

Kohinoor Industries Limited

Financial Statements

Year ended June 30, 2019

Audited

INDEPENDENT AUDITOR'S REPORT

To the members of KOHINOOR INDUSTRIES LIMITED Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **KOHINOOR INDUSTRIES LIMITED** [‘the Company’], which comprise the statement of financial position as at **June 30, 2019**, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing [‘ISAs’] as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan [‘the Code’] and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty relating to Going Concern

We draw attention to note 2.2 to the financial statements which refers to the fact that as at June 30, 2019, the Company has accumulated losses of Rs. 688.371 million. Its current liabilities exceed its current assets by Rs. 363.437 million. These factors indicate existence of material uncertainty that raise doubts about the Company's ability to continue as a going concern and that the Company may not be able to discharge its liabilities and realize its assets in the normal course of business. However, these financial statements have been prepared on going concern basis for reasons explained in note 2.2. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

1. First time adoption of IFRS 9 – Financial Instruments

As referred to in note 3 to the financial statements, the Company has adopted IFRS 9 - 'Financial Instruments'. The new standard requires the Company to make allowance for impairment of financial assets using Expected

How our audit addressed the matter

Our key procedures to review the application of IFRS 9 included, amongst others, review of the methodology developed and applied by the Company to estimate the ECL in relation to financial assets. We also considered and

Key audit matter

Credit Loss ['ECL'] approach as against the Incurred Loss Model previously applied by the Company.

Determination of ECL for financial assets requires significant judgment and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information.

We have considered the first time application of IFRS 9 requirements as a key audit matter due to significance of the change in accounting methodology and involvement of estimates and judgments in this regard.

How our audit addressed the matter

evaluated the assumptions used in applying the ECL methodology based on historical information and qualitative factors as relevant for such estimates.

Further, we assessed the integrity and quality of the data used for ECL computation based on the accounting records and information system of the Company as well as the related external sources as used for this purpose.

We checked the mathematical accuracy of the ECL model by performing recalculation on test basis.

In addition to above, we assessed the adequacy of disclosures in the financial statements of the Company regarding application of IFRS 9 as per the requirements of the above standard.

Information other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **ZUBAIR IRFAN MALIK**.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Lahore: **October 04, 2019**



KOHINOOR INDUSTRIES LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized capital</i>		400,000,000	400,000,000
40,000,000 (2018: 40,000,000) ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up capital	7	303,025,430	303,025,430
Share premium	8	187,394,755	187,394,755
Surplus on revaluation of property and equipment	9	651,264,077	651,264,077
Accumulated losses		(688,371,198)	(716,145,840)
TOTAL EQUITY		453,313,064	425,538,422
NON CURRENT LIABILITIES			
Employees retirement benefits	10	385,508	-
		385,508	-
CURRENT LIABILITIES			
Trade and other payables	11	27,810,731	30,354,473
Short term borrowings	12	353,682,503	353,682,503
Unclaimed dividend		1,034,826	1,034,826
Current taxation		22,083,661	24,284,422
		404,611,721	409,356,224
TOTAL LIABILITIES		404,997,229	409,356,224
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		858,310,293	834,894,646

The annexed notes from 1 to 42 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR


for identification only

KOHINOOR INDUSTRIES LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	14	2,777,933	3,122,553
Government taken over concerns	15	-	-
Investment property	16	809,372,245	802,860,585
Long term investments	17	4,819,500	9,497,250
Long term deposits	18	166,376	368,876
		817,136,054	815,849,264
CURRENT ASSETS			
Rent receivables	19	20,000	216,020
Advances, deposits and other receivables	20	-	77,536
Advance income tax		15,834,306	13,362,423
Cash and bank balances	22	25,319,933	5,389,403
		41,174,239	19,045,382
TOTAL ASSETS		858,310,293	834,894,646

The annexed notes from 1 to 42 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

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KOHINOOR INDUSTRIES LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Revenue	23	47,715,429	37,243,638
Administrative and general expenses	24	(19,607,298)	(24,312,667)
Other expenses	25	(1,471,206)	(6,329,348)
Other income	26	(21,078,504)	(30,642,015)
Operating profit		6,642,736	40,745,249
Finance cost	27	(43,582)	(64,980)
Share of loss of associate - <i>unrealised</i>	17.1	33,236,079	47,281,892
Profit before taxation		(3,186,328)	(4,286,479)
Taxation	28	30,049,751	42,995,413
Profit after taxation		(2,254,893)	(8,920,643)
Earnings per share - <i>basic and diluted</i>	29	27,794,858	34,074,770
		0.92	1.12

The annexed notes from 1 to 42 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

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KOHINOOR INDUSTRIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<i>Items that may be reclassified subsequently to profit or loss</i>		-	-
<i>Items that will not be reclassified to profit or loss</i>			
Share of other comprehensive loss of associate - unrealised	17.1	(20,216)	(15,423)
Other comprehensive loss		(20,216)	(15,423)
Profit for the year		27,794,858	34,074,770
Total comprehensive income		27,774,642	34,059,347

The annexed notes from 1 to 42 form an integral part of these financial statements.


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DIRECTOR

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KOHINOOR INDUSTRIES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	30	26,858,067	14,850,364
Payments for:			
Income tax		(6,927,537)	(5,410,318)
Net cash generated from operating activities		19,930,530	9,440,046
CASH FLOW FROM INVESTING ACTIVITIES			
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in short term borrowings		-	(5,797,198)
Net cash used in financing activities		-	(5,797,198)
NET INCREASE IN CASH AND CASH EQUIVALENTS		19,930,530	3,642,848
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR		5,389,403	1,746,555
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR	31	25,319,933	5,389,403

The annexed notes from 1 to 42 form an integral part of these financial statements.


