

# Annual Report

AUDITED  
For the Year Ended  
June 30, 2020



Kohinoor Spinning Mills Limited





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## COMPANY INFORMATION

### BOARD OF DIRECTOR

Khawaja Mohammad Jahangir	(Chairman)
Mohammad Naveed	(Chief Executive)
Khawaja Mohammad Tanveer	(Director)
Khawaja Mohammad Kaleem	(Director)
Khawaja Mohammad Nadeem	(Director)
Mohammad Hamza Yousaf	(Director)
Faisal Qaiyum	(Independent Director)
Fiza Farhan	(Independent Director)

### AUDIT COMMITTEE

Faisal Qaiyum	(Chairman)
Khawaja Mohammad Kaleem	(Member)
Khawaja Mohammad Nadeem	(Member)

### HR & REMUNERATION COMMITTEE

Faisal Qaiyum	(Chairman)
Khawaja Mohammad Jahangir	(Member)
Khawaja Mohammad Kaleem	(Member)

### CORPORATE SECRETARY

Hasan Ahmad Khan	ACA
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### CHIEF FINANCIAL OFFICER

Mr. Muhammad Saeed Zafar	M.B.A
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### BANKERS

Habib Metro Bank Limited  
 MCB Bank Limited  
 National Bank of Pakistan  
 Allied Bank of Pakistan  
 Meezan Bank Limited  
 Askari Bank Limited  
 Saudi Pak Industrial and Agricultural Investment Company

### AUDITOR

Nasir Javaid Maqsood Imran  
 Chartered Accountants  
 Office # 17, 2nd Floor, Hill View Plaza,  
 Above Fresco Sweets,  
 Blue Area, Jinnah Avenue, Islamabad.

### CORPORATE & REGISTERED OFFICE

7/1-E-3 Main Boulevard Gulberg III, Lahore.  
 Tel : (042) 35717510  
 Fax : (042) 35755760

### SHARE REGISTRARS

Corplink (Pvt) Limited  
 Wings Arcade, 1-K, Commercial,  
 Model Town, Lahore  
 Tel : (042) 35839182  
 Fax : (042) 35869037

### MILLS

Unit I & II  
 Aminabad, Chakwal  
 Tel : (0543) 644254 - 644281

Unit III  
 Yousaf Nagar, Bhoun Road, Chakwal.  
 Tel: (0543) 452070-71

# VISION

A TEXTILE COMPANY THAT CATERS TO THE CLOTHING  
NEEDS OF EVERYONE

# MISSION

Kohinoor Spinning Mills Limited is a yarn manufacturing company  
dedicated to provide premium quality yarn products to  
the customers who value quality the most.

We intend to make profit to generate a sufficient return  
for our investors.

We also maintain a friendly, fair and creative work environment,  
which inculcates diversity, new ideas and diligence.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 48th Annual General Meeting of **KOHINOOR SPINNING MILLS LIMITED** will be held on Friday, November 27, 2020 at 10:00 a.m. at 7/1 E-3 Main Boulevard Gulberg-III, Lahore to deal with the following matters :-

1. To confirm the minutes of EOGM held on September 09, 2020.
2. To receive and adopt the audited accounts of the Company for the year ended June 30, 2020 together with the reports of directors and auditors thereon.
3. To appoint auditors for the year ending June 30, 2021 and to fix their remuneration.
4. To transact any other business which may be brought forward with the permission of the Chair.

BY ORDER OF THE BOARD

Lahore:  
November 05, 2020

**HASAN AHMAD KHAN**  
Company Secretary

### BOOK CLOSURE

The Member's Register will remain closed from November 21, 2020 to November 27, 2020 (both days inclusive).

### NOTES:

1. A member entitled to attend the meeting may appoint another member as his/her proxy to attend the meeting of him/her behalf. Proxies in order to be effective must be received by the Company not later than 48 hours before the meeting.
2. The beneficial owner of the shares of the company in the central depository system of the CDC or his/her proxy entitled to attend this meeting shall produce his/her original CNIC or passport to prove the identity. CDC Account Holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.
3. Transfer received in order by the close of business hours on November 20, 2019 will be treated in time. The same or any change in address, if any, alongside valid copy of CNIC for filing annual return of company be sent to our share registrar M/s Corp link (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel. 042-35839182.
4. In terms of SECP,s SRO 787(1)/2014, members can now receive audited financial statements alongside notice of AGM electronically through email. Therefore members (physical or CDC shareholders) who are interested in receiving the same are required to send their email addresses and consent for electronic transmission to share registrar of the company or directly to their broker (participant)/CDC investor account services, as the case may be.
5. The company has also placed the audited financial statements for the year ended June 30, 2020 alongside directors and auditor's report thereon on its website <http://www.kohinoorspinningmills.com>
6. In pursuance of SECP circular regarding Regulatory relief to dilute impact of Covid-19. The entitled shareholders interested in attending the annual general meeting (AGM) through video link facility "ZOOM" are requested to get themselves registered with the company secretary at least two working day before the holding of the time of AGM at email [ksmcorporate@chakwalgroup.com.pk](mailto:ksmcorporate@chakwalgroup.com.pk) All possible safety members shall be taken in respect of Covid-19 and relevant SOPs shall be strictly followed.
7. If the Company receives consent from the members holding at least 10% shareholding residing in a city, to participate in the meeting through video-link at least 07 days prior to date of the meeting, the Company will arrange facility of video-link in that city subject to availability of such facility in that city. The Company will intimate members regarding venue of the video-link facility at least five days before the date of the general meeting alongwith complete information necessary to enable them to access the facility.

In this regard, shareholders are requested to fill the following form and submit to the Registered Office of the Company seven days before the date of holding of the general meeting:

I/We \_\_\_\_\_ of \_\_\_\_\_ being a member of Kohinoor Spinning Mills Limited, holder of \_\_\_\_\_ ordinary shares as per Registered Folio No./CDC A/C # \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_

\_\_\_\_\_  
**Signature of Member**

8. Members are requested to promptly notify the Company of any change in their registered address.

## اطلاع برائے سالانہ اجلاس عام

بذریعہ نوٹس مطلع کیا جاتا ہے کہ نوٹس پینگ ملازمینڈک 48 واں سالانہ اجلاس عام بروز جمعہ 27 نومبر 2020 کو بوقت 10:00 بجے صبح 7/1-3 E میں بلووارڈ، گلبرگ-III، لاہور میں منعقد ہو رہا ہے جس میں مندرجہ ذیل امور طے پائے جائیں گے۔

عمومی کاروائی:

- 1- 09 ستمبر 2020ء کو منعقدہ غیر معمولی اجلاس کی کاروائی کی توثیق کرنا۔
- 2- سال ختمہ 30 جون 2020 کیلئے کمپنی کے آڈٹ شدہ حسابات، ڈائریکٹرز و آڈیٹرز کی رپورٹس کے ساتھ وصول کرنا، غور و خوض کرنا اور اختیار کرنا۔
- 3- 30 جون 2021 کو ختم ہونے والے سال کیلئے آڈیٹرز کا تقرر اور معاوضہ طے کرنا۔
- 4- صاحب صدر کی اجازت سے دیگر عمومی امور۔

حسب الحکم پورڈ  
حسن احمد خان  
کمپنی سیکرٹری

لاہور

مورخہ 05 نومبر 2020ء

کتابی بندش:

شیر ٹرانسفر بکس کی بندش ممبران کی شیر ٹرانسفر بکس 21 نومبر 2020 تا 27 نومبر 2020 (بشمول دونوں ایام) بند رہیں گی۔

1- کوئی بھی ممبر جو اجلاس ہذا میں شرکت کرنے اور ووٹ دینے کا/کی حقدار ہے اجلاس میں شریک ہونے اور ووٹ دینے کیلئے اپنا پرکسی مقرر کر سکتا / کر سکتی ہے۔ مکمل پرکسی فارم کمپنی رجسٹرار آفس یا رجسٹرار آفس میں اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل موصول ہوجانے چاہئیں۔

2- سی ڈی سی کے انفرادی مالک جو اس اجلاس میں شرکت کے اور ووٹ ڈالنے کے اہل ہیں اپنی شناخت کیلئے اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ، اکاؤنٹ اور شناختی کارڈ ساتھ لائیں اور پرکسی کی صورت میں اپنے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقل منسلک کریں۔ کارپوریٹ ممبران کو اس مقصد کیلئے معمول کے مطابق دستاویزات پیش کرنی ہوں گی۔ سی ڈی سی اکاؤنٹ/سب اکاؤنٹ ہولڈرز کو سیکیورٹی ایجنسی کی پیشکش آف پاکستان کے 26 جنوری 2000 کو جاری کردہ ہدایات کی مزید پیروی کرنا ہوگی۔

3- 20 نومبر 2020 تک کاروباری وقت میں موصول ہونے والے ٹرانسفر کو مقررہ وقت میں کیا جائے گا۔ کمپنی کے سالانہ گوشواروں کے اندراج کے لیے ہتوں میں تبدیلی یا موجودہ ہونے کی صورت میں اپنی کارآمد CNIC کی کاپی کے ہمراہ کمپنی کے شیر رجسٹرار کارپورٹ پر ایسی بیٹ لیسٹنگ، ونگ آرکیڈ، ماڈل ٹاؤن لاہور۔ فون نمبر: 042-35839182 کو ارسال کریں۔

4- SECP SRO 787(1)/2014 کی پیروی میں ممبران کو آڈٹ شدہ مالی حسابات بمعہ سالانہ اجلاس عام کے نوٹس الیکٹرونکلی بذریعہ ای میل وصول کرنے کا اختیار دیا ہے۔ لہذا ممبران (فیزیکل یا CDC شیر ہولڈرز) جو دلچسپی رکھتے ہیں ای میل ایڈریس اور الیکٹرونکلی ٹرانسمیشن کی رضامندی کمپنی کے شیر رجسٹرار یا براہ راست اپنے بروکر (حصہ دار) CDC انوسٹر اکاؤنٹ سروسز کو ارسال کریں۔

5- 30 جون 2020ء ختمہ مالی سال کے آڈٹ شدہ مالی حسابات بمعہ ڈائریکٹرز اور آڈیٹرز رپورٹ کمپنی کی ویب سائٹ <http://www.kohinoorspinningmills.com> پر دستیاب ہیں۔

6- ایس ای سی پی کے کوڈ پیڈ-19 کے ریٹیف کے بارے میں سرکلر کی پیروی میں جو خواہشمند شخص/حصص دار ویڈیو لنک "ZOOM" کے ذریعہ سالانہ جنرل اجلاس میں شرکت کرنا چاہتا ہے ان سے درخواست ہے کہ اس ای میل ایڈریس (kosmcorporate@chakwalgroup.com.pk) پر کمپنی سیکرٹری کیساتھ اندراج کروائیں۔ تمام مہتممہ حفاظتی اقدامات کو پیڈ-19 کے بارے میں کئے جائیں گے اور متعلقہ SOPs پر سختی سے عمل کیا جائے گا۔

7- کمپنی کے وہ ممبران جن کے پاس کم از کم 10% حصص ہیں اور وہ ایک شہر میں رہتے ہیں اور اجلاس میں ویڈیو لنک کے ذریعہ شرکت کرنا چاہتے ہیں کمپنی ان کے لئے شہر میں ویڈیو لنک کی سہولت مہیا کرے گی بشرطیکہ شہر میں ایسی سہولت موجود ہو کمپنی ممبرز کو ویڈیو لنک کی سہولت سے متعلق سالانہ اجلاس کی تاریخ سے کم از کم پانچ دن پہلے مطلع کرے گی تاکہ وہ اس سہولت سے فائدہ اٹھا سکیں اس سلسلے میں حصص داران سے درخواست ہے کہ مندرجہ بالا فارم پر کریں اور کمپنی کے رجسٹرار سے سالانہ اجلاس کی تاریخ سے سات دن پہلے ارسال کر دیں۔

میں/ہم \_\_\_\_\_ کا \_\_\_\_\_ کو نوٹس پینگ ملازمینڈک ممبر ہونے کے ناطے مالک ہوں اور میرا رجسٹرار ڈیویڈنڈ/سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_

