

# Kohinoor Mills Limited



HALF YEARLY REPORT  
31 December 2019

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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. Gulraiz Ali

## 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](http://www.kohinoormills.com)



# Financial Statements

For the half year ended 31 December 2019

## DIRECTORS' REVIEW

The Directors of the company are pleased to present the interim financial statements for the half year ended 31 December 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 half year ended 31 December 2019, your company earned a gross profit of Rs. 1,245 million on sales of Rs. 7,131 million compared to gross profit of Rs. 842 million on sales of Rs. 6,872 million for the corresponding period of previous financial year. During the period under review, your company recorded a net profit of Rs. 345 million (EPS: Rs. 6.78 per share), compared to net profit of Rs. 217 million (EPS: Rs. 4.26 per share) in the corresponding period.

Sales have increased by 3.8% whereas gross profit margin has increased to 17.5% from 12.3% in first half of the financial year 2019-20 as compared to corresponding period. The company was able to reap benefits of higher profit margins due to the devaluation of local currency. Upward trend in sales is 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 half year ended 31 December 2019 is discussed below:

#### Weaving Division

This division was able to achieve gross turnover of Rs. 3,783 million which is 14.5% higher as compared to turnover of Rs. 3,304 million in corresponding period of previous financial year. Although the local sales were slightly declined from Rs. 1,884 million to Rs. 1,868 million, increase in export sales from Rs. 1,420 million to Rs. 1,915 million 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 13% 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 16.8% in current period as compared to 12.6% in corresponding period.

#### Genertek Division

Price for gas at USD 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.

The company has installed condensing economizers on gas turbine and thermo oil heaters to capture the heat from hot flue gases to improve energy efficiency of the plant.

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

### 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 and low rates for export refinancing schemes. All these measures are likely to improve the performance of the textile and clothing sector of Pakistan.

Measures taken to support textile industry by boosting exports is not only one of the prime agenda of current government but it is equally important for shrinking the Current Account Deficit (CAD) of the country. The most important need of the hour for textile industry is the approval of much needed long term textile policy which is till awaited. Current economic scenario requires immediate announcement of textile policy which will clear the ambiguity as well as help improving the investor's confidence in the important sector of the economy.

After zero-rating removal for the five export oriented sectors, textile industry is facing serious liquidity crunch due to slow processing of sales tax refunds. Under FBR's newly introduced "Faster" sales tax refund system, exporters were promised to disburse refunds within 72 hours of submission of refund claims, but refunds had not been paid in time as committed. Due to huge amount of sales tax refunds held up with FBR, textile exporters have been facing severe financial hardship in meeting export orders to the desired extent. Keeping in view the current liquidity scenario, the government needs to disburse refunds as per their original commitment.

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 rest of FY 2019-20.

### 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



RASHID AHMED  
Director

Kasur:  
19 February 2020

# INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF KOHINOOR MILLS LIMITED REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

## Introduction

We have reviewed the accompanying condensed interim statement of financial position of KOHINOOR MILLS LIMITED as at 31 December 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended 31 December 2019 and 31 December 2018 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 31 December 2019.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Syed Mustafa Ali.

RIAZ AHMAD & COMPANY  
Chartered Accountants

Date: 19 February 2020  
Lahore



CONDENSED INTERIM  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019

	Note	Un-audited 31 December 2019 Rupees	Audited 30 June 2019 Rupees
<b>EQUITY AND LIABILITIES</b>			
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		1,812,824,768	1,831,887,993
Revenue reserves			
General reserve		788,199,282	940,932,315
Accumulated profit		587,084,642	222,791,553
		<u>3,947,209,645</u>	<u>3,750,889,963</u>
Total equity			
<b>LIABILITIES</b>			
Non-current liabilities			
Long term financing - secured	4	422,380,145	535,964,554
Deferred liabilities		241,544,425	292,887,875
		<u>663,924,570</u>	<u>828,852,429</u>
Current liabilities			
Trade and other payables		2,222,303,986	1,927,441,680
Accrued mark-up		93,986,873	43,469,479
Loan from ex-sponsor		-	272,000,000
Loan from directors		31,805,000	-
Short term borrowings - secured		3,155,581,539	3,644,020,840
Current portion of long term financing	4	254,905,324	251,375,586
Unclaimed dividend		7,119,615	5,715,206
Provision for taxation		73,659,151	144,307,184
		<u>5,839,361,488</u>	<u>6,288,329,975</u>
Total liabilities		<u>6,503,286,058</u>	<u>7,117,182,404</u>
Contingencies and commitments	5		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>10,450,495,703</u>	<u>10,868,072,367</u>