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KOHINOOR INDUSTRIES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2019

	Share capital	Capital reserves		Revenue reserves	Total equity Rupees
	Issued subscribed and paid-up capital Rupees	Share Premium Rupees	Surplus on revaluation of investment property Rupees	Accumulated losses Rupees	
Balance as at July 01, 2017	303,025,430	187,394,755	651,264,077	(750,205,187)	391,479,075
Comprehensive income					
Profit after taxation	-	-	-	34,074,770	34,074,770
Other comprehensive loss	-	-	-	(15,423)	(15,423)
Total comprehensive income	-	-	-	34,059,347	34,059,347
Transaction with owners	-	-	-	-	-
Balance as at June 30, 2018	303,025,430	187,394,755	651,264,077	(716,145,840)	425,538,422
Balance as at July 01, 2018	303,025,430	187,394,755	651,264,077	(716,145,840)	425,538,422
Comprehensive income					
Profit after taxation	-	-	-	27,794,858	27,794,858
Other comprehensive loss	-	-	-	(20,216)	(20,216)
Total comprehensive income	-	-	-	27,774,642	27,774,642
Transaction with owners	-	-	-	-	-
Balance as at June 30, 2019	303,025,430	187,394,755	651,264,077	(688,371,198)	453,313,064

The annexed notes from 1 to 42 form an integral part of these financial statements.


CHIEF EXECUTIVE


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DIRECTOR

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KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1 LEGAL STATUS AND OPERATIONS

Kohinoor Industries Limited [the Company] was incorporated in Pakistan as a Public Limited Company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 17-Aziz Avenue, Canal Bank, Gulberg-V, Lahore. The Company was initially engaged in manufacture and sale of yarn, with the manufacturing facility located at Madina Town, Near Government Girls College, Faisalabad.

Board of Directors of the Company in its meeting held on April 30, 2008 decided to close down the business as due to increase in prices of raw material and other inputs without increase in yarn sales prices in the local and international market, the operations of the textile unit had become uneconomical and huge losses were expected to arise if the business was carried on.

Subsequently, the Company amended its memorandum of association to include in its objects, leasing out of its buildings under operating lease arrangements, as and when considered fit.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards [IFRS] issued by the International Accounting Standards Board [IASB] as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards [IFAS] issued by Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS and IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Appropriateness of the going concern assumption

As at June 30, 2019, the Company has accumulated losses of Rs. 688.371 million. Its current liabilities exceed its current assets by Rs. 363.437 million. These factors indicate existence of material uncertainty that raise doubts about the Company's ability to continue as a going concern and that the Company may not be able to discharge its liabilities and realize its assets in the normal course of business. However, these financial statements have been prepared on going concern basis based on the following:

- (a) The Company is renting out its land and building under operating lease arrangements with a history of profitable operations for the past five year.
- (b) The Company has financial support of its directors in the form of interest free loans.

The management is confident the Company will continue to be profitable, subject to impact, if any, of uncontrollable circumstances.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employees retirement benefits liabilities measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

2.4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.4.1 Critical accounting judgements

Judgments made by management in the application of accounting and reporting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

(a) Business model assessment (see note 6.3.2)

The Company classifies its financial assets on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Company determines the business model at a level that reflects how financial assets are managed to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed.

(b) Depreciation method, rates and useful lives of operating fixed assets (see note 6.1.1)

The Company reassesses useful lives, depreciation method and rates for each item of operating fixed assets annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

(c) Expected credit losses and impairment of financial assets (see note 6.2.1)

The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset. Estimating expected credit losses and changes there in requires taking into account qualitative and quantitative forward looking information.

(d) Recoverable amount and impairment of non-financial assets (see note 6.2.2)

The management of the Company reviews carrying amounts of its non-financial assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

(f) Obligation under defined benefit plan (see note 6.2.2)

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent actuaries.

(g) Taxation (see note 6.15)

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

(h) Provisions (see note 6.9)

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

(i) Fair value of investment property (see note 6.7).

Fair value of investment property has been determined by reference to local market values taking into account prevailing fair market prices under the position and circumstances present on the date of valuation and current market scenario for properties of similar nature in the immediate neighborhood and adjoining areas.

2.4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as

(a) Calculation of impairment allowance for expected credit losses on financial assets (see note 6.2.1)

When measuring expected credit losses on financial assets the Company uses reasonable and supportable forward looking information as well as historical data to calculate the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements, if any. Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

2.5 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

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KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

2.6 Date of authorization for issue

These financial statements were authorized for issue on October 04, 2019 by the Board of Directors of the Company.

3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.

The following new and revised standards, interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company other than presentation and disclosures, except as stated otherwise.

3.1 IFRS 9 - Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets and general hedge accounting. The Company has applied IFRS 9 in accordance transitions provision set out in the standard.

The date of initial application of IFRS 9 (the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is June 30, 2019. Accordingly, the Company has applied the requirements IFRS 9 to instruments that continue to be recognized as at June 30, 2019. Comparative amounts in relation to instruments that continue to be recognized as at June 30, 2019 have not been restated as allowed by IFRS 9.

Classification and measurement

The classification and measurement requirements for financial liabilities have been substantially carried forward from IAS 39. All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cashflows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are subsequently measured at amortized cost and accordingly classified as 'financial assets at amortized cost'
- Financial assets that are held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding subsequently measured at fair value through other comprehensive income and accordingly classified as 'financial assets at fair value through other comprehensive income [FVTOCI]'
- All other financial instruments are subsequently measured at fair value through profit or loss and accordingly classified as 'financial assets at fair value through profit or loss [FVTPL]'

Despite the foregoing, the Company may make an irrevocable election/designation at initial recognition of financial asset:

- To present subsequent changes in fair value of an equity instrument that is not held for trading nor contingent consideration recognized by an acquirer in a business combination in other comprehensive income and classify it as FVTOCI
- To designate a debt instrument that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

When a financial asset measured at FVTOCI is derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment except for equity instruments measured at FVTOCI, where the cumulative gain or loss previously recognized in other comprehensive income is subsequently transferred to accumulated profits.

