

Kohinoor Mills Limited



THIRD QUARTERLY REPORT
31 March 2020

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Kohinoor Mills Limited

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COMPANY INFORMATION

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. Naveed Ahmed Zafar

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
MCB Islamic 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 Nine months ended 31 March 2020

DIRECTORS' REVIEW

The Directors of the company are pleased to present the interim financial statements for the nine months ended 31 March 2020.

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 nine months ended 31 March 2020, your company earned a gross profit of Rs. 1,641 million on sales of Rs. 10,610 million compared to gross profit of Rs. 1,313 million on sales of Rs. 10,746 million for the corresponding period of previous financial year. During the period under review, your company recorded a net profit of Rs. 429 million (EPS: Rs. 8.44 per share), compared to net profit of Rs. 351 million (EPS: Rs. 6.90 per share) in the corresponding period.

Gross profit margin has increased to 15.47% in current period as compared to 12.22% in corresponding period. The company was able to reap benefits of higher profit margins due to the devaluation of local currency.

Performance Overview

A brief overview of performance of your company for the nine months ended 31 March 2020 is discussed below:

Weaving Division

This division was able to achieve gross turnover of Rs. 5,756 million which is 18.28% higher as compared to turnover of Rs. 4,867 million in corresponding period of previous financial year. Although the local sales were slightly increased from Rs. 2,825 million to Rs. 2,874 million, increase in export sales from Rs. 2,041 million to Rs. 2,882 million resulted in overall increase in revenue with greater profitability in bottom line.

Further, during the next financial year, management is planning to replace existing 20 years old 64 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 15% in current period under review as compared to corresponding period. Due to devaluation of local currency, profitability of the division grew significantly. Resultantly, gross profit margins of this division increased to 14.69% in current period as compared to 11.68% in corresponding period.

Genertek Division

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 has helped in reducing the cost of energy of the company in the period under review.

Furthermore, the company is planning to install 2.5 MW fuel efficient gas engine to save energy cost.

Future Prospects

The government took 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 to improve the performance of the textile and clothing sector of Pakistan. However, the current scenario has drastically affected the global economy due to spread of coronavirus (COVID-19) especially to Europe and USA. The company is exporting about 60% to 65% of the exports to Europe and USA. Due to prevailing lockdown situation in these countries, more than 50% of our export orders have been deferred and consequently we are forced to run the plant at half capacity. The situation is changing day by day and no one knows exactly how much time it will take to get the things back to normal.

Government has taken number of steps to support the industry in this hour of need, including deferring principal repayments of long term loans, prompt release of DLTL and pending sale tax refunds, relaxation in terms and conditions of Export Refinance Loans and reduction in discount rate from 13.25% to 9.0%. These initiatives has temporarily provided relief to industry but current economic scenario requires immediate announcement of a comprehensive textile policy which will help the industry to navigate in this ambiguous times as well as will help improve investor's confidence in this important sector of the economy.

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

Kasur:
29 April 2020


AAMIR FAYYAZ SHEIKH
Chief Executive


RIAZ AHMED
Director

CONDENSED INTERIM
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	Un-audited 31 March 2020 Rupees	Audited 30 June 2019 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
80,000,000 (30 June 2019: 80,000,000) ordinary shares of Rupees 10 each		800,000,000	800,000,000
30,000,000 (30 June 2019: 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			
50,911,011 (30 June 2019: 50,911,011) 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 FVTOCI investment		36,584,533	32,761,682
Surplus on revaluation of operating fixed assets - net of tax		1,803,293,155	1,831,887,993
Revenue reserves			
General reserve		788,199,281	940,932,315
Accumulated loss		681,017,985	222,791,553
TOTAL EQUITY		<u>4,031,611,374</u>	<u>3,750,889,963</u>
LIABILITIES			
Non-current liabilities			
Long term financing - secured	4	362,920,469	535,964,554
Deferred liabilities		314,629,617	292,887,875
		677,550,086	828,852,429
Current liabilities			
Trade and other payables		2,142,272,129	1,927,441,680
Accrued mark-up		26,309,180	43,469,479
Loan from ex-sponsor		-	272,000,000
Loan from directors		12,997,075	-
Short term borrowings - secured		3,115,128,633	3,644,020,840
Current portion of long term financing	4	271,048,268	251,375,586
Unclaimed dividend		7,119,615	5,715,206
Provision for taxation		107,213,944	144,307,184
		5,682,088,844	6,288,329,975
TOTAL LIABILITIES		<u>6,359,638,930</u>	<u>7,117,182,404</u>
Contingencies and commitments	5		
TOTAL EQUITY AND LIABILITIES		<u>10,391,250,304</u>	<u>10,868,072,367</u>