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

  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE

  
KAMRAN SHAHID  
CHIEF FINANCIAL OFFICER


	Note	Un-audited 31 December 2019 Rupees	Audited 30 June 2019 Rupees
<b>ASSETS</b>			
Non-current assets			
Fixed assets	6	4,948,653,005	4,884,225,565
Intangible asset		-	-
Investment property		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>5,020,791,137</u>	<u>4,964,287,879</u>
Current assets			
Stores, spares and loose tools		538,388,050	417,861,264
Stock-in-trade		2,116,346,502	1,815,530,274
Trade debts		817,291,424	2,133,325,884
Advances		159,098,447	320,536,283
Short term deposits and prepayments		36,970,511	18,368,252
Other receivables		514,141,603	582,550,551
Sales tax recoverable		813,497,348	188,735,078
Cash and bank balances		433,970,681	426,876,902
		<u>5,429,704,566</u>	<u>5,903,784,488</u>
<b>TOTAL ASSETS</b>		<u><u>10,450,495,703</u></u>	<u><u>10,868,072,367</u></u>

  
 RASHID AHMED  
 DIRECTOR

**CONDENSED INTERIM STATEMENT OF  
PROFIT OR LOSS** (Un-audited)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Half year ended		Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Note	Rupees	Rupees	Rupees
REVENUE	7,131,702,421	6,871,917,744	3,818,817,179	3,944,216,939
COST OF SALES	7 (5,886,256,293)	(6,030,004,212)	(3,166,527,181)	(3,447,731,516)
GROSS PROFIT	1,245,446,128	841,913,532	652,289,998	496,485,423
DISTRIBUTION COST	(415,477,111)	(357,369,455)	(249,992,047)	(216,776,264)
ADMINISTRATIVE EXPENSES	(173,384,454)	(150,445,048)	(90,592,355)	(78,840,554)
OTHER EXPENSES	(84,472,285)	(72,395,874)	(28,402,074)	(67,633,423)
	(673,333,850)	(580,210,377)	(368,986,476)	(363,250,241)
	572,112,278	261,703,155	283,303,522	133,235,182
OTHER INCOME	29,548,763	193,346,173	23,165,115	168,029,584
PROFIT FROM OPERATIONS	601,661,041	455,049,328	306,468,637	301,264,766
FINANCE COST	(187,508,454)	(177,806,669)	(97,911,068)	(100,600,355)
PROFIT BEFORE TAXATION	414,152,587	277,242,659	208,557,569	200,664,411
TAXATION	(68,922,723)	(60,450,702)	(38,532,132)	(25,246,568)
PROFIT AFTER TAXATION	345,229,864	216,791,957	170,025,437	175,417,843
EARNINGS PER SHARE - BASIC AND DILUTED	6.78	4.26	3.34	3.45

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

  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE


  
KAMRAN SHAHID  
CHIEF FINANCIAL OFFICER

  
RASHID AHMED  
DIRECTOR

**CONDENSED INTERIM  
STATEMENT OF COMPREHENSIVE INCOME** (Un-audited)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Half year ended		Quarter ended	
	31 December 2019 Rupees	31 December 2018 Rupees	31 December 2019 Rupees	31 December 2018 Rupees
PROFIT AFTER TAXATION	345,229,864	216,791,957	170,025,437	175,417,843
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
Surplus / (deficit) arising on remeasurement of investment at fair value through other comprehensive income	4,885,433	(11,933,586)	4,885,433	(11,933,586)
Deferred income tax relating to remeasurement of investment at fair value through other comprehensive income	(1,062,582)	3,099,411	(1,062,582)	3,099,411
	3,822,851	(8,834,175)	3,822,851	(8,834,175)
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Other comprehensive income / (loss) for the period - net of tax	3,822,851	(8,834,175)	3,822,851	(8,834,175)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	349,052,715	207,957,782	173,848,288	166,583,668