The Company has reviewed and assessed the existing financial assets as at June 30, 2019 based on facts and circumstances that existed at that date and concluded that initial application of IFRS 9 has had the following impact on the Company's financial assets as regards their classification and measurement.

	IAS 39	IFRS 9
Trade creditors	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Accrued liabilities	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Short term loan from directors	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Unclaimed dividend	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Long term deposits	Loans and receivables	Financial assets at amortized cost
Advances to employees	Loans and receivables	Financial assets at amortized cost
Bank balances	Loans and receivables	Financial assets at amortized cost

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KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Therefore, it is no longer necessary for a credit loss to have occurred before the same is recognized.

IFRS 9 requires the Company to measure the loss allowance for financial instrument at an amount equal to lifetime expected credit losses if the credit risk has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, except for a purchased or originated credit-impaired financial asset, the Company is required to measure the loss allowance for that financial asset at an amount equal to 12-months expected credit loss. IFRS also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

3.2 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers' supersedes IAS 11 - Construction Contracts, IAS 18 - Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Company has reviewed its existing accounting policy for revenue recognition in light of the requirements of IFRS 15 and has concluded that it is already in line with the requirements of the new standard and thus no change in accounting policy or to the amounts reported in these financial statements is required.

3.3 Clarifications to IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers have been amended to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

3.4 IFRIC 22 - Foreign Currency Transactions and Advances Consideration

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

3.5 Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 - Share-based Payment)

IFRS 2 - Share-based Payment have been amended to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

3.6 Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 - Insurance Contracts)

IFRS 4 Insurance Contracts have been amended to provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

3.7 Transfers of Investment Property (Amendments to IAS 40 - Investment Property)

IAS 40 - Investment Property have following amendments:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

- Paragraph 57 have been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

3.8 Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint Ventures)

Annual improvements makes amendments to the following standards:

- IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
IFRS 16 - Leases (2016)	January 01, 2019
IFRS 17 - Insurance contracts (2017)	January 01, 2021
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)	January 01, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)	January 01, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 01, 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Definition of a Business (Amendments to IFRS 3 - Business Combinations)	January 01, 2020
Definition of Material (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	January 01, 2020

Other than afore mentioned standards, interpretations and amendments, IASB has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan [‘SECP’]:

- IFRS 1 - First Time Adoption of International Financial Reporting Standards
- IFRS 14 - Regulatory Defferal Accounts
- IFRS 17 – Insurance contracts (2017)

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 225 of the Companies Act, 2017 regarding their adoption. The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

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KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

5 CHANGES IN ACCOUNTING POLICIES

The adoption of new and revised standards, interpretations and amendments effective during the year has resulted in changes to accounting policies as follows:

Previous accounting policy	New accounting policy
<p>Impairment of financial assets</p> <p>A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.</p>	<p>The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset. Impairment is recognized at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition. For financial assets for which credit risk is low, impairment is recognized at an amount equal to twelve months' expected credit losses, with the exception of trade debts, for which the Company recognises lifetime expected credit losses estimated using internal credit risk grading based on the Company's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions, and an assessment for both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized. The Company writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery. Any recoveries made post write-off are recognized in profit or loss.</p>

6 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes referred to in note 5.

6.1 Property and equipment

6.1.1 Operating fixed assets

Operating fixed assets are accounted for under the cost model and are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is stated at cost less accumulated impairment losses. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Major renewals and improvements to operating fixed assets are recognized in the carrying amount if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 14 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

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KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

6.2 Employee benefits

6.2.1 Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the accounting and reporting standards as applicable in Pakistan. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

6.2.2 Post-employment benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to income statement with the exception of remeasurements which are recognized in other comprehensive income. The amount recognized on statement of financial position represents the present value of defined benefit obligation.

6.3 Financial instruments

6.3.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

6.3.2 Classification

The Company classifies its financial assets on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial liabilities are classified in accordance with the substance of contractual provisions. The Company determines the classification of its financial instruments at initial recognition as follows:

(a) *Financial assets at amortized cost*

These are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cashflows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) *Financial assets at fair value through profit or loss*

These are financial assets which have not been classified as 'financial assets at amortized cost' or as 'financial assets at fair value through other comprehensive income', are mandatorily measured at fair value through profit or loss or for which the Company makes an irrevocable election at initial recognition to designate as 'financial asset at fair value through profit or loss' if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

(c) *Financial liabilities at amortized cost*

These are financial liabilities which are not derivatives, financial guarantee contracts, commitments to provide loans at below-market interest rate, contingent consideration payable to an acquirer in a business combination or financial liabilities that arise when transfer of a financial asset does not qualify for derecognition.

6.3.3 Measurement

The particular measurement methods adopted are disclosed in individual policy statements associated with each financial instrument.

6.3.4 Derecognition

A financial asset is derecognized when the Company's contractual rights to the cash flows from the financial assets expire or when the Company transfers the financial asset to another party without retaining control of substantially all risks and rewards of the financial asset. A financial liability is derecognized when the Company's obligations specified in the contract expire or a discharged or cancelled.

6.3.5 Off-setting

A financial asset and financial liability is offset and the net amount reported in the statement of financial position if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

6.4 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

6.5 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

6.6 Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associates have been incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post acquisition changes in the Company's share of net assets of the associates, less any impairment in the investment. Losses of an associates in excess of the Company's interest in that associate (which include any long term interest that, in substance, form part of the Company's net investment in the associate) are recognised only to the extent that the Company has incurred legal or constructive obligation or made payment on behalf of the associate.

