

Kohinoor Mills Limited



THIRD QUARTERLY REPORT
MARCH 31, 2021

CONTENTS

Kohinoor Mills Limited

Company Information	02
Directors' Review.....	04
Condensed Interim Statement of Financial Position	06
Condensed Interim Statement of Profit or Loss.....	08
Condensed Interim Statement of Comprehensive Income.....	09
Condensed Interim Statement of Cash Flows	10
Condensed Interim Statement of Changes in Equity	11
Selected Notes to the Condensed Interim Financial Information	12

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 Ahmad 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

8 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 2021

DIRECTORS' REVIEW

The Directors of the company are pleased to present the interim financial statements for the nine months ended 31 March 2021.

Operating & Financial Results

Amid ramped up vaccinations across the world to fight the coronavirus pandemic, a third wave of the virus has already taken a toll on the Asia-Pacific region. Countries including Pakistan, India, Bangladesh, Indonesia and the Philippines, which had reported a significant drop in infections over the past few months, are currently grappling with the fresh wave of COVID-19.

In these difficult times, the Government has been extending its support to the export oriented sector so as to further enhance its competitiveness against regional countries. This has been in the form of lower financing rates, slashing the policy rate by 625bps, release of pending sales tax and income tax refunds and provision of electricity and gas at regionally competitive rates.

By getting Government support to manage liquidity crunch and adapting quickly to the adverse situation created by the Covid-19 pandemic, your company managed to post bottom line profitability in 3rd quarter of the current financial year. During the nine months ended 31 March 2021, your company earned a gross profit of Rs. 1,243 million on sales of Rs. 9,505 million, compared to a gross profit of Rs. 1,642 million on sales of Rs. 10,611 million for the corresponding period of the previous financial year. During the period under review, your company recorded a net profit of Rs. 209.1 million (EPS: Rs. 4.11 per share), compared to net profit of Rs. 429.6 million (EPS: Rs. 8.44 per share) in the corresponding period.

Performance Overview

A brief overview of performance of your company for the nine months ended 31 March 2021 is discussed below:

Weaving Division

The Weaving division outlook appears bright and the results of the comprehensive modernization project being undertaken have started to bear fruit. The division, with persistent and diligent efforts was able to post gross turnover of Rs. 5,846 million as compared to turnover of Rs. 5,756 million in the corresponding period of the previous financial year. The replacement of 60 old looms with new high speed, energy efficient looms has been completed. This will result in increased production capacity and will enable higher operational efficiency for the division.

Dyeing Division

As the Dyeing Division forms part of the fashion retail supply chain, the outbreak of Covid-19 is still causing hurdles to operate at its optimum level. Management is observing many of the social and environmental consequences of post-pandemic economic structures, expecting a major shift in worldwide consumption for fashion clothing and apparel.

While coping with this challenging environment, the Dyeing Division was able to generate a gross profit of Rs.664 million as compared to Rs. 1,044 million in the comparative period. Local sales increased from Rs. 1,300 million to Rs. 1,492 million and export sales declined from Rs. 5,805 million to Rs. 4,793 million.

Major brands remain in place as our customers, and the Dyeing Division marketing team is focused on exploring new markets and widening the customer base. Once the effects of the pandemic start to ease off, the management is confident in its ability to achieve maximum operating capacity.

Genertek Division

The increase in electricity tariffs are expected to cause a decline in profit margins in FY21. Your Company is striving to prosper in spite of these challenges. The Company is also committed to achieving energy efficiency in its bid to be more sustainable and environment friendly. During the 3rd quarter of the current financial year, your company has completed the installation of two new 2.5 Megawatt each fuel efficient gas engines along with Waste Heat Recovery Boilers to meet our efficiency targets and bring down generation costs.