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

  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE

  
KAMRAN SHAHID  
CHIEF FINANCIAL OFFICER

  
RASHID AHMED  
DIRECTOR

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

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Half year ended	
	31 December 2019	31 December 2018
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	414,152,587	277,242,659
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	133,319,052	135,059,496
Depreciation on investment property	-	182,877
Dividend income	(1,367,792)	(1,609,167)
Gain on sale of operating fixed assets	(2,361,266)	(97,448)
Loss on sales tax refund bonds	9,615	-
Provision for slow moving, obsolete and damaged store items	430,397	51,961,263
Provision for doubtful sales tax recoverable	-	5,215,654
Allowance / (reversal) of expected credit loss	13,729,144	(2,777,592)
Adjustment due to impact of IAS - 39	7,078,481	17,568,579
Finance cost	180,429,973	160,238,090
<b>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL CHANGES</b>	<b>745,420,191</b>	<b>642,984,411</b>
(Increase) / decrease in current assets		
Stores, spares and loose tools	(120,957,183)	(89,435,759)
Stock-in-trade	(300,816,228)	(263,392,761)
Trade debts	1,302,305,316	(565,169,711)
Advances	161,437,836	(32,733,564)
Short term deposits and prepayments	(18,602,259)	(15,282,516)
Other receivables	10,679,660	(30,512,535)
Sales tax recoverable	(611,962,270)	(45,559,057)
Increase in current liabilities		
Trade and other payables	218,319,906	457,724,466
<b>EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES</b>	<b>640,404,778</b>	<b>(584,361,437)</b>
<b>CASH GENERATED FROM OPERATIONS</b>	<b>1,385,824,969</b>	<b>58,622,974</b>
Income tax paid	(83,015,214)	(65,193,828)
Finance cost paid	(181,144,865)	(175,757,653)
	(264,160,079)	(240,951,481)
<b>NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>1,121,664,890</b>	<b>(182,328,507)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on property, plant and equipment	(201,420,226)	(136,231,986)
Proceeds from sale of operating fixed assets	6,035,000	4,319,920
Dividend received	1,367,792	1,609,167
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(194,017,434)</b>	<b>(130,302,899)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing obtained	-	88,630,000
Repayment of long term financing	(117,133,152)	(135,962,925)
Ex-sponsors' loan paid	(195,457,600)	-
Loan obtained from directors	31,805,000	24,157,000
Short term borrowings - net	(488,439,301)	513,168,843
Dividend paid	(151,328,624)	(64,115,145)
<b>NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES</b>	<b>(920,553,677)</b>	<b>425,877,773</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>7,093,779</b>	<b>113,246,367</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>426,876,902</b>	<b>94,990,230</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>433,970,681</b>	<b>208,236,597</b>

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



AAMIR FAYYAZ SHEIKH

CHIEF EXECUTIVE  
Kohinoor Mills Limited



KAMRAN SHAHID

CHIEF FINANCIAL OFFICER



RASHID AHMED

DIRECTOR

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)

## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	RESERVES										TOTAL EQUITY
	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	SUB TOTAL	GENERAL RESERVE	ACCUMULATED PROFIT / (LOSS)	SUB TOTAL			
Rupees											
Balance as at 30 June 2018 - (audited)	509,110,110	213,406,310	45,822,419	-	1,875,429,430	2,134,658,159	1,002,025,528	(538,840,013)	463,185,515	3,106,953,784	
Adjustment on adoption of IFRS 9	-	-	(45,822,419)	45,822,419	-	-	-	(5,685,007)	(1,567,719)	(5,685,007)	
Adjusted total equity as at 01 July 2018	509,110,110	213,406,310	-	45,822,419	1,875,429,430	2,134,658,159	1,002,025,528	(546,092,739)	455,932,789	3,099,701,068	
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	-	-	-	-	(20,173,063)	(20,173,063)	-	20,173,063	-	-	
Surplus on revaluation of operating fixed assets - adjustment due to change in tax rate	-	-	-	-	852,083	852,083	-	-	-	852,083	
Profit for the half year ended 31 December 2018	-	-	-	-	-	(8,834,175)	-	216,791,957	-	216,791,957	
Other comprehensive loss for the half year ended 31 December 2018	-	-	-	-	-	(8,834,175)	-	-	-	(8,834,175)	
Total comprehensive income for the half year ended 31 December 2018	-	-	-	-	-	(8,834,175)	-	216,791,957	-	207,957,782	
Balance as at 31 December 2018 - (Un-audited)	509,110,110	213,406,310	-	36,988,244	1,856,108,450	2,106,503,004	940,932,315	(309,127,719)	631,804,596	3,247,417,710	
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	(19,960,042)	(19,960,042)	-	19,960,042	-	-	
Surplus on revaluation of operating fixed assets - adjustment due to change in tax rate	-	-	-	-	(4,260,415)	(4,260,415)	-	-	-	(4,260,415)	
Profit for the half year ended 30 June 2019	-	-	-	-	-	(4,226,562)	-	511,959,230	-	511,959,230	
Other comprehensive loss for the half year ended 30 June 2019	-	-	-	-	-	(4,226,562)	-	-	-	(4,226,562)	
Total comprehensive income for the half year ended 30 June 2019	-	-	-	-	-	(4,226,562)	-	511,959,230	-	507,732,668	
Balance as at 30 June 2019 - (audited)	509,110,110	213,406,310	-	32,761,682	1,831,887,993	2,078,055,985	940,932,315	222,791,553	1,163,723,868	3,750,889,963	
Transaction with owners - Final dividend for the year ended 30 June 2019 @ Rupees 3 per share of rupees 10 each	-	-	-	-	-	-	(152,733,033)	-	(152,733,033)	(152,733,033)	
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	(19,063,225)	(19,063,225)	-	19,063,225	-	-	
Profit for the half year ended 31 December 2019	-	-	-	-	-	3,822,851	-	345,229,864	-	345,229,864	
Other comprehensive income for the half year ended 31 December 2019	-	-	-	-	-	3,822,851	-	-	-	3,822,851	
Total comprehensive income for the half year ended 31 December 2019	-	-	-	-	-	3,822,851	-	345,229,864	-	349,052,715	
Balance as at 31 December 2019 - (Un-audited)	509,110,110	213,406,310	-	36,584,533	1,812,824,768	2,062,815,611	788,199,282	587,084,642	1,375,283,924	3,947,209,645	

