

# Kohinoor Mills Limited



FIRST QUARTERLY REPORT  
30 September 2019

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## Kohinoor Mills Limited

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# COMPANY INFORMATION

## Board of Directors

### Board of Directors

|                         |                        |
|-------------------------|------------------------|
| Mr. Rashid Ahmed        | Chairman               |
| Mr. Aamir Fayyaz Sheikh | Chief Executive        |
| Mr. Ismail Aamir Fayyaz | Director               |
| Mrs. Safia Fayyaz       | Director               |
| Mr. Riaz Ahmed          | Director               |
| Mr. Shahbaz Munir       | Director               |
| Mr. Matiuddin Siddiqui  | Director (NIT Nominee) |

## Audit Committee

|                   |          |
|-------------------|----------|
| Mr. Riaz Ahmed    | Chairman |
| Mr. Rashid Ahmed  | Member   |
| Mr. Shahbaz Munir | Member   |

## Human Resource & Remuneration Committee

|                   |          |
|-------------------|----------|
| Mr. Shahbaz Munir | Chairman |
| Mr. Riaz Ahmed    | Member   |
| Mr. Rashid Ahmed  | Member   |

## Chief Financial Officer

Mr. Kamran Shahid

## Head of Internal Audit

Mr. Jamal Asif

## Legal Advisors

- Raja Mohammad Akram & Co., Advocate & Legal Consultants, Lahore.
- Malik Muhammad Ashraf Kumma Advocate

## Company Secretary

Mr. Muhammad Rizwan Khan

## Auditors

M/s. Riaz Ahmad & Co.,  
Chartered Accountants

## Bankers

Allied Bank Limited  
Al Baraka Bank (Pakistan) Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
Samba Bank Limited  
Silk Bank Limited  
Standard Chartered Bank (Pakistan) Ltd  
The Bank of Punjab  
United Bank Limited

## Registered Office & Mills

8th K.M. Manga Raiwind Road,  
District Kasur, Pakistan  
UAN: (92-42 ) 111-941-941  
CELL LINES: (92-333) 4998801-6  
LAND LINES: (92-42) 36369340  
FAX: (92-42) 36369340 Ext: 444  
EMAIL: info@kohinoormills.com  
WEBSITE : www.kohinoormills.com

## Shares Registrar

M/s. Hameed Majeed Associates (Pvt.) Ltd,  
HM House, 7 Bank Square, Lahore.  
LAND LINES: (92-42) 37235081 & 82,  
37310466  
FAX: (92-42) 37358817

## Other Corporate Information

Kohinoor Mills Limited is registered in Pakistan with Securities and Exchange Commission of Pakistan. The Registration Number of the Company is 0017194

Kohinoor Mills Limited is listed on Pakistan Stock Exchange Limited as a Public Limited Company and its shares are traded under textile composite sector. Shares trading symbol is KML

The National Tax Number of the Company is 0658184-6

Financial statements are available on website of the Company i.e., www.kohinoormills.com



# Financial Statements

For the quarter ended 30 September 2019

## DIRECTORS' REVIEW

The Directors of the company are pleased to present the interim financial statements for the quarter ended 30 September 2019.

### Operating & Financial Results

The company, despite many operational challenges attributable to high cost of production as compared to that of our regional players, has been able to deliver improvement in profitability through persistent and diligent efforts. During the quarter ended 30 September 2019, your company earned a gross profit of Rs. 593 million on sales of Rs. 3,312 million compared to gross profit of Rs. 345 million on sales of Rs. 2,927 million for the corresponding period of previous financial year. During the period under review, your company recorded a net profit of Rs. 175.2 million (EPS: Rs. 3.44 per share), compared to net profit of Rs. 41.3 million (EPS: Rs. 0.81 per share) in the corresponding period.

Topline of the company increased by 13.16% during the period under review. Export sales have increased by 20% in value in 1st Quarter of FY20 as compared to comparative quarter. This enabled the company to reap benefits of higher profit margins due to devaluation of local currency that enhanced the GP ratio which ultimately resulted in healthy bottom line profits. Upward trend in sales is also in line with our marketing strategy which is based on building long term relations with our customers by providing high quality fabrics at competitive prices.