6.7 Investment property

A property is recognized as investment property when it is held for capital expansion or to earn rentals or both rather than for use in the production or supply of goods or services or for administrative purposes. An investment property is initially recognized at cost including attributable transaction costs. Subsequent to initial recognition, investment property is measured at fair value, with changes in fair value recognized in profit or loss.

6.8 Trade and other payables

6.8.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

6.8.2 Non-financial liabilities

These, both on initial recognition and subsequently, are measured at cost.

6.9 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

6.10 Trade and other receivables

6.10.1 Financial assets

These are classified as 'financial assets at amortized cost'. On initial recognition, these are measured at fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

6.10.2 Non-financial assets

These, both on initial recognition and subsequently, are measured at cost.

6.11 Revenue

Revenue comprises rental income measured at fair value of consideration received or receivable. Rental income is recognized in profit or loss on a straight line basis over the term of rental agreement.

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KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

6.12 Rental agreements as lessor

The Company is a party to rental agreements in the capacity as lessor of building, land and investment property. All rental agreements are classified as operating lease. Rentals receivable are recognized in the profit or loss on a straight line basis over the lease term.

6.13 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income ['OCI']. OCI comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by accounting and reporting standards as applicable in Pakistan, and is presented in 'statement of comprehensive income'.

6.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

6.15 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

6.15.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

6.15.2 Deferred taxation

Deferred tax is accounted for using the 'balance sheet approach' providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by The Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

6.16 Earnings per share ['EPS']

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

6.17 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. Interest income on cash and cash equivalents is recognized using effective interest method.

6.18 Operating segment

The Company is a single operating segment based on internal reporting to the Board of Directors of the Company.

KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

6.19 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

6.20 Impairment

6.2.1 Financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset.

Impairment is recognized at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition. For financial assets for which credit risk is low, impairment is recognized at an amount equal to twelve months' expected credit losses, with the exception of trade debts, for which the Company recognises lifetime expected credit losses estimated using internal credit risk grading based on the Company's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions, and an assessment for both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

The Company writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery. Any recoveries made post write-off are recognized in profit or loss.

6.2.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determining the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

6.21 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
7 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Ordinary shares of Rs. 10 each			
12,095,482 (2018: 12,095,482) shares issued for cash		120,954,820	120,954,820
18,207,061 (2018: 18,207,061) shares issued as bonus shares		182,070,610	182,070,610
		303,025,430	303,025,430
8 SHARE PREMIUM			
This represents premium on issue of right ordinary shares recognised under section 83(1) of the repealed Companies Ordinance, 1984.			
		2019 Rupees	2018 Rupees
9 SURPLUS ON REVALUATION OF PROPERTY AND EQUIPMENT			
As at beginning of the year		651,264,077	651,264,077
Surplus recognized during the year		-	-
As at end of the year		651,264,077	651,264,077
10 EMPLOYEES RETIREMENT BENEFITS			
The Company has, during the year, introduced an unfunded gratuity scheme, a defined benefit plan, for all its employees who have completed the minimum qualifying service period. Under the scheme, the Company pays a lump-sum benefit equal to last drawn monthly gross salary for each year of service to scheme members whereas the members of the scheme are not required to make any contributions to the scheme. The scheme is administered by the management of the Company under the supervision and directions of the Board of Directors of the Company. The amount recognized on statement of financial position represents present value of defined benefit obligation.			
	Note	2019 Rupees	2018 Rupees
10.1 Movement in present value of defined benefit obligation			
As at beginning of the year		-	-
Charged to profit or loss for the year	10.2	385,508	-
Benefits paid during the year		-	-
Remeasurements recognized in other comprehensive income		-	-
As at end of the year		385,508	-
10.2 Charge to profit or loss			
Current service cost		385,508	-
Interest cost		-	-
		385,508	-
10.3 The charge to profit or loss has been allocated as follows			
Administrative and general expenses		385,508	-
		385,508	-
10.4 Principal actuarial assumptions			
Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries. The principal assumptions used in determining present value of defined benefit obligation are:			

KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Discount rate	14.25%	-
Expected rates of increase in salary	13.25%	-

10.5 Average duration of the defined benefit obligation

The average duration of the defined benefit obligation is seven years.

10.6 Expected charge to profit or loss for the next financial year

The expected charge to profit or loss for the year ending June 30, 2020 amounts to Rs. 505,552.

10.5 Sensitivity analysis

An analysis of sensitivity for each actuarial assumption used to determine the present value of defined benefit obligation as at the reporting date showing how the defined benefit obligation would have been affected by changes in relevant actuarial assumption that were reasonably possible at that date is as follows:

	2019		2018	
	Change in actuarial assumption	Defined benefit obligation Rupees	Change in actuarial assumption	Defined benefit obligation Rupees
Discount rate	+ 1%	358,633	+ 1%	-
	- 1%	416,015	- 1%	-
Expected rates of increase in salary	+ 1%	415,687	+ 1%	-
	- 1%	358,484	- 1%	-

A change in expected remaining working lives of employees is not expected to have a material impact on the present value of defined benefit obligation. Accordingly, the sensitivity analysis for the same has not been carried out.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of defined benefit obligation as at the reporting date has been calculated using projected unit credit method, which is the same as that applied in calculating the defined benefit obligation to be recognized in these financial statements.

10.6 Risk factors

The defined benefit plan exposes the Company to the following actuarial risks:

Interest risk: The discount rate used in determination of present value of defined benefit obligation has been determined by reference to market yield at the reporting date on Pakistan Investment Bonds since there is no deep market in long term corporate bonds in Pakistan. An increase in market yield resulting in a higher discount rate will decrease the defined benefit liability.