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

  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE

  
KAMRAN SHAHID  
CHIEF FINANCIAL OFFICER

  
RASHID AHMED  
DIRECTOR

# SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) FOR THE HALF YEAR ENDED 31 DECEMBER 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. These condensed interim financial statements are un-audited, however, have been subjected to limited scope review by the auditors and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Section 237 of the Companies Act, 2017.

## 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. The Company has adopted IFRS 16 from 01 July 2019. The new standard eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lessee accounting model. IFRS 16 is not applicable on short-term leases and leases of low-value assets. The adoption of IFRS 16 does not have any impact on the amounts recognized in prior periods and is not expected to significantly affect the current or future periods.

### 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 December 2019 Rupees	Audited 30 June 2019 Rupees
<b>4. LONG TERM FINANCING -SECURED</b>		
Opening balance	787,340,140	945,233,206
Add: Obtained during the period / year	-	88,640,000
Add: Adjustment due to impact of IFRS - 9 during the period / year	7,078,481	15,919,621
Less: Repaid during the period / year	117,133,152	262,452,687
	677,285,469	787,340,140
Less: Current portion shown under current liabilities	254,905,324	251,375,586
	422,380,145	535,964,554

#### 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 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.

##### Commitments

- (i) Aggregate commitments for capital and revenue expenditures are amounting to Rupees 4.767 million and Rupees 72.001 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 710.140 million (30 June 2019: Rupees 547.628 million).



	Un-audited 31 December 2019 Rupees	Audited 30 June 2019 Rupees
6. FIXED ASSETS		
Property, plant and equipment		
Operating fixed assets (Note 6.1)	4,877,983,257	4,826,387,742
Capital work-in-progress (Note 6.2)	70,669,748	57,837,823
	<u>4,948,653,005</u>	<u>4,884,225,565</u>
Intangible asset - computer software (Note 6.3)	-	-
	<u>4,948,653,005</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)	188,588,301	219,653,491
	<u>5,014,976,043</u>	<u>5,136,222,205</u>
Less: Book value of deletions during the period / year (Note 6.1.2)	3,673,734	32,003,122
Depreciation charged during the period / year	133,319,052	277,831,341
	<u>4,877,983,257</u>	<u>4,826,387,742</u>
6.1.1 Cost of additions		
Factory building	2,302,745	5,845,871
Freehold land	153,558,478	-
Plant and machinery	15,093,996	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>188,588,301</u>	<u>219,653,491</u>
6.1.2 Book value of deletions		
Plant and machinery	-	21,558,739
Motor vehicles	3,673,734	10,444,383
	<u>3,673,734</u>	<u>32,003,122</u>
6.2 Capital work-in-progress		
Plant and machinery	44,593,282	8,621,187
Advance against purchase of land	8,037,107	32,400,000
Civil works	4,784,554	186,631
Stores held for capital expenditures	13,254,805	13,110,805
Advance against purchase of vehicle	-	3,519,200
	<u>70,669,748</u>	<u>57,837,823</u>
6.3 Intangible asset - computer software has been fully amortized but still in the use of the Company.		