### Performance Overview

A brief overview of performance of your company for the quarter ended 30 September 2019 is discussed below:

#### Weaving Division

The division was able to achieve gross turnover of Rs. 1.737 Billion which is 11% higher as compared to last quarter's turnover of Rs. 1.567 Billion. Although the local sales declined from Rs. 889.3 Million to Rs. 738.3 Million, increase in export sales from Rs. 677.9 Million to Rs. 998.9 Million was not only able to set off this decline but also resulted in overall increase in revenue with greater profitability in bottom line.

Further, during the current financial year, management is planning to replace existing 68 looms with new high speed energy efficient looms under BMR project. This will result in increased production capacity along with optimized operating cost.

#### Dyeing Division

Seasonal impact and slowdown in demand due to global economic conditions has witnessed a volumetric decline in sales of dyeing division by 17% in current quarter as compared to corresponding quarter last year. Due to devaluation of local currency, profitability of the division grew significantly. Resultantly, gross margins increased to 18.24% as compared to 10.56% in corresponding period of the preceeding year.

Management is anticipating price hike in raw materials due to inflation and depreciation of Pak Rupee against US Dollar. This will result in lower profit margins in remaining period of the financial year 2019-20.

#### Genertek Division

The Government has announced the price for gas at US\$ 6.5 per MMBTU (effective from 27th September 2018) and electricity at 7.5 US cents per KWH (effective from 1st January 2019) for

export oriented sectors, this has helped in reducing the cost of energy of the company in the period under review.

Furthermore, the company is installing condensing economizers on gas turbine and thermo oil heaters to capture the heat from hot flue gases to improve energy efficiency of the plant.

#### Future Prospects

The government has taken number of initiatives like supply of gas and electricity to export industry at regional competitive rates, continuation of prime minister's export package of 2017, low rates for export refinancing schemes. All these measures are likely to pay dividend with a lag effect. However, the zero-rating removal will pose some serious liquidity concerns for the textile sector. To cater for the liquidity problem, the Government has assured exporters that a reliable and prompt refund mechanism is soon to be implemented but nothing has been materialized yet.

Factors such as monetary policy tightening, exchange rate adjustments, regulatory measures, and uncertainty amongst the business community regarding the future path of economic policies, which set the tone for the broader economic slowdown, will likely affect the textile industry as well.

Your company has invested in BMR projects which has enhanced capacity in both Dyeing and Weaving Division in previous financial year. Management is making efforts to take advantage of enhanced capacity utilization and to operate at an optimum level which will bring down the cost of production. Order book position for FY20 is quite promising and supportive to operate at high capacity levels. Keeping in view the aforesaid measures taken by the management and Government's positive action towards textile reforms, we expect to enhance our market share in FY20.

#### Acknowledgment

The board places on record its profound gratitude for 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 for the dedication, perseverance and diligence of the employees of the company.