Future Prospects

The central bank has reduced interest rates by 625bps (from 13.25% to 7%), refinancing of wages to prevent layoffs during lockdown period and deferred payments of the principal amount of loans as part of the debt restructuring, provided relief under the Export Financing Scheme (EFS) and the Long-Term Financing Facility (LTFF). Furthermore, the State Bank has also launched a Temporary Economic Refinance Facility (TERF) for boosting investments in new capacity expansion and up-gradation of technology.

However, market driven exchange rate is posing some serious dips to contribution margins of textile industry as rupee has been appreciated against USD by almost 9% from Rs. 168 at 1st July 2020 to Rs. 153 at close of 3rd Quarter FY 2021.

The domestic industry is already planning expansion and is ready to invest \$5bn across the textile chain to double the exports during next 5 years. For this expansion to materialize, the textile industry requires a long-term policy framework in the shape of the textile policy to be in place, to ensure that the present favorable policies will not be rolled back due to changes at the political level.

Commerce Ministry has proposed the next 5 year Textile Policy which is still awaiting stakeholder approvals. The new textile policy, once approved and implemented, will play a pivotal role in improving exports, as this upcoming policy will support the textile industry and will allow consistency in Government policies for the next five years.

The company works with brands which are financially healthy and remain committed to keeping their supply chain afloat. The management team is putting together a plan to minimize the effects of the pandemic and emerge as winners in this challenging situation. The prospective order position for rest of the FY21 is quite promising and supportive of the aim of operating at high capacity levels. Keeping in view the aforesaid measures taken by the management and the Government's positive action towards textile reforms, we are confident in maintaining our market share over the rest of FY21.

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



RIAZ AHMED
Director


Kasur:
April 27, 2021


CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	Note	Un-audited 31 March 2021 Rupees	Audited 30 June 2020 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
80,000,000 (30 June 2020: 80,000,000) ordinary shares of Rupees 10 each		800,000,000	800,000,000
30,000,000 (30 June 2020: 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 2020: 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		26,244,200	28,556,043
Surplus on revaluation of operating fixed assets - net of tax		1,766,596,449	1,793,761,543
Revenue reserves			
General reserve		788,199,282	788,199,282
Accumulated profit		862,372,943	626,130,750
TOTAL EQUITY		<u>4,165,929,294</u>	<u>3,959,164,038</u>
LIABILITIES			
Non-current liabilities			
Long term financing - secured	4	1,014,970,678	571,231,912
Deferred liabilities		271,012,146	252,200,138
Deferred income - Government grant		17,387,940	5,029,274
		<u>1,303,370,764</u>	<u>828,461,324</u>
Current liabilities			
Trade and other payables		2,503,868,225	2,074,583,345
Accrued mark-up		90,228,655	92,580,737
Short term borrowings - secured		3,196,950,740	3,072,620,841
Current portion of long term financing	4	290,971,668	131,347,200
Unclaimed dividend		7,119,616	7,119,615
Provision for taxation		112,101,508	126,504,925
		<u>6,201,240,412</u>	<u>5,504,756,663</u>
TOTAL LIABILITIES		<u>7,504,611,176</u>	<u>6,333,217,987</u>
Contingencies and commitments	5		
TOTAL EQUITY AND LIABILITIES		<u>11,670,540,470</u>	<u>10,292,382,025</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 2021 Rupees	Audited 30 June 2020 Rupees
ASSETS			
Non-current assets			
Fixed Assets	6	6,064,052,723	5,028,127,983
Intangible Asset		-	-
Investment Property		1,981,607	1,981,607
Long term investment		34,243,084	37,197,516
Long term security deposits		31,233,657	29,658,957
		<u>6,131,511,071</u>	<u>5,096,966,063</u>
Current assets			
Stores, spares and loose tools		540,007,912	609,272,956
Stock-in-trade		2,160,699,657	1,949,785,864
Trade debts		776,857,054	545,599,398
Advances		120,614,621	111,608,390
Short term investment	7	20,145,625	-
Short term deposits and prepayments		69,951,775	22,912,554
Other receivables		443,567,477	507,397,314
Sales tax recoverable		801,542,136	682,890,096
Cash and bank balances		605,643,142	765,949,390
		<u>5,539,029,399</u>	<u>5,195,415,962</u>
TOTAL ASSETS		<u><u>11,670,540,470</u></u>	<u><u>10,292,382,025</u></u>


