

Kohinoor Mills Limited



HALF YEARLY REPORT
DECEMBER 31, 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 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 half year ended 31 December 2020

DIRECTORS' REVIEW

The Directors of the company are pleased to present the interim financial statements for the half year ended 31 December 2020.

Operating & Financial Results

Prolonged lockdowns and uncertainty, particularly in Europe and USA, due to the Covid-19 pandemic, affected and continue to affect both the supply and demand-sides of the economy. With the arrival of the second wave from mid Oct-20 onwards, the world economies seem to be facing headwinds once again from rising domestic and external vulnerabilities.

Likewise in Pakistan, the Textile sector finds itself in the midst of unprecedented adversity, marked by shifting customer behavior and disrupted supply chains, which are putting revenues and margins under pressure.

In these difficult times, the Government of Pakistan has extended its support to the export oriented sector with the aim of enhancing Pakistan's 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 subsidized rates.

With the assistance of Government support to manage liquidity crunch and by adapting quickly to the adverse situation created by the Covid-19 pandemic, your company managed to post bottom line profitability in the first half of the current financial year. During the half year ended 31 December 2020, your company earned a gross profit of Rs. 832 Million on sales of Rs. 5,857 Million, compared to a gross profit of Rs. 1,245 Million on sales of Rs. 7,131 Million for the corresponding period of the previous financial year. During the period under review, your company recorded a net profit of Rs. 152.4 Million (EPS: Rs. 2.99 per share), compared to net profit of Rs. 345.2 Million (EPS: Rs. 6.78 per share) in the corresponding period.

Performance Overview

A brief overview of performance of your company for the half year ended 31 December 2020 is discussed below:

Weaving Division

The Weaving division gallantly tackled the current challenges and was able to post gross turnover of Rs. 3,669 Million as compared to turnover of Rs. 3,783 Million in the corresponding period of the previous financial year. This is despite the fact that the division is currently undergoing a comprehensive modernization program as a result of which production was ceased on some looms that were marked for replacement. In the second half of the current financial year, the replacement of 62 existing looms with new high speed energy efficient looms will be completed. This will result in increased production capacity and will enable higher operational efficiency for the division.

Dyeing Division

The outbreak of Covid-19 has severely affected the growth trajectory of the Dyeing Division. The management is observing many of the social and environmental consequences of post-pandemic economic structures, and expecting a major shift in worldwide consumption approach for fashion.

While coping with this challenging environment, the Dyeing Division was able to generate a gross profit of Rs.464 Million as compared to Rs. 799 Million in the comparative period. Local sales increased from Rs. 915 Million to Rs. 977 Million and export sales declined from Rs. 3,844 Million to Rs. 2,753 Million.

The effects of the pandemic have started to ease off and consequently international brands have started to resume their retail operations. Keeping in view the trend of economic recovery, the company is hopeful that it will achieve utilization of 80% of the Dyeing Division's operating capacity for the rest of FY21.

Genertek Division

The increase in electricity tariffs along with a looming decision on supply of gas to captive power plants pose significant challenges to the division. These decisions can be 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 will complete the installation of two new 2.5 Megawatt 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%), refinanced wages to prevent layoffs during lockdown period, deferred payments of the principal amount of loans as part of the debt restructuring, and 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.

The existing energy package for the export industry and market-based exchange rates have helped exports become competitive. Moreover, the suspension of the International Monetary Fund economic stabilization program has also provided the economy with some breathing space. The external factors includes the US-China tensions and ongoing supply disruptions induced by the Covid-19 pandemic in India and Bangladesh. These factors have helped Pakistan grab additional export orders from Europe and America.

The domestic industry is already planning expansion and is ready to invest \$5bn across the textile chain to double the exports by 2025. But for that to happen we require the long-term policy framework in the shape of the textile policy to ensure that the present favorable policies will not be rolled back in the midst of this anticipated growth period.

The Commerce Ministry has proposed a 5 year Textile Policy which is still awaiting Government's approval. The new textile policy, once approved and implemented, will play a pivotal role in improving exports by supporting 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 keep 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

Kasur:
February 23, 2021


AAMIR FAYYAZ SHEIKH
Chief Executive


RASHID AHMED
Director

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 2020 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 2020 and 31 December 2019 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 2020.

