

Kohinoor

Weaving Mills Limited



A Kohinoor Maple Leaf Group Company

QUARTERLY REPORT
FOR THE PERIOD ENDED
SEPTEMBER 30, 2005



COMPANY INFORMATION

BOARD OF DIRECTORS

TARIQ SAYEED SAIGOL
AAMIR FAYYAZ SHEIKH
ASAD FAYYAZ SHEIKH
SAYEED TARIQ SAIGOL
USMAN SAID
ZAMIRUDDIN AZAR
ALI FAYYAZ SHEIKH
WALEED TARIQ SAIGOL
GUL NAWAZ

*Chairman
Chief Executive*

NIT Nominee

AUDIT COMMITTEE

ZAMIRUDDIN AZAR
USMAN SAID
WALEED TARIQ SAIGOL
MUHAMMAD ASHRAF

*Chairman
Member
Member
Secretary*

CHIEF FINANCIAL OFFICER

SYED MOHSIN NAQVI

COMPANY SECRETARY

MUHAMMAD ASHRAF

MANAGER INTERNAL AUDIT

MUHAMMAD SAEED KHALID UPPAL

AUDITORS

FORD RHODES SIDAT HYDER & CO
CHARTERED ACCOUNTANTS

BANKERS

ALLIED BANK OF PAKISTAN LIMITED
AL BARAKA ISLAMIC BANK B.S.C. (E.C.)
ASKARI COMMERCIAL BANK LIMITED
BANK ALFALAH LIMITED
FAYSAL BANK LIMITED
HABIB BANK LIMITED
MUSLIM COMMERCIAL BANK LIMITED
NATIONAL BANK OF PAKISTAN
NDLC-IFIC BANK LIMITED
PICIC COMMERCIAL BANK LIMITED
PRIME COMMERCIAL BANK LIMITED
SAUDI PAK COMMERCIAL BANK LIMITED
UNION BANK LIMITED
UNITED BANK LIMITED
BANK OF PUNJAB

REGISTERED OFFICE & SHARES DEPARTMENT

42-LAWRENCE ROAD, LAHORE, PAKISTAN.
TEL: (92-42) 6302261, 6302262
FAX: (92-42) 6368721

MILLS

8TH KILOMETRE, MANGA RAIWIND ROAD,
DISTT. KASUR.
TEL: (92-42) 5391941-45
FAX: (92-42) 5391946
E-mail: kwml@brain.net.pk
web site: www.kmlg.com



DIRECTORS' REPORT

The Directors of the Company present the un-audited financial statements for the first quarter ended September 30, 2005. These accounts are presented in accordance with the requirements of Companies Ordinance, 1984.

OPERATING AND FINANCIAL RESULTS

During the first quarter ended September 30, 2005, your company earned a gross profit of Rs 138 million on sales of Rs 1,357 million as compared to gross profit of Rs 162 million on sales of Rs 1,257 million for the corresponding quarter of the previous financial year. Loss before taxation for the first quarter is Rs 16.42 million compared to Profit before tax of Rs 43 million during the corresponding quarter of the previous financial year. Loss during the first quarter is primarily attributable to the escalated finance cost which increased to Rs 90.55 million during the current quarter as compared to Rs 47 million during the corresponding financial quarter. Decrease in gross margin is due to the declining trend in per unit sales rate of greige fabric and temporary under utilization of capacity in Hosiery division.

To address the escalating financial cost your company has started implementing a debt reduction plan whereby over Rs one billion is being repaid to different financial institutions during the financial quarters ending on December 31, 2005 and March 31, 2006. This will not only significantly improve our current and debt equity ratios but will also have healthy effect on the profitability of the organization. Repayment of the bank loans will be made out of the additional cash flows your company expects to generate from sale of short term securities, right issue and sale of surplus land.



In order to increase and then sustain the gross margins, your organization is focusing on sales of value added products through enhanced efficiency and has taken steps to reduce overheads. Utilization of capacity in hosiery division is improving and orders deferred during the last quarter of the fiscal year are being executed. Management of your company is hopeful that results for the year ending June, 2006 will improve.

FUTURE PROSPECTS

The management of your company is striving to implement a strategy which has been more fully explained in the Directors Report to the members dated September 24, 2005, under which diversified marketing in hosiery, weaving and home textile divisions have been undertaken to increase the customer base and explore niche markets, debt restructuring and retirement plan is being implemented to reduce finance cost, capacity utilization in dyeing division is being improved and gas fired engines are being procured to achieve economies in the cost of electricity produced. After successful implementation of these measures, management is hopeful that the results of your company will show significant improvement.