 RIAZ AHMED
 DIRECTOR

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Un-audited)

FOR THE NINE MONTHS ENDED 31 MARCH 2021

	Note	Nine months ended		Quarter ended	
		31 March 2021 Rupees	31 March 2020 Rupees	31 March 2021 Rupees	31 March 2020 Rupees
Sales		9,505,019,154	10,610,665,141	3,647,364,616	3,478,962,720
Cost of Sales	8	(8,261,585,954)	(8,968,825,777)	(3,236,791,442)	(3,082,569,484)
Gross Profit		1,243,433,200	1,641,839,364	410,573,174	396,393,236
Distribution Cost		(473,762,739)	(561,019,814)	(163,684,389)	(145,542,703)
Administrative Expenses		(262,343,451)	(255,787,163)	(98,924,934)	(82,402,709)
Other Expenses		(94,632,476)	(77,073,485)	(1,757,112)	(7,398,800)
		(830,738,666)	(893,880,462)	(264,366,435)	(220,546,612)
		412,694,534	747,958,902	146,206,739	175,846,624
Other Income		152,811,506	45,612,488	17,741,454	16,063,725
Profit From Operations		565,506,040	793,571,390	163,948,193	191,910,349
Finance Cost		(231,395,604)	(262,049,149)	(74,463,531)	(74,540,695)
Profit Before Taxation		334,110,436	531,522,241	89,484,662	117,369,654
Taxation		(125,033,337)	(101,890,647)	(32,874,713)	(32,967,924)
Profit After Taxation		209,077,099	429,631,594	56,609,949	84,401,730
Earnings Per Share - Basic and Diluted		4.11	8.44	1.11	1.66

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 2021

	Nine months ended		Quarter ended	
	31 March 2021 Rupees	31 March 2020 Rupees	31 March 2021 Rupees	31 March 2020 Rupees
PROFIT AFTER TAXATION	209,077,099	429,631,594	56,609,949	84,401,730
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
(Deficit) / Surplus arising on remeasurement of investment at fair value through other comprehensive income	(2,954,432)	4,885,433	-	-
Deferred income tax relating to remeasurement of investment at fair value through other comprehensive income	642,589	(1,062,582)	-	-
	(2,311,843)	3,822,851	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Other comprehensive (loss) / income for the period - net of tax	(2,311,843)	3,822,851	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	206,765,256	433,454,445	56,609,949	84,401,730

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


AAMIR FAYYAZ SHEIKH
CHIEF EXECUTIVE


KAMRAN SHAHID
CHIEF FINANCIAL OFFICER

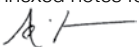

RIAZ AHMED
DIRECTOR


CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)