	Half year ended		Un-audited Quarter ended	
	31 December 2019 Rupees	31 December 2018 Rupees	31 December 2019 Rupees	31 December 2018 Rupees
<b>7. COST OF SALES</b>				
Raw material consumed	4,441,696,436	4,491,861,577	2,318,939,561	2,596,269,309
Chemical consumed	524,373,309	488,686,112	295,425,256	275,701,951
Salaries, wages and other benefits	315,868,123	285,847,463	169,771,556	155,038,212
Employees' provident fund contributions	11,919,721	10,520,345	6,548,314	5,747,883
Cloth conversion and processing charges	21,794,517	11,215,957	8,389,976	7,791,165
Fuel, oil and power	562,379,775	590,980,995	291,734,440	300,749,047
Stores, spares and loose tools consumed	108,796,018	88,070,141	64,389,517	37,912,555
Packing material	46,374,983	41,453,697	25,675,476	21,684,426
Repair and maintenance	27,595,902	36,450,301	19,157,083	31,662,466
Insurance	9,250,295	6,745,858	6,315,549	2,239,361
Other manufacturing expenses	32,712,374	25,081,052	15,842,872	14,696,065
Depreciation on operating fixed assets	125,363,691	129,231,242	62,553,047	64,637,305
	6,228,125,144	6,206,144,740	3,284,742,647	3,514,129,745
Work-in-process inventory				
Opening stock	241,702,860	191,321,471	230,857,935	192,615,777
Closing stock	(280,391,679)	(287,828,312)	(280,391,679)	(287,828,312)
	(38,688,819)	(96,506,841)	(49,533,744)	(95,212,535)
Cost of goods manufactured	6,189,436,325	6,109,637,899	3,235,208,903	3,418,917,210
Cost of yarn and cloth purchased for resale	11,472,149	-	8,168,189	-
	6,200,908,474	6,109,637,899	3,243,377,092	3,418,917,210
Finished goods inventory				
Opening stock	909,394,411	677,229,102	1,147,196,681	785,677,095
Closing stock	(1,224,046,592)	(756,862,789)	(1,224,046,592)	(756,862,789)
	(314,652,181)	(79,633,687)	(76,849,911)	28,814,306
	5,886,256,293	6,030,004,212	3,166,527,181	3,447,731,516

8. SEGMENT INFORMATION

8.1 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.

	Weaving		Dyeing		Power Generation		Elimination of inter-segment transactions		Total - Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Sales	2,466,023,198	2,089,024,522	4,665,679,223	4,782,893,222	-	-	-	-	7,131,702,421	6,871,917,744
External inter-segment	1,316,879,307	1,193,399,849	93,186,638	63,056,466	494,894,770	432,066,787	(1,904,960,715)	(1,688,523,102)	-	-
Cost of sales	3,782,902,505	3,282,424,371	4,758,865,861	4,845,949,688	494,894,770	432,066,787	(1,904,960,715)	(1,688,523,102)	7,131,702,421	6,871,917,744
Gross profit / (loss)	(3,342,135,200)	(3,049,060,796)	(3,960,044,006)	(4,235,861,983)	(489,037,892)	(433,794,525)	1,904,960,715	1,688,523,102	(5,886,296,293)	(6,030,004,212)
Distribution cost	440,767,305	233,343,575	798,821,855	610,287,695	5,856,968	(1,717,736)	-	-	1,245,446,128	841,913,532
Administrative expenses	(117,870,116)	(77,958,606)	(297,606,965)	(279,410,849)	(5,291,774)	(5,116,242)	-	-	(415,477,111)	(387,389,456)
Profit / (loss) before taxation and expenses	(176,129,951)	(77,353,719)	(89,962,729)	(73,975,087)	(5,291,774)	(5,116,242)	-	-	(173,384,454)	(150,445,046)
Finance cost	(196,000,067)	(149,312,325)	(387,569,724)	(353,385,936)	(5,291,774)	(5,116,242)	-	-	(988,861,565)	(907,814,503)
Other income	244,767,238	84,031,250	411,252,131	256,801,759	565,194	(6,833,980)	-	-	656,584,563	334,089,029
Taxation	-	-	-	-	-	-	-	-	-	-
Profit after taxation	-	-	-	-	-	-	-	-	-	-
Unallocated income and expenses:	-	-	-	-	-	-	-	-	-	-
Finance cost	-	-	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-
Taxation	-	-	-	-	-	-	-	-	-	-
Reconciliation of reportable segment assets and liabilities	-	-	-	-	-	-	-	-	-	-