For and on behalf of the Board



AAMIR FAYYAZ SHEIKH  
Chief Executive



ISMAIL AAMIR FAYYAZ  
Director

Kasur:  
24 October 2019

CONDENSED INTERIM  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2019

|  | Un-audited<br>30 September<br>2019<br>Rupees       | Audited<br>30 June<br>2019<br>Rupees               |
|--|--|--|
| <b>EQUITY AND LIABILITIES</b>  |  |  |
| Share capital and reserves   |  |  |
| Authorized share capital<br>80,000,000 (30 June 2019: 80,000,000)<br>ordinary shares of Rupees 10 each<br>30,000,000 (30 June 2019: 30,000,000)<br>preference shares of Rupees 10 each | 800,000,000<br>300,000,000<br><u>1,100,000,000</u> | 800,000,000<br>300,000,000<br><u>1,100,000,000</u> |
| Issued, subscribed and paid-up share capital<br>50,911,011 (30 June 2019: 50,911,011)<br>ordinary shares of Rupees 10 each   | 509,110,110  | 509,110,110  |
| Capital reserves   |  |  |
| Share premium reserve  | 213,406,310  | 213,406,310  |
| Fair value reserve   | 32,761,682   | 32,761,682   |
| Surplus on revaluation of operating fixed assets - net of tax  | 1,822,356,382                                      | 1,831,887,993                                      |
| Revenue reserves   |  |  |
| General reserve  | 940,932,315  | 940,932,315  |
| Accumulated profit   | 407,527,591  | 222,791,553  |
| <b>TOTAL EQUITY</b>  | <b>3,926,094,390</b>                               | <b>3,750,889,963</b>                               |
| <b>LIABILITIES</b>   |  |  |
| Non-current liabilities  |  |  |
| Long term financing - secured  | 5 477,553,161                                      | 535,964,554  |
| Deferred liabilities   | 300,123,768  | 292,887,875  |
|  | 777,676,929  | 828,852,429  |
| Current liabilities  |  |  |
| Trade and other payables   | 2,213,677,335                                      | 1,927,441,680                                      |
| Accrued mark-up  | 23,610,468   | 43,469,479   |
| Loan from ex-sponsor   | 99,742,400   | 272,000,000  |
| Short term borrowings - secured  | 3,166,643,741                                      | 3,644,020,840                                      |
| Current portion of long term financing   | 5 267,659,182                                      | 251,375,586  |
| Unclaimed dividend   | 5,715,206  | 5,715,206  |
| Provision for taxation   | 32,738,078   | 144,307,184  |
|  | 5,809,786,410                                      | 6,288,329,975                                      |
| <b>TOTAL LIABILITIES</b>   | <b>6,587,463,339</b>                               | <b>7,117,182,404</b>                               |
| Contingencies and commitments  | 6  |  |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>10,513,557,729</b>                              | <b>10,868,072,367</b>                              |

The annexed notes form an integral part of this condensed interim financial information.

  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE

  
KAMRAN SHAHID  
CHIEF FINANCIAL OFFICER

|   | Note | Un-audited<br>30 September<br>2019<br>Rupees | Audited<br>30 June<br>2019<br>Rupees |
|---|------|--|--------------------------------------|
| <b>ASSETS</b>                             |      |  |                                      |
| Non-current assets                        |      |  |                                      |
| Fixed Assets                              | 7    | 4,973,960,267                                | 4,884,225,565                        |
| Intangible Asset                          | 8    | -  | -                                    |
| Investment Properties                     |      | 1,981,607                                    | 1,981,607                            |
| Long term investments                     |      | 172,423,366                                  | 55,381,750                           |
| Long term deposits                        |      | 22,698,957                                   | 22,698,957                           |
|   |      | <u>5,171,064,197</u>                         | <u>4,964,287,879</u>                 |
| Current assets                            |      |  |                                      |
| Stores, spares and loose tools            |      | 508,874,805                                  | 417,861,264                          |
| Stock-in-trade                            |      | 1,908,267,955                                | 1,815,530,274                        |
| Trade debts                               |      | 1,302,261,323                                | 2,133,325,884                        |
| Advances                                  |      | 377,285,488                                  | 320,536,283                          |
| Trade deposits and short term prepayments |      | 61,261,067                                   | 18,368,252                           |
| Other receivables                         |      | 496,410,836                                  | 582,550,551                          |
| Sales tax recoverable                     |      | 351,286,253                                  | 188,735,078                          |
| Cash and bank balances                    |      | 336,845,805                                  | 426,876,902                          |
|   |      | <u>5,342,493,532</u>                         | <u>5,903,784,488</u>                 |
| <b>TOTAL ASSETS</b>                       |      | <u><u>10,513,557,729</u></u>                 | <u><u>10,868,072,367</u></u>         |