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: 23 February 2021
Lahore

CONDENSED INTERIM
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Un-audited 31 December 2020 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		1,775,651,479	1,793,761,543
Revenue reserves			
General reserve		788,199,282	788,199,282
Accumulated profit		796,707,966	626,130,750
Total equity		<u>4,109,319,347</u>	<u>3,959,164,038</u>
LIABILITIES			
Non-current liabilities			
Long term financing - secured	4	648,619,697	571,231,912
Deferred liabilities		304,002,698	252,200,138
Deferred income - Government grant		12,556,789	5,029,274
		<u>965,179,184</u>	<u>828,461,324</u>
Current liabilities			
Trade and other payables		2,061,939,173	2,074,583,345
Accrued mark-up		95,084,192	92,580,737
Short term borrowings - secured		3,225,110,786	3,072,620,841
Current portion of long term financing	4	290,971,668	131,347,200
Unclaimed dividend		7,119,615	7,119,615
Provision for taxation		78,669,268	126,504,925
		<u>5,758,894,702</u>	<u>5,504,756,663</u>
Total liabilities		<u>6,724,073,886</u>	<u>6,333,217,987</u>
Contingencies and commitments	5		
TOTAL EQUITY AND LIABILITIES		<u><u>10,833,393,233</u></u>	<u><u>10,292,382,025</u></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 2020 Rupees	Audited 30 June 2020 Rupees
ASSETS			
Non-current assets			
Fixed assets	6	5,383,588,296	5,028,127,983
Investment property		1,981,607	1,981,607
Long term investments		34,243,084	37,197,516
Long term security deposits		29,900,657	29,658,957
		<u>5,449,713,644</u>	<u>5,096,966,063</u>
Current assets			
Stores, spares and loose tools		597,965,664	609,272,956
Stock-in-trade		2,051,049,943	1,949,785,864
Trade debts		532,957,748	545,599,398
Advances		203,811,864	111,608,390
Short term investment	7	10,013,013	-
Short term deposits and prepayments		37,251,100	22,912,554
Other receivables		389,791,681	507,397,314
Sales tax recoverable		619,936,799	682,890,096
Cash and bank balances		940,901,777	765,949,390
		<u>5,383,679,589</u>	<u>5,195,415,962</u>
TOTAL ASSETS		<u><u>10,833,393,233</u></u>	<u><u>10,292,382,025</u></u>



RASHID AHMED
DIRECTOR

**CONDENSED INTERIM STATEMENT OF
PROFIT OR LOSS (Un-audited)**
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Note	Half year ended		Quarter ended	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
		Rupees	Rupees	Rupees	Rupees
REVENUE		5,857,654,538	7,131,702,421	3,206,432,803	3,818,817,179
COST OF SALES	8	(5,024,794,511)	(5,886,256,293)	(2,773,858,949)	(3,166,527,181)
GROSS PROFIT		832,860,027	1,245,446,128	432,573,854	652,289,998
DISTRIBUTION COST		(310,078,349)	(415,477,111)	(171,930,966)	(249,992,047)
ADMINISTRATIVE EXPENSES		(163,418,517)	(173,384,454)	(83,320,461)	(90,592,355)
OTHER EXPENSES		(92,875,364)	(84,472,285)	(36,764,148)	(28,402,074)
		(566,372,230)	(673,333,850)	(292,015,575)	(368,986,476)
		266,487,797	572,112,278	140,558,279	283,303,522
OTHER INCOME		135,070,052	29,548,763	120,411,096	23,165,115
PROFIT FROM OPERATIONS		401,557,849	601,661,041	260,969,375	306,468,637
FINANCE COST		(156,932,073)	(187,508,454)	(86,262,716)	(97,911,068)
PROFIT BEFORE TAXATION		244,625,776	414,152,587	174,706,659	208,557,569
TAXATION		(92,158,624)	(68,922,723)	(65,422,324)	(38,532,132)
PROFIT AFTER TAXATION		152,467,152	345,229,864	109,284,335	170,025,437
EARNINGS PER SHARE					
- BASIC AND DILUTED		2.99	6.78	2.15	3.34


