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**KOHINOOR WEAVING MILLS LIMITED**  
8-KM, MANGA RAININD ROAD,  
DISTT. KASUR, LAHORE - PAKISTAN

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# Kohinoor

Weaving Mills Limited



**QUARTERLY REPORT  
FOR THE PERIOD ENDED  
SEPTEMBER 30, 2006**



## COMPANY INFORMATION

### Board of Directors

Mr. Aamir Fayyaz Sheikh Chief Executive /Chairman

Mr. Asad Fayyaz Sheikh

Mr. Ali Fayyaz Sheikh

Mr. Salman Akram Raja

Mr. Najeeb Malik

Syed Mohsin Raza Naqvi

Mr. Rashid Ahmed

Mr. Muhammad Hanif Khan

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

### 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 (Formerly NDLC-IFIC Bank Limited)

PICIC Commercial Bank Limited

Prime Commercial Bank Limited

Saudi Pak Commercial Bank Limited

The Bank of Punjab

Union Bank Limited

United Bank Limited

Registered Office, Mills &

### Shares Department

8<sup>th</sup> K.M. Manga Raiwind Road,

District Kasur.

Cell: (92-333) 4998801-10

Tel: (92-42) 5391941-45

Fax: (92-42) 5391946

E-mail: [info@kohinoorweaving.com](mailto:info@kohinoorweaving.com)

Web site: [www.kohinoorweaving.com](http://www.kohinoorweaving.com)



## DIRECTORS' REPORT

The Directors of the Company present the un-audited financial statements for the first quarter ended September 30, 2006. These accounts are presented in accordance with the requirements of Companies Ordinance, 1984.

### Operating and Financial Results

During the period ended September 30, 2006, your company earned a gross profit of Rs 224 million on sales of Rs 1,837 million as compared to gross profit of Rs 138 million on sales of Rs 1,357 million for the corresponding first quarter of the previous financial year. Profit before taxation for the first quarter is Rs 7.4 million compared to a loss before tax of Rs 16.4 million during the corresponding first quarter of the previous financial year. Increase in gross profit both in terms of value and in terms of % age was attributable to the increased capacity utilization in home textiles, hosiery and dyeing division(s). Increase in administrative and distribution costs was in absolute terms only and were 5.62% of sales value compared to 5.86% during the corresponding period. Escalating financial cost continue to effect the results of your company and remained at Rs 117.7 million during the current period as compared to Rs 90.5 million during the corresponding period ended September 30, 2005. In line with the planned debt reduction plan, your company is committed to dispose off certain short term securities, proceeds of which will be used to repay expensive debts. Your company is



continuously observing the changing market conditions and volatility in the stock market and is hopeful that they will be able to sell these securities in the current financial year. This will not only significantly improve our current and debt equity ratios but will also have healthy effect on the profitability of your company by reduced financial charge.

In order to increase and then sustain the net margins, your organization is striving to enhance efficiency and has taken steps to reduce overheads. Utilization of capacity is improving, new markets are being explored both locally and internationally for the enhanced production capacities. New caterpillar gas powered engines in Genertek have been commissioned providing alternate low cost solution for your company's power needs.

#### FUTURE PROSPECTS

Management of your company is following up the strategy fully explained in Directors report dated June 30, 2006 and has developed a detailed operational plan 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. After successful implementation of these measures, management is hopeful that the results of your company for the year ending June 30, 2007



will show significant 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

Kasur:  
October 29, 2006

Chief Executive



## BALANCE SHEET AS AT SEPTEMBER 30, 2006

	NOTE	(Un Audited) SEPTEMBER 30, 2006 Rupees	(Audited) JUNE 30, 2006 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
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 33,059,099 (June 2006: 33,059,099) ordinary shares of Rupees 10 each fully paid up in cash		330,590,990	330,590,990
Reserves			
Capital reserves-Share premium		67,946,280	67,946,280
Revenue reserves-General		1,091,086,730	1,391,086,730
Accumulated profit/(loss)		55,815,222	(236,195,538)
Surplus on revaluation of investments		154,860,758	151,252,758
		<u>1,369,708,990</u>	<u>1,374,090,230</u>
		<u>1,700,299,980</u>	<u>1,704,681,220</u>
<b>NON-CURRENT LIABILITIES</b>			
Redeemable capital		79,998,250	119,997,375
Long term loans		1,322,814,524	1,318,959,250
		<u>1,402,812,774</u>	<u>1,438,956,625</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		771,519,297	824,760,026
Interest accrued on loans and redeemable capital		115,737,232	102,548,401
Short term finances-Secured		3,254,842,266	3,094,888,901
Current portion of long term liabilities		488,078,563	550,652,641
Provision for taxation		122,435,370	107,031,197
		<u>4,752,612,728</u>	<u>4,679,881,166</u>
		<u>7,855,725,482</u>	<u>7,823,519,011</u>
<b>CONTINGENCIES AND COMMITMENTS</b> 3			
<b>NON-CURRENT ASSETS</b>			
<b>Fixed Assets</b>			
<b>Tangible fixed assets</b>			
Property, plant and equipment		3,818,043,419	3,889,514,146
Capital work-in-progress		231,067,668	210,112,805
Intangible fixed assets			
Software		4,760,737	5,000,250
		<u>4,053,871,824</u>	<u>4,104,627,201</u>
Long term investment		11,940,000	11,940,000
Long term security deposits		3,120,751	3,120,751
		<u>15,060,751</u>	<u>15,060,751</u>
		<u>4,068,932,575</u>	<u>4,119,687,952</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		259,934,780	260,523,603
Stock-in-trade		1,438,202,863	1,354,021,919
Trade debts-Considered good		934,645,241	1,038,801,576
Advances, deposits, prepayments and other receivables		709,616,469	605,592,653
Short term investments		267,302,008	263,694,008
Cash and bank balances		177,091,546	181,197,300
		<u>3,786,792,907</u>	<u>3,703,831,059</u>
		<u>7,855,725,482</u>	<u>7,823,519,011</u>