Longevity risk: The present value of defined benefit obligation is calculated by reference to the best estimate of the expected remaining working lives of employees. An increase in the expected remaining working lives will increase the defined benefit obligation. However, the increase is not expected to be material.

Salary risk: The present value of defined benefit obligation is calculated by reference to future salaries of employees. An increase in salary of employees will increase the defined benefit obligation.

KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
11 TRADE AND OTHER PAYABLES			
Creditors	11.1	618,838	2,733,204
Accrued liabilities		948,780	1,191,211
Sales tax payable		20,642,050	20,642,050
Advances from customers		5,215,503	5,215,503
Workers' Profit Participation Fund	11.2	371,704	371,704
Other payables		13,856	200,801
		27,810,731	30,354,473

11.1 This includes due to related party amounting to Rs. nil (2018: Rs. 424,950). Maximum balance due to the related party at any time during the year amounted to Rs. nil (2018: Rs. 424,950).

	Note	2019 Rupees	2018 Rupees
11.2 Workers' Profit Participation Fund			
As at beginning of the year		371,704	371,704
Interest on funds utilized by the Company		-	-
Charged to profit or loss for the year		-	-
As at end of the year		371,704	371,704

12 SHORT TERM BORROWINGS

This represents interest free loan provided by the directors of the Company. There is no agreement, however these are repayable on demand.

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 Sales tax and other liabilities of Rs. 5.730 million (2018: Rs. 5.730 million) pending in appeals. The Company has filed reference application before the Honorable Lahore High Court, Lahore and other appellate forums. The subject reference is still pending before the Honorable Lahore High Court, Lahore.

13.1.2 Suit filed by United Investment Limited against the state and company for possession of land at Kala Shah Kaku, Tehsil Ferozewala, District Sheikhupura acquired by the state. However, no liability involving financial burden on the company is expected to arise. Case is pending for hearing as confirmed by legal advisor.

13.1.3 As per legal advisor the case regarding transfer of shares decreed against Aftab Saigol in favor of Sehyr Saigol on March 22, 2013 and no liability is expected to arise. Other cases are being properly looked out and the company is on strong footings.

13.1.4 SECP filed a petition with the Honorable Lahore High Court, Lahore on the request of the shareholders against the improper management of operations of the company. In response to this petition, The Lahore High Court issued a notice of hearing to the company. The company in this respect attended hearing and submitted its reply accordingly. The subject reference is still pending before the Honorable Lahore High Court, Lahore.

13.2 Commitments

There are no known commitments as at the reporting date.

KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

14 PROPERTY AND EQUIPMENT

	2019						Net book value as at June 30 Rupees		
	COST		DEPRECIATION		As at June 30 Rupees				
	As at July 01 Rupees	Additions Rupees	Disposals Rupees	As at June 30 Rupees	Rate %	For the year Rupees	Adjustment Rupees	As at June 30 Rupees	Net book value as at June 30 Rupees
Furniture and fixtures	1,357,000	-	-	1,357,000	10%	80,130	-	635,835	721,165
Office equipments	3,383,000	-	-	3,383,000	10%	199,763	-	1,585,136	1,797,864
Vehicles	9,647,115	-	-	9,647,115	20%	64,727	-	9,388,211	258,904
	14,387,115	-	-	14,387,115		344,620	-	11,609,182	2,777,933

	2018						Net book value as at June 30 Rupees		
	COST		DEPRECIATION		As at June 30 Rupees				
	As at July 01 Rupees	Additions Rupees	Disposals Rupees	As at June 30 Rupees	Rate %	For the year Rupees	Adjustment Rupees	As at June 30 Rupees	Net book value as at June 30 Rupees
Furniture and fixtures	1,357,000	-	-	1,357,000	10%	89,033	-	555,705	801,295
Office equipments	3,383,000	-	-	3,383,000	10%	221,959	-	1,385,373	1,997,627
Vehicles	9,647,115	-	-	9,647,115	20%	80,908	-	9,323,484	323,631
	14,387,115	-	-	14,387,115		391,900	-	11,264,562	3,122,553

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KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
15	GOVERNMENT TAKEN OVER CONCERNS		
	Gross amount due	27,229,339	27,229,339
	Impairment allowance	(27,229,339)	(27,229,339)
		-	-

- 15.1 Ittehad Pesticides Limited ['IPL'], owned by the Saigols, was taken over by the Government of Pakistan. The Government issued debentures of IPL to the Saigols as consideration for the takeover and the Saigols encashed the same. However, an amount of Rs. 27,229,339 was claimed by the Saigols as outstanding. The Company had filed a writ against IPL and Federal Government of Pakistan with regard to the amount due. The claim of the Company was rejected by Civil Judge vide judgement dated June 19, 2013. Amount recoverable thus stands fully impaired.

	Note	2019 Rupees	2018 Rupees
16	INVESTMENT PROPERTY		
	Land		
	As at beginning of the year	698,660,000	665,403,123
	Change in fair value	5,790,000	33,256,877
	As at end of the year	704,450,000	698,660,000
	Building		
	As at beginning of the year	104,200,585	99,253,163
	Change in fair value	721,660	4,947,422
	As at end of the year	104,922,245	104,200,585
		809,372,245	802,860,585

- 16.1 This represents company land and building transferred from property and equipment at fair value, whereas the fair value of land and building is valued by an independent valuer, Medallion Services (Private) Limited. For basis of determination of fair value, refer to note 37.2.1.

- 16.2 Investment property of the Company is located at Collage Road, Madina Town Faisalabad with a total area of 96.5 Kanal (2018: 96.5 Kanal).