  
ISMAIL AAMIR FAYYAZ  
 DIRECTOR




**CONDENSED INTERIM STATEMENT OF  
PROFIT OR LOSS** (Un-audited)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019

|  | Note | 30 September<br>2019<br>Rupees | 30 September<br>2018<br>Rupees |
|--|------|--------------------------------|--------------------------------|
| REVENUE                                |      | 3,312,885,242                  | 2,927,700,805                  |
| COST OF SALES                          | 9    | (2,719,729,112)                | (2,582,272,696)                |
| GROSS PROFIT                           |      | 593,156,130                    | 345,428,109                    |
| DISTRIBUTION COST                      |      | (165,485,064)                  | (140,593,191)                  |
| ADMINISTRATIVE EXPENSES                |      | (82,792,099)                   | (71,604,494)                   |
| OTHER EXPENSES                         |      | (56,070,211)                   | (4,762,451)                    |
|  |      | (304,347,374)                  | (216,960,136)                  |
| OTHER INCOME                           |      | 288,808,756                    | 128,467,973                    |
|  |      | 6,383,648                      | 25,316,589                     |
| PROFIT FROM OPERATIONS                 |      | 295,192,404                    | 153,784,562                    |
| FINANCE COST                           |      | (89,597,386)                   | (77,206,314)                   |
| PROFIT BEFORE TAXATION                 |      | 205,595,018                    | 76,578,248                     |
| TAXATION                               |      | (30,390,591)                   | (35,204,134)                   |
| PROFIT AFTER TAXATION                  |      | 175,204,427                    | 41,374,114                     |
| EARNINGS PER SHARE - BASIC AND DILUTED |      | 3.44                           | 0.81                           |

The annexed notes form an integral part of this condensed interim financial information.

  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE

  
KAMRAN SHAHID  
CHIEF FINANCIAL OFFICER


  
ISMAIL AAMIR FAYYAZ  
DIRECTOR

**CONDENSED INTERIM**  
**STATEMENT OF COMPREHENSIVE INCOME** (Un-audited)  
 FOR THE QUARTER ENDED 30 SEPTEMBER 2019

|  | 30 September<br>2019<br>Rupees | 30 September<br>2018<br>Rupees |
|--|--------------------------------|--------------------------------|
| PROFIT AFTER TAXATION                            | 175,204,427                    | 41,374,114                     |
| Other comprehensive income                       | -                              | -                              |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b> | <b>175,204,427</b>             | <b>41,374,114</b>              |

The annexed notes form an integral part of this condensed interim financial information.

  
 AAMIR FAYYAZ SHEIKH  
 CHIEF EXECUTIVE

  
 KAMRAN SHAHID  
 CHIEF FINANCIAL OFFICER


  
 ISMAIL AAMIR FAYYAZ  
 DIRECTOR


# CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)

FOR THE QUARTER ENDED 30 SEPTEMBER 2019

|   | 30 September<br>2019<br>Rupees | 30 September<br>2018<br>Rupees |
|---|--------------------------------|--------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                |                                |
| Profit before taxation  | 205,595,018                    | 76,578,248                     |
| Adjustments for non-cash charges and other items:   |                                |                                |
| Depreciation on operating fixed assets  | 66,702,436                     | 68,235,686                     |
| Gain on sale of operating fixed assets  | (1,465,703)                    | -                              |
| Depreciation on Investment property   | -                              | 91,438                         |
| Adjustment due to impact of IAS - 39  | 3,591,238                      | 7,500,000                      |
| Finance cost  | 86,006,148                     | 69,706,314                     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL CHANGES</b>                  | <b>360,429,137</b>             | <b>222,111,686</b>             |
| (Increase) / decrease in current assets   |                                |                                |
| Stores, spares and loose tools  | (91,013,541)                   | (4,608,375)                    |
| Stock-in-trade  | (92,737,681)                   | (187,741,361)                  |
| Trade debts   | 831,064,561                    | (72,352,747)                   |
| Advances  | (56,749,205)                   | (38,763,623)                   |
| Trade deposits and short term prepayments   | (42,892,815)                   | (16,699,626)                   |
| Other receivables   | (31,020,413)                   | (5,209,324)                    |
| Sales tax recoverable   | (279,592,791)                  | (274,357)                      |
| Increase / (decrease) in current liabilities  |                                |                                |
| Trade and other payables  | 286,235,655                    | (35,501,314)                   |
| <b>EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES</b>  | <b>523,293,770</b>             | <b>(361,150,727)</b>           |
| <b>CASH GENERATED FROM / (USED IN) OPERATIONS</b>   | <b>883,722,907</b>             | <b>(139,039,041)</b>           |
| Income tax paid   | (25,386,437)                   | (38,118,369)                   |
| Finance cost paid   | (98,042,398)                   | (87,286,664)                   |
|   | (123,428,835)                  | (125,405,033)                  |
| <b>NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES</b>   | <b>760,294,072</b>             | <b>(264,444,074)</b>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                |                                |
| Capital expenditure on property, plant and equipment  | (158,671,435)                  | (14,985,341)                   |
| Proceeds from sale of operating fixed assets  | 3,700,000                      | -                              |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>  | <b>(154,971,435)</b>           | <b>(14,985,341)</b>            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                                |                                |
| Long term financing - net   | (45,719,035)                   | (44,032,736)                   |
| Repayment of loan to ex-sponsor   | (172,257,600)                  | -                              |
| Short term borrowings - net   | (477,377,099)                  | 321,464,000                    |
| <b>NET CASH GENERATED FROM / (USED IN) FROM FINANCING ACTIVITIES</b>                                      | <b>(695,353,734)</b>           | <b>277,431,264</b>             |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b> | <b>(90,031,097)</b>            | <b>(1,998,151)</b>             |
|   | 426,876,902                    | 94,990,230                     |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>   | <b>336,845,805</b>             | <b>92,992,079</b>              |