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

PROFIT AND LOSS ACCOUNT (UN - AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2006

	NOTE	SEPTEMBER 30, 2006 Rupees	SEPTEMBER 30, 2005 Rupees
SALES	6	1,836,641,748	1,357,153,221
COST OF GOODS SOLD	7	<u>1,611,752,457</u>	<u>1,219,110,327</u>
GROSS PROFIT		224,889,291	138,042,894
DISTRIBUTION COST		66,130,762	49,726,085
ADMINISTRATIVE EXPENSES		37,029,502	29,755,391
OTHER OPERATING INCOME		<u>(3,402,500)</u>	<u>(15,564,849)</u>
		<u>99,757,764</u>	<u>63,916,627</u>
OPERATING PROFIT		125,131,527	74,126,267
FINANCE COST		<u>117,716,596</u>	<u>90,550,091</u>
PROFIT/(LOSS) BEFORE TAXATION		7,414,931	(16,423,824)
PROVISION FOR TAXATION		<u>15,404,171</u>	<u>13,287,353</u>
LOSS AFTER TAXATION		<u>(7,989,240)</u>	<u>(29,711,177)</u>
EARNINGS PER SHARE - BASIC		<u>(0.24)</u>	<u>(0.90)</u>

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

Kasur:  
October 29, 2006
  
**AMIR FAYYAZ SHEIKH**  
Chief Executive

  
**RASHID AHMED**  
Director
Kasur:  
October 29, 2006
  
**AMIR FAYYAZ SHEIKH**  
Chief Executive

  
**RASHID AHMED**  
Director



## CASH FLOW STATEMENT (UN - AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30,2006

	SEPTEMBER 30, 2006 Rupees	SEPTEMBER 30, 2005 Rupees
Cash flows from operating activities		
Profit/(loss) before taxation	7,414,931	(16,423,824)
Adjustment for non cash charges and other items:		
Depreciation	73,822,917	65,096,972
Gain/(loss) on sale of property, plant and equipment	-	(9,889,954)
Finance cost	117,716,596	90,550,091
Cash flows from operating activities before adjustment of working capital	<u>198,954,444</u>	<u>129,333,285</u>
(Increase)/decrease in current assets		
Stores, spares and loose tools	588,823	(28,526,787)
Stock in trade	(84,180,944)	(102,709,632)
Trade debts	104,156,335	(66,346,320)
Advances, deposits, prepayments and other receivables	(100,212,682)	(16,013,792)
Increase/(decrease) in current liabilities		
Short term finances	159,953,365	(29,477,691)
Trade and other payables	(53,240,728)	104,056,670
Effect on cash flows due to working capital changes	27,064,169	(139,017,552)
Cash flows from operating activities		
Income taxes paid	(3,811,134)	(3,046,038)
Finance cost paid	(108,338,899)	(68,400,626)
	<u>117,679,714</u>	<u>(78,084,893)</u>
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		
Cash flows from investing activities		
Property, plant and equipment	(23,067,539)	(45,355,245)
Sale proceeds from property, plant and equipment	-	15,000,000
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(23,067,539)</u>	<u>(30,355,245)</u>
Cash flows from financing activities		
Lease liability paid	-	(12,292,004)
Long term loans-net	(58,718,804)	29,945,225
Redeemable capital	(39,999,125)	79,994,750
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<u>(98,717,929)</u>	<u>97,647,971</u>
Net (decrease)/increase in cash and cash equivalents	(4,105,754)	(10,792,167)
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	<u>177,091,546</u>	<u>128,541,886</u>