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 2020

	Half year ended		Quarter ended	
	31 December 2020 Rupees	31 December 2019 Rupees	31 December 2020 Rupees	31 December 2019 Rupees
PROFIT AFTER TAXATION	152,467,152	345,229,864	109,284,335	170,025,437
OTHER COMPREHENSIVE INCOME				
Items that will not be re-classified to profit or loss:				
(Deficit) / Surplus arising on re-measurement of investment at fair value through other comprehensive income	(2,954,432)	4,885,433	(2,954,432)	4,885,433
Deferred income tax relating to re-measurement of investment at fair value through other comprehensive income	642,589	(1,062,582)	642,589	(1,062,582)
	(2,311,843)	3,822,851	(2,311,843)	3,822,851
Items that may be re-classified subsequently to profit or loss	-	-	-	-
Other comprehensive income for the period - net of tax	(2,311,843)	3,822,851	(2,311,843)	3,822,851
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	150,155,309	349,052,715	106,972,492	173,848,288

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 2020

	Half year ended	
	31 December 2020 Rupees	31 December 2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	244,625,776	414,152,587
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	124,539,586	133,319,052
Dividend income	(1,609,167)	(1,367,792)
Gain on sale of operating fixed assets	(79,187,280)	(2,361,266)
Loss on disposal of store items	3,515,584	-
Loss on sales tax refund bonds	-	9,615
Provision for slow moving, obsolete and damaged store items	-	430,397
Allowance of expected credit loss	1,707,863	13,729,144
Adjustment due to impact of IFRS-9	11,437,959	7,078,481
Amortization of deferred grant	(4,831,151)	-
Finance cost	145,494,114	180,429,973
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL CHANGES	445,693,284	745,420,191
(Increase) / decrease in current assets		
Stores, spares and loose tools	7,791,708	(120,957,183)
Stock-in-trade	(101,264,079)	(300,816,228)
Trade debts	10,933,787	1,302,305,316
Advances	(92,203,474)	161,437,836
Short term deposits and prepayments	(14,338,546)	(18,602,259)
Other receivables	(20,153,167)	10,679,660
Sales tax recoverable	62,953,297	(611,962,270)
Increase in current liabilities		
Trade and other payables	26,732,840	218,319,906
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES	(119,547,634)	640,404,778
CASH GENERATED FROM OPERATIONS	326,145,650	1,385,824,969
Income tax paid	(1,741,372)	(83,015,214)
Finance cost paid	(128,807,464)	(181,144,865)
Long term security deposit paid	(241,700)	-
	(130,790,536)	(264,160,079)
NET CASH GENERATED FROM OPERATING ACTIVITIES	195,355,114	1,121,664,890
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(521,931,503)	(201,420,226)
Proceeds from sale of operating fixed assets	121,118,884	6,035,000
Dividend received	-	1,367,792
Short term investment made	(10,013,013)	-
NET CASH USED IN INVESTING ACTIVITIES	(410,825,632)	(194,017,434)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing obtained	285,884,871	-
Repayment of long term financing	(47,951,911)	(117,133,152)
Ex-sponsors' loan paid	-	(195,457,600)
Loan obtained from directors	-	31,805,000
Short term borrowings - net	152,489,945	(488,439,301)
Dividend paid	-	(151,328,624)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	390,422,905	(920,553,677)
NET INCREASE IN CASH AND CASH EQUIVALENTS	174,952,387	7,093,779
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	940,901,777	433,970,681