17 LONG TERM INVESTMENTS

This represents investment in ordinary shares of Kohinoor Power Company Limited, an associated company. The investment has been accounted for by using equity method. Particulars of investment are as follows:

	2019	2018
Percentage of ownership interest	22.50%	22.50%

	Note	2019 Rupees	2018 Rupees
Cost of investment			
2,835,000 (2018: 2,835,000) fully paid ordinary shares of Rs. 10 each		90,000,000	90,000,000
Share of post acquisition profits		(13,119,045)	(9,912,501)
Dividend income from investment in associate		(10,800,000)	(10,800,000)
		66,080,955	69,287,499
Accumulated impairment		(61,261,455)	(59,790,249)
		4,819,500	9,497,250

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KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

17.1 Extracts of financial statements of associated company

The assets and liabilities of Kohinoor Power Company Limited as at the reporting date and related revenue and profit for the year then ended based on the un-audited financial statements are as follows:

	Note	2019 Rupees	2018 Rupees
Assets		149,486,673	164,261,397
Liabilities		3,078,385	3,601,803
Revenue		15,430,234	6,740,513
Loss for the year		(14,161,458)	(19,051,017)
Other comprehensive loss		(89,847)	(68,548)
Break-up value per share		11.62	12.75
Share of profit and other adjustments to net assets	17.1.1	(3,206,544)	(4,301,902)
Market value per share		1.70	3.35
17.1.1 This includes the following:			
Share of loss for the year		(3,186,328)	(4,286,479)
Share of other comprehensive loss for the year		(20,216)	(15,423)
		(3,206,544)	(4,301,902)

18 LONG TERM DEPOSITS

These have been deposited with various utility companies and regulatory authorities. These are classified as 'financial assets at amortized cost' under IFRS 9 'Financial Instruments' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

19 RENT RECEIVABLES

This represents rent on investment property receivables from a related party. Maximum balance due from related party at any time during the year amounted to Rs. nil (2018: Rs. 196,020).

	Note	2019 Rupees	2018 Rupees
20 ADVANCES, DEPOSITS AND OTHER RECEIVABLES			
Advances to employees		-	77,536
Sales tax refundable	20.1	-	-
Other receivables	20.2	-	-
		-	77,536
20.1 Sales tax refundable			
Gross amount due		4,236,934	4,236,934
Impairment allowance	20.1.1	(4,236,934)	(4,236,934)
		-	-
20.1.1 This represent sales tax paid on utilities during the financial years 2014-15 to 2016-17. Recovery of this amount is considered doubtful and thus an impairment allowance for the same has been made.			
	Note	2019 Rupees	2018 Rupees
20.2 Rebate/claims and central excise duty receivables		10,647,437	10,647,437
Impairment allowance		(10,647,437)	(10,647,437)
		-	-

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KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
21	ADVANCE INCOME TAX/INCOME TAX REFUNDABLE		
		25,082,599	22,610,716
		(9,248,293)	(9,248,293)
		15,834,306	13,362,423
22	CASH AND BANK BALANCES		
		423,048	304,664
		12,303,131	4,976,264
	22.1	12,593,754	108,475
		24,896,885	5,084,739
		25,319,933	5,389,403
22.1	This represents term deposit/saving accounts with a banking company and carries return at 11.50% per annum. The term deposit amounting to Rs 12.5 million will expires/matures on September 25, 2019.		
23	REVENUE		
	This represents rental income from leasing out Company's building, land and investment property under operating lease		
		2019	2018
	Note	Rupees	Rupees
24	ADMINISTRATIVE AND GENERAL EXPENSES		
	24.1	9,124,322	14,151,273
		102,561	165,010
		354,999	303,702
		5,700,630	5,311,194
		1,507,896	1,512,352
		295,416	208,735
		70,528	70,540
		49,300	163,500
		160,235	90,638
		34,520	31,391
		219,795	1,229,038
		807,879	-
	24.2	500,000	400,000
		230,243	206,254
	14	344,620	391,900
		104,354	77,140
		19,607,298	24,312,667
24.1	These include charge in respect of employees retirement benefits amounting to Rs. 385,508 (2018: Rs. nil).		
		2019	2018
		Rupees	Rupees
24.2	Auditor's remuneration		
		450,000	350,000
		50,000	50,000
		500,000	400,000

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KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
25 OTHER EXPENSES			
Impairment loss on long term investment	17	1,471,206	6,329,348
Workers' Profit Participation Fund	11.2	-	-
		1,471,206	6,329,348
26 OTHER INCOME			
Gain on financial instruments			
Return on bank deposits		131,076	-
Other income			
Changes in fair value of investment property		6,511,660	38,204,299
Others		-	2,540,950
		6,511,660	40,745,249
		6,642,736	40,745,249
27 FINANCE COST			
Bank charges		43,582	64,980
		43,582	64,980
28 TAXATION			
Current taxation			
for the year	28.1	5,108,458	7,309,220
for prior year		(2,853,565)	1,611,423
		2,254,893	8,920,643
28.1	Provision for current tax has been made in accordance with section 113C (2018: section 113C) of the Income Tax Ordinance 2001 ['the Ordinance'].		
	<i>Unit</i>	2019	2018
28.2	Reconciliation between average effective tax rate and applicable tax rate		
	<i>Rupees</i>	30,049,751	42,995,413
Profit before taxation			
Provision for taxation	<i>Rupees</i>	2,254,893	8,920,643
Average effective tax rate	%	7.50	20.75
Tax effects of:			
Adjustments for prior years	%	9.50	(3.75)
Applicable tax rate	%	17.00	17.00
28.3	The income tax assessments of the Company up to and including tax year 2018 have been completed by the concerned income tax authorities or are deemed to have been so completed under the provisions of section 120 of the ordinance except as explained in note 28.4 and 28.5.		
28.4	In respect of Tax Year 2017, the Company received notice under rule 44(4) of the Income Tax Rules, 2002 dated January 2018, In compliance to notice, detail/documents have been filed with the tax department. The proceedings are still under process.		
28.5	In respect of Tax Year 2015, the Company received notice under section 177(1) of the Income Tax Ordinance, 2001 dated January 2017, In compliance to notice, the Company have applied for change of jurisdiction from Corporate Regional Tax Office ['CRTO'] Faisalabad to CRTO Lahore. However, neither any fresh notice has been received nor its jurisdiction has been changed. Therefore, the proceedings are still under process.		