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 31 March 2020 Rupees	Audited 30 June 2019 Rupees
ASSETS			
Non-current assets			
Fixed Assets	6	5,038,334,975	4,884,225,565
Intangible Asset	7	-	-
Investment Properties		1,981,607	1,981,607
Long term investments		47,457,568	55,381,750
Long term security deposits		22,698,957	22,698,957
		<u>5,110,473,107</u>	<u>4,964,287,879</u>
Current assets			
Stores, spares and loose tools		503,067,926	417,861,264
Stock-in-trade		1,921,235,261	1,815,530,274
Trade debts		757,400,621	2,133,325,884
Advances		147,884,448	320,536,283
Short Term deposits and prepayments		32,192,383	18,368,252
Other receivables		553,609,424	582,550,551
Sales tax recoverable		924,269,135	188,735,078
Cash and bank balances		441,117,999	426,876,902
		<u>5,280,777,197</u>	<u>5,903,784,488</u>
TOTAL ASSETS		<u><u>10,391,250,304</u></u>	<u><u>10,868,072,367</u></u>




RIAZ AHMED
DIRECTOR

**CONDENSED INTERIM STATEMENT OF
PROFIT OR LOSS** (Un-audited)
FOR THE NINE MONTHS ENDED 31 MARCH 2020

	Note	Nine months ended		Quarter ended	
		31 March 2020 Rupees	31 March 2019 Rupees	31 March 2020 Rupees	31 March 2019 Rupees
Sales		10,610,665,141	10,746,630,877	3,478,962,720	3,874,713,133
Cost of Sales	8	(8,968,825,777)	(9,433,524,554)	(3,082,569,484)	(3,403,520,342)
Gross Profit		1,641,839,364	1,313,106,323	396,393,236	471,192,791
Distribution Cost		(561,019,814)	(531,981,960)	(145,542,703)	(174,612,505)
Administrative Expenses		(255,787,163)	(225,593,416)	(82,402,709)	(75,148,368)
Other Expenses		(77,073,485)	(92,651,503)	7,398,800	(20,255,629)
		(893,880,462)	(850,226,879)	(220,546,612)	(270,016,502)
Other Income		747,958,902	462,879,444	175,846,624	201,176,289
		45,612,488	231,645,666	16,063,725	38,299,493
Profit From Operations		793,571,390	694,525,110	191,910,349	239,475,782
Finance Cost		(262,049,149)	(235,785,814)	(74,540,695)	(57,979,145)
Profit Before Taxation		531,522,241	458,739,296	117,369,654	181,496,637
Taxation		(101,890,647)	(107,308,164)	(32,967,924)	(46,857,462)
Profit After Taxation		429,631,594	351,431,132	84,401,730	134,639,175
Earnings Per Share - Basic And Diluted		8.44	6.90	1.66	2.64

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


AAMIR FAYYAZ SHEIKH
CHIEF EXECUTIVE



KAMRAN SHAHID
CHIEF FINANCIAL OFFICER


RIAZ AHMED
DIRECTOR

**CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME** (Un-audited)
FOR THE NINE MONTHS ENDED 31 MARCH 2020

	Nine months ended		Quarter ended	
	31 March 2020 Rupees	31 March 2019 Rupees	31 March 2020 Rupees	31 March 2019 Rupees
PROFIT AFTER TAXATION	429,631,594	351,431,132	84,401,730	134,639,175
OTHER COMPREHENSIVE INCOME				
Items that will not be re-classified to profit or loss:				
Surplus / (loss) arising on re-measurement of investment at fair value through other comprehensive income	4,885,433	(11,933,586)	-	-
Deffered income tax relating to re-measurement of investment at fair value through other comprehensive income	(1,062,582)	3,099,411	-	-
	3,822,851	(8,834,175)	-	-
Items that may be re-classified subsequently to profit or loss	-	-	-	-
Other comprehensive income / (loss) for the period - net of tax	3,822,851	(8,834,175)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	433,454,445	342,596,957	84,401,730	134,639,175