The annexed notes form an integral part of this condensed interim financial information.

  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE

  
KAMRAN SHAHID  
CHIEF FINANCIAL OFFICER

  
ISMAIL AAMIR FAYYAZ  
DIRECTOR

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)**  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019

|             | RESERVES                    |                       |   |                    |                               |                   | TOTAL<br>EQUITY |
|-------------|-----------------------------|-----------------------|---|--------------------|-------------------------------|-------------------|-----------------|
|             | CAPITAL RESERVES            |                       | REVENUE RESERVES  |                    |                               |                   |                 |
|             | Share<br>premium<br>reserve | Fair value<br>reserve | Surplus on<br>revaluation<br>of operating<br>fixed assets<br>- net of tax | General<br>reserve | Accumulated<br>(loss)/ profit | Total<br>reserves |                 |
| 509,110,110 | 213,406,310                 | 45,822,419            | 1,875,429,430   | 1,002,025,528      | (546,092,739)                 | 2,590,590,948     | 3,099,701,058   |
|             | -                           | -                     | (10,075,882)  | -                  | 10,075,882                    | -                 | -               |
|             | -                           | -                     | -   | -                  | 41,374,114                    | 41,374,114        | 41,374,114      |
|             | -                           | -                     | -   | -                  | 41,374,114                    | 41,374,114        | 41,374,114      |
| 509,110,110 | 213,406,310                 | 45,822,419            | 1,865,353,548   | 1,002,025,528      | (494,642,743)                 | 2,631,965,062     | 3,141,075,172   |
|             | -                           | -                     | -   | (61,093,213)       | -                             | (61,093,213)      | (61,093,213)    |
|             | -                           | -                     | (30,057,223)  | -                  | 30,057,223                    | -                 | -               |
|             | -                           | -                     | (3,408,332)   | -                  | -                             | (3,408,332)       | (3,408,332)     |
|             | -                           | (13,060,737)          | -   | -                  | 687,377,073                   | 687,377,073       | 687,377,073     |
|             | -                           | (13,060,737)          | -   | -                  | (13,060,737)                  | (13,060,737)      | (13,060,737)    |
|             | -                           | -                     | -   | -                  | 687,377,073                   | 674,316,336       | 674,316,336     |
| 509,110,110 | 213,406,310                 | 32,761,682            | 1,831,887,993   | 940,932,315        | 222,791,553                   | 3,241,779,853     | 3,750,889,963   |
|             | -                           | -                     | (9,531,611)   | -                  | 9,531,611                     | -                 | -               |
|             | -                           | -                     | -   | -                  | 175,204,427                   | 175,204,427       | 175,204,427     |
|             | -                           | -                     | -   | -                  | 175,204,427                   | 175,204,427       | 175,204,427     |
| 509,110,110 | 213,406,310                 | 32,761,682            | 1,822,356,382   | 940,932,315        | 407,527,591                   | 3,416,984,280     | 3,926,094,390   |

Balance as at 30 June 2018 (Restated) - (audited)

Transferred from surplus on revaluation of operating fixed assets - net of tax

Profit for the quarter ended 30 September 2018

Other comprehensive income for the quarter ended 30 September 2018

Total comprehensive income for the quarter ended 30 September 2018

Balance as at 30 September 2018 - (Un-audited)