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KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

- 28.6 The Company has carry forward losses against which a deferred tax asset may be created. However, the Company has not recognized the deferred tax asset amounting to Rs. 343.452 million (2018: Rs. 373.837 million) as the temporary differences are not expected to reverse in foreseeable future due to expected non-availability of taxable profits against which the temporary differences may be utilized.

	Unit	2019	2018
29 EARNING PER SHARE - BASIC AND DILUTED			
Profit attributable to ordinary shareholders	Rupees	27,794,858	34,074,770
Weighted average number of ordinary shares outstanding during the year	No. of shares	30,302,543	30,302,543
Earning per share - Basic	Rupees	0.92	1.12
There is no dilutive effect on the basic earning per share of the Company.			
	Note	2019	2018
		Rupees	Rupees

30 CASH GENERATED FROM OPERATIONS

Profit before taxation		30,049,751	42,995,413
Adjustments for non-cash and other items			
Provision for employees retirement benefits		385,508	-
Share of loss of associate		3,186,328	4,286,479
Impairment loss on long term investment		1,471,206	6,329,348
Change in fair value of investment property		(6,511,660)	(38,204,299)
Depreciation		344,620	391,900
		(1,123,998)	(27,196,572)
Operating profit before changes in working capital		28,925,753	15,798,841
Changes in working capital			
Long term deposits		202,500	-
Rent receivables		196,020	-
Advances and other receivables		77,536	444,080
Trade and other payables		(2,543,742)	(1,392,557)
		(2,067,686)	(948,477)
Cash generated from operations		26,858,067	14,850,364

31 CASH AND CASH EQUIVALENTS

Cash and bank balances	22	25,319,933	5,389,403
		25,319,933	5,389,403

32 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated companies, sponsors and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company. Key management personnel do not draw any compensation from the Company. Transactions with sponsors are limited provision of interest free temporary loans. The Company in the normal course of business carries out various transactions with associated companies and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an arm's length transaction. The details of Company's related parties, with whom the Company had transactions during the year or has balances outstanding as at the reporting date are as follows:

KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Name of related party	Nature of relationship	Basis of relationship	Aggregate %age of shareholding in the Company	
			2019	2018
			Rupees	Rupees
Kohinoor Power Company Limited	Associated company	Investment		22.50%
Red Communication Arts (Private) Limited	Associated company	Common director		N/A
Faisalabad Grammar School	Associated company	Common director		N/A
M. Naseem Saigol	Key management personnel	Director		17.61%
Amber Haroon Saigol	Close family member of director	Spouse of director		24.07%

Details of transactions and balances with related parties is as follows:

32.1 Transactions with related parties

Nature of relationship	Nature of transactions	2019	2018
		Rupees	Rupees
Associated companies	Share of loss from associate	3,206,544	4,301,902
	Advertisement expenses	49,300	163,500
	Rental income	392,040	2,156,220

32.2 Balances with related parties

Nature of relationship	Nature of balances	2019	2018
		Rupees	Rupees
Associated companies	Long term investment	4,819,500	9,497,250
	Trade creditors	-	424,950
	Rent receivables	-	196,020
Sponsors	Short term borrowings	353,682,503	353,682,503

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS, AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	2019		
	Chief Executive Rupees	Directors Rupees	Executives Rupees
Short-term employee benefits			
Remuneration	-	-	-
Housing	-	-	-
Utilities	-	-	-
	-	-	-
Post employment benefits			
Retirement benefits	-	-	-
	-	-	-
Number of persons	-	-	-

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KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	2018		
	Chief Executive Rupees	Directors Rupees	Executives Rupees
Short-term employee benefits			
Remuneration	-	-	3,801,420
Housing	-	-	-
Utilities	-	-	-
	-	-	3,801,420
Post employment benefits			
Retirement benefits	-	-	-
	-	-	3,801,420
Number of persons	-	-	1

34 CAPITAL MANAGEMENT

The objectives of the Company, while managing capital are to ensure that it continues to meet the going concern assumption, enhance shareholders' wealth and meet stakeholders' expectations. The Company's objective is to ensure its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising option of issuing right shares or, where possible, repurchasing shares, selling surplus property, plant and equipment without affecting the optimal production and operating level and regulating dividend payout. The Company is not subject to externally imposed capital requirements.

35 FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments by class and category are as follows:

	Note	2019 Rupees	2018 Rupees
35.1 Financial assets			
<i>Cash in hand</i>	22	423,048	304,664
<i>Financial assets at amortized cost</i>			
Long term deposits	18	166,376	368,876
Rent receivables	19	20,000	216,020
Advances to employees	20	-	77,536
Cash at bank	22	12,303,131	4,976,264
		12,489,507	5,638,696
		12,912,555	5,943,360
Financial liabilities			
<i>Financial liabilities at amortized cost</i>			
Trade creditors for expenses	11	618,838	2,733,204
Accrued liabilities	11	948,780	1,191,211
Short term borrowings	12	353,682,503	353,682,503
Unclaimed dividend		1,034,826	1,034,826
		356,284,947	358,641,744

36 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses, assets and liabilities of the Company.