\_\_\_\_\_ ہے اور میں ویڈیو لنک کی سہولت چاہتا ہوں

ممبر کے دستخط

8- ممبر سے درخواست ہے کہ وہ کمپنی کو پیکی تبدیلی کے متعلق فوراً آگاہ کریں

### KEY FINANCIAL DATA OF LAST SIX YEARS

		Year ended June 30					2015
		2020	2019	2018	2017	2016	
<b>Profit and Loss Summary</b>							
Sales-Net	Pak-Rs.	1,662,982,360	4,260,538,818	3,070,193,676	2,063,046,395	4,139,297,510	6,051,526,305
Gross (Loss)/Profit	Pak-Rs.	(134,845,574)	1,632,745	(165,293,612)	(380,244,852)	(19,050,576)	331,657,539
(Loss) after tax	Pak-Rs.	(245,041,618)	(339,402,784)	(414,618,270)	(720,905,747)	(466,024,678)	(289,683,492)
<b>Balance Sheet Summary</b>							
Share Capital	Pak-Rs.	1,078,571,425	1,078,571,425	1,078,571,425	650,000,000	650,000,000	650,000,000
Accumulated (Loss)/Profit	Pak-Rs.	(1,801,334,702)	(1,555,812,643)	(1,185,044,837)	(982,015,938)	(260,250,218)	192,304,938
Share Holder's Equity	Pak-Rs.	(722,763,277)	(477,241,218)	(106,473,412)	(332,015,938)	389,749,782	842,304,938
Non Current Liabilities (Excluding loan from directors)	Pak-Rs.	49,523,071	64,593,059	115,610,152	244,314,193	393,728,427	491,373,267
Loan From Directors	Pak-Rs.	503,649,521	470,149,521	438,376,521	1,000,526,516	700,000,000	700,000,000
Property, plant and Equipment	Pak-Rs.	1,652,107,503	1,738,573,442	1,821,121,203	1,913,004,745	2,027,131,797	2,085,557,422
Other Non Current Assets	Pak-Rs.	39,325,312	39,325,312	39,325,312	10,977,142	32,010,739	31,807,264
Total Assets	Pak-Rs.	2,824,856,050	2,899,859,631	3,018,021,074	3,183,195,343	3,468,865,660	4,070,547,733
Total Liabilities (Excluding loan from directors)	Pak-Rs.	3,043,969,806	2,906,951,328	2,686,117,964	2,514,684,765	2,379,115,879	2,528,242,795
<b>Profitability and Operating Ratios</b>							
Gross Profit Margin	%	(8.11)	0.04	(5.38)	(18.43)	(0.46)	5.48
Net Profit to sales	%	(14.74)	(7.97)	(13.50)	(34.94)	(11.26)	(4.79)
<b>Liquidity Ratios</b>							
Current	Times	0.38	0.39	0.45	0.57	0.71	0.96
Quick/Acid test	Times	0.06	0.10	0.12	0.11	0.18	0.25
<b>Activity/Turnover Ratios</b>							
Inventory Turnover	Times	2.00	5.05	3.49	2.37	3.34	3.45
Debtors Turnover	Times	11.41	20.40	12.13	12.87	14.96	15.42
Creditors Turnover	Times	7.41	85.21	42.25	32.86	36.64	41.68
<b>Investment/Market Ratios</b>							
Earning Per share	Times	(1.14)	(1.57)	(2.13)	(5.55)	(3.58)	(2.23)

## REVIEW REPORT BY THE CHAIRMAN ON THE OVERALL PERFORMANCE OF BOARD AND EFFECTIVENESS OF THE ROLE PLAYED BY THE BOARD IN ACHIEVING THE COMPANY'S OBJECTIVES

The Board of Directors (the Board) of Kohinoor Spinning Mills Limited (KOSM) has performed their duties diligently in upholding the best interest of shareholders' of the Company and has managed the affairs of the Company in an effective and efficient manner. The Board has exercised its powers and has performed its duties as stated in the Companies Act 2017 (previously Companies Ordinance 1984) and the Listed Companies (Code of Corporate Governance) Regulations, 2017.

- The Board has actively participated in strategic planning process, enterprise risk management system, policy development and financial structure, monitoring and approval;
- All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process and particularly all the related party transactions executed by the Company were approved by the Board on the recommendation of the Audit Committee;
- The Board has ensured that the adequate system of internal control is in place and its regular assessment through self-assessment mechanism and /or internal audit activities;
- The Board has prepared and approved the director's report and has ensured that the directors' report is published with the quarterly and annual financial statement of the Company and the content of the directors' report are in accordance with the requirement of applicable laws and regulations;
- The Board has ensured the hiring, evaluation and compensation of the Chief Executive and other key executives including Chief Financial Officer, Company Secretary and Head of Internal Audit;
- The Board has ensured that adequate information is shared among its members in a timely manner and the Board members are kept abreast of developments between meetings; and
- The Board has exercised its powers in light of the power assigned to the Board in accordance with the relevant laws and regulation applicable on the Company and the Board has always prioritized the Compliance with all the applicable laws and regulation in terms of their conduct as directors and exercising their powers and decision making.

Necessary Board agenda and related supporting documents were duly made available to the Board and its committee meetings the non-executives and independent directors are equally involved in important decisions of the board.

The annual evaluation of the Board's performance is assessed based on the key areas where the Board requires clarity in order to provide high level oversight, including the strategic process; key business drivers and performing milestones, the global economic environment and competitive context in which the Company operates; the risks faced by the Company's business; Board dynamics; capability and information flows. Based on the aforementioned, it can reasonably be stated that the Board of KSML has played a key role in ensuring that the Company objectives are not only achieved, but also exceeded expectations through a joint effort with the management team and guidance and oversight by the Board and its members.



**Khawaja Muhammad Jahangir**  
Chairman

Lahore  
November 05, 2020

## بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کے حصول میں بورڈ کے مؤثر کردار پر چیئرمین کی جائزہ رپورٹ

کوہ نور سپننگ ملز لمیٹڈ (KSML) کے بورڈ آف ڈائریکٹرز (بورڈ) نے کمپنی کے حصہ داروں کے بہترین مفاد کو برقرار رکھنے میں اپنی ذمہ داریاں تندرہ سے انجام دی ہیں اور کمپنی کے امور کو مؤثر اور بروقت انداز سے منظم کیا ہے۔ بورڈ نے کمپنی ایکٹ اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 میں دیئے گئے اپنے اختیارات اور ذمہ داری کو بخوبی سرانجام دیا ہے۔

بورڈ نے اسٹریٹجک منصوبہ بندی کے عمل، ادارے کو لاحق خطرات کا انتظامی نظام، پالیسی ڈویلپمنٹ اور مالیات ساخت کی نگرانی اور منظوری میں فعال طور پر حصہ لیا ہے۔

سال بھر میں تمام اہم مسائل بورڈ یا اس کی کمیٹیوں کے روبرو کاروباری فیصلہ سازی کے عمل کو مضبوط بنانے کے لئے پیش کئے گئے اور خاص طور پر کمپنی کی طرف سے کئے گئے تمام متعلقہ پارٹی کے ساتھ لین دین کو آڈٹ کمیٹی کی سفارشات پر بورڈ نے منظوری دی۔

بورڈ نے اس بات کو یقینی بنایا ہے کہ اندرونی کنٹرول کا مناسب نظام موجود ہے اور خود تشخیصی طریقہ کار اور/یا انٹرنل آڈٹ سرگرمیوں کے ذریعے اس کی باقاعدگی سے جانچ پڑتال کی جاتی ہے۔

بورڈ نے مجلس نفعیہ کی رپورٹ کی تیاری اور منظوری دی ہے اور اس بات کو یقینی بنایا ہے کہ مجلس نفعیہ کی رپورٹ کمپنی کی سہ ماہی اور سالانہ مالیاتی حسابات کے ساتھ شائع ہوئی اور مجلس نفعیہ کی رپورٹ کا مواد قابل اطلاق قوانین اور قواعد و ضوابط کے مطابق ہے۔

بورڈ نے چیف ایگزیکٹو سمیت دیگر اہم ایگزیکٹوز بشمول چیف فنانس آفیسر، کمپنی سیکرٹری اور انٹرنل آڈٹ کے سربراہ کی ملازمت اور معاوضہ سازی کو یقینی بنایا ہے۔ بورڈ نے اس کے اراکین کے درمیان بروقت طریقے سے تسلی بخش معلومات کے تبادلے کو یقینی بنایا اور بورڈ کے ممبران کو اجلاس کے درمیان ڈویلپمنٹ کے بارے میں لمحہ بہ لمحہ باخبر رکھا گیا ہے اور

بورڈ نے کمپنی پر قابل اطلاق متعلقہ قوانین اور قواعد و ضوابط کی روشنی میں دیئے گئے اختیارات کے مطابق اپنے اختیارات کا استعمال کیا ہے اور بورڈ نے ہمیشہ بحیثیت ڈائریکٹرز اپنے اختیارات کے استعمال اور فیصلہ سازی کرنے کے برتاؤ میں تمام قابل اطلاق قوانین اور قواعد و ضوابط کی تعمیل کو ترجیح دی ہے۔

بورڈ اور اس کی ذیلی کمیٹی کی مینٹنگ سے قبل از وقت ضروری ایجنڈا اور اس سے متعلق دستاویزات بورڈ کو مہیا کئے گئے۔ نان ایگزیکٹوز اور آزاد ڈائریکٹرز بورڈ کے اہم فیصلوں میں برابر کے شریک ہیں

بورڈ کی سالانہ کارکردگی اہم شعبوں پر مبنی ہے جہاں بورڈ کو اعلیٰ درجے کی نگرانی مہیا کرنے بشمول اسٹریٹجک عمل: کلیدی کاروباری امور، سٹاک میبل کی تکمیل، عالمی معاشی ماحول اور مسابقتی سیاق و سباق میں کمپنی کام کرتی ہے، کمپنی کے کاروبار کو درپیش خطرات، بورڈ کے محرکات، صلاحیت اور معلومات مہیا کرنے کے لئے وضاحت دینے کی ضرورت ہوتی ہے۔ مذکورہ بالا کی بنیاد پر، یہ مناسب طور پر کہا جاسکتا ہے کہ KSML کے بورڈ نے اس بات کو یقینی بنانے میں اہم کردار ادا کیا ہے کہ کمپنی کے مقاصد کو نہ صرف حاصل کیا جاسکتا ہے، بلکہ بورڈ اور اس کے اراکین کی راہنمائی اور نگرانی کے ذریعہ انتظامیہ ٹیم کی مشترکہ کوششوں کے ساتھ توقعات سے بھی آگے بڑھا جاسکتا ہے۔



خواجہ محمد جہانگیر

چیئرمین

لاہور

5 نومبر 2020

## DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors have the honor to present annual report of your Company together with audited financial statements and auditors' report thereon for the year ended 30th June 2020.

### Financial Performance:

Your Company has incurred after tax loss of Rs. 245.041 million as compared to after tax loss of Rs. 339.403 million for the corresponding last year. This year came with multiple challenges like Covid-19, forceful closure of production facilities thereafter by the government and continuation of callous policies of the government. As a result, our annual sales have been dropped to Rs. 1,662.982 million as compared to Rs. 4,260.539 million for the corresponding last year. Instead of producing run of the mill items, we have drastically reduced our production capacity for the time being.

Now our focus is on non-traditional spinning products. We are trying to get break-through in this untapped product line. We are hopeful that once we succeed in producing right quality of non-traditional yarn, we would return to normalcy soon.

### (Loss) Per Share (EPS):

The Basic loss per share (EPS) of the Company for the year 2018 remained at Rs. 1.14 (2020: loss per share was Rs. 1.57).

### Going Concern Assumption:

The auditors have emphasized that due to circumstances described in Note 1.2 to the financial statements the Company may not be able to continue as a going concern. However, the management has prepared the annexed financial statements on going concern basis due to reasons explained in Note 1.2 to the financial statements. The auditors have not qualified their opinion in this respect.

### Principal Activity:

The principal activity of the Company is manufacturing and sale of yarn.

### Principal Risks and Uncertainties:

The Board of Directors are responsible to oversee the Company's operations and to devise an effective strategy to mitigate any potential adverse impact of risks. The Company's ability to continually assess market conditions and then react decisively, allows the Company to manage risks responsibly and take opportunities to strengthen the position of the Company when they arise. The Company's principal financial liabilities, comprise long term finances, trade and other payables and short term borrowings. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company's principal financial assets comprise of trade debts, advances, short-term deposits, other receivables and cash and bank balances that arise directly from its operations. The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

### Information about Defaults In Debt Payments:

All banks have filed recovery suit against the Company. The amount claimed in these suits have already been accounted for in financial statements. The reason for default in payments is liquidity crisis being faced by the Company for the last five years. The management is of the view that the Company should stand on its feet before committing anything to the banks. For this, the Company has taken a number of steps like change of product from cotton to man-made fiber, change of machines accordingly, sampling of non-traditional spinning products and provision of funds by the directors. We are hopeful that the Company can manage issues with banks amicably without hurting the interest of shareholders.

### Material Changes and Commitments:

No adverse material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Director's Report.