FOR THE NINE MONTHS ENDED 31 MARCH 2021

	Nine months ended	
	31 March 2021 Rupees	31 March 2020 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	334,110,436	531,522,241
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	205,005,525	200,151,118
Dividend income	(1,367,792)	(1,367,795)
Gain on sale of operating fixed assets	(82,163,473)	(3,013,229)
Provision for slow moving, obsolete and damaged store items	-	430,397
Allowance of expected credit loss against trade debts	2,346,918	13,728,871
Adjustment due to impact of IFRS -9	9,987,572	10,617,722
Finance cost	221,408,032	251,431,427
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL CHANGES	689,327,218	1,003,500,752
(Increase) / decrease in current assets		
Stores, spares and loose tools	69,265,044	(85,637,059)
Stock-in-trade	(210,913,793)	(105,704,987)
Trade debts	(233,604,574)	1,362,196,392
Advances	(9,006,231)	172,651,835
Trade deposits and short term prepayments	(47,039,221)	(13,824,131)
Other receivables	(40,171,971)	5,023,855
Sales tax recoverable	(118,652,040)	(722,724,442)
Increase / (decrease) in current liabilities		
Trade and other payables	429,284,880	214,830,449
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES	(160,837,906)	826,811,912
CASH GENERATED FROM OPERATIONS	528,489,312	1,830,312,664
Income tax paid	(37,107,530)	(116,827,230)
Long term security deposits paid	(1,574,700)	-
Finance cost paid	(202,632,932)	(246,151,951)
	(241,315,162)	(362,979,181)
NET CASH GENERATED FROM OPERATING ACTIVITIES	287,174,150	1,467,333,483
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(1,285,641,106)	(358,843,406)
Proceeds from sale of operating fixed assets	126,874,314	7,596,107
Dividend received	1,367,792	1,367,795
Short term investment made	(20,145,625)	-
NET CASH USED IN INVESTING ACTIVITIES	(1,177,544,625)	(349,879,504)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finances obtained	685,884,871	-
Repayment of long term financing	(80,150,543)	(163,989,125)
Ex-sponsors' loan paid	-	(272,000,000)
Loan obtain from directors	-	12,997,075
Dividend paid	-	(151,328,625)
Short term borrowings - net	124,329,899	(528,892,207)
NET CASH GENERATED / (USED IN) FROM FINANCING ACTIVITIES	730,064,227	(1,103,212,882)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(160,306,248)	14,241,097
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	765,949,390	426,876,902
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	605,643,142	441,117,999

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 2021

	RESERVES							TOTAL EQUITY
	SHARE CAPITAL		CAPITAL RESERVES		REVENUE RESERVES		TOTAL RESERVES	
	Share premium reserve	Fair value reserve FVTOCI investment	Surplus on revaluation of operating fixed assets - net of tax	General reserve	Accumulated profit			
	----- (Rupees) -----							
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)
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	-	(28,594,838)	-	28,594,838	-	-
Profit for the nine months ended 31 March 2020	-	-	3,822,851	-	-	429,631,594	429,631,594	429,631,594
Other comprehensive income for the nine months ended 31 March 2020	-	-	-	-	-	-	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	433,454,445
Balance as at 31 March 2020 - (Un-audited)	509,110,110	213,406,310	36,584,533	1,803,293,155	788,199,281	681,017,985	3,522,501,264	4,031,611,374
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	-	(9,531,612)	-	9,531,612	-	-
Loss for the quarter ended 30 June 2020	-	-	-	-	-	(64,418,847)	(64,418,846)	(64,418,846)
Other comprehensive loss for the quarter ended 30 June 2020	-	-	(8,028,490)	-	-	-	(8,028,490)	(8,028,490)
Total comprehensive loss for the quarter ended 30 June 2020	-	-	(8,028,490)	-	-	(64,418,847)	(72,447,337)	(72,447,336)
Balance as at 30 June 2020 - (audited)	509,110,110	213,406,310	28,556,043	1,793,761,543	788,199,282	626,130,750	3,450,053,927	3,959,164,038
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	-	(27,165,094)	-	27,165,094	-	-
Profit for the nine months ended 31 March 2021	-	-	-	-	-	209,077,099	209,077,099	209,077,099
Other comprehensive loss for the nine months ended 31 March 2021	-	-	(2,311,843)	-	-	-	(2,311,843)	(2,311,843)
Total comprehensive income for the nine months ended 31 March 2021	-	-	(2,311,843)	-	-	209,077,099	206,765,256	206,765,256
Balance as at 31 March 2021 - (Un-audited)	509,110,110	213,406,310	26,244,200	1,766,596,449	788,199,282	862,372,943	3,656,819,183	4,165,929,294