ACKNOWLEDGMENT

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

Lahore:
October 26, 2005

**BALANCE SHEET AS AT SEPTEMBER 30, 2005**
(UN - AUDITED)

	NOTE	September 30, 2005 Rupees
SHARE CAPITAL AND RESERVES		
Authorized share capital		
80,000,000 ordinary shares of Rupees 10 each		800,000,000
30,000,000 preference shares of of Rupees 10 each		300,000,000
		<u>1,100,000,000</u>
Issued, subscribed and paid up share capital		
33,059,099 ordinary shares of Rupees 10 each fully paid up in cash		330,590,990
Reserves		
Capital reserve		225,318,008
Revenue reserve		1,391,086,730
Accumulated loss		(212,737,740)
		<u>1,403,666,998</u>
		1,734,257,988
NON-CURRENT LIABILITIES		
Redeemable capital		159,996,500
Long term loan		1,907,807,510
		<u>2,067,804,010</u>
CURRENT LIABILITIES		
Trade and other payable		683,604,443
Interest accrued on loans and redeemable capital		86,111,130
Short term finances - Secured		2,087,890,026
Current portion of long term liabilities		460,190,676
Provision for taxation		58,054,101
		<u>3,375,850,376</u>
CONTINGENCIES AND COMMITMENTS	3	-
		<u>7,177,912,374</u>
NON-CURRENT ASSETS		
TANGIBLE FIXED ASSETS		
Property, plant and equipment	4	3,344,319,272
Capital work in progress		472,291,542
		<u>3,816,610,814</u>
LONG TERM INVESTMENTS		11,940,000
LONG TERM SECURITY DEPOSITS		3,087,151
CURRENT ASSETS		
Stores, spares and loose tools		237,934,257
Stock- in- trade		1,049,257,682
Assets held for disposal		281,475,211
Trade debts		661,099,271
Advances, deposits, prepayments and other receivables		718,621,573
Short term investments		269,344,529
Cash and bank balances		128,541,886
		<u>3,346,274,409</u>
		<u>7,177,912,374</u>

The annexed notes form an integral part of these financial statements



PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED SEPTEMBER 30, 2005
(UN-AUDITED)

	NOTE	Quarter Ended September 30, 2005 Rupees
SALES	5	1,357,153,221
COST OF GOODS SOLD	6	<u>1,219,110,327</u>
GROSS PROFIT		138,042,894
DISTRIBUTION COST		49,726,085
ADMINISTRATIVE EXPENSES		29,755,391
OTHER OPERATING INCOME		<u>(15,564,849)</u>
		<u>63,916,627</u>
OPERATING PROFIT		74,126,267
FINANCE COST		<u>90,550,091</u>
LOSS BEFORE TAXATION		(16,423,824)
PROVISION FOR TAXATION		<u>13,287,353</u>
LOSS AFTER TAXATION		<u><u>(29,711,177)</u></u>
EARNINGS PER SHARE - BASIC		<u><u>(0.90)</u></u>

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



CASH FLOW STATEMENT
FOR THE QUARTER ENDED SEPTEMBER 30, 2005
(UN - AUDITED)

	September 30, 2005 Rupees
Cash flows from operating activities	
Loss before taxation	(16,423,824)
Adjustment for non cash charges and other items:	
Depreciation	65,096,972
Gain on sale of fixed assets	(9,889,954)
Financial charges	90,550,091
Cash flows from operating activities before adjustment of working capital	129,333,285
(Increase) / Decrease in current assets	
Stores, spares and loose tools	(28,526,787)
Stock in trade	(102,709,632)
Trade debts	(66,346,320)
Advances, deposits, prepayments and other receivables	(16,013,792)
Short term finances	(29,477,691)
Trade and other payable	104,056,670
Effect on cash flows due to working capital changes	(139,017,552)
Cash flows from operating activities	
Income taxes paid	(3,046,038)
Financial charges paid	(65,354,588)
NET CASH USED IN OPERATING ACTIVITIES	(78,084,893)
Cash flows from investing activities	
Fixed assets acquired	(45,355,245)
Sale proceeds from fixed assets	15,000,000
NET CASH USED IN INVESTING ACTIVITIES	(30,355,245)
Cash flows from financing activities	
Lease liability paid	(12,292,004)
Long term loans	29,945,225
Redeemable capital	79,994,750
NET CASH GENERATED FROM FINANCING ACTIVITIES	97,647,971
Net decrease in cash and cash equivalents	(10,792,167)
Cash and cash equivalents at the beginning of the period	139,334,053
Cash and cash equivalents at the end of the period	128,541,886