### Adequacy of Internal Financial Controls:

A system of sound internal control is established and implemented at all levels of the Company by the Board of Directors. The system of internal control is sound in design for ensuring achievement of Company's objectives and operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies.

### Related Parties:

All related party transactions during the financial year ended June 30, 2020 were reviewed by the Audit Committee and approved by the Board of Directors. All the related parties transactions were in line with the transfer pricing methods approved by the Board of Directors.

## Future Outlook:

The Government has increased electricity rate from 7.5 cents/kwh to 9.0 cents/kwh. With US dollar rate increase, electricity rate would also increase. As per some studies, actual rate of US \$ is PKR 205. However, US \$ is being traded at PKR 160-162. It is being alleged that State Bank of Pakistan (SBP) is artificially keeping US dollar on lower side. If US dollar is not kept at this level, fuel and power cost would become very costly and unaffordable.

The Government is not supporting our country's industry in true spirit. The industry had high hopes from the current government but, after passing of two years, we are not stepping forward in progress towards industrialization. Imposition of 17% GST on textile sector despite the fact that we are falling in zero rating sector has proved a detrimental step for our industry. Also, CNIC condition for sale exceeding certain limit is not suitable for our growth.

We demand concrete support from the Government so that we can return to profitability, like removal of GST from zero rating sector, removal of CNIC condition for local sale, provision of cheap fuel and power etc. otherwise future of spinning industry in Pakistan is bleak.

## Composition of Board:

Total number of Directors:

a)	Male:	8 (Eight)
b)	Female:	Exempted for current term

## Composition:

(i)	Independent Directors:	1 (One)
(ii)	Other Non-executive Directors	5 (Five)
(iii)	Executive Director	2 (Two)

Sr.#	Name of Directors:	
1.	Khawaja Mohammad Jahangir	(Chairman)
2.	Khawaja Mohammad Jawed	
3.	Khawaja Mohammad Tanveer	
4.	Khawaja Mohammad Kaleem	
5.	Mohammad Naveed	(Chief Executive)
6.	Khawaja Mohammad Nadeem	
7.	Mohammad Hamza Yousaf	
8.	Mohammad Tariq Sufi	(Independent Director)

## Committee of The Board:

In compliance with the Code of Corporate Governance, the Board of directors had formed the following committees:

- Audit Committee  
 Mohammad Tariq Sufi  
 Khawaja Muhammad Kaleem  
 Khawaja Muhammad Nadeem
- HR & Remuneration Committee  
 Mohammad Tariq Sufi  
 Khawaja Muhammad Jahangir  
 Khawaja Muhammad Kaleem

## Auditors:

The present auditors of the Company have completed the annual audit for the year ended 30 June 2020. The auditors will retire on conclusion of the Annual General Meeting of the Company, and being eligible have offered themselves for reappointment for the year ending 30 June 2021.

The Board of Directors endorsed the recommendations of Audit Committee for their re-appointment. The auditors have conveyed that they have been assigned satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan and registered with the Audit Oversight Board of Pakistan. The firm is fully compliant with the code of ethics issued by International Federation of Accountants (IFAC). Further they are also not rendering any related services to the company. The auditors have also confirmed that neither the firm nor any of their partners, their spouses or minor children at any time during the year held or traded in the shares of the company and that no partner of the firm or person involved in the audit are close relative i.e., spouse, parents, dependents and non-dependent children of the CEO, the CFO, the head of internal audit, the company secretary.

## Compliance with the Code of Corporate Governance:

The requirements of the Code of Corporate Governance set out by the Pakistan Stock Exchange in its Listing Regulations have been adopted by the Company and have been duly complied with. A statement to this effect is annexed to the Report.

## Corporate Governance & Financial Reporting Framework:

As required by the Code of Corporate Governance, Directors are pleased to report that:

- i) The financial statements prepared by the management of the Company present fair state of Company's operations, cash flows and changes in equity.
- ii) Proper books of account of the Company have been maintained.
- iii) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based upon reasonable and prudent judgment.
- iv) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements, and any departures there from has been adequately disclosed and explained.
- v) The system of internal control is sound in design and has been effectively implemented and monitored.
- vi) The audit observation ongoing concern has been disclosed in Note no 1.2 of the financial statements.
- vii) Key operating and financial data for the last six years is annexed.
- viii) Outstanding taxes and levis are given in the notes to the financial statements.
- ix) No adverse material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Director's Report.
- x) The company has neither declared dividend nor issued bonus shares because of loss sustained by the Company for the year ended 30th June 2020.
- xi) The Company is fully compliant with the requirement of Rule 5.19.7 (Directors' Training Program) of Pakistan Stock Exchange Regulation.

## Pattern of Shareholding:

The pattern of shareholding as on 30th June 2020 and its disclosures as required in the Code of Corporate Governance is annexed with this report.

## Corporate Social Responsibility:

The Company strongly believes in the integration of Corporate Social Responsibility into its business, and consistently endeavors to uplift communities that are influenced directly or indirectly by our business.

## Web Reference:

In compliance with SRO 634 (1)/2014 dated July 10, 2014, the Company is maintaining a functional website. Annual, half yearly and quarterly reports and other notices are regularly posted at the Company's website address (<http://www.kohinoorspinningmills.com>).

## Environment, Health and Safety:

The Company maintains safe working conditions avoiding the risk to the health of employees and public at large. The management has maintained safe environment in all its operations throughout the year and is constantly upgrading their safety and living facilities. Safety is a matter of concern for machinery as well as the employees working at plant. fire extinguishers and other fire safety equipments have been placed at sites as well as head office of the Company. Regular drills are performed to ensure efficiency and efficacy of fire safety equipments.

## Company's Shareholders and Staff:

Continued diligence and devotion of the staff and workers of the Company and good human relations at all levels deserve acknowledgment. The Directors also wish to place on record their thanks to all stakeholders for their continued support to the Company.

On behalf of the Board



**Mr. Muhammad Naveed**  
Chief Executive Officer



**Khawaja Muhammad Jahangir**  
Chairman

Lahore  
November 05, 2020

## حصہ داران کے لئے ڈائریکٹرز کی رپورٹ

ڈائریکٹرز آپ کی کمپنی کی 30 جون 2020ء پر ختم شدہ سالانہ رپورٹ بمعہ جانچ شدہ مالی حسابات اور آڈیٹرز رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

### مالی کارکردگی

آپ کی کمپنی کو پچھلے سال کے بعد از ٹیکس 339.403 ملین روپے کے خسارے کے مقابلے میں اس سال 245.041 ملین بعد از ٹیکس خسارہ ہوا ہے۔ اس سال متعدد مشکلات جیسا کہ کوویڈ 19 اس کے بعد حکومت کی طرف سے پیداوار کی سہولیات کا زبردستی بند کرنا اور حکومت کی ظالمانہ پالیسیوں کا تسلسل کا سامنا رہا۔ اس کے نتیجے میں، ہماری سالانہ فروخت گر کر 1,662.982 ملین روپے رہ گئی جو پچھلے سال کے اسی عرصے کے دوران 4,260.539 ملین روپے تھی۔ عام ایشیا کو بنانے کے بجائے ہم نے اپنی پیداواری صلاحیت کو کافی حد تک عارضی طور پر کم کر دیا ہے۔

اب ہماری توجہ غیر روایتی اسپیننگ مصنوعات پر ہے۔ ہم کوشش کر رہے ہیں کہ اس غیر روایتی پروڈکٹ لائن کا آغاز کر سکیں۔ ہمیں اُمید ہے کہ جب ہم غیر روایتی سوت کے صحیح معیار کی تیاری میں کامیاب ہو گئے تو ہم جلد ہی پھر سے منافع کمانے لگیں گے۔

### فی حصہ خسارہ

کمپنی کا سال 2020 کے لئے بنیادی فی حصہ خسارہ 1.14 روپے رہا (2019 فی حصہ خسارہ 1.57 روپے)۔

### کمپنی کے کاروبار جاری رکھنے کا مفروضہ

محاسب نے نوٹ 1.2 میں بیان کردہ حالات کی بنیاد پر زور دیا ہے کہ کمپنی شاید کاروبار جاری نہ رکھ سکے۔ تاہم منتظمین نے لف شدہ مالی حسابات کاروبار جاری رہنے کے مفروضے پر نوٹ 1.2 میں دی گئی وجوہات کی بنا پر تیار کئے ہیں۔ محاسب نے اس ضمن میں اعتراض نہیں لگایا۔

### اولین سرگرمی

کمپنی کی اولین سرگرمی سوت کی پیداوار اور فروخت ہے۔

### اولین خطرات اور خدشات

بورڈ آف ڈائریکٹرز کمپنی کی سرگرمیوں اور ممکنہ خطرات سے نمٹنے کے لئے مؤثر حکمت عملی وضع کرنے کا ذمہ دار ہے۔ کمپنی کی منڈی کی صورت حال کا مسلسل جائزہ لینے کی قابلیت، کمپنی کے خطرات کی روک تھام اور کمپنی کو مضبوط کرنے کے مواقع جب وہ پیش آئیں سے فائدہ اٹھانے کی ذمہ داری کو پورا کرتی ہے۔ کمپنی کے اولین مالی واجبات، طویل مدتی قرضے، تجارتی واجبات اور دیگر واجبات اور کم مدتی ادھار پر مشتمل ہیں۔ ان مالی واجبات کا بنیادی مقصد کمپنی کی سرگرمیوں کو چلانے کے لئے پیسے کا انتظام کرنا ہے۔ کمپنی کے اولین مالی اثاثہ جات، تجارتی قرضے، پیشتر ادا نیکیاں، کم مدتی ذخائر، دیگر قابل وصول قرضے، نقدی اور بینک بیلنس پر مشتمل ہیں جو سرگرمیوں سے براہ راست حاصل ہوئے ہیں۔

کمپنی کی سرگرمیوں کی وجہ سے اس کو مختلف مالی خطرات لاحق ہیں: منڈی کا خطرہ (بشمول، نقدی خطرہ، سودی شرح کا خطرہ اور قیمت کا خطرہ)، ادھار کا خطرہ اور مالی مابینیت کا خطرہ، کمپنی کا مجموعی طور پر خطرات کو کم کرنے کا پروگرام مالی منڈی کی غیر یقینی صورت حال پر مرکوز ہے اور کمپنی کی مالی کارکردگی پر اثر انداز ہونے والے ممکنہ منفی اثرات کو کم کرنے کی کوشش کرتا ہے۔

### ادھار کی عدم ادا نیکیوں بارے معلومات

تمام بینکوں نے کمپنی کے خلاف ادھار کی وصولی کا دعویٰ دائر کر دیا ہے۔ ان میں جن قرضوں کا دعویٰ کیا گیا ہے وہ پہلے سے مالی حسابات میں درج ذیل ہیں: قرضوں کی عدم ادا نیکیوں کی وجہ پچھلے پانچ سالوں سے جاری کمپنی کو درپیش پیسے کا بحران ہے۔ منتظمین کا خیال ہے کہ بینکوں کو کسی یقین دہانی سے پہلے اپنے پاؤں پر کھڑا ہونا چاہئے۔ اس کے لئے کمپنی نے بہت سارے اقدام کئے ہیں جیسے کہ روٹی سے مصنوعی ریشے پر تبدیل ہو جانا، اس کے مطابق مشینری کا بدل دینا اور ڈائریکٹران کی جانب سے پیسہ دیا جانا ہے۔ ہم اُمید ہیں کہ کمپنی حصہ داران کے مفادات کو نقصان پہنچانے بغیر بینکوں کے ساتھ معاملات کو احسن طریقے سے نمٹالے گی۔

### قابل ذکر تبدیلیاں اور یقین دہانیاں

اس بیلنس شیٹ کی تاریخ (سال کے آخر) سے لے کر ڈائریکٹرز رپورٹ کی تاریخ کے درمیان کوئی قابل ذکر تبدیلی یا یقین دہانی نہیں ہے جو کمپنی کی مالی حالت پر اثر انداز ہوئی ہو۔

### اندرونی مالی کنٹرول کی موزونیت

بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کی تمام سطحوں پر منظم اندرونی کنٹرول کا نظام وضع اور لاگو کیا گیا ہے۔ اندرونی کنٹرول کا نظام اپنے ڈیزائن میں منظم ہے جو کمپنی کے مقاصد کو حاصل کرنے اور کارکردگی کو مؤثر بنانے، مالی حسابات کی پراعتماد رپورٹنگ اور قوانین اور پالیسیوں پر عمل درآمد کو یقینی بناتا ہے۔