Balance as at 30 June 2019 - (audited)
Transaction with owners - Final dividend for the year ended 30 June 2019 @ Rupees 3 per share

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

Profit for the nine months ended 31 March 2020
Other comprehensive income for the nine months ended 31 March 2020

Total comprehensive income for the nine months ended 31 March 2020

Balance as at 31 March 2020 - (Un-audited)
Transferred from surplus on revaluation of operating fixed assets - net of tax

Loss for the quarter ended 30 June 2020
Other comprehensive loss for the quarter ended 30 June 2020

Total comprehensive loss for the quarter ended 30 June 2020

Balance as at 30 June 2020 - (audited)
Transferred from surplus on revaluation of operating fixed assets - net of tax

Profit for the nine months ended 31 March 2021
Other comprehensive loss for the nine months ended 31 March 2021

Total comprehensive income for the nine months ended 31 March 2021

Balance as at 31 March 2021 - (Un-audited)

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 STATEMENTS (Un-audited) FOR THE NINE MONTHS ENDED 31 MARCH 2021

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 2020.

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 2020.

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 2020.

	Un-audited 31 March 2021 Rupees	Audited 30 June 2020 Rupees
4. LONG TERM FINANCING -SECURED		
Opening balance	702,579,112	787,340,140
Add: Obtained during the period / year	685,884,871	118,565,192
Add: Adjustment due to impact of IFRS - 9 during the period / year	9,987,572	5,844,840
Less: Gain on long term financing measured at amortized cost during the period / year	-	13,421,896
Less: Deferred income - Government grant recognized during the period / year	12,358,666	5,260,165
Less: Repaid during the period / year	80,150,543	190,488,999
	<u>1,305,942,346</u>	<u>702,579,112</u>
Less: Current portion shown under current liabilities	290,971,668	131,347,200
	<u>1,014,970,678</u>	<u>571,231,912</u>

5. CONTINGENCIES AND COMMITMENTS

Contingencies

Except for the contingency stated below, 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 2020.

- (i) The Additional Commissioner Inland Revenue (ADCIR) amended the assessments for the tax years 2018 and 2019 under section 122(5A) of the Income Tax Ordinance, 2001. ADCIR disallowed certain expenses, tax credit and increased the tax liability by Rupees 8.193 million and Rupees 14.352 million for the tax years 2018 and 2019 respectively. The Company being aggrieved, filed appeals before Commissioner Inland Revenue (Appeals) which are pending for adjudication. The management of the Company is confident that the appeals will be decided in favour of the Company. Hence, no provision / adjustment has been recognized in these condensed interim financial statements.

Commitments

- (i) Aggregate commitments for capital and revenue expenditures are amounting to Rupees 929.480 million and Rupees 224.761 million (30 June 2020: Rupees 109.661 million and Rupees 22.610 million) respectively.
- (ii) Post dated cheques issued to suppliers are amounting to Rupees 952.485 million (30 June 2020: Rupees 167.158 million).

	Un-audited 31 March 2021 Rupees	Audited 30 June 2020 Rupees
6. FIXED ASSETS		
Property, plant and equipment		
Operating fixed assets (Note 6.1)	5,632,819,825	4,870,901,704
Capital work-in-progress (Note 6.2)	431,232,898	157,226,279
	<u>6,064,052,723</u>	<u>5,028,127,983</u>