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


AAMIR FAYYAZ SHEIKH
CHIEF EXECUTIVE


KAMRAN SHAHID
CHIEF FINANCIAL OFFICER



RIAZ AHMED
DIRECTOR


CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)

FOR THE NINE MONTHS ENDED 31 MARCH 2020

	31 March 2020 Rupees	31 March 2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	531,522,241	458,739,296
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	200,151,118	203,424,464
Depreciation on investment properties	-	274,315
Gain on disposal of investment property	-	(30,477,723)
Dividend income	(1,367,795)	(1,609,167)
Gain on sale of operating fixed assets	(3,013,229)	(97,448)
Provision for slow moving, obsolete and damaged store items	430,397	52,023,568
Allowance / (reversal) of expected credit loss against trade debts	13,728,871	(2,777,592)
Provision for doubtful sales tax recoverable	-	5,215,654
Adjustment due to impact of IAS - 39	10,617,722	21,564,143
Finance cost	251,431,427	214,221,671
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL CHANGES	1,003,500,752	920,501,181
(Increase) / decrease in current assets		
Stores, spares and loose tools	(85,637,059)	(119,515,055)
Stock-in-trade	(105,704,987)	(279,627,296)
Trade debts	1,362,196,392	83,665,578
Advances	172,651,835	(34,119,558)
Trade deposits and short term prepayments	(13,824,131)	(5,205,380)
Other receivables	5,023,855	(60,714,625)
Sales tax recoverable	(722,724,442)	(49,160,543)
Increase / (decrease) in current liabilities		
Trade and other payables	214,830,449	(18,124,570)
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES	826,811,912	(482,801,449)
CASH GENERATED FROM OPERATIONS	1,830,312,664	437,699,732
Income tax paid	(116,827,230)	(101,323,598)
Long term security deposits paid	-	(666,200)
Finance cost paid	(246,151,951)	(194,414,713)
	(362,979,181)	(296,404,511)
NET CASH GENERATED FROM OPERATING ACTIVITIES	1,467,333,483	141,295,221
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(358,843,406)	(176,264,219)
Proceeds from sale of operating fixed assets	7,596,107	4,062,258
Proceeds from disposal of investment property	-	50,000,315
Dividend received	1,367,795	1,609,167
NET CASH USED IN INVESTING ACTIVITIES	(349,879,504)	(120,592,479)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finances obtained	-	88,630,000
Repayment of long term financing	(163,989,125)	(179,707,930)
Ex-sponsors' loan paid	(272,000,000)	-
Loan obtain from directors	12,997,075	24,157,000
Dividend paid	(151,328,625)	(64,115,145)
Short term borrowings - net	(528,892,207)	242,138,841
NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES	(1,103,212,882)	111,102,766
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,241,097	131,805,508
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	426,876,902	94,990,230
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	441,117,999	226,795,738

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


AAMIR FAYYAZ SHEIKH
CHIEF EXECUTIVE


KAMRAN SHAHID
CHIEF FINANCIAL OFFICER


RIAZ AHMED
DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited) FOR THE NINE MONTHS ENDED 31 MARCH 2020