## متعلقہ پارٹیاں

30 جون 2020 پر اختتام شدہ مالی سال کے دوران تمام متعلقہ پارٹیوں کے ساتھ لین دین کا آڈٹ کمپنی نے جائزہ لیا اور بورڈ آف ڈائریکٹرز نے اس کی منظوری دی۔ متعلقہ پارٹیوں نے تمام لین دین بورڈ آف ڈائریکٹرز سے منظور شدہ ٹرانسفر پرائسنگ کے طریقوں کے مطابق تھا۔

## مجموعی جائزہ

حکومت نے بجلی کی شرح 7.5 سینٹ / کلوواٹ سے 9.0 سینٹ / کلوواٹ کر دی ہے۔ امریکی ڈالر کی شرح میں اضافہ کے ساتھ، بجلی کی شرح میں اضافہ ہوگا۔ کچھ مطالعات کے مطابق، امریکی ڈالر کی اصل شرح 205 روپے ہے۔ تاہم، امریکی ڈالر کی تجارت 160-162 روپے پر کی جارہی ہے۔ یہ الزام لگایا جا رہا ہے کہ اسٹیٹ بینک آف پاکستان (ایس بی پی) مصنوعی طور پر امریکی ڈالر کو اس سطح پر رکھ رہا ہے اگر امریکی ڈالر اس سطح پر بند رکھا گیا تو، ایندھن اور بجلی کی لاگت بہت مہنگی اور ناقابل برداشت ہو جائے گی۔

حکومت ہمارے ملک کی صنعت کو حقیقی جذبے سے مدد نہیں دے رہی ہے اس صنعت کو موجودہ حکومت سے بہت زیادہ اُمیدیں وابستہ تھیں لیکن دو سال گزر جانے کے بعد بھی ہم صنعتی ترقی کی سمت میں پیش قدمی نہیں کر رہے ہیں۔ ٹیکسٹائل کے شعبے پر 17 فیصد جی ایس ٹی کا نفاذ اس حقیقت کے باوجود کہ ہم صفر ریٹنگ والے شعبے میں ہیں ہماری صنعت کے لئے ایک نقصان دہ اقدام ثابت ہوا ہے۔ نیز مخصوص حد سے زیادہ فروخت کے لئے CNIC کی شرط ہماری نموکے لئے موزوں نہیں ہے۔

ہم حکومت سے ٹھوس حمایت کا مطالبہ کرتے ہیں تاکہ ہم منافع کی طرف واپس آسکیں، جیسے جی ایس ٹی کو صفر ریٹنگ سیکٹر سے بنانا، مقامی فروخت کے لئے سی این آئی سی کی شرط ختم کرنا سٹے ایندھن اور بجلی کی فراہمی وغیرہ بصورت دیگر پاکستان میں دھاکے کی صنعت کا مستقبل تاریک ہے۔

## بورڈ کے ممبران

- 1- ممبران کی تعداد: (a) مرد=08 (b) خواتین: مشقی (جاری مدت کیلئے)
- 2- بورڈ مندرجہ ذیل پر مشتمل ہے: (a) خود مختار ڈائریکٹرز=01 ، (b) دیگر نام ایگزیکٹو ڈائریکٹرز=05 ، (c) ایگزیکٹو ڈائریکٹرز=02

## ڈائریکٹرز کا نام

- 1- خواجہ جمشید جہانگیر (چیئرمین)، 2- خواجہ جمشید جاوید، 3- خواجہ جمشید تنویر، 4- خواجہ جمشید کلیم، 5- محمد نوید (چیف ایگزیکٹو آفیسر)، 6- خواجہ جمشید ندیم، 7- محمد حمزہ یوسف، 8- محمد طارق صوفی (خود مختار ڈائریکٹر)

## بورڈ کی کمیٹیاں

کوڈ آف کارپوریٹ گورننس کی تعمیل میں، بورڈ نے مندرجہ ذیل ذیلی کمیٹیاں بنائی ہیں۔

## آڈٹ کمیٹی

محمد طارق صوفی، خواجہ جمشید کلیم، خواجہ جمشید ندیم

## انسانی وسائل اور معاوضہ کمیٹی

محمد طارق صوفی، خواجہ جمشید جہانگیر، خواجہ جمشید کلیم

## محاسب

کمپنی کے موجودہ محاسب نے 30 جون 2020 پر ختم شدہ سال کا سالانہ آڈٹ مکمل کر لیا ہے۔ موجودہ محاسب کی خدمات کمپنی کے سالانہ عام اجلاس میں واپس کر دی جائیں گی اور اہل ہونے کے ناطے انہوں نے 30 جون 2021ء پر اختتام پذیر ہونے والے سال کے لئے دوبارہ اپنی خدمات پیش کرنے کی خواہش ظاہر کی ہے۔

بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی ان کی دوبارہ تقرری کی سفارش کی تائید کی ہے۔ محاسب نے بتایا ہے کہ چارٹرڈ اکاؤنٹنٹس پاکستان ادارے نے کوالٹی کنٹرول جائزہ پروگرام میں ان کی کارکردگی کو تسلی بخش قرار دیا ہے۔ فرم بین الاقوامی اکاؤنٹنٹس فیڈریشن (IFAC) کے کوڈ آف اتھنکس سے مکمل طور پر ہم آہنگ ہے۔ مزید یہ کہ وہ کمپنی کو کوئی متعلقہ خدمات فراہم نہیں کر رہی۔ محاسب نے یقین دہانی کرائی کہ ان کی فرم اور نہ ہی ان کے کسی حصہ دار، شریک حیات یا نابالغ اولاد نے سال کے دوران کمپنی کے حصص رکھے یا خرید و فروخت کئے اور یہ یقین دہانی کرائی کہ فرم کا کوئی حصہ دار یا آڈی جو آڈٹ میں شامل تھا وہ قریبی رشتہ دار یعنی شریک حیات، والدین، کفالت یافتہ، CEO کی غیر کفالت یافتہ اولاد، CFO، انٹرنل آڈٹ کا سربراہ، کمپنی سیکرٹری نہیں تھا۔

## کوڈ آف کارپوریٹ گورننس کی تعمیل

کوڈ آف کارپوریٹ گورننس کی شرائط جو پاکستان سٹاک ایکسچینج نے اپنے لسٹنگ کے اصولوں میں وضع کی ہیں کمپنی نے اختیاری ہیں اور ان کی صحیح تعمیل کی ہے۔ اس کی تعمیل کا بیان رپورٹ کے ساتھ منسلک کیا گیا ہے۔

### کارپوریٹ گورننس اور مالیاتی رپورٹنگ فریم ورک

- کوڈ آف کارپوریٹ گورننس کے مطابق، ڈائریکٹرز یہ بتاتے ہوئے خوشی محسوس کرتے ہیں کہ
- (i) کمپنی کے منتظمین کی جانب سے تیار کردہ حسابات کمپنی کے معاملات، نقدی بہاؤ اور ایکویٹی میں تبدیلی کی شفافیت کو ظاہر کرتے ہیں۔
  - (ii) کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
  - (iii) مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیاں یکساں طور پر لاگو کی گئی ہیں اور اکاؤنٹنگ تخمینہ جات (estimates) مناسب اور دانش مندانہ فیصلوں پر مبنی ہیں۔
  - (iv) بین الاقوامی مالیاتی رپورٹنگ معلومات (IFRS)، جیسے کہ پاکستان میں قابل عمل ہیں، پر حسابات بنانے وقت عمل کیا گیا ہے اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔
  - (v) اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اس پر موثر طریقے سے عمل درآمد اور نگرانی کی جاتی ہے۔
  - (vi) کمپنی کا کاروبار جاری رکھنے سے متعلق آڈٹ اعتراض کی تفصیل مالی حسابات کے نوٹ نمبر 1.2 میں دی گئی ہے۔
  - (vii) کمپنی کے گذشتہ چھ سالوں کے چلنے اور مالیات سے متعلق کلیدی اعداد و شمار منسلک کئے گئے ہیں۔
  - (viii) واجب الادا ایکس، ڈیوٹی، محصول اور چارج مالی حسابات کے نوٹ میں درج کئے گئے ہیں۔
  - (ix) اس مالیاتی سال جس سے ان حسابات کا تعلق ہے کے اختتام سے لے کر ڈائریکٹرز رپورٹ کی تاریخ تک حسابات پر اثر انداز ہونے والی کوئی اہم تبدیلی اور وعدے نہیں ہیں۔
  - (x) 30 جون 2020 پر اختتام پذیر ہونے والے سال کے دوران خسارہ کی وجہ سے کسی ڈیویڈنڈ بینڈ کا اعلان اور بونس کا اجراء نہیں کیا گیا۔
  - (xi) کمپنی پاکستان سٹاک ایکسچینج کے اصولوں کے اصول نمبر 5.19.7 (ڈائریکٹرز کی ٹریڈنگ) پر پوری طرح عمل پیرا ہے۔

### حصص کنندگان کی تفصیل

30 جون 2020 کی تاریخ میں کوڈ آف کارپوریٹ گورننس کے مطابق مطلوبہ تفصیل لف ہے۔

### کارپوریٹ سماجی ذمہ داری

کمپنی اپنی کارپوریٹ سماجی ذمہ داریوں سے مکمل طور پر آگاہ ہے اور سماجی بہبود کے لئے تسلسل کے ساتھ کوشش کرتی ہے خواہ سماج ہمارے کاروبار سے بالواسطہ یا بلاواسطہ اثر انداز ہو۔

### ویب ریفرنس

www.kohinoorspinningmills.com فٹنشل ہے جس پر سالانہ، ہفتہ وار اور سہ ماہی اکاؤنٹس اپ

لود کئے جاتے ہیں۔


### ماحول، صحت اور حفاظت

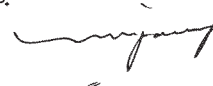
کمپنی کام کرنے کے لئے محفوظ حالات فراہم کرتی ہے تاکہ ملازمین اور عوام کو خطرات سے محفوظ رکھا جاسکے۔ منتظمین نے سال کے دوران محفوظ ماحول فراہم کیا ہے اور حفاظتی اور روزمرہ کی سہولیات کو تسلسل کے ساتھ بہتر بنایا ہے۔ حفاظت کا معاملہ مشینری اور مل ملازمین دونوں سے متعلق ہے۔ فائر ایکسیڈنٹ کو پیش اور دیگر آگ بجھانے کے آلات کمپنی کی ملوں اور مرکزی دفتر میں رکھے گئے ہیں۔ آگ بجھانے کے حوالے سے تسلسل کے ساتھ مشقیں کی جاتی ہیں۔

### کمپنی کے حصہ داران اور سٹاف

کمپنی کے سٹاف اور ملازمین کی مسلسل وفاداری، لگن اور ہر سطح پر اچھے تعلقات تعریف کے مستحق ہیں۔ اسکے علاوہ ڈائریکٹرز تمام متعلقین کا مسلسل حمایت کے لیے شکر یہ ادا کرتے ہوئے خوش رکھتے ہیں

بورڈ آف ڈائریکٹرز کی طرف سے

  
محمد نوید  
(چیف ایگزیکٹو آفیسر)

  
خواجہ محمد جلالگیر  
(چیئرمین)








(تاریخ: 5 نومبر 2020 لاہور)










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# سرمایہ کاری کی آگاہی کے لیے انقلابی اقدام



## جہاں رہیئے، آگاہ رہیئے

SECP کی جانب سے پیش کی جانے والی ایک ایسا ویب پورٹل جو آپ کو سرمایہ کاری سے متعلق ہر قسم کی معلومات فراہم کرتا ہے، تاکہ آپ ایک اچھی سرمایہ کاری کا فیصلہ کر سکیں۔ جمع پونجی میڈیٹل فنڈز، انڈسٹریل فنڈز، سلاک فنڈز، کیپٹل مارکیٹ، لیزنگ، کنٹریڈ اور انویسٹمنٹ بینک وغیرہ میں سرمایہ کاری سے متعلق آپ کے سوالات کے جوابات فراہم کرتا ہے، اور ساتھ ہی آن لائن ٹولز کے ذریعے کیلکولیٹرز میں منافع بخش سرمایہ کاری کے سلسلے میں آپ کو رہنمائی بھی فراہم کرتا ہے۔

مفت آن لائن ٹولز:

- سکیم میٹر
- ماک ٹریڈنگ
- ہانڈ سیٹرز
- کیلکولیٹرز
- ریسک پروفاکٹر
- نیوز لیٹر سبسکرپشن

کھیل ہی کھیل  
میں سیکھیں  
سرمایہ کاری کا ہنر



Jama Punji is an Investor  
Education Initiative of  
Securities and Exchange  
Commission of Pakistan

## STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019 FOR THE YEAR ENDED JUNE 30, 2020

The Company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 in the following manner:

1 The total number of directors are eight as per the following:

- a) Male Eight
- b) Female Nil (Exempted for current term)

2 The composition of the Board of Directors is as follows:

Category	Names
Independent Director	1. Mr. Muhammad Tariq Sufi
Non Executive Directors	1. Khawaja Mohammad Javed
	2. Khawaja Mohammad Jahangir
	3. Khawaja Mohammad Kaleem
	4. Khawaja Mohammad Nadeem
	5. Khawaja Mohammad Tanveer
Executive Directors	1. Mr. Mohammad Naveed
	2. Mr. Mohammad Hamza Yousaf

- 3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.(excluding the listed subsidiaries of listed holding companies wherever applicable)
- 4. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- 5. The Board has developed a vision /mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the board/shareholders as empowered by the relevant provisions of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019.
- 7. The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
- 8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- 9. All the directors of the company (except Mr. Mohammad Hamza Yousaf) are exempted from directors training program due to 14 years of education and 15 years of experience on the board of listed company which covered compliance of relevant provision of Regulations. Mr. Mohammad Hamza Yousaf, Director of the Company has completed directors' training program through Institute of Chartered Accountants of Pakistan.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
12. The Board has formed committees comprising of members given below:

#### **Audit Committee**

1. Mohammad Tariq Sufi
2. Khawaja Mohammad Kaleem
3. Khawaja Muhammad Nadeem

#### **HR & Remuneration Committee**

1. Mohammad Tariq Sufi (Chairman)
2. Khawaja Mohammad Jahangir
3. Khawaja Mohammad Kaleem

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the aforesaid committees were as per following:
  - a) Audit Committee: Four quarterly meetings during the financial year ended June 30, 2020.
  - b) HR and Remuneration Committee: One meeting during the financial year ended June 30, 2020.
15. The Board has set up an effective internal audit function. the staff is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the company have confirmed that they have been given satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

For and on behalf of the Board



**Mr. Muhammad Naveed**  
Chief Executive Officer



**Khawaja Muhammad Jahangir**  
Chairman

Lahore  
November 05, 2020



To the members of Kohinoor Spinning Mills Limited

**Review Report on the Statement of Compliance contained in Listed Companies  
(Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Kohinoor Spinning Mills Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in Regulations as applicable to the Company for the year ended June 30, 2020.

Nasir Javaid Maqsood Imran  
Chartered Accountants

Islamabad  
November 5, 2020

Imran-Ul-Haq, FCA

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Opposite to Shaheen Complex, Off. I.I Chundrigar Road.  
Tel: 021-32212382, 32212383, 32211516, Fax: 021-32211515, Email: khi@njmi.net



**INDEPENDENT AUDITOR'S REPORT**  
**To the members of Kohinoor Spinning Mills Limited**  
**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the annexed financial statements Kohinoor Spinning Mills Limited (the Company), which comprise the statement of financial position as at June 30, 2020 and the statement of profit or loss, the statement of other 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 other 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, 2020 and of the loss and 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 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 1.2 of the financial statements and to the fact that the company's total liabilities exceed total assets by Rupees 722,763,277 (2019: 477,241,218/-) as at 30 June 2020 due to recurring losses. The company may not be able to continue as a going concern, however management does not intend to liquidate this company in the near future therefore these financial statements have been prepared on going concern assumption.

**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.

**Lahore Office:**

Office No. 914, Al-Hafeez Heights, 65-D/1, Ghalib Road, Gulberg-III.  
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**Karachi Office:**

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Following are the Key audit matter(s):

S. No.	Key audit matters	How the matter was addressed in our audit
1.	<p><b>Recoverability of Deferred Tax Asset</b></p> <p>Under IAS 12, the company is required to review recoverability of deferred tax asset recognized in the financial statements.</p> <p>Recoverability of deferred tax asset is dependent on management's estimate of availability of sufficient future taxable profits against which carried forward losses and minimum taxes can be utilized. These future taxable profits are based on management's projections which are inherently uncertain and require judgement in relation to the future cash flows and assessment of timing of reversal of unused tax losses and minimum taxes.</p> <p>We considered this a significant matter due to the significant value of tax losses and minimum taxes carried forward and significant management judgement regarding assumptions used in this area</p>	<p>Our audit procedures in this respect included the following:</p> <ul style="list-style-type: none"> <li>Analyzing managements computation of unused tax losses and minimum taxes carried forward for which deferred tax asset is recognized.</li> <li>Analyzed the provisions of income tax ordinance, 2001 in relation to the tax losses and minimum taxes.</li> <li>Testing the appropriateness and mathematical accuracy of future projections and use of appropriate tax rate on temporary differences.</li> <li>Assessing the appropriateness of managements accounting of deferred taxes and the disclosures given in accordance with the international financial and reporting standards.</li> </ul>
2.	<p><b>Litigations</b></p> <p>The company has significant amounts of borrowings from banks and other financial institutions amounting to Rs. 2.466 Billion at the reporting date in respect of which various legal cases are pending adjudication before the Lahore High Court.</p> <p>Given the significant amounts of borrowings and related finance costs, this is considered to be a key audit matter.</p>	<p>Our audit procedures in this respect included the following:</p> <ul style="list-style-type: none"> <li>Assessing management's processes to identify new possible litigations, obligations and changes in existing obligations through inquiries from management and review of the minutes of meetings of the Board of Directors and Audit Committee.</li> <li>Obtaining confirmation from the legal counsel of the Company to evaluate the status of the pending litigations and view point of the Company's legal counsel thereon.</li> <li>Examining legal and professional expenses to confirm that all pending legal matters are identified and disclosed.</li> <li>Re-computing the amounts of obligations and recorded liabilities based on available underlying information.</li> <li>Assessing the appropriateness of the related disclosures to be made in the accompanying financial statements in light of IAS 37 "Provisions and Contingencies".</li> </ul>
3.	<p><b>Stock in trade</b></p> <p>The Company has significant levels of stock in trade amounting to Rs. 916.048 million as at the reporting date, being 32% of total Assets of the Company. A number of estimates and judgments are involved in valuation of stock in trade.</p> <p>The significance of the balance coupled with the estimates and judgments involved in their valuation has resulted in the stock in trade being considered as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Attending the year end stock taking to gain comfort over existence and condition of inventories and internal controls designed by the company.</li> <li>Understanding the internal controls designed by the company over recording of purchases and valuation and costing of inventories.</li> <li>Assessing historical costs recorded in the inventory valuation by performing test of details on purchases.</li> <li>Obtaining the valuation sheets of the inventories and tracing / reconciling quantities from working papers to observation of physical stock taking.</li> <li>Considering the adequacy of the Company's disclosures in respect of inventories.</li> </ul>

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### **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 are 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 users 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.

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- 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.


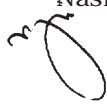
#### Report on Other Legal and Regulatory Requirements

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 other 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 Mr. Imran Ul Haq.

Islamabad  
November 05, 2020

  
Nasir Javaid Maqsood Imran  
Chartered Accountants  
 Imran Ul Haq, FCA

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## STATEMENT OF FINANCIAL POSITION

	Note	2020 (Rupees)	2019 (Rupees)
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized capital:</b>			
300,000,000 ordinary shares of Rupees 5/- each		1,500,000,000	1,500,000,000
<b>Issued, subscribed and paid up capital</b>			
215,714,285 ordinary shares of Rupees 5/- each	3	1,078,571,425	1,078,571,425
Reserves	4	(1,801,334,702)	(1,555,812,643)
		(722,763,277)	(477,241,218)
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	5	503,649,521	470,149,521
Deferred liabilities	6	49,523,071	64,593,059
		553,172,592	534,742,580
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	493,988,374	341,854,719
Accrued Interest on loans and borrowings	8	471,877,939	471,877,939
Short-term borrowings	9	1,463,142,972	1,463,142,972
Current portion of long term loan	10	364,705,882	364,705,882
Supplier's credit	11	167,080,699	163,900,150
Un-claimed dividend		1,915,117	1,915,117
Provision for taxation	29	31,735,752	34,961,489
		2,994,446,735	2,842,358,269
<b>CONTINGENCIES AND COMMITMENTS</b>	12	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>			
		2,824,856,050	2,899,859,631

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

Lahore  
November 05, 2020



(Khawaja Muhammad Jahangir)  
Chairman

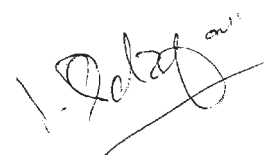
## AS AT JUNE 30, 2020

	Note	2020 (Rupees)	2019 (Rupees)
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	13	1,652,107,503	1,738,573,442
Long term deposits	14	39,325,312	39,325,312
Long term investments	15	149,688	166,320
		<b>1,691,582,504</b>	<b>1,778,065,074</b>
<b>CURRENT ASSETS</b>			
Stores and spares	16	39,841,455	46,399,495
Stock-in-trade	17	916,048,119	798,871,215
Trade debtors	18	145,789,167	208,885,631
Loans and advances	19	21,781,211	63,337,141
Other receivables	20	-	2,500
Cash and bank balances	21	9,813,594	4,298,576
		<b>1,133,273,546</b>	<b>1,121,794,557</b>
<b>TOTAL ASSETS</b>		<b>2,824,856,050</b>	<b>2,899,859,631</b>

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



(Mr. Muhammad Naveed)  
Chief Executive



(Mr. Muhammad Saeed Zafar)  
Chief Financial Officer

**STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 (Rupees)	2019 (Rupees)
Sales - net	22	1,662,982,360	4,260,538,818
Cost of sales	23	(1,797,827,934)	(4,258,906,073)
<b>GROSS (LOSS)/PROFIT</b>		<b>(134,845,574)</b>	1,632,745
<b>OPERATING EXPENSES:</b>			
Distribution cost	24	(2,291,424)	(3,213,090)
Administrative	25	(70,770,732)	(91,600,984)
		(73,062,156)	(94,814,075)
<b>OPERATING (LOSS)</b>		<b>(207,907,730)</b>	(93,181,330)
Finance cost	26	(8,338,468)	(174,636,940)
Other operating expenses	27	(4,137,747)	(38,688,337)
Other operating income	28	287,062	10,435
		(12,189,153)	(213,314,842)
<b>(LOSS) BEFORE TAXATION</b>		<b>(220,096,883)</b>	(306,496,172)
<b>TAXATION</b>			
Current	29	(24,944,735)	(32,906,612)
Deferred	6.2	-	-
		(24,944,735)	(32,906,612)
<b>(LOSS) AFTER TAXATION</b>		<b>(245,041,618)</b>	(339,402,784)
<b>(LOSS) PER SHARE - BASIC &amp; DILUTED</b>	30	<b>(1.14)</b>	(1.57)

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

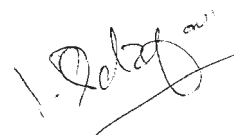


Lahore  
November 05, 2020

(Khawaja Muhammad Jahangir)  
Chairman



(Mr. Muhammad Naveed)  
Chief Executive



(Mr. Muhammad Saeed Zafar)  
Chief Financial Officer

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2020**

	2020 (Rupees)	2019 (Rupees)
(Loss) after taxation	(245,041,618)	(339,402,784)
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit and loss:		
Unrealized (loss) due to change in fair value of long term investments	(16,632)	(118,087)
Experience adjustment due to actuarial valuation ( Note 6.1.1)	(463,809)	832,046
Deferred tax impact	-	-
	(463,809)	832,046
Total comprehensive (Loss) for the year	<u>(245,522,059)</u>	<u>(338,688,825)</u>

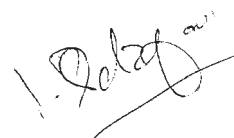
The annexed notes form an integral part of these financial statements.