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KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

36.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

36.1.1 Credit risk management practices

In order to minimise credit risk, the Company has adopted a policy of only dealing with creditworthy counterparties and limiting significant exposure to any single counterparty. The Company only transacts with counterparties that have reasonably high external credit ratings. Where an external rating is not available, the Company uses an internal credit risk grading mechanism. Particularly for customers, a dedicated team responsible for the determination of credit limits uses a credit scoring system to assess the potential as well as existing customers' credit quality and assigns or updates credit limits accordingly. The ageing profile of trade debts and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis.

The Company reviews the recoverable amount of each financial asset on an individual basis at each reporting date to ensure that adequate loss allowance is made in accordance with the assessment of credit risk for each financial asset.

The Company considers a financial asset to have low credit risk when the asset has reasonably high external credit rating or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has no past due amounts or otherwise there is no significant increase in credit risk if the amounts are past due in the normal course of business based on history with the counterparty.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. This is usually the case with various customers of the Company where the Company has long standing business relationship with these customers and any amounts that are past due by more than 30 days in the normal course of business are considered 'performing' based on history with the customers. Therefore despite the foregoing, the Company considers some past due trade debts to have low credit risk where the customer has a good history of meeting its contractual cash flow obligations and is expected to maintain the same in future.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk.

The Company considers 'default' to have occurred when the financial asset is credit-impaired. A financial asset is considered to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The Company writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery.

The Company's credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing ECL
Performing	The counterparty has low credit risk	Trade debts: Lifetime ECL Other assets: Twelve month ECL
Doubtful	Credit risk has increased significantly since initial recognition	Lifetime ECL
In default	There is evidence indicating the assets is credit-impaired	Lifetime ECL
Write-off	There is no realistic prospect of recovery	Amount is written-off

KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

36.1.2 Exposure to credit risk

Credit risk principally arises from the Company's debt instruments. The maximum exposure to credit risk as at the reporting date is as follows:

	Note	2019 Rupees	2018 Rupees
Financial assets at amortized cost			
Long term deposits	18	166,376	368,876
Advances to employees	20	-	77,536
Cash at banks	22	12,303,131	4,976,264
		12,469,507	5,422,676

36.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to internal credit risk grading. The credit quality of the Company's financial assets exposed to credit risk is as follows:

	Note	External credit rating	Internal credit risk grading	12-month or life-time ECL	Gross carrying amount	Loss allowance
Long term deposits	18	N/A	Performing	12-month ECL	166,376	-
Bank balances	22	A1 - A1+	N/A	12-month ECL	12,303,131	-
					12,469,507	-

(a) Long term deposits

Long term deposits comprise security deposits placed with various utility companies and regulatory authorities. These deposits are substantially perpetual in nature. Therefore, no credit risk has been associated with these financial assets and accordingly no loss allowance has been made.

(b) Advances to employees

Advances to employees have been given against future salaries and post-employment benefits. Accordingly, these are considered to have no credit risk.

(c) Bank balances

The bankers of the Company have reasonably high credit ratings as determined by various independent credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect any credit loss.

36.1.4 Concentration of credit risk

There are no significant concentrations of credit risk.

36.1.5 Collateral held

The Company does not hold any collateral to secure its financial assets.

36.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

36.2.1 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer.

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KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

36.2.2 Exposure to liquidity risk

The following presents the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The analysis have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	2019				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Trade creditors	618,838	618,838	618,838	-	-
Accrued liabilities	948,780	948,780	948,780	-	-
Short term borrowings	353,682,503	353,682,503	353,682,503	-	-
Unclaimed dividend	1,034,826	1,034,826	1,034,826	-	-
	356,284,947	356,284,947	356,284,947	-	-
	2018				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Trade creditors	2,733,204	2,733,204	2,733,204	-	-
Accrued liabilities	1,191,211	1,191,211	1,191,211	-	-
Short term borrowings	353,682,503	353,682,503	353,682,503	-	-
Unclaimed dividend	1,034,826	1,034,826	1,034,826	-	-
	358,641,744	358,641,744	358,641,744	-	-

36.3 Market risk

36.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from transactions and resulting balances that are denominated in a currency other than functional currency. The Company is not exposed to currency risk.

36.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Company is not exposed to interest risk.

36.3.3 Other price risk

Other price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Company is exposed to price risk in respect of its investments in equity securities. However, the risk is minimal as these investments are held for strategic purposes rather than trading purposes. The Company does not actively trade in these investments.

37 FAIR VALUE MEASUREMENTS

The Company measures some of its financial assets at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value hierarchy of assets measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

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KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

37.1 Financial Instruments

There are no recurring or non-recurring fair value measurements as at the reporting date. The management considers the carrying amount of all the financial instruments to approximate their fair values.

37.2 Assets and liabilities other than financial instruments.

37.2.1 Recurring fair value measurements

For recurring fair value measurements, the fair value hierarchy and information about how the fair values are determined is as follows:

	Level 1	Level 2	Level 3	2019 Rupees	2018 Rupees
Investment property - Land	-	704,450,000	-	704,450,000	698,660,000
Investment property - Buildings	-	104,922,245	-	104,922,245	104,200,585

For fair value measurements categorised into Level 2 and Level 3 the following information is relevant:

	Valuation technique	Significant inputs	Sensitivity
Land	Market comparable approach that reflects recent transaction prices for similar properties	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of land by Rs. 35.22 million (2018: Rs. 34.93 million).
Buildings	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in a significant increase in fair value of buildings by Rs. 5.25 million (2018: Rs. 5.21 million).

38 SEGMENT INFORMATION

38.1 The Company is a single reportable segment.

38.2 All non-current assets of the Company are situated in Pakistan.

39 NUMBER OF EMPLOYEES

	2019	2018
Total number of employees	15	24
Average number of employees	15	24

40 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

41 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period which may require adjustment of and/or disclosure in these financial statements.

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KOHINOOR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

42 GENERAL

42.1 Figures have been rounded off to the nearest rupee.

42.2 Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

vsvir
for identification only