Transaction with owners - Final dividend for the year ended 30 June 2018 @ Rupee 1.20 per share of Rupees 10 each

Transferred from surplus on revaluation of operating fixed assets - net of tax

Surplus on revaluation of operating fixed assets - adjustment due to change in tax rate

Profit for the nine months ended 30 June 2019

Other comprehensive loss for the nine months ended 30 June 2019

Total comprehensive income / (Loss) for the nine months ended 30 June 2019

Balance as at 30 June 2019 - (audited)

Transferred from surplus on revaluation of operating fixed assets - net of tax

Profit for the quarter ended 30 September 2019

Other comprehensive income for the quarter ended 30 September 2019

Total comprehensive income for the quarter ended 30 September 2019

Balance as at 30 September 2019 - (Un-audited)

The annexed notes form an integral part of this condensed interim financial information.



**AAMIR FAYYAZ SHEIKH**  
CHIEF EXECUTIVE



**KAMRAN SHAHID**  
CHIEF FINANCIAL OFFICER



**ISMAL AAMIR FAYYAZ**  
DIRECTOR

# SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) FOR THE QUARTER ENDED 30 SEPTEMBER 2019

## 1. THE COMPANY AND ITS OPERATIONS

Kohinoor Mills Limited (“the Company”) is a public limited company incorporated on 21 December 1987 in Pakistan under the Companies Ordinance, 1984 (now Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 8-K.M., Manga Raiwind Road, District Kasur. The Company is principally engaged in the business of textile manufacturing covering weaving, bleaching, dyeing, buying, selling and otherwise dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fiber and to generate and supply electricity.

## 2. BASIS OF PREPARATION

2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended 30 June 2019.

## 3. ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of these condensed interim financial statements are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 30 June 2019.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the 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 and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company’s accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2019.

|   | Un-audited<br>30 September<br>2019<br>Rupees | Audited<br>30 June<br>2019<br>Rupees |
|---|--|--------------------------------------|
| 5. LONG TERM FINANCING -SECURED   |  |                                      |
| Opening balance   | 787,340,140                                  | 945,233,206                          |
| Add : Obtained during the period / year   | -  | 88,640,000                           |
| Add : Adjustment due to impact of IAS - 39<br>during the period / year  | 3,591,238                                    | 15,919,621                           |
| Less: Repaid during the period / year   | 45,719,035                                   | 262,452,687                          |
|   | 745,212,343                                  | 787,340,140                          |
| Less: Current portion shown under current liabilities   | 267,659,182                                  | 251,375,586                          |
|   | 477,553,161                                  | 535,964,554                          |
| 6. CONTINGENCIES AND COMMITMENTS  |  |                                      |
| 6.1 Contingencies   |  |                                      |
| There is no significant change in the status of contingencies as reported in the preceding audited annual published financial statements of the Company for the year ended 30 June 2019.                      |  |                                      |
| 6.2 Commitments   |  |                                      |
| (i) Aggregate commitments for capital and revenue expenditures are amounting to Rupees 27.540 million and Rupees 33.940 million (30 June 2019: Rupees 27.540 million and Rupees 80.331 million) respectively. |  |                                      |
| (ii) Post dated cheques issued to suppliers are amounting to Rupees 814.123 million (30 June 2019: Rupees 547.628 million).   |  |                                      |
|   | Un-audited<br>30 September<br>2019<br>Rupees | Audited<br>30 June<br>2019<br>Rupees |
| 7. FIXED ASSETS   |  |                                      |
| Property, plant and equipment   |  |                                      |
| Operating fixed assets (Note 7.1)   | 4,776,267,480                                | 4,826,387,742                        |
| Capital work-in-progress (Note 7.2)   | 197,692,787                                  | 57,837,823                           |
|   | 4,973,960,267                                | 4,884,225,565                        |
| 7.1 Operating fixed assets  |  |                                      |
| Opening net book value  | 4,826,387,742                                | 4,916,568,714                        |
| Add: Cost of additions during the period /<br>year (Note 7.1.1)   | 18,816,471                                   | 219,653,491                          |
|   | 4,845,204,213                                | 5,136,222,205                        |
| Less: Book value of deletions during the<br>period / year (Note 7.1.2)  | 2,234,297                                    | 32,003,122                           |
| Depreciation charged during the period / year   | 66,702,436                                   | 277,831,341                          |
|   | 4,776,267,480                                | 4,826,387,742                        |