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 CHANGES IN EQUITY (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	RESERVES							TOTAL EQUITY	
	CAPITAL RESERVES			REVENUE RESERVES					
	Share premium reserve	Fair value reserve FVTOCI investment	Surplus on revaluation of operating fixed assets - net of tax	Sub Total	General reserve	Accumulated profit	Sub Total		
Balance as at 30 June 2019 - (audited)	509,110,110	213,406,310	32,761,682	1,831,887,993	2,078,065,985	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	-	-	-	-	-	-	-	-	-
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	(19,063,225)	(152,733,033)	-	-	19,063,225	(152,733,033)	(152,733,033)
Profit for the half year ended 31 December 2019	-	-	3,822,851	-	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	-	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
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 30 June 2020	-	-	(8,028,490)	-	-	-	-	19,982,883	19,982,883
Other comprehensive loss for the half year ended 30 June 2020	-	-	-	-	(8,028,490)	-	-	-	(8,028,490)
Total comprehensive income for the half year ended 30 June 2020	-	-	(8,028,490)	-	(8,028,490)	-	-	19,982,883	11,954,393
Balance as at 30 June 2020 - (audited)	509,110,110	213,406,310	28,556,043	1,793,761,543	2,035,723,896	788,199,282	626,130,750	1,414,330,032	3,959,164,038
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	-	(18,110,064)	(18,110,064)	-	-	18,110,064	-
Profit for the half year ended 31 December 2020	-	-	(2,311,843)	-	-	-	-	152,467,152	152,467,152
Other comprehensive loss for the half year ended 31 December 2020	-	-	-	-	(2,311,843)	-	-	-	(2,311,843)
Total comprehensive income for the half year ended 31 December 2020	-	-	(2,311,843)	-	(2,311,843)	-	-	152,467,152	150,155,309
Balance as at 31 December 2020 - (Un-audited)	509,110,110	213,406,310	26,244,200	1,775,651,479	2,015,301,989	788,199,282	796,707,966	1,584,907,248	4,109,319,347

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


KAMRAN SHAHID
 CHIEF FINANCIAL OFFICER


RASHID AHMED
 DIRECTOR

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) FOR THE HALF YEAR ENDED 31 DECEMBER 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 2020. 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 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 December 2020 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	285,884,871	118,565,192
Add: Adjustment due to impact of IFRS - 9 during the period / year	11,437,959	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	47,951,911	190,488,999
	<u>939,591,365</u>	<u>702,579,112</u>
Less: Current portion shown under current liabilities	290,971,668	131,347,200
	<u>648,619,697</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 449.307 million and Rupees 155.291 million (30 June 2020: Rupees 109.661 million and Rupees 22.610 million) respectively.
- (ii) Post dated cheques are amounting to Rupees 686.378 million (30 June 2020: Rupees 167.158 million).

	Un-audited 31 December 2020 Rupees	Audited 30 June 2020 Rupees
6. FIXED ASSETS		
Property, plant and equipment		
Operating fixed assets (Note 6.1)	4,931,158,396	4,870,901,704
Capital work-in-progress (Note 6.2)	452,429,900	157,226,279
	<u>5,383,588,296</u>	<u>5,028,127,983</u>
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)	226,727,882	318,725,047
	<u>5,097,629,586</u>	<u>5,145,112,789</u>
Less: Book value of deletions during the period / year (Note 6.1.2)	41,931,604	5,795,137
Depreciation charged during the period / year	124,539,586	268,415,948
Closing net book value	<u>4,931,158,396</u>	<u>4,870,901,704</u>
6.1.1 Cost of additions		
Factory building	-	5,798,560
Freehold land	101,605,807	234,131,621
Plant and machinery	111,671,440	49,116,364
Electric installations	3,233,384	6,321,932
Furniture, fixtures and equipment	162,576	3,184,734
Computers	1,042,535	-
Motor vehicles	9,012,140	20,171,836
	<u>226,727,882</u>	<u>318,725,047</u>
6.1.2 Book value of deletions		
Plant and machinery	37,349,524	-
Motor vehicles	4,582,080	5,795,137
	<u>41,931,604</u>	<u>5,795,137</u>
6.2 Capital work-in-progress		
Plant and machinery	190,147,129	75,759,566
Civil works	135,732,095	64,668,123
Electric Installation	230,000	-
Stores held for capital expenditures	11,520,957	16,798,590
Letters of credit	112,424,719	-
Advance against purchase of land	2,375,000	-
	<u>452,429,900</u>	<u>157,226,279</u>
7. SHORT TERM INVESTMENT		
Fair value through profit or loss:		
NBP Islamic Daily Dividend Fund 1,001,301.2520 (30 June 2020 : Nil) units	10,013,013	-