	RESERVES							TOTAL EQUITY	
	SHARE CAPITAL			CAPITAL RESERVES		REVENUE RESERVES			
	Share premium reserve	Fair value reserve AFS investment	Fair value reserve FVTOCI investment	Surplus on revaluation of operating fixed assets - net of tax	General reserve	Accumulated profit / (loss)	Total reserves		
Balance as at 30 June 2018 - (audited)	509,110,110	213,406,310	45,822,419	-	-	1,875,429,430	1,002,025,528	2,597,843,674	3,106,953,794
Adjustment on adoption of IFRS 9	-	-	(45,822,419)	-	-	-	-	(5,685,007)	(6,685,007)
Adjustment on adoption of IFRS 15	-	-	-	-	-	-	-	(1,567,719)	(1,567,719)
Adjusted total equity as at 01 July 2018	509,110,110	213,406,310	-	45,822,419	-	1,875,429,430	1,002,025,528	2,590,590,948	3,099,701,058
Transaction with owners - Final dividend for the year ended 30 June 2018 @ Rupees 1.20 per share of Rupees 10 each	-	-	-	-	-	-	(61,093,213)	(61,093,213)	(61,093,213)
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	(30,259,594)	-	-	-	-
Surplus on revaluation of operating fixed assets - adjustment due to change in tax rate	-	-	-	-	852,081	-	-	852,081	852,081
Profit for the nine months ended 31 March 2019	-	-	-	-	-	-	-	351,431,132	351,431,132
Other comprehensive loss for the nine months ended 31 March 2019	-	-	-	(8,834,175)	-	-	-	-	(8,834,175)
Total comprehensive income for the nine months ended 31 March 2019	-	-	-	(8,834,175)	-	-	-	351,431,132	342,596,957
Balance as at 31 March 2019 - (Un-audited)	509,110,110	213,406,310	-	36,988,244	1,846,021,917	940,932,315	(164,402,013)	2,872,946,773	3,382,056,883
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	(9,873,511)	-	-	9,873,511	-
Surplus on revaluation of operating fixed assets - adjustment due to change in tax rate	-	-	-	-	(4,260,413)	-	-	(4,260,413)	(4,260,413)
Profit for the quarter ended 30 June 2019	-	-	-	-	-	-	-	377,320,055	377,320,055
Other comprehensive loss for the quarter ended 30 June 2019	-	-	-	(4,226,562)	-	-	-	-	(4,226,562)
Total comprehensive income for the quarter ended 30 June 2019	-	-	-	(4,226,562)	-	-	-	377,320,055	373,093,493
Balance as at 30 June 2019 - (audited)	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
Transaction with owners - Final dividend for the year ended 30 June 2019 @ Rupees 3 per share	-	-	-	-	-	(152,733,034)	-	(152,733,034)	(152,733,034)
Surplus on revaluation of operating fixed assets - adjustment due to change in tax rate	-	-	-	-	(28,594,838)	-	-	-	-
Profit for the nine months ended 31 March 2020	-	-	-	-	-	-	-	429,631,594	429,631,594
Other comprehensive income for the nine months ended 31 March 2020	-	-	-	3,822,851	-	-	-	3,822,851	3,822,851
Total comprehensive income for the nine months ended 31 March 2020	-	-	-	3,822,851	-	-	-	429,631,594	433,454,445
Balance as at 31 March 2020 - (Un-audited)	509,110,110	213,406,310	-	36,594,533	1,803,293,155	788,199,281	681,017,985	3,522,501,264	4,031,611,374

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


KAMRAN SHAHID
CHIEF FINANCIAL OFFICER


RIAZ AHMED
DIRECTOR

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) FOR THE NINE MONTHS ENDED 31 MARCH 2020

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.

3.1 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 31 March 2020 Rupees	Audited 30 June 2019 Rupees
4. 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 during the period / year	10,617,722	15,919,621
Less: Repaid during the period / year	163,989,125	262,452,687
	<u>633,968,737</u>	<u>787,340,140</u>
Less: Current portion shown under current liabilities	271,048,268	251,375,586
	<u>362,920,469</u>	<u>535,964,554</u>

5. CONTINGENCIES AND COMMITMENTS

5.1 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.

- (i) On 13 January 2020, Power Division, Ministry of Energy, Government of Pakistan through a letter directed for forthwith billing to industrial electricity consumers belonging to the export-oriented sectors of financial cost surcharge, Neelum-Jhelum surcharge, taxes, fixed charges and positive fuel adjustment. By way of the aforesaid letter, it was clarified that concessionary rate of 7.5 cents / KWh for industrial electricity consumers belonging to the export oriented sectors notified through SRO 12(I) / 2019 dated 01 January 2019 was only limited to the extent of schedule of tariff notified through SROs 1 to 10 dated 01 January 2019 and SRO 11(I) / 2010 dated 01 January 2010 for K-Electric, as amended from time to time. Hence, billing of aforesaid charges to industrial electricity consumers has started. The Company, based on advice of the legal counsel, has not recognized such charges amounting to Rupees 5.026 million in these condensed interim financial statements as there exist meritorious grounds to defend the Company's stance.