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



### STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2006 (UN AUDITED)

	SHARE CAPITAL			Revenue Reserves			Fair value Reserve		SHARE-HOLDERS' EQUITY	
	Share Premium	General	Capital Reserve	Unappropriated profit/ Accumulated loss	Sub-Total	Total	Shareholders' Equity	Shareholders' Equity	Shareholders' Equity	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as on June 30, 2005	67,946,280	1,391,086,730	-	(183,026,563)	1,208,060,167	87,246,728	1,693,844,165	-	1,693,844,165	-
Loss for the period	-	-	-	(29,711,177)	(29,711,177)	-	(29,711,177)	-	(29,711,177)	-
Fair value adjustment on investment	-	-	-	-	-	70,125,000	70,125,000	-	70,125,000	-
Balance as on September 30, 2005	67,946,280	1,391,086,730	-	(212,737,740)	1,178,348,990	157,371,728	1,403,666,998	-	1,403,666,998	-
Balance as on June 30, 2006	67,946,280	1,391,086,730	-	(236,195,538)	1,154,891,192	151,252,758	1,374,090,230	-	1,374,090,230	-
Loss for the period	-	-	-	(7,989,240)	(7,989,240)	-	(7,989,240)	-	(7,989,240)	-
Transfer from general reserves	-	-	-	300,000,000	300,000,000	-	-	-	-	-
Fair value adjustment on investment	-	-	-	-	-	3,608,000	3,608,000	-	3,608,000	-
Balance as on September 30, 2006	67,946,280	1,091,086,730	-	55,815,222	1,146,901,952	154,860,758	1,369,708,990	-	1,369,708,990	-

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



**NOTES TO THE ACCOUNTS**  
FOR THE QUARTER ENDED SEPTEMBER 30, 2006  
(UN - AUDITED)

**1 THE COMPANY AND ITS ACTIVITIES**

Kohinoor Weaving Mills Limited was incorporated on 21 December 1987 in Pakistan as a public limited company under the Companies Ordinance 1984 and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The company is principally engaged in the business of textile manufacturing covering knitting, bleaching, dyeing, stitching, buying, selling, and otherwise dealing in yarn, bed linen, home furnishing, socks, cloth and other goods and fabrics made from raw cotton, synthetic fiber and cloth, and to generate and distribute electricity.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1 Basis of preparation of financial statements**

These financial statements are unaudited and being submitted to shareholders as required u/s 245 of The Companies Ordinance, 1984 and have been prepared in accordance with 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 preceding published financial statements of the company for the year ended June 30, 2006.

**3 CONTINGENCIES AND COMMITMENTS**

There is no change in contingencies since last published financial statements of the company.  
Commitments against capital expenditure are Rupees 65.924 million (30 June 2006: Rupees 65.924 million).

**4 PROVISION FOR TAXATION**

Provision for taxation is calculated on estimation basis and subject to finalization in annual accounts.

**5 ADDITIONS/(DELETIONS) IN PROPERTY, PLANT AND EQUIPMENT – AT COST**

Following are the additions in the property, plant and equipment made during the quarter ended September 30, 2006.

	SEPTEMBER 30, 2006 Rupees
Plant and machinery	169,530
Electric installations	54,000
Furniture, fixtures and equipment	978,424
Vehicles - Additions	37,870
Additions at cost	<u>1,239,824</u>



	Quarter Ended September 30, 2006 Rupees	Quarter Ended September 30, 2005 Rupees
<b>6 SALES</b>		
Gross-Sales (net of commission)	1,841,962,471	1,362,148,684
Less: Sales tax	<u>5,320,723</u>	<u>4,995,463</u>
Net-Sales	<u>1,836,641,748</u>	<u>1,357,153,221</u>

**7 COST OF GOODS SOLD**

	September 30, 2006 Rupees	September 30, 2005 Rupees
Opening stock of finished goods	522,786,787	454,330,151
Cost of goods manufactured	<u>1,725,609,937</u>	<u>1,253,460,798</u>
	2,248,396,724	1,707,790,949
Less: Closing stock of finished goods	<u>(636,644,267)</u>	<u>(488,680,622)</u>
	<u>1,611,752,457</u>	<u>1,219,110,327</u>

**8 TRANSACTIONS WITH RELATED PARTIES**

The related parties and associated undertakings comprise, related group companies, local associate companies, staff retirement funds, directors and key management personnel. Transactions with related and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	Quarter Ended September 30, 2006 Rupees	Quarter Ended September 30, 2005 Rupees
Purchase of goods and services	24,957,445	390,620,899
Sale of goods and services	55,680	162,703,209

**9 AUTHORIZED FOR ISSUE**

These financial statements were approved by the Board of Directors and authorized for the issue on October 29, 2006.

**10 FIGURES**

Figures have been rounded off to the nearest of rupee.

Kasur:  
October 29, 2006

**AAMIR FAYYAZ SHEIKH**  
Chief Executive

**RASHID AHMED**  
Director