(Khawaja Muhammad Jahangir)  
Chairman



(Mr. Muhammad Naveed)  
Chief Executive



(Mr. Muhammad Saeed Zafar)  
Chief Financial Officer

Lahore  
November 05, 2020

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2020

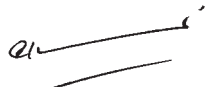
	RESERVES				Total
	SHARE CAPITAL	CAPITAL RESERVES	REVENUE RESERVES		
			Share Premium	Accumulated Profit / (Loss)	
<b>Rupees</b>					
Balance as on June 30, 2018	1,078,571,425	171,428,570	(1,355,757,814)	(715,593)	(106,473,412)
Adjustment on adoption of IFRS 9 (note 2.4.1)			(32,078,981)	-	(32,078,981)
Adjusted balance as on July 01, 2018	1,078,571,425	171,428,570	(1,387,836,795)	(715,593)	(138,552,393)
(Loss) after taxation for the year	-	-	(339,402,784)	-	(339,402,784)
Experienced adjustment due to actuarial valuation	-	-	832,046	-	832,046
Unrealized (loss) due to change in fair value of long term investment	-	-	-	(118,087)	(118,087)
Balance as on June 30, 2019	1,078,571,425	171,428,570	(1,726,407,533)	(833,680)	(477,241,218)
Adjusted balance as on July 01, 2019	1,078,571,425	171,428,570	(1,726,407,533)	(833,680)	(477,241,218)
(Loss) after taxation for the year	-	-	(245,041,618)	-	(245,041,618)
Experienced adjustment due to actuarial valuation	-	-	(463,809)	-	(463,809)
Unrealized (loss) due to change in fair value of long term investment	-	-	-	(16,632)	(16,632)
Balance as on June 30, 2020	1,078,571,425	171,428,570	(1,971,912,960)	(850,312)	(722,763,277)

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

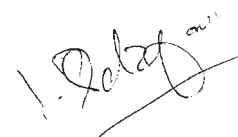


Lahore  
November 05, 2020

(Khawaja Muhammad Jahangir)  
Chairman



(Mr. Muhammad Naveed)  
Chief Executive



(Mr. Muhammad Saeed Zafar)  
Chief Financial Officer

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 (Rupees)	2019 (Rupees)
<b>CASH GENERATED FROM OPERATIONS</b>			
Cash generated from operations	31	44,722,851	28,626,906
Finance cost paid		(8,338,468)	(9,302,052)
Income tax paid		(28,170,472)	(17,204,696)
Gratuity paid		(31,525,392)	(19,390,294)
<b>Net cash outflow from operating activities</b>		<b>(23,311,481)</b>	<b>(17,270,136)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(3,859,500)	(11,941,500)
Proceeds from disposal of property, plant and equipment		486,000	-
<b>Net cash (used in)/generated from investing activities</b>		<b>(3,373,500)</b>	<b>(11,941,500)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Lease rentals paid		(1,300,000)	(2,400,000)
Increase in directors loan		33,500,000	31,773,000
<b>Net cash generated from financing activities</b>		<b>32,200,000</b>	<b>29,373,000</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>5,515,019</b>	<b>161,364</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>4,298,576</b>	<b>4,137,212</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	21	<b>9,813,594</b>	<b>4,298,576</b>

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

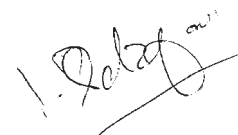


Lahore  
November 05, 2020

(Khawaja Muhammad Jahangir)  
Chairman



(Mr. Muhammad Naveed)  
Chief Executive



(Mr. Muhammad Saeed Zafar)  
Chief Financial Officer

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 1. THE COMPANY AND ITS OPERATIONS

- 1.1 Kohinoor Spinning Mills Limited was incorporated on 23rd July, 1970 as a public limited company in Pakistan under the Companies Act, 1913 (Now Companies Act 2017) and is quoted on Karachi stock exchange. The company is engaged in the business of textile spinning.

Geographical Location of Head office and business units:	
Registered Office	7-E, 3/1 Main Boulevard, Gulberg III, Lahore.
Unit 01 / 02	Aminabad 8 Km Pindi Road, Chakwal.
Unit 03	8 Km Bhaun Road, Chakwal.

- 1.2 The company has been incurring losses since financial year 2015 with total negative equity of Rupees 722,763,277/- (2019: 477,241,218) representing excess of total liabilities over total assets as at 30 June 2020. This situation casts doubtfulness over the going concern of the company. However, these financial statements have been prepared on going concern assumptions owing to continued financial support assurance from the directors in the shape of equity contribution and loans as and when required together with negotiation and favorable terms of engagement with financial institutions, changes in top management to bring more efficiency in operations.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved International Accounting Standards as applicable in Pakistan. Approved International Accounting Standards comprise of:

International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Company's Act 2017, and

Provisions of and directives issued under the Company's Act 2017.

In case requirements differ, the provisions of, or directives issued under Company's Act 2017 shall prevail.

#### 2.2 BASIS OF PREPARATION

These accounts have been prepared under the historical cost convention except retirement benefits and investments at fair value the valuation basis of which are described in relevant notes.

#### 2.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimate and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

## Staff retirement benefits

Certain actuarial assumption has been adopted as disclosed in note 6.1 the financial statements for valuation of present value of defined benefit obligations.

## Inventories

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made on each reporting date on inventories for excess inventories, obsolescence and declines in net realizable value and an allowance is recorded against the inventory balances for any such declines.

## Property, plant and equipment

The Company has made certain estimations with respect to residual value and depreciable lives of property, plant and equipment. The Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the remaining amounts of respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

## Income Taxes

In making the estimates for income taxes payable by the Company, the management considers current Income Tax law and the decisions of appellate authorities on certain cases issued in past.

## Provisions

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognized provision is recognized in the statement of profit or loss unless the provision was originally recognized as part of cost of an asset.

## Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

## 2.4 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

### 2.4.1 Standards and amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following standards, interpretations and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2019.

- IFRS 16 'Leases'
- IFRS 9 (Amendments) 'Financial Instruments'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- IASB's Annual Improvements to IFRSs: 2015 - 2017 Cycle

The above mentioned accounting standards did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

**2.4.2** Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2019 or later periods:

- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') effective for the annual period beginning on or after 1 January 2022
- Amendments to IAS 16 'Property, Plant and Equipment') effective for the annual period beginning on or after 1 January 2022
- Amendments to IFRS 9 effective for annual periods beginning on or after 01 January 2022
- Amendments to IFRS 16 'Leases' effective for annual periods beginning on or after 01 January 2022
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020 and 2022)

The above amendments and improvements do not have a material impact on the financial statements.

**2.4.3** Standards, interpretations and amendments to approved published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2020 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

## 2.5 TAXATION

### Current

The Charge for current taxation is based on taxable income at current tax rates after taking into account all tax credits and rebates available, if any. In case of loss minimum tax liability is provided in these accounts based on liability worked out under section 113 or under sections 154 and 153 of the Income Tax Ordinance, 2001, whichever of these liability is higher.

### Deferred

Deferred tax is provided in full using the liability method on all temporary differences arising at the statement of financial position date, between the tax bases of the assets and liabilities and their carrying amounts.

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits, if any to the extent that it is probable that future taxable profit will be available against which the temporary differences, tax losses and unused tax credits can be utilized.

The carrying amount of all deferred tax assets is reviewed at each statement of financial position date and adjusted to the appropriate extent, if it is probable that sufficient taxable profits will not be available to allow all or part of the deferred tax assets to be utilized.

The tax rates enacted at the statement of financial position date are used to determine deferred income tax.

## 2.6 PROPERTY, PLANT AND EQUIPMENT

### Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost. Cost of tangible operating assets consists of historical cost, borrowing cost pertaining to the erection period and directly attributable cost of bringing the assets to working condition.

Depreciation on property, plant and equipment except free hold land is charged to income applying the reducing balance method as to write off the cost of property, plant and equipment including the related exchange differences over their expected useful life at the rates given in Note 13.

Depreciation on additions is charged from the month in which the assets become available for use, while on disposal depreciation is charged up to the month of disposal.

Gains or losses on disposal of property plant and equipment are charged to income during the period in which they are incurred.

## 2.7 STORES AND SPARES

These are valued at cost, applying moving average method except for stock-in-transit which are valued at cost.

## 2.8 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated initially at cost which is the fair value of consideration given or received. The financial assets are subsequently measured at fair value, amortized cost or cost as the case may be with classifications into i) at fair value through profit or loss (FVTPL), ii) at fair value through other comprehensive income (FVTOCI) and iii) at amortized cost. Subsequently:

### i) Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in other comprehensive income / (loss).

### ii) Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost, and in the case of financial assets, less any impairment.

### iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income / (loss). Currently, there are no financial liabilities designated at FVTPL.

### Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

## **Derecognition of financial instruments**

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company de-recognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

## **2.9 STOCK-IN-TRADE**

These are valued at the lower of average cost and net realizable value, except waste stock which is valued at the net realizable value. Average cost signifies, in relation to raw material annual average cost, for work-in-process and finished goods average manufacturing cost including a proportion of related overheads. Net realizable value signifies the prevailing market prices in the ordinary course of business less selling expenses incidental to sales. Stocks of raw material in transit are valued at cost.

## **2.10 TRADE DEBTS**

Trade debts are carried at original invoice less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

## **2.11 STAFF RETIREMENT BENEFITS**

The company operates an unfunded and unapproved gratuity scheme for its employees, which is a defined benefit plan based upon the last salary drawn by an employee. Present value of defined benefit obligation is calculated on the basis of actuarial valuation at the end of the year. The valuation in these accounts is worked out on the Projected Unit Credit Actuarial Cost method.

## **2.12 FOREIGN CURRENCY TRANSACTIONS**

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak rupees at the exchange rates prevailing on the statement of financial position date except where forward exchange rates are booked, which are translated at the contracted rates.

## **2.13 REVENUE RECOGNITION**

Sales are recognized on dispatch of goods to the customers. Dividend income on equity investments is recognized as income when the right of receipt is established. Profit on short-term deposits is accounted for on time-apportioned basis on the principal outstanding by using the rate applicable.

## **2.14 IMPAIRMENT OF NON FINANCIAL ASSETS**

The company assesses at each statement of financial position date whether there is any indication that assets except deferred tax assets, if any, may have been impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income.

## **2.15 TRADE AND OTHERS PAYABLES**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

## **2.16 PROVISIONS**

Provisions are recognized when the company has a legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

## **2.17 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of cash and bank balances.

## **2.18 BORROWING COST**

Borrowing costs are charged to income as and when incurred except to the extent costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of asset.

## **2.19 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

A financial asset and a financial liability is offset and the net amount is 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.

## **2.20 TRANSACTIONS WITH RELATED PARTIES AND TRANSFER PRICING**

Transactions with related parties are accounted for using arm's length price in ordinary course of business in accordance with uncontrolled price method except in exceptional circumstances as decided by board of directors.

## **2.21 DIVIDEND**

The dividend distribution to the shareholders is recognized as a liability in the period in which it is approved by the shareholders.

	Note	2020 (Rupees)	2019 (Rupees)
<b>3 SHARE CAPITAL</b>			
<b>Issued, subscribed and paid up</b>			
127,725,000 (2019:127,725,000) ordinary shares of Rupees 5/- each (2019: Rupees 5/- each) fully paid in cash		<b>638,625,000</b>	638,625,000
85,714,285 (2019: 85,714,285) ordinary shares of Rupees 5/- each (2019: Rupees 5/- each) issued against director's loan		<b>428,571,425</b>	428,571,425
2,275,000 (2019:2,275,000) ordinary shares of Rupees 5/- each (2019: Rupees 5/- each) issued as fully paid bonus shares.		<b>11,375,000</b>	11,375,000
		<b>1,078,571,425</b>	1,078,571,425
<b>3.1 Reconciliation of number of shares</b>			
Number of shares at 1 July		<b>215,714,285</b>	215,714,285
Shares issued against directors loan		-	-
Number of shares at 30 June		<b>215,714,285</b>	215,714,285
<b>4 RESERVES</b>			
Accumulated (loss)		<b>(1,952,079,814)</b>	(1,707,038,196)
Share Premium	4.1	<b>171,428,570</b>	171,428,570
Cash dividend		<b>(12,612,848)</b>	(12,612,848)
Unrealized (loss) on long term investments		<b>(850,312)</b>	(833,680)
Unrealized amount charged to retained earning due to valuation		<b>(1,059,992)</b>	(596,183)
Actuarial re-measurement-experience adjustments		<b>(6,160,306)</b>	(6,160,306)
		<b>(1,801,334,702)</b>	(1,555,812,643)
<b>4.1</b>			
This reserve can be utilized by the company only for the purposes specified in section 81 of the Companies Act 2017.			
<b>5 LONG TERM LOANS</b>			
<b>From directors and relatives</b>			
Sub-ordinate loan	5.1 & 5.2	<b>397,000,000</b>	397,000,000
Free loan	5.1 & 5.3	<b>106,649,521</b>	73,149,521
		<b>503,649,521</b>	470,149,521
<b>From banking companies - secured</b>			
Demand finance	5.4	<b>364,705,882</b>	364,705,882
<b>Less:</b>			
Overdue installment		<b>(364,705,882)</b>	(317,647,650)
Current portion	10	<b>-</b>	(47,058,232)
		<b>(364,705,882)</b>	(364,705,882)
		<b>-</b>	-
		<b>503,649,521</b>	<b>470,149,521</b>

- 5.1** The directors and thier relatives have injected unsecured and interest free loans for the repayment of the liabilities of the banks and BMR of the Company. The loan is repayable at the convenience of the directors and relatives. The directors of the company and their relatives have confirmed that they would not demand repayment of loan for a period of 12 months of the statement of financial position date. Hence the loan has been classified as long term liability.
- 5.2** This loan is sub-ordinate to the finance facilities together with mark up, additional mark, damages, liquidated damages, costs, charges, fees costs of funds, commissions and expenses thereon or related thereto to the extent provided in the sub-ordinate agreements.
- 5.3** This loan is not sub-ordinate to any finance facility.
- 5.4** This loan is secured by a first pari passu charge with 25% margin fixed assets of unit-3 of the company. It carries mark up based on six months KIBOR plus 2.75%. The loan was repayable in 17 equal quarterly installments of Rs.23.53 million each commencing from December, 2015 and ending on December 2019.