	Un-audited Half year ended		Un-audited Quarter ended	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	Rupees	Rupees	Rupees	Rupees
8. COST OF SALES				
Raw material consumed	3,321,601,335	4,441,696,436	1,794,021,361	2,318,939,561
Chemical consumed	404,352,350	524,373,309	211,424,461	295,425,256
Salaries, wages and other benefits	276,573,364	315,868,123	135,820,740	169,771,556
Employees' provident fund contributions	11,030,871	11,919,721	5,513,220	6,548,314
Cloth conversion and processing charges	68,587,626	21,794,517	53,998,734	8,389,976
Fuel, oil and power	580,449,136	562,379,775	332,438,591	291,734,440
Stores, spares and loose tools consumed	104,532,733	108,796,018	55,237,319	64,389,517
Packing material	35,554,659	46,374,983	29,220,030	25,675,476
Repair and maintenance	19,183,903	27,595,902	11,352,459	19,157,083
Insurance	11,049,662	9,250,295	5,581,703	6,315,549
Other manufacturing expenses	35,039,117	32,712,374	11,877,454	15,842,872
Depreciation on operating fixed assets	117,249,305	125,363,691	58,797,029	62,553,047
	4,985,204,061	6,228,125,144	2,705,283,101	3,284,742,647
Work-in-process inventory				
Opening stock	181,271,612	241,702,860	165,984,011	230,857,935
Closing stock	(266,559,147)	(280,391,679)	(266,559,147)	(280,391,679)
	(85,287,535)	(38,688,819)	(100,575,136)	(49,533,744)
Cost of goods manufactured	4,899,916,526	6,189,436,325	2,604,707,965	3,235,208,903
Cost of yarn and cloth purchased for resale	32,680,547	11,472,149	32,233,154	8,168,189
	4,932,597,073	6,200,908,474	2,636,941,119	3,243,377,092
Finished goods inventory				
Opening stock	1,226,288,778	909,394,411	1,271,009,170	1,147,196,681
Closing stock	(1,134,091,340)	(1,224,046,592)	(1,134,091,340)	(1,224,046,592)
	92,197,438	(314,652,181)	136,917,830	(76,849,911)
	5,024,794,511	5,886,256,293	2,773,858,949	3,166,527,181

9. SEGMENT INFORMATION

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.

	Weaving		Dyeing		Power Generation		Elimination of inter-segment transactions		Total - Company	
	Half year ended	31 December 2019	Half year ended	31 December 2019	Half year ended	31 December 2019	Half year ended	31 December 2019	Half year ended	31 December 2019
Sales	2,222,777,735	2,466,023,198	3,634,876,803	4,665,679,223	-	-	-	-	5,857,654,538	7,131,702,421
External Inter-segment	1,447,102,238	1,316,879,307	96,023,865	93,168,638	453,816,103	494,894,770	(1,995,942,206)	(1,904,960,715)	-	-
Cost of sales	3,669,879,973	3,782,902,505	3,729,900,668	4,759,865,861	453,816,103	494,894,770	(1,995,942,206)	(1,904,960,715)	5,857,654,538	7,131,702,421
Gross profit / (loss)	(3,295,540,730)	(3,342,135,200)	(3,266,100,558)	(3,960,044,006)	(519,095,429)	(489,037,802)	1,995,942,206	1,904,960,715	(5,024,794,511)	(5,886,256,293)
Distribution cost	434,339,243	440,767,305	463,800,110	798,821,855	(65,279,326)	5,856,988	-	-	832,860,027	1,245,446,128
Administrative expenses	(108,662,530)	(117,870,116)	(203,415,819)	(297,608,935)	(5,171,764)	(5,291,774)	-	-	(310,078,348)	(415,477,111)
Profit / (loss) before taxation and unallocated income and expenses	(83,225,005)	(78,129,951)	(75,021,748)	(86,962,724)	(6,171,764)	(5,291,774)	-	-	(163,416,517)	(173,384,454)
	(189,887,535)	(196,000,867)	(278,437,867)	(387,569,724)	(5,171,764)	(5,291,774)	-	-	(473,436,866)	(588,861,565)
	244,451,708	244,767,238	185,382,643	411,252,131	(70,451,030)	565,194	-	-	359,363,161	656,584,563
Unallocated income and expenses:										
Finance cost									(156,932,073)	(187,508,454)
Other expenses									(92,875,364)	(84,472,285)
Other income									135,070,062	29,548,763
Taxation									(92,158,634)	(68,922,723)
Profit after taxation									152,467,152	345,229,864