5.2 Commitments

- (i) Aggregate commitments for capital and revenue expenditures are amounting to Rupees 22.444 million and Rupees 125.304 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 531.492 million (30 June 2019: Rupees 547.628 million).

	Un-audited 31 March 2020 Rupees	Audited 30 June 2019 Rupees
6. FIXED ASSETS		
Property, plant and equipment		
Operating fixed assets (Note 6.1)	4,875,502,208	4,826,387,742
Capital work-in-progress (Note 6.2)	162,832,767	57,837,823
	<u>5,038,334,975</u>	<u>4,884,225,565</u>
6.1 Operating fixed assets		
Opening net book value	4,826,387,742	4,916,568,714
Add: Cost of additions during the period / year (Note 6.1.1)	253,848,462	219,653,491
	<u>5,080,236,204</u>	<u>5,136,222,205</u>
Less: Book value of deletions during the period / year (Note 6.1.2)	4,582,878	32,003,122
Depreciation charged during the period / year	200,151,118	277,831,341
	<u>4,875,502,208</u>	<u>4,826,387,742</u>
6.1.1 Cost of additions		
Factory building	2,302,745	5,845,871
Freehold Land	192,506,353	-
Plant and machinery	41,406,282	173,703,598
Electric installations	-	442,427
Furniture, fixtures and equipment	2,822,736	602,385
Computers	-	166,140
Motor vehicles	14,810,346	38,893,070
	<u>253,848,462</u>	<u>219,653,491</u>
6.1.2 Book value of deletions		
Plant and machinery	-	21,558,739
Motor vehicles	4,582,878	10,444,383
	<u>4,582,878</u>	<u>32,003,122</u>
6.2 Capital work-in-progress		
Civil works	141,174,544	186,631
Plant and machinery	4,859,633	8,621,187
Advance against purchase of land	-	32,400,000
Advance against purchase of vehicle	-	3,519,200
Stores held for capital expenditures	16,798,590	13,110,805
	<u>162,832,767</u>	<u>57,837,823</u>
7. Intangible asset - computer software has been fully amortized but still in the use of the Company.		

	Un-audited Nine months ended		Un-audited Quarter ended	
	31 March 2020 Rupees	31 March 2019 Rupees	31 March 2020 Rupees	31 March 2019 Rupees
	8. COST OF SALES			
Raw material consumed	6,369,059,433	6,832,955,876	1,927,362,997	2,341,094,299
Chemicals consumed	801,472,089	781,565,854	277,098,780	292,879,742
Salaries, wages and other benefits	483,283,142	434,450,686	167,415,019	148,603,223
Employee's provident fund contributions	17,910,049	15,868,978	5,990,328	5,348,633
Cloth conversion and processing charges	36,672,745	21,209,893	14,878,228	9,993,936
Fuel, oil and power	827,855,757	880,687,655	265,475,982	289,706,660
Stores, spares and loose tools consumed	167,219,426	142,958,558	58,423,408	54,888,417
Packing materials consumed	65,515,519	62,106,844	19,140,536	20,653,147
Repair and maintenance	37,472,888	50,513,824	9,876,986	14,063,523
Insurance	12,934,335	10,214,847	3,684,040	3,468,989
Other manufacturing expenses	46,619,581	38,381,141	13,907,207	13,300,089
Depreciation on operating fixed assets	188,507,353	192,297,001	63,143,662	63,065,759
	<u>9,054,522,317</u>	<u>9,463,211,157</u>	<u>2,826,397,173</u>	<u>3,257,066,417</u>
Work-in-process inventory				
Opening stock	241,702,860	191,321,471	280,391,679	287,828,312
Closing stock	(250,297,428)	(220,127,704)	(250,297,428)	(220,127,704)
	(8,594,568)	(28,806,233)	30,094,251	67,700,608
Cost of goods manufactured	9,045,927,749	9,434,404,924	2,856,491,424	3,324,767,025
Cost of yarn and cloth purchased for resale	24,162,209	-	12,690,060	-
	<u>9,070,089,958</u>	<u>9,434,404,924</u>	<u>2,869,181,484</u>	<u>3,324,767,025</u>
Finished goods inventory				
Opening stock	909,394,411	677,229,102	1,224,046,592	756,862,789
Closing stock	(1,010,658,592)	(678,109,472)	(1,010,658,592)	(678,109,472)
	(101,264,181)	(880,370)	213,388,000	78,753,317
	<u>8,968,825,777</u>	<u>9,433,524,554</u>	<u>3,082,569,484</u>	<u>3,403,520,342</u>