8.2 Reconciliation of reportable segment assets and liabilities

	Weaving		Dyeing		Power Generation		Total - Company	
	31 December 2019	30 June 2019	31 December 2019	Audited 30 June 2019	Un-audited 31 December 2019	Audited 30 June 2019	Un-audited 31 December 2019	Audited 30 June 2019
Segment assets	4,366,319,492	4,752,222,408	3,924,548,794	4,509,925,333	945,116,821	955,677,513	9,225,985,107	10,217,829,254
Unallocated assets	-	-	-	-	-	-	1,224,510,586	650,243,113
Total assets as per the statement of financial position	-	-	-	-	-	-	10,450,495,703	10,868,072,367
Segment liabilities	1,096,102,919	1,192,116,354	817,725,222	527,193,189	194,930,138	115,617,089	2,108,758,279	1,834,926,632
Unallocated liabilities:	-	-	-	-	-	-	-	-
Long term financing - secured	-	-	-	-	677,295,469	787,340,140	-	-
Loan from ex-sponsor	-	-	-	-	31,805,000	272,000,000	-	-
Loan from directors	-	-	-	-	93,986,873	43,469,479	-	-
Accrued mark-up	-	-	-	-	3,155,581,539	3,644,020,840	-	-
Short term borrowings - secured	-	-	-	-	241,544,425	292,887,875	-	-
Deferred liabilities	-	-	-	-	73,659,151	144,307,184	-	-
Provision for taxation	-	-	-	-	7,119,615	5,715,206	-	-
Unclaimed dividend	-	-	-	-	113,545,707	92,515,048	-	-
Trade and other payables	-	-	-	-	-	-	-	-
Total liabilities as per statement of financial position	-	-	-	-	6,503,286,058	7,117,182,404	-	-

## 9. 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 December 2019 - un-audited	Level 1	Level 2	Level 3	Total
..... (Rupees) .....				
Financial asset				
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				
Fair value through other comprehensive income	-	-	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 half year ended 31 December 2019:

	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 December 2018 - 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 December 2019 - 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 December 2019	Relationship of un-observable inputs to fair value
	Un-audited 31 December 2019	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 items 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.

## 10. 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 December 2019 un-audited	Level 1	Level 2	Level 3	Total
..... (Rupees) .....				
Property, plant and equipment:				
- Freehold land	-	1,270,573,478	-	1,270,573,478
- Buildings	-	1,032,160,906	-	1,032,160,906
Total non-financial assets	-	2,302,734,384	-	2,302,734,384

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 half year ended 31 December 2019. 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.

## 11. 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:

	Half year ended		Un-audited Quarter ended	
	31 December 2019 Rupees	31 December 2018 Rupees	31 December 2019 Rupees	31 December 2018 Rupees
Succession of loan obtained from deceased sponsor:				
To directors	108,800,000	-	108,800,000	-
To related parties	163,200,000	-	163,200,000	-
Payment of loan from directors	108,800,000	-	-	-
Payment of loan from related parties	86,657,600	-	23,200,000	-
Loan obtained from directors	31,805,000	24,157,000	31,805,000	-
Remuneration to Chief Executive Officer, Directors and Executives	80,983,324	50,390,601	58,246,218	23,841,503
Contribution to employees' provident fund trust	33,506,354	18,405,390	27,089,368	11,896,988
			Un-audited 31 December 2019 Rupees	Audited 30 June 2019 Rupees
Period end Balances				
Loan from ex-sponsor			-	272,000,000
Loan from directors			31,805,000	-
Payable to / (receivable from) employees' provident fund trust			4,380,677	(494,801)

## 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. AUTHORIZED FOR ISSUE

These condensed interim financial statements were authorized for issue on 19 February 2020 by the Board of Directors of the Company.

#### 14. 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.

  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE

  
KAMRAN SHAHID  
CHIEF FINANCIAL OFFICER

  
RASHID AHMED  
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