|   | Un-audited<br>30 September<br>2019<br>Rupees | Audited<br>30 June<br>2019<br>Rupees         |
|---|--|--|
| 7.1.1 Cost of additions   |  |  |
| Factory building  | -  | 5,845,871                                    |
| Plant and machinery   | 3,839,805                                    | 173,703,598                                  |
| Electric installations  | -  | 442,427                                      |
| Furniture, fixtures and equipment   | -  | 602,385                                      |
| Computers   | -  | 166,140                                      |
| Motor vehicles  | 14,976,666                                   | 38,893,070                                   |
|   | <u>18,816,471</u>                            | <u>219,653,491</u>                           |
| 7.1.2 Book value of deletions   |  |  |
| Plant and machinery   | -  | 21,558,739                                   |
| Motor vehicles  | 2,234,297                                    | 10,444,383                                   |
|   | <u>2,234,297</u>                             | <u>32,003,122</u>                            |
| 7.2 Capital work-in-progress  |  |  |
| Civil works   | 1,877,590                                    | 186,631                                      |
| Plant and machinery   | 11,713,272                                   | 8,621,187                                    |
| Advance against purchase of land  | 170,983,495                                  | 32,400,000                                   |
| Advance against purchase of Vehicle   | -  | 3,519,200                                    |
| Stores held for capital expenditures  | 13,118,430                                   | 13,110,805                                   |
|   | <u>197,692,787</u>                           | <u>57,837,823</u>                            |
| 8. Intangible asset - computer software has been fully amortized but still in the use of the Company. |  |  |
|   | Un-audited<br>30 September<br>2019<br>Rupees | Un-audited<br>30 September<br>2018<br>Rupees |
| 9. COST OF SALES  |  |  |
| Raw material consumed   | 2,122,756,875                                | 1,895,592,268                                |
| Chemicals consumed  | 228,948,053                                  | 212,984,161                                  |
| Salaries, wages and other benefits  | 146,096,567                                  | 130,809,251                                  |
| Employee's provident fund contributions   | 5,371,407                                    | 4,772,462                                    |
| Cloth conversion and processing charges   | 13,404,541                                   | 3,424,792                                    |
| Fuel, oil and power   | 270,645,335                                  | 290,231,948                                  |
| Stores, spares and loose tools consumed   | 44,406,501                                   | 50,157,586                                   |
| Packing materials consumed  | 20,699,507                                   | 19,769,271                                   |
| Repair and maintenance  | 8,438,819                                    | 4,787,835                                    |
| Insurance   | 2,934,746                                    | 4,506,497                                    |
| Other manufacturing expenses  | 16,869,502                                   | 10,384,987                                   |
| Depreciation on operating fixed assets  | 62,810,644                                   | 64,593,937                                   |
|   | <u>2,943,382,497</u>                         | <u>2,692,014,995</u>                         |

|   | Un-audited<br>30 September<br>2019<br>Rupees | Un-audited<br>30 September<br>2018<br>Rupees |
|---|--|--|
| Work-in-process inventory                   |  |  |
| Opening stock                               | 241,702,860                                  | 191,321,471                                  |
| Closing stock                               | (230,857,935)                                | (192,615,777)                                |
|   | <u>10,844,925</u>                            | <u>(1,294,306)</u>                           |
| Cost of goods manufactured                  | 2,954,227,422                                | 2,690,720,689                                |
| Cost of yarn and cloth purchased for resale | 3,303,960                                    | -  |
|   | <u>2,957,531,382</u>                         | <u>2,690,720,689</u>                         |
| Finished goods inventory                    |  |  |
| Opening stock                               | 909,394,411                                  | 650,144,777                                  |
| Closing stock                               | (1,147,196,681)                              | (758,592,770)                                |
|   | <u>(237,802,270)</u>                         | <u>(108,447,993)</u>                         |
|   | <u><u>2,719,729,112</u></u>                  | <u><u>2,582,272,696</u></u>                  |