## 6 DEFERRED LIABILITIES

	Note	2020 (Rupees)	2019 (Rupees)
Gratuity	6.1	49,523,071	64,593,059
Deferred tax liability	6.2	-	-
		<b>49,523,071</b>	<b>64,593,059</b>

Company operates unfunded gratuity scheme for its employees that pays a lump sum gratuity to members on leaving company's service after completion of one year of continuous service. The future contribution rates of the scheme include allowances for deficit and surplus. Projected unit credit method based on the following significant assumptions is used for valuation of this scheme. The latest actuarial valuation was carried out by M/S TRT Associates as on June 30, 2020.

### 6.1 Staff Gratuity-Defined Benefit Plan

The amounts recognized in financial statements are determined as follows :-

#### 6.1.1 Movement in liability recognized in the statement of financial position

		2020 (Rupees)	2019 (Rupees)
At the beginning of the year		64,593,059	68,551,920
Amount recognized during year - as shown above		15,991,595	16,263,479
Experience adjustment		463,809	(832,046)
Benefit payments		(31,525,392)	(19,390,294)
		<b>49,523,071</b>	<b>64,593,059</b>
<b>6.1.2 Expense charged to statement of profit or loss</b>			
Current service cost		10,872,968	11,554,937
Interest cost		5,118,627	4,708,542
		<b>15,991,595</b>	<b>16,263,479</b>
<b>6.1.3 Allocation of charge for the year</b>			
Cost of sales	23	12,017,802	12,052,470
Administrative expenses	25	3,973,793	4,211,009
		<b>15,991,595</b>	<b>16,263,479</b>

## 6.1.4 The principal actuarial assumptions used were as follows

	2020 (Rupees)	2019 (Rupees)
Discount rate	8.50%	12.50%
Expected rate of increase in salary	7.50%	11.50%
Average expected remaining working life of employees	9 years	8 years
Average duration of liability	9 years	8 years

## 6.1.5 Sensitivity analysis as at 30.06.2020

	Discount Rate + 1%	Discount Rate - 1%	Salary Increase + 1%	Salary Increase - 1%
PVDBO	46,009,096	53,591,213	53,591,213	45,947,757

## 6.2 Deferred tax

On temporary differences arising on:

	2020 (Rupees)	2019 (Rupees)
Property, plant and equipment	365,925,306	363,992,574
Gratuity	(14,361,691)	(18,731,987)
Leased assets	4,241,722	4,104,755
Tax losses and credits	(355,805,337)	(349,365,341)
Deferred Tax (Asset) / Liability	-	-

**6.2.1** Due to year over year tax losses, the company is only recognizing deferred tax asset to the extent of available taxable temporary differences from previous years. The excess deferred tax asset amounting to Rs. 243,766,838 (2019: 252,615,780) from tax losses and credits has not been recognized. Losses amounting to 19,016,399 will expire next year.

## 7 TRADE AND OTHER PAYABLES

### Un-secured:

	Note	2020 (Rupees)	2019 (Rupees)
Creditors	7.1	165,323,868	35,378,486
Accrued expenses		130,832,713	180,719,650
Sales tax payable		105,744,640	39,882,162
Workers' profit participation fund	7.2	90,987,492	83,474,760
Overdue lease rentals		1,099,660	2,399,660
		<b>493,988,374</b>	<b>341,854,719</b>

**7.1** These include Rs.5,340,807 (2019: 3,726,413) payable to Chakwal Textile Mills Limited-an associated undertaking.

### 7.2 Workers' profit participation fund

		2020 (Rupees)	2019 (Rupees)
Opening balance		83,474,760	74,865,252
Interest recognized during the year	7.2.1	7,512,732	8,609,508
		<b>90,987,492</b>	<b>83,474,760</b>

**7.2.1** The company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the companies Profit (Workers Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

	Note	2020 (Rupees)	2019 (Rupees)
<b>8 ACCRUED INTEREST ON LOANS AND BORROWINGS</b>			
Accrued interest / mark up on:			
Long term loans (Secured)		103,765,431	103,765,431
Short term finances (Secured)		368,112,508	368,112,508
		<b>471,877,939</b>	<b>471,877,939</b>
<b>9 SHORT-TERM BORROWINGS</b>			
<b>Banking companies - Secured</b>			
Running finance	9.1/9.2	168,248,211	168,248,211
Others	9.1	1,010,530,280	1,010,530,280
Export finance	9.1	284,364,481	284,364,481
		<b>1,463,142,972</b>	<b>1,463,142,972</b>

9.1

NATURE OF FACILITY	LIMIT	MARK UP RATE	Expiry	SECURITY
Running Finance	169,452,613	3 Months KIBOR plus 2.00 % to 2.50%	Ranges from 09/30/2016 to 12/31/2016	PP charge on Current Assets of the company and Personal Guarantee of the Sponsoring Directors of the Company.
Others	1,150,000,000	3 Months KIBOR plus 2.00 % to 3.50%		Pledge of stock of raw material and finished goods under the supervision and control of Bank Mucaddam. Personal Guarantee of the Sponsoring Directors of the Company.
Export Finance	285,000,000	3 Months KIBOR plus 2.00 % to 3.50%		Lien on contract / export documents. 1st PP Charged over Fixed Assets of the Company. Personal Guarantees of the Sponsoring Directors of the Company.

9.2 In October 2017, SNGPL encashed bank guarantee amounting to Rs. 32,725,004/- against detection bill of the company. After adjusting for guarantee margin of Rs. 5,272,391/-, balance amount of Rs. 27,452,613/- was added to the running finance.

	Note	2020 (Rupees)	2019 (Rupees)
<b>10 CURRENT PORTION OF LONG TERM LOAN</b>			
Long term loans	5	364,705,882	364,705,882
		<b>364,705,882</b>	<b>364,705,882</b>
<b>11 SUPPLIER'S CREDIT-UNSECURED</b>			
Loan for machinery - Overdue installments	11.1	167,080,699	163,900,150
		<b>167,080,699</b>	<b>163,900,150</b>

11.1 This loan is unsecured and interest free. This loan is repayable in 6 equal half year installments of Rs. 25.761 million (Euro 221,486.69) each commencing from August 2014 and ending on August, 2017 with 15% payment at the time of presentation of shipping documents of machinery.

## 12 CONTINGENCIES AND COMMITMENTS

### 12.1 CONTINGENCIES

**12.1.1** There are pending litigations against the company by various banks/financial institutions before Lahore High Court wherein they claimed recovery of Rs. 1948.923 million inclusive of principal and markups. These cases are being vigorously and diligently contested by the company and there are good chances of a favorable result. Related provisions has been made in these accounts.

**12.1.2** For tax year 2014, an amendment order was passed by Additional Commissioner Inland Revenue (Audit) creating a demand of Rs. 144,576,581/-. The company has preferred appeal before the Commissioner inland Revenue (Appeals). The company is hopeful that case will be decided in its favour.

13 PROPERTY, PLANT AND EQUIPMENT	Note	2020 (Rupees)	2019 (Rupees)
<b>Fixed assets:</b>			
Owned assets	13.1	1,636,381,216	1,722,019,456
Leased assets	13.2	15,726,287	16,553,986
		<b>1,652,107,503</b>	<b>1,738,573,442</b>

## 13.1 PROPERTY AND EQUIPMENT

	COST (Rupees)											Total
	Land (Freehold)	Building (Freehold)	Plant and Machinery	Tube Wells	Electric Installation	Tools and Equipment	Telephone Installation	Office Equipment	Furniture and Fixture	Vehicles		
Year ended June 30, 2019												
Opening net book amount	11,675,239	322,407,787	1,420,236,623	170,924	29,170,095	212,353	97,615	7,582,564	1,902,990	10,239,518	1,803,695,708	
Additions	-	-	10,905,500	-	-	-	-	-	-	1,036,000	11,941,500	
Disposal/Deficit	-	(16,120,389)	(71,535,795)	(17,091)	(2,917,003)	(21,236)	(9,762)	(758,254)	(190,299)	(2,047,923)	(93,617,752)	
Depreciation charge	-	-	-	-	-	-	-	-	-	-	-	
Adjustment	-	-	-	-	-	-	-	-	-	-	-	
Transfer	-	-	-	-	-	-	-	-	-	-	-	
Closing net book amount	11,675,239	306,287,398	1,359,606,328	153,833	26,253,092	191,117	87,853	6,824,310	1,712,691	9,227,595	1,722,019,456	
At June 30, 2019												
Cost	11,675,239	603,599,123	2,948,469,920	1,545,577	84,147,538	4,241,143	1,017,190	19,657,169	10,158,992	60,063,688	3,744,575,580	
Accumulated depreciation	-	297,311,725	1,588,863,592	1,391,744	57,894,446	4,050,026	929,337	12,832,859	8,446,301	50,836,093	2,022,556,123	
Net book amount	11,675,239	306,287,398	1,359,606,328	153,833	26,253,092	191,117	87,853	6,824,310	1,712,691	9,227,595	1,722,019,456	
Year ended June 30, 2020												
Opening net book amount	11,675,239	306,287,398	1,359,606,328	153,833	26,253,092	191,117	87,853	6,824,310	1,712,691	9,227,595	1,722,019,456	
Additions	-	-	-	-	-	-	-	-	-	3,859,500	3,859,500	
Disposal/Deficit	-	-	-	-	-	-	-	-	-	(856,485)	(856,485)	
Depreciation charge	-	(15,314,369)	(67,980,314)	(15,385)	(2,625,309)	(19,111)	(8,791)	(682,435)	(171,267)	(2,481,821)	(89,298,802)	
Adjustment	-	-	-	-	-	-	-	-	-	657,547	657,547	
Transfer	-	-	-	-	-	-	-	-	-	-	-	
Closing net book amount	11,675,239	290,973,029	1,291,626,014	138,448	23,627,783	172,006	79,062	6,141,875	1,541,424	10,406,336	1,636,381,216	
At June 30, 2020												
Cost	11,675,239	603,599,123	2,948,469,920	1,545,577	84,147,538	4,241,143	1,017,190	19,657,169	10,158,992	63,066,703	3,747,578,595	
Accumulated depreciation	-	312,626,094	1,656,843,906	1,407,129	60,519,755	4,069,137	938,128	13,515,294	8,617,568	52,660,367	2,111,197,378	
Net book amount	11,675,239	290,973,029	1,291,626,014	138,448	23,627,783	172,006	79,062	6,141,875	1,541,424	10,406,336	1,636,381,216	
Rate of depreciation in %	-	5	5	10	10	10	10	10	10	20	20	

## 13.1.1 DISPOSAL OF PROPERTY AND EQUIPMENT

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Mode of disposal	Buyer's Name	Particulars
LEE-13-6783	770,485	601,665	168,820	450,000	281,180	Negotiation	Mr. Muhammad Hafeez	Post Office Qilian Nerian, Sudhonti Azad Kashmir
LEW-15-2676	86,000	55,882	30,118	36,000	5,882	Negotiation	Mr. Usman Riaz	House # 11, Hameed Street, Islam Pura, Lahore
	<b>856,485</b>	<b>657,547</b>	<b>198,938</b>	<b>486,000</b>	<b>287,062</b>			

## 13.1.2 PARTICULARS OF IMMOVABLE PROPERTIES

Manufacturing Units	Address	Area of Land (Kanals)	Covered area (sq foot)
Unit 1/2	Ameenabad 8 Km Pindli Road, Chakwal.	385.55	467,535
Unit 3	8 Km Bhoum road Chakwal	244.00	372,236
		<b>629.55</b>	<b>839,771</b>

