27,329,382)
Net cash from operating activities	241,245,853	47,087,871

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditure on property, plant and equipment	(175,883,443)	(95,161,916)
Proceeds from sale of property, plant and equipment	3,322,382	17,546,783
Long term security deposits	-	(33,600)
Short term investments	-	1,340,500
Net cash used in investing activities	(172,561,061)	(76,308,233)

CASH FLOWS FROM FINANCING ACTIVITIES

Long term financing - net	(189,274,552)	88,076,041
Lease liability paid	-	(12,292,004)
Dividend paid	-	(2,288)
Net cash (used in) / generated from financing activities	(189,274,552)	75,781,749
Net increase / (decrease) in cash and cash equivalents	(120,589,760)	46,561,387
Cash and cash equivalents at the beginning of the period	181,197,300	139,334,053
Cash and cash equivalents at the end of the period	60,607,540	185,895,440

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

Kasur:
February 16, 2007

AAMIR FAYYAZ SHEIKH
 Chief Executive


GUL NAWAZ
 Director


CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2006

	Reserves					Total	Total equity
	Share Capital	Capital	Sub-total	General	Accumulated Profit / (loss)		
Balance as at June 30, 2005	330,590,990	87,246,728	155,193,008	1,391,086,730	(183,026,563)	1,208,080,167	1,693,844,165
Loss for the period from July 01, 2005 to December 31, 2005	-	-	-	-	(46,378,272)	(46,378,272)	(46,378,272)
Fair value adjustment on investments	-	142,810,750	142,810,750	-	-	142,810,750	142,810,750
Balance as at December 31, 2005	330,590,990	230,057,478	298,003,758	1,391,086,730	(229,404,835)	1,161,681,895	1,790,276,643
Loss for the period from January 01, 2006 to June 30, 2006	-	-	-	-	(6,790,703)	(6,790,703)	(6,790,703)
Fair value adjustment on investments	-	(78,804,720)	(78,804,720)	-	-	-	(78,804,720)
Balance as at June 30, 2006	330,590,990	151,252,758	219,199,038	1,391,086,730	(236,195,538)	1,154,891,192	1,374,090,230
Transfer from general reserve	-	-	(300,000,000)	300,000,000	-	-	-
Bonus shares issued @ 10%	33,059,090	-	-	(33,059,090)	-	(33,059,090)	-
Net profit for the period from July 01, 2006 to December 31, 2006	-	-	-	-	79,135,758	79,135,758	79,135,758
Fair value adjustment on investments	-	(75,265,460)	(75,265,460)	-	-	-	(75,265,460)
Balance as at December 31, 2006	363,650,080	67,946,280	143,933,578	1,059,027,640	142,940,220	1,200,967,860	1,708,551,518

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

Kasur:
February 16, 2007

AAMIR FAYYAZ SHEIKH
 Chief Executive


GUL NAWAZ
 Director



**SELECTED NOTES TO THE
CONDENSED INTERIM FINANCIAL STATEMENTS
(UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

1 BASIS OF PREPARATION

- 1.1 These condensed interim financial statements are un-audited and are being submitted to shareholders, as required by section 245 of the Companies Ordinance, 1984.
- 1.2 The accounting policies adopted for the preparation of these condensed half yearly financial statements are the same as those applied in the preparation of the preceding annual published financial statements of the Company for the year ended June 30, 2006.
- 1.3 These condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and have been reviewed by the auditors as required by the Code of Corporate Governance.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgments and estimates made by the management in the preparation of these condensed interim financial statements are the same as those applied to the annual financial statements for the year ended June 30, 2006.

	Un-Audited	Audited
	December 31,	June 30,
	2006	2006
	-----Rupees-----	

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

14,000,000 (June 30, 2006: 14,000,000) ordinary shares of Rupees 10 each issued as fully paid for cash	140,000,000	140,000,000
18,780,031 (June 30, 2006: 15,474,122) ordinary shares of Rupees 10 each issued as fully paid bonus shares (Note 3.1)	187,800,310	154,741,220
3,584,977 (June 30, 2006: 3,584,977) ordinary shares of Rupees 10 each issued due to merger with Kohinoor Genertek Limited as per scheme of arrangement	35,849,770	35,849,770
	363,650,080	330,590,990

- 3.1 During the period, the Company issued 10% bonus shares in proportion of one share for every ten shares held.

4. REDEEMABLE CAPITAL

Opening balance	199,995,625	279,993,875
Less: Repaid during the period / year	(39,999,125)	(79,998,250)
Closing balance	159,996,500	199,995,625
Less: Current portion shown under current liabilities	79,998,250	79,998,250
Non-current portion	79,998,250	119,997,375

5. CONTINGENCIES AND COMMITMENTS

- 5.1 There has been no change in contingencies since the date of preceding annual published financial statements.

5.2 Commitments in respect of :

- (i) Contracts for capital expenditure amount to Rupees 53.65 million (June 30, 2006: Rupees 65.924 million).