	Un-audited 31 March 2021 Rupees	Audited 30 June 2020 Rupees
6.1 Operating fixed assets		
Opening net book value	4,870,901,704	4,826,387,742
Add: Cost of additions during the period / year (Note 6.1.1)	1,011,634,487	318,725,047
	5,882,536,191	5,145,112,789
Less: Book value of deletions during the period / year (Note 6.1.2)	44,710,841	5,795,137
Less: Depreciation charged during the period / year	205,005,525	268,415,948
Closing net book value	5,632,819,825	4,870,901,704
6.1.1 Cost of additions		
Factory building	10,245,849	5,798,560
Freehold land	100,638,338	234,131,621
Plant and machinery	885,274,289	49,116,364
Electric installations	3,438,180	6,321,932
Furniture, fixtures and equipment	162,576	3,184,734
Computers	1,042,535	-
Motor vehicles	10,832,720	20,171,836
	1,011,634,487	318,725,047
6.1.2 Book value of deletions		
Plant and machinery	37,349,526	-
Motor vehicles	7,361,315	5,795,137
	44,710,841	5,795,137
6.2 Capital work-in-progress		
Plant and machinery	332,378,062	75,759,566
Civil works	87,572,915	64,668,123
Stores held for capital expenditures	11,281,921	16,798,590
	431,232,898	157,226,279
7. SHORT TERM INVESTMENT		
Fair value through profit or loss:		
NBP Islamic Daily Dividend Fund 2,014,870.6840 (30 June 2020 : Nil) units	20,145,625	-

	Un-audited Nine months ended		Un-audited Quarter ended	
	31 March 2021 Rupees	31 March 2020 Rupees	31 March 2021 Rupees	31 March 2020 Rupees
	8. COST OF SALES			
Raw material consumed	5,589,305,286	6,369,059,433	2,267,703,951	1,927,362,997
Chemicals consumed	689,082,313	801,472,089	284,729,963	277,098,780
Salaries, wages and other benefits	439,407,396	483,283,142	162,834,032	167,415,019
Employee's provident fund contributions	17,380,386	17,910,049	6,349,515	5,990,328
Cloth conversion and processing charges	85,550,939	36,672,745	16,963,313	14,878,228
Fuel, oil and power	863,737,555	827,855,757	283,288,419	265,475,982
Stores, spares and loose tools consumed	140,009,947	167,219,426	35,477,214	58,423,408
Packing materials consumed	56,977,382	65,515,519	21,422,723	19,140,536
Repair and maintenance	32,935,381	37,472,888	13,751,478	9,876,986
Insurance	16,708,459	12,934,335	5,658,797	3,684,040
Other manufacturing expenses	53,716,679	46,619,581	18,677,561	13,907,207
Depreciation on operating fixed assets	194,014,560	188,507,353	76,765,255	63,143,662
	8,178,826,283	9,054,522,317	3,193,622,221	2,826,397,173
Work-in-process inventory				
Opening stock	181,271,612	241,702,860	266,559,147	280,391,679
Closing stock	(202,017,977)	(250,297,428)	(202,017,977)	(250,297,428)
	(20,746,365)	(8,594,568)	64,541,170	30,094,251
Cost of goods manufactured	8,158,079,918	9,045,927,749	3,258,163,391	2,856,491,424
Cost of yarn and cloth purchased for resale	49,810,854	24,162,209	17,130,307	12,690,060
	8,207,890,772	9,070,089,958	3,275,293,698	2,869,181,484
Finished goods inventory				
Opening stock	1,226,288,778	909,394,411	1,134,091,340	1,224,046,592
Closing stock	(1,172,593,596)	(1,010,658,592)	(1,172,593,596)	(1,010,658,592)
	53,695,182	(101,264,181)	(38,502,256)	213,388,000
	8,261,585,954	8,968,825,777	3,236,791,442	3,082,569,484

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 2021

	Weaving	Dyeing	Power Generation	Total - Company
	Rupees	Rupees	Rupees	Rupees
Total Sale	5,846,083,562	6,285,541,056	692,367,495	12,823,992,113
Intersegment Sale	(2,495,462,773)	(131,142,691)	(692,367,495)	(3,318,972,959)
External Sale	3,350,620,789	6,154,398,365	-	9,505,019,154
Profit from operation before taxation and unallocated income / expense	437,690,793	269,045,495	(46,597,772)	660,138,516
Other income and expense-Net				(94,632,476)
Profit from operations				565,506,040
Finance Cost				(231,395,604)
Taxation				(125,033,337)
Profit after taxation				209,077,099
Nine month ended 31 March 2020				
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	3,635,056,743	6,975,608,398	-	10,610,665,141
Profit from operations before taxation and unallocated income / expenses	321,467,252	547,159,354	2,018,269	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				429,631,594