9. SEGMENT INFORMATION (Un-audited)

9.1 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.

9.2 Nine month ended 31 March 2020

	Weaving	Dyeing	Power Generation	Total- Company
	Rupees	Rupees	Rupees	Rupees
Total Sale	5,756,924,049	7,105,535,294	734,883,150	13,597,342,493
Intersegment Sale	(2,121,867,306)	(129,926,896)	(734,883,150)	(2,986,677,352)
External Sale	<u>3,635,056,743</u>	<u>6,975,608,398</u>	<u>-</u>	<u>10,610,665,141</u>
Profit from operation before taxation and unallocated income / expense	<u>321,467,252</u>	<u>547,159,354</u>	<u>2,018,269</u>	870,644,875
Other income and expense-Net				(77,073,485)
Profit from operations				793,571,390
Finance Cost				(262,049,149)
Taxation				(101,890,647)
Profit after taxation				<u>429,631,594</u>

Nine month ended 31 March 2019

Total Sale	4,867,229,143	7,841,961,566	656,166,258	13,365,356,967
Intersegment Sale	(1,880,475,390)	(82,084,442)	(656,166,258)	(2,618,726,090)
External Sale	<u>2,986,753,753</u>	<u>7,759,877,124</u>	<u>-</u>	<u>10,746,630,877</u>
Profit/(loss) from operation before taxation and unallocated income / expense	<u>163,948,301</u>	<u>392,054,578</u>	<u>(471,932)</u>	555,530,947
Other income and expense-Net				138,994,163
Profit from operations				694,525,110
Finance Cost				(235,785,814)
Taxation				(107,308,164)
Profit after taxation				<u>351,431,132</u>

9.3 There is no material change in segment assets from amount disclosed in preceding audited annual published financial statements.

10. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these condensed interim financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

Recurring fair value measurements At 31 March 2020 - un-audited	Level 1	Level 2	Level 3	Total
..... (Rupees)				
Financial asset				
Investment at fair value through other comprehensive income	-	-	47,457,568	47,457,568
Total financial asset	-	-	47,457,568	47,457,568

Recurring fair value measurements At 30 June 2019 - Audited	Level 1	Level 2	Level 3	Total
..... (Rupees)				
Financial asset				
Available for sale financial asset	-	-	42,572,135	42,572,135
Total financial asset	-	-	42,572,135	42,572,135

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There was no transfer in and out of level 3 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation technique used to value financial instrument was discounted cash flow analysis.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the nine months ended 31 March 2020:

	Unlisted equity security Rupees
Balance as on 30 June 2018 - Audited	58,161,750
Less : Deficit recognized in other comprehensive income	(11,933,586)
Balance as on 31 March 2019 - Unaudited	46,228,164
Less : Deficit recognized in other comprehensive income	(3,656,029)
Balance as on 30 June 2019 - Audited	42,572,135
Add: Surplus recognized in other comprehensive income	4,885,433
Balance as on 31 March 2020 - Unaudited	47,457,568

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value as at		Un-observable inputs	Range of inputs (probability-weighted average) 31 March 2020	Relationship of un-observable inputs to fair value
	Un-audited 31 March 2020	Audited 30 June 2019			
	Rupees	Rupees			

FVTOCI financial assets:

Security General Insurance Company Limited	47,457,568	42,572,135	Net premium revenue growth factor	8.66%	Increase / decrease in net premium revenue growth factor by 0.05% and decrease / increase in discount rate by 1% would increase / decrease fair value by Rupees +2.710 million / -2.446 million.
			Risk adjusted discount rate	19.28%	

There were no significant inter-relationships between un-observable inputs that materially affect fair values.