	Un-Audited	Audited
	December 31,	June 30,
	2006	2006
	-----Rupees-----	
6. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets:		
Opening book value	3,889,514,146	3,112,942,370
Additions during the period / year (Note 6.1)	50,307,521	1,072,629,024
	3,939,821,667	4,185,571,394
Book value of operating fixed assets disposed of during the period / year	(2,506,265)	(27,925,353)
Depreciation charged during the period / year	(148,942,731)	(268,131,895)
	(151,448,996)	(296,057,248)
Closing book value	3,788,372,671	3,889,514,146
Capital work in progress (Note 6.3)	145,867,049	210,112,805
	3,934,239,720	4,099,626,951
6.1 Cost of additions in operating fixed assets		
Buildings on freehold land	1,056,723	320,565,793
Plant and machinery	25,469,884	697,144,567
Electric installations	1,391,880	12,384,650
Furniture, fixtures and equipment	7,018,241	23,566,454
Vehicles	15,370,793	18,967,560
	50,307,521	1,072,629,024
6.2 Cost of deletions from operating fixed assets		
Plant and machinery	-	60,344,843
Vehicles	4,964,474	7,251,576
	4,964,474	67,596,419
6.3 Capital work in progress		
Tangible fixed assets		
Plant and machinery	11,072,018	107,863,564
Civil works on freehold land	131,689,486	99,016,645
Electric installations	893,352	-
Intangible fixed assets		
Computer software	2,212,193	3,232,596
	145,867,049	210,112,805
	Half year ended	Half year ended
	December 31,	December 31,
	2006	2005
	-----Rupees-----	
7. COST OF SALES		
Raw material consumed	2,225,959,274	1,875,289,120
Chemicals consumed	273,553,878	193,734,824
Salaries, wages and other benefits	175,789,918	107,725,879
Employees' provident fund contribution	6,662,067	4,668,435
Cloth conversion and processing charges	100,066,886	76,966,595
Fuel, oil and power	165,240,808	94,809,172
Skill and product development expenses	365,092	1,416,193
Stores, spares and loose tools	69,671,561	77,831,208
Packing material	99,359,121	28,619,857
Repair and maintenance	23,837,488	11,273,999
Insurance	6,059,106	6,888,943
Other manufacturing expenses	43,497,142	22,378,473
Depreciation	144,695,420	127,557,243
	3,334,757,761	2,629,159,941
Work-in-process inventory		
Opening stock	441,050,023	206,909,967
Closing stock	(368,772,824)	(280,491,379)
	72,277,199	(73,581,412)
Cost of goods manufactured	3,407,034,960	2,555,578,529
Cloth and yarn purchased for resale	105,361,760	103,761,993
Finished goods inventory		
Opening stock	522,675,239	454,330,149
Closing stock	(631,675,336)	(475,106,802)
	(109,000,097)	(20,776,653)
	3,403,396,623	2,638,563,869



Half year ended	Half year ended
December 31,	December 31,
2006	2005
-----Rupees-----	

8. CASH GENERATED FROM OPERATIONS

Profit / (Loss) before taxation	113,038,510	(18,113,170)
Adjustments for:		
Depreciation	148,942,731	131,562,028
Amortization of intangible asset	598,290	-
Gain on disposal of property, plant and equipment	(816,117)	(9,987,894)
Finance cost	263,153,093	171,959,590
Working capital changes (Note 8.1)	(8,136,517)	(55,748,709)
	<u>516,779,990</u>	<u>219,671,845</u>

8.1 WORKING CAPITAL CHANGES**(Increase) / decrease in current assets**

Stores, spare parts and loose tools	(23,425,361)	(26,686,710)
Stock in trade	(140,407,575)	(194,519,952)
Trade debts	(74,350,800)	(184,577,546)
Advances, deposits, prepayments and other receivables	(5,215,333)	45,246,608
	<u>(243,399,069)</u>	<u>(360,537,600)</u>

Increase / (decrease) in current liabilities

Short term borrowings	330,711,653	136,787,992
Trade and other payables	(95,449,101)	168,000,899
	<u>(8,136,517)</u>	<u>(55,748,709)</u>

9. TRANSACTIONS WITH RELATED PARTIES

Related parties comprises of associated undertakings, other related parties, key management personnel and provident fund trust. The Company in the normal course of business carries out transactions with related parties.

Half year ended	Half year ended
December 31,	December 31,
2006	2005
-----Rupees-----	

Sales of goods and services	37,050	316,811,873
Purchase of goods and services	160,876	707,933,785
Remuneration of key management personnel	5,550,000	5,100,000
Contribution to employees' provident fund trust	6,662,067	4,668,435

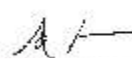
10. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 16, 2007 by the Board of Directors of the Company.

11. CORRESPONDING FIGURES

Corresponding figures have been rearranged / regrouped, wherever necessary, for the purpose of comparison. However, no significant rearrangements / regrouping have been made except for 'Commission to Selling Agents' which has been added to 'Distribution Cost' instead of deducting it from 'Sales' in compliance with presentation requirements of revised Fourth Schedule to the Companies Ordinance, 1984. This change has no effect on net profit / (loss) for the periods presented.

Kasur:
February 16, 2007


AAMIR FAYYAZ SHEIKH
Chief Executive


GUL NAWAZ
Director