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


STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2005

	R E S E R V E S										SHARE-HOLDER'S EQUITY Rupees	
	SHARE CAPITAL			Capital Reserves			Revenue Reserve			Total Rupees		
	Rupees	Reserve for issue of bonus shares	Rupees	Share Premium	Rupees	Fair value Reserve	Rupees	General	Rupees			Unappropriated Profit
		Sub-Total	Rupees	Sub-Total	Rupees	Sub-Total	Rupees	Sub-Total	Rupees	Sub-Total		Rupees
Balance as on June 30, 2005	550,590,630	-	67,946,280	617,536,910	155,195,006	67,246,738	1,391,068,750	(185,025,563)	1,206,062,187	1,990,044,165		
Loss for the period	-	-	-	-	-	-	-	(29,711,177)	(29,711,177)	(29,711,177)		
Fair value adjustment on investments	-	-	-	-	70,125,000	70,125,000	-	-	-	70,125,000		
Balance as on September 30, 2005	550,590,630	-	67,946,280	617,536,910	225,315,006	157,371,738	1,391,068,750	(214,737,740)	1,176,341,000	1,796,257,085		

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

 Lahore :
October 26, 2005


ZAMIRUDDIN AZAR
 Director


ZAMIRUDDIN AZAR
 Director



NOTES TO THE ACCOUNTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2005
(UN-AUDITED)

1 THE COMPANY AND ITS ACTIVITIES

Kohinoor Weaving Mills Limited was incorporated on December 21, 1987 as a public limited company under the Companies Ordinance, 1984 and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. Its registered office is situated at Lahore. The Company is principally engaged in the manufacturing, dyeing, trading of cloth, yarn, socks and generation and distribution of electricity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

These financial statements are unaudited and are being submitted to shareholders as required u/s 245 of Companies Ordinance, 1984 and have been prepared in accordance with the International Accounting Standard No. 34 interim financial reporting as applicable and notified by Securities and Exchange Commission of Pakistan.

2.2 Accounting convention

The accounting policies and method of computations adopted for the preparation of these interim financial statements are the same as applied in the preparation of the preceding annual published financial statements of the company for the period ended June 30, 2005. The presentation of interim financial statements is consistent with the annual financial statements.

3 COMMITMENTS

Commitments against capital expenditure are Rupees 106.23 million.

4 ADDITIONS / (DELETIONS) IN FIXED ASSETS – AT COST

	September 30, 2005 Rupees
Plant and machinery	294,448,942 (15,000,000)
Furniture, fixtures and equipment	3,242,854
Vehicles	3,892,150
Total additions at cost	<u>301,583,946</u>
Total deletions at cost	<u>(15,000,000)</u>

Quarter Ended
September
30, 2005
Rupees

5 SALES

Gross sales	1,398,135,044
Less: Sales tax	4,995,463
Net sales	<u>1,393,139,581</u>
Less: Commission to selling agents	(35,986,360)
	<u><u>1,357,153,221</u></u>



	Quarter Ended September 30, 2005 Rupees
6 COST OF GOODS SOLD	
Raw and packing material consumed	917,567,105
Chemicals consumed	81,901,265
Salaries, wages and other benefits	49,626,471
Employees provident fund contribution	2,191,755
Conversion and processing charges	38,021,245
Fuel, oil and power	49,277,226
Skill and product development expenses	386,021
Stores, spares and loose tools	42,809,223
Packing materials	12,653,667
Repair and maintenance	4,614,778
Insurance	3,246,612
Other manufacturing expenses	10,339,790
Depreciation	62,119,708
	<u>1,274,754,866</u>
Work-in-process	
Opening stock	206,904,454
Closing stock	<u>(228,198,522)</u>
	<u>(21,294,068)</u>
Cost of goods manufactured	1,253,460,798
Finished goods	
Opening stock	454,330,151
Closing stock	<u>(488,680,622)</u>
	<u>(34,350,471)</u>
	<u>1,219,110,327</u>
7 TRANSACTIONS WITH RELATED PARTIES	
Purchase of goods and services	390,620,899
Sales of goods and services	162,703,209
8 COMPARATIVE FIGURES	
To avoid practical difficulties and as allowed by Securities and Exchange Commission of Pakistan through press release dated October 25, 2005, comparative figures have not been disclosed in these quarterly accounts.	
9 AUTHORIZED FOR ISSUE	
These financial statements were approved by the Board of Directors and authorized for the issue on October 26, 2005.	