Valuation processes

Independent valuer performs the valuation of non-property item required for financial reporting purposes, including level 3 fair values. The independent valuer reports directly to the chief financial officer. Discussions of valuation processes and results are held between the chief financial officer and the valuation team at least once every six month, in line with the Company's half yearly reporting period.

The main level 3 inputs used by the Company are derived and evaluated as follows:

Discount rates for financial instruments are determined using a capital asset pricing model to calculate a rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Earnings growth factor for unlisted equity securities are estimated based on market information for similar types of companies.

Changes in level 2 and 3 fair values are analysed at the end of each half yearly reporting period during the valuation discussion between the chief financial officer and the independent valuer. As part of this discussion the independent valuer presents a report that explains the reason for the fair value movements.

11. RECOGNIZED FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS

(i) Fair value hierarchy

Judgements and estimates are made for non-financial assets that are recognized and measured at fair value in these condensed interim financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

At 31 March 2020 un-audited	Level 1	Level 2	Level 3	Total
..... (Rupees)				
Property, plant and equipment:				
- Freehold land	-	1,309,521,353	-	1,309,521,353
- Buildings		1,018,928,632	-	1,018,928,632
Total non-financial assets	-	2,328,449,985	-	2,328,449,985

At 30 June 2019 Audited	Level 1	Level 2	Level 3	Total
..... (Rupees)				
Property, plant and equipment:				
- Freehold land	-	1,117,015,000	-	1,117,015,000
- Buildings	-	1,056,279,833	-	1,056,279,833
Total non-financial assets	-	2,173,294,833	-	2,173,294,833

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the nine months ended 31 March 2020. Further, there was no transfer in and out of level 3 measurements.

(ii) Valuation techniques used to determine level 2 fair values

The Company obtains independent valuations for the items of property, plant and equipment carried at revalued amounts every three years. The management updates the assessment of the fair value of each item of property, plant and equipment carried at revalued amount, taking into account the most recent independent valuations. The management determines the value of items of property, plant and equipment carried at revalued amounts within a range of reasonable fair value estimates. The best evidence of fair value of freehold land is current prices in an active market for similar lands. The best evidence of fair value of buildings is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same building.

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's items of property, plant and equipment carried at revalued amounts at the end of every three years. As at 30 June 2018, the fair values of the items of property,

plant and equipment were determined by Messers Hamid Mukhtar and Company (Private) Limited, the approved valuer.

Changes in fair values are analysed between the chief financial officer and the valuer. As part of this discussion the team presents a report that explains the reason for the fair value movements.

12. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise 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 Nine months ended		Un-audited Quarter ended	
	31 March 2020 Rupees	31 March 2019 Rupees	31 March 2020 Rupees	31 March 2019 Rupees
Succession of loan obtained from deceased sponsor:				
To directors	108,800,000	-	-	-
To related parties	163,200,000	-	-	-
Payment of loan from directors	108,800,000	-	-	-
Payment of loan from related parties	86,657,600	-	-	-
Loan received from / (payment to) director	12,997,075	24,157,000	(18,807,925)	-
Remuneration paid to Chief Executive Officer, Directors and Executives	106,390,213	67,654,391	25,406,889	17,263,789
Contribution to employees' provident fund trust	49,624,162	49,149,329	16,117,808	16,778,256
			Un-audited 31 March 2020 Rupees	Audited 30 June 2019 Rupees
Period end Balances				
Loan from ex-sponsor			-	272,000,000
Loan from director			12,997,075	-
Payable / (Receivable) to employees' provident fund trust			663,129	(494,801)

13. 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.

14. AUTHORIZED FOR ISSUE

This condensed interim financial information was authorized for issue on 29 April 2020 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 profit or loss account, condensed interim statement of comprehensive income and condensed interim statement of cash flow have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made.



AAMIR FAYYAZ SHEIKH
CHIEF EXECUTIVE



KAMRAN SHAHID
CHIEF FINANCIAL OFFICER



RIAZ AHMED
DIRECTOR



Kohinoor Mills Limited

8-Kilometer, Manga Raiwind Road,
District Kasur, Pakistan