## 10. SEGMENT INFORMATION (Un-audited)

10.1 The Company has three reportable segments. The following summary describes the operation in each of the Company's reportable segments:

|                  |   |
|------------------|---|
| Weaving          | Production of different qualities of greige fabric using yarn.          |
| Dyeing           | Processing of greige fabric for production of dyed fabric.              |
| Power Generation | Generation and distribution of power and steam using gas, oil and coal. |

### 10.2 Quarter ended 30 September 2019

|  | Weaving<br>Rupees    | Dyeing<br>Rupees     | Power<br>Generation<br>Rupees | Total-<br>Company<br>Rupees |
|--|----------------------|----------------------|-------------------------------|-----------------------------|
| Total Sale   | 1,737,269,181        | 2,069,248,781        | 219,295,182                   | 4,025,813,144               |
| Intersegment Sale  | (461,227,666)        | (32,405,054)         | (219,295,182)                 | (712,927,902)               |
| External Sale  | <u>1,276,041,515</u> | <u>2,036,843,727</u> | -                             | <u>3,312,885,242</u>        |
| Profit from operation before<br>taxation and unallocated<br>income / expense | <u>127,214,562</u>   | <u>213,764,777</u>   | <u>3,899,628</u>              | <u>344,878,967</u>          |
| Other income and expense-Net   |                      |                      |                               | (49,686,563)                |
| Profit from operations   |                      |                      |                               | 295,192,404                 |
| Finance Cost   |                      |                      |                               | (89,597,386)                |
| Taxation   |                      |                      |                               | (30,390,591)                |
| Profit after taxation  |                      |                      |                               | <u><u>175,204,427</u></u>   |

### Quarter ended 30 September 2018

|   |                    |                      |                  |                          |
|---|--------------------|----------------------|------------------|--------------------------|
| Total Sale  | 1,567,314,615      | 2,012,900,875        | 220,003,211      | 3,800,218,701            |
| Intersegment Sale   | (622,215,654)      | (30,299,031)         | (220,003,211)    | (872,517,896)            |
| External Sale   | <u>945,098,961</u> | <u>1,982,601,844</u> | -                | <u>2,927,700,805</u>     |
| Profit from operation before taxation<br>and unallocated income / expense | <u>65,101,991</u>  | <u>64,857,774</u>    | <u>3,270,659</u> | 133,230,424              |
| Other income and expense-Net  |                    |                      |                  | 20,554,138               |
| Profit from operations  |                    |                      |                  | 153,784,562              |
| Finance Cost  |                    |                      |                  | (77,206,314)             |
| Taxation  |                    |                      |                  | (35,204,134)             |
| Profit after taxation   |                    |                      |                  | <u><u>41,374,114</u></u> |



10.3 There is no material change in segment assets from amount disclosed in preceding audited annual published financial statements of the Company for the year ended 30 June 2019.

#### 11. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of subsidiary company, other related parties, key management personnel and provident fund trust. The Company in the normal course of business carries out transactions with related parties. Detail of transactions with related parties are as follows:

|   | Un-audited<br>30 September<br>2019<br>Rupees | Un-audited<br>30 September<br>2018<br>Rupees |
|---|--|--|
| Other related parties   |  |  |
| Repayment of ex-sponsor loan  | 172,257,600                                  | -  |
| Remuneration paid to Chief Executive Officer,<br>Directors and Executives | 22,737,106                                   | 26,549,098                                   |
| Contribution to employees' provident fund trust                           | 6,416,986                                    | 6,508,402                                    |

#### 12. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the Company for the year ended 30 June 2019.

#### 13. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2019 of Rupees 3.00 per share (2018: 1.20 per share) at their meeting held on 02 October 2019.

This will be payable upon approval by the company in its Annual General Meeting.

#### 14. AUTHORIZED FOR ISSUE

This condensed interim financial information was authorized for issue on 24 October 2019 by the Board of Directors of the Company.

#### 15. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting", the condensed interim statement of financial position and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss, condensed interim statement of comprehensive income and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been rearranged / regrouped, wherever necessary, for the purpose of comparison. However, no significant rearrangements / groupings have been made in these financial statements.



AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE



KAMRAN SHAHID  
CHIEF FINANCIAL OFFICER



ISMAIL AAMIR FAYYAZ  
DIRECTOR



**Kohinoor Mills Limited**

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