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 2021 - un-audited	Level 1	Level 2	Level 3	Total
--	---------	---------	---------	-------

..... (Rupees)

Financial asset

Fair value through other comprehensive income	-	-	34,243,084	34,243,084
Total financial asset	-	-	34,243,084	34,243,084

Recurring fair value measurements At 30 June 2020 - Audited	Level 1	Level 2	Level 3	Total
--	---------	---------	---------	-------

..... (Rupees)

Financial asset

Fair value through other comprehensive income	-	-	37,197,516	37,197,516
Total financial asset	-	-	37,197,516	37,197,516

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 2021:

	Unlisted equity security Rupees
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 - un-audited	47,457,568
Less : Deficit recognized in other comprehensive income	(10,260,052)
Balance as on 30 June 2020- audited	37,197,516
Less : Deficit recognized in other comprehensive income	(2,954,432)
Balance as on 31 March 2021 - un-audited	34,243,084

(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 2021	Relationship of un-observable inputs to fair value
	Un-audited 31 March 2021	Audited 30 June 2020			
	Rupees	Rupees			

FVTOCI financial assets:

Security General Insurance Company Limited	34,243,084	37,197,516	Terminal growth factor Risk adjusted discount rate	2.00% 13.49%	Increase / decrease in terminal growth factor by 1% and decrease / increase in discount rate by 1% would increase / decrease fair value by Rupees +6.649 million / -4.757 million.
--	------------	------------	---	-----------------	--

There were no significant inter-relationships between unobservable 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 2021 un-audited	Level 1	Level 2	Level 3	Total
..... (Rupees)				
Property, plant and equipment:				
- Freehold land	-	1,451,784,959	-	1,451,784,959
- Buildings	-	981,458,437	-	981,458,437
Total non-financial assets	-	2,433,243,396	-	2,433,243,396

At 30 June 2020 Audited	Level 1	Level 2	Level 3	Total
..... (Rupees)				
Property, plant and equipment:				
- Freehold land	-	1,351,146,621	-	1,351,146,621
- Buildings	-	1,009,133,930	-	1,009,133,930
Total non-financial assets	-	2,360,280,551	-	2,360,280,551

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 2021 Rupees	31 March 2020 Rupees	31 March 2021 Rupees	31 March 2020 Rupees
Succession of loan to legal heirs of the deceased director	-	272,000,000	-	272,000,000
Repayment of loan to legal heirs of the deceased director	-	108,800,000	-	-
Loans obtained from / (repaid) to related parties	23,989,000	90,450,400	900,000	12,500,000
Loans obtained from / (repaid) to related directors	-	22,997,075	-	8,807,925
Remuneration to chief executive officer, directors and executives	99,299,084	106,390,213	35,421,644	58,246,218
Contribution to employees' provident fund trust	50,884,606	49,624,162	18,483,156	27,089,368
			Un-audited 31 March 2021 Rupees	Audited 30 June 2020 Rupees
Period end Balances				
Payable to / (receivable from) employees' provident fund trust			3,344,790	(622,706)

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 2020.

14. AUTHORIZED FOR ISSUE

These condensed interim financial statements were authorized for issue on 27 April 2021 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 re-arranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made.

16. GENERAL

Figures have been rounded off to the nearest of Rupees unless otherwise stated.



AAMIR FAYYAZ SHEIKH
CHIEF EXECUTIVE



KAMRAN SHAHID
CHIEF FINANCIAL OFFICER



RIAZ AHMED
DIRECTOR



Kohinoor Mills Limited

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