9.2 Reconciliation of reportable segment assets and liabilities

	Weaving		Dyeing		Power Generation		Total - Company	
	Un-audited 31 December 2020	Audited 30 June 2020	Un-audited 31 December 2020	Audited 30 June 2020	Un-audited 31 December 2020	Audited 30 June 2020	Un-audited 31 December 2020	Audited 30 June 2020
Segment assets	4,434,861,579	4,311,919,159	4,167,650,277	3,851,977,274	1,280,631,974	978,735,230	9,883,043,630	9,142,631,662
Unallocated assets				3,851,977,274			960,349,403	1,149,750,363
Total assets as per the statement of financial position				8,003,933,233			10,833,393,233	10,292,382,025
Segment liabilities	1,131,225,363	1,068,262,078	713,992,687	800,396,270	152,160,292	123,017,168	1,997,378,332	1,991,675,516
Unallocated liabilities:								
Long term financing - secured							939,591,365	702,579,112
Deferred liabilities							304,002,698	252,200,138
Delivered income - Government grant							12,556,789	5,029,274
Accrued mark-up							95,094,192	92,580,737
Short term borrowings - secured							3,225,110,786	3,072,620,841
Unclaimed dividend							7,119,615	7,119,615
Provision for taxation							78,689,268	126,504,925
Trade and other payables							64,590,841	82,907,829
Total liabilities as per statement of financial position							6,724,073,886	6,333,217,967

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 December 2020 - un-audited	Level 1	Level 2	Level 3	Total
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
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 half year ended 31 December 2020:

	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 December 2019 - 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 December 2020 - 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 December 2020	Relationship of un-observable inputs to fair value
	Un-audited 31 December 2020	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.
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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 December 2020 un-audited	Level 1	Level 2	Level 3	Total
..... (Rupees)				
Property, plant and equipment:				
- Freehold land	-	1,452,752,428	-	1,452,752,428
- Buildings	-	983,905,614	-	983,905,614
Total non-financial assets	-	2,436,658,042	-	2,436,658,042

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 half year ended 31 December 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 Half year ended		Un-audited Quarter ended	
	31 December 2020 Rupees	31 December 2019 Rupees	31 December 2020 Rupees	31 December 2019 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 close relatives of the chief executive officer	-	52,360,000	-	26,408,000
Repayment of loan to close relative of the chief executive officer	13,289,000	12,238,485	-	12,238,485
Remuneration to chief executive officer, directors and executives	63,877,440	80,983,324	33,552,797	58,246,218
Contribution to employees' provident fund trust	32,401,450	33,506,354	24,677,837	27,089,368
			Un-audited 31 December 2020 Rupees	Audited 30 June 2020 Rupees
Period end Balances				
Loan from close relatives of chief executive officer of the Company			26,832,515	40,121,515
Payable to / (receivable from) employees' provident fund trust			123,556	(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.

	Un-audited 31 December 2020 Rupees	Audited 30 June 2020 Rupees
14. DISCLOSURES BY COMPANY LISTED ON ISLAMIC INDEX		
Description		
Loan / advances obtained as per Islamic mode	-	-
Shariah compliant bank deposit / bank balance		
Bank balance	554,557	711,135
	Un-audited Half year ended	
	31 December 2020 Rupees	31 December 2019 Rupees
Profit earned from shariah compliant bank deposits / bank balances	-	-
Revenue earned from shariah compliant business	5,857,654,538	7,131,702,421
Dividend earned from shariah compliant instrument		
Dividend income	15,309	-
Exchange (loss) / gain earned	(57,801,347)	117,371,369
Mark-up paid on Islamic mode of financing	-	-
Profits earned or interest paid on any conventional loan / advance		
Interest paid on loans	65,317,227	37,599,494
Profit earned on deposits with banks	19,162,106	4,669,366
Relationship with shariah compliant bank		
Name	Relationship	
MCB Islamic Bank Limited	Bank balance	

15. AUTHORIZED FOR ISSUE

These condensed interim financial statements were authorized for issue on 23 February 2021 by the Board of Directors of the Company.

16. 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.

17. GENERAL

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



AAMIR FAYYAZ SHEIKH
CHIEF EXECUTIVE



KAMRAN SHAHID
CHIEF FINANCIAL OFFICER



RASHID AHMED
DIRECTOR



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