## 13.2 Leasehold property and equipment

	Plant and Machinery	Vehicles	Total
	R U P E E S		
<b>Year ended June 30, 2019</b>			
Opening net book amount	17,425,406	-	<b>17,425,406</b>
Additions	-	-	-
Depreciation charge	(871,420)	-	<b>(871,420)</b>
Transferred to owned assets	-	-	-
Adjustment	-	-	-
Closing net book amount	<b>16,553,986</b>	-	<b>16,553,986</b>
<b>At June 30, 2019</b>			
Cost	21,600,000	-	<b>21,600,000</b>
Accumulated depreciation	5,046,014	-	<b>5,046,014</b>
Net book amount	<b>16,553,986</b>	-	<b>16,553,986</b>
<b>Year ended June 30, 2020</b>			
Opening net book amount	16,553,986	-	<b>16,553,986</b>
Additions	-	-	-
Depreciation charge	(827,699)	-	<b>(827,699)</b>
Transferred to owned assets	-	-	-
Adjustment	-	-	-
Closing net book amount	<b>15,726,287</b>	-	<b>15,726,287</b>
<b>At June 30, 2020</b>			
Cost	21,600,000	-	<b>21,600,000</b>
Accumulated depreciation	5,873,713	-	<b>5,873,713</b>
Net book amount	<b>15,726,287</b>	-	<b>15,726,287</b>
<b>Rate of depreciation in %</b>	<b>5</b>	<b>20</b>	

## 13.3 Depreciation/amortization has been apportioned as under : -

	Note	2020 (Rupees)	2019 (Rupees)
Cost of sales	23	87,644,680	92,441,249
Administrative expenses	25	2,481,821	2,047,923
		<b>90,126,501</b>	<b>94,489,172</b>
<b>14 LONG-TERM DEPOSITS</b>			
<b>Security deposits:</b>			
Utilities	14.1	39,175,312	39,175,312
Others		150,000	150,000
		<b>39,325,312</b>	<b>39,325,312</b>

**14.1** In October 2017, SNGPL encashed bank guarantee amounting to Rs. 32,725,004/- against detection bill of the company of Rs. 35,164,844. The company filed a complaint to OGRA relating to the encashment in which OGRA decided that detection charges and late payment charges shall be set aside and the amount of encashed bank guarantee will be treated as cash security with SNGPL after adjusting outstanding dues of Rs. 3,961,034.

	Note	2020 (Rupees)	2019 (Rupees)
<b>15 LONG TERM INVESTMENTS</b>			
<b>At fair value through other comprehensive income - Quoted</b>			
* KASB Modaraba 166,320 modaraba certificates of Rupees 10 each.		<b>149,688</b>	166,320
<b>16 STORES AND SPARES</b>			
Stores		<b>33,320,325</b>	39,903,566
Spares		<b>6,521,130</b>	6,495,929
		<b>39,841,455</b>	46,399,495
<b>17 STOCK-IN-TRADE</b>			
Raw material		<b>718,356,364</b>	709,028,305
Work-in-process		<b>24,887,962</b>	43,072,249
Finished goods		<b>171,313,600</b>	46,087,232
Waste		<b>1,490,193</b>	683,429
		<b>916,048,119</b>	798,871,215

	Note	2020 (Rupees)	2019 (Rupees)
<b>18 TRADE DEBTORS - CONSIDERED GOOD</b>			
Local - Unsecured	18.1	<b>179,977,831</b>	243,074,294
Allowance for expected credit loss	18.2	<b>(34,188,664)</b>	(34,188,664)
		<b>145,789,167</b>	<b>208,885,630</b>

**18.1** This includes balances receivables from the following associated undertakings: -

Chakwal Spinning Mills Limited		<b>2,061,975</b>	2,061,975
Yousaf Weaving Mills Limited		<b>21,931,392</b>	21,931,392
		<b>23,993,367</b>	23,993,367
<b>18.2 Allowance for expected credit loss</b>			
Opening balance		<b>34,188,664</b>	-
Add: Recognized as on 01 July, 2019		-	32,078,981
		<b>34,188,664</b>	32,078,981
Add: Recognized during the year		-	2,109,683
Closing balance		<b>34,188,664</b>	34,188,664

	Note	2020 (Rupees)	2019 (Rupees)
<b>19 SHORT TERM ADVANCES</b>			
<b>Advances to suppliers - considered good</b>			
Suppliers		12,786,115	49,140,454
<b>Advances to employees - considered good</b>			
Executive	19.1/19.3	1,615,000	1,615,000
Non- executive	19.2/19.3	7,380,096	12,581,687
		<b>21,781,211</b>	<b>63,337,141</b>

19.1 This represents loan of Rs. 1,615,000 (2019: 1,615,000) to Mr. Saeed Zafar (Chief Financial Officer)

	2020 (Rupees)	2019 (Rupees)
<b>19.2</b> This includes the following loans exceeding Rupees 1 million:		
Asif Qazi (I.T Manager)	1,925,809	1,775,809
Azhar Naseem Ahmed (Deputy Manager Finance)	-	1,656,679

19.3 These loans are secured against gratuity balances of the employees

	Note	2020 (Rupees)	2019 (Rupees)
<b>20 OTHER RECEIVABLES</b>			
Receivable from CDC		-	2,500
		-	2,500
<b>21 CASH AND BANK BALANCES</b>			
<b>Cash in hand</b>		<b>1,097,754</b>	985,401
<b>Cash at bank:</b>			
In current accounts		7,043,403	2,751,681
In saving accounts	21.1	1,672,437	561,494
		<b>9,813,594</b>	<b>4,298,576</b>
21.1 Saving account carries interest @ 3.5% p.a (2019: 4% p.a)			
<b>22 SALES</b>			
<b>Local</b>			
Yarn		1,947,965,232	4,222,536,280
Waste		20,267,692	38,002,538
Less: Sales tax		(305,250,564)	-
		<b>1,662,982,360</b>	<b>4,260,538,818</b>

	Note	2020 (Rupees)	2019 (Rupees)
<b>23 COST OF SALES</b>			
Raw material consumed	23.1	1,214,390,915	2,993,358,365
Salaries, wages and benefits	23.2	234,620,897	479,925,354
Fuel and power		273,884,505	531,533,651
Insurance		5,002,523	5,186,037
Packing material		29,778,483	63,921,052
Repairs and maintenance		18,802,729	11,425,215
Stores and spares consumed		27,032,432	66,271,979
Vehicle running and maintenance		2,708,650	2,788,285
Communication		520,196	553,037
Travelling and Conveyance		2,457,182	2,518,585
Miscellaneous		8,833,587	4,833,401
Depreciation	13.3	87,644,680	92,441,249
		<b>1,905,676,779</b>	<b>4,254,756,210</b>
Work-in-process			
Opening		43,072,249	29,690,802
Closing		(24,887,962)	(43,072,249)
Cost of goods manufactured		<b>1,923,861,066</b>	<b>4,241,374,763</b>
Finished goods and waste			
Opening stock		46,770,661	63,618,542
Closing stock		(172,803,793)	(46,087,232)
		<b>1,797,827,934</b>	<b>4,258,906,073</b>
<b>23.1 RAW MATERIAL CONSUMED</b>			
Opening stock		709,028,305	688,015,829
Purchases		1,225,169,672	3,014,544,421
		<b>1,934,197,977</b>	<b>3,702,560,250</b>
Cost of raw material sold		(1,450,698)	(173,580)
		<b>1,932,747,279</b>	<b>3,702,386,670</b>
Closing stock		(718,356,364)	(709,028,305)
		<b>1,214,390,915</b>	<b>2,993,358,365</b>

23.2 It includes Rs. 12,017,802 (2019 : Rs. 12,052,470) in respect of gratuity.

	Note	2020 (Rupees)	2019 (Rupees)
<b>24 DISTRIBUTION COST</b>			
Commission on local sales		1,841,554	1,553,423
Local Freight		449,870	1,659,668
		<b>2,291,424</b>	<b>3,213,091</b>

	Note	2020 (Rupees)	2019 (Rupees)
<b>25 ADMINISTRATIVE</b>			
Salaries, wages and benefits	25.1	34,146,957	42,374,811
Travelling and conveyance		3,253,239	1,968,879
Rent, rates and taxes		333,852	204,662
Printing and stationery		544,036	765,637
Communications		1,824,047	1,783,623
Entertainment		875,714	1,018,914
Electricity and gas		6,851,759	3,086,061
Vehicles running		5,774,143	6,315,175
Fee and subscription		4,791,483	9,010,870
Legal and Professional		1,184,000	10,556,000
Repairs and maintenance		1,067,318	1,651,477
Miscellaneous		7,442,364	10,816,953
Depreciation	13.3	2,481,821	2,047,923
Donations	25.2	200,000	57,000
		<b>70,770,733</b>	<b>91,657,985</b>

25.1 It includes Rs. 3,973,793 (2019 : Rs.4,211,009) in respect of gratuity.

25.2 None of the directors or their spouses had any interest in any of the donees.

	Note	2020 (Rupees)	2019 (Rupees)
<b>26 FINANCE COST</b>			
Interest / mark-up on:			
Long term loans		-	35,412,939
Short-term borrowings		-	129,921,860
Bank charges and commissions		825,736	692,633
Workers profit participation fund		7,512,732	8,609,508
		<b>8,338,468</b>	<b>174,636,940</b>
<b>27 OTHER OPERATING EXPENSES</b>			
Auditors' remuneration	27.1	875,000	875,000
Loss on sale of raw material		82,198	-
Exchange loss		3,180,549	35,703,654
Allownce for expected credit loss		-	2,109,683
		<b>4,137,747</b>	<b>38,688,337</b>
<b>27.1 Auditors' remuneration</b>			
Statutory audit		700,000	700,000
Half yearly review and review of code of corporate governance		175,000	175,000
		<b>875,000</b>	<b>875,000</b>

	Note	2020 (Rupees)	2019 (Rupees)
<b>28 OTHER OPERATING INCOME</b>			
<b>Income from non financial assets:</b>			
Gain on sale of fixed asset		287,062	-
Gain on sale of raw material		-	10,435
		<b>287,062</b>	<b>10,435</b>

	Note	2020 (Rupees)	2019 (Rupees)
<b>29 PROVISION FOR TAXATION</b>			
Opening balance		34,961,489	19,259,573
For the year	29.1	24,944,735	52,166,185
Prior year		-	(19,259,573)
		24,944,735	32,906,612
Less: Paid / adjusted		(28,170,472)	(17,204,696)
		<b>31,735,752</b>	<b>34,961,489</b>

**29.1** This represents liability provided under Section 113 and 154 of the Income Tax Ordinance, 2001 on the basis of gross turnover from all sources.

**29.2** The income tax assessment of the company has been finalized up to and including tax year 2019 by deeming provisions of income tax ordinance 2001, however appeal before appellate forum is pending for tax year 2014.

**29.3** No numeric tax rate reconciliation is presented in these financial statements as the Company is liable to pay minimum tax under Section 113 and under Section 154 of the Income Tax Ordinance 2001.

	Note	2020 (Rupees)	2019 (Rupees)
<b>30 (LOSS) PER SHARE - Basic</b>			
(Loss) after taxation		(245,041,618)	(339,402,784)
Weighted average number of ordinary shares		215,714,285	215,714,285
(Loss) per share - Basic		(1.14)	(1.57)

### 30.1 Diluted earning per share

There is no dilution effect on the basic earning per share of the Company as the company has no such commitments.

	Note	2020 (Rupees)	2019 (Rupees)
<b>31 CASH FLOW FROM OPERATING ACTIVITIES</b>			
(Loss) before taxation		(220,096,883)	(306,496,172)
<b>Adjustments of non cash charges and other items</b>			
Depreciation		90,126,501	94,489,172
Gratuity		15,991,595	16,263,479
Gain on sale of fixed assets		(287,062)	-
Expected credit loss		-	2,109,683
Finance cost		8,338,468	174,636,941
Exchange loss/(gain)		3,180,549	35,703,654
<b>Operating cash flows before working capital changes</b>		<b>(102,746,832)</b>	<b>16,706,757</b>
<b>(Increase)/decrease in current assets</b>			
Stores and spares		6,558,040	14,324,581
Stock-in-trade		(117,176,904)	(17,546,042)
Trade debts		63,096,463	10,038,559
Loan and advances		41,555,930	(5,346,304)
Other receivables		2,500	(2,500)
		(5,963,972)	1,468,294
<b>(Decrease)/Increase in current liabilities</b>			
Trade and other payables		153,433,655	10,451,855
		<b>44,722,851</b>	<b>28,626,906</b>

## 31.1 Reconciliation of movement of liabilities to cash flows arising from financing activities:

	2020			TOTAL
	Liabilities from financing activities			
	Long term loans (Directors)	Short term borrowings	Finance Lease	
	(Rupees)			
Balance at 1 July, 2019	470,149,521	1,463,142,972	2,399,660	1,935,692,153
Long term loan obtained	33,500,000	-	-	33,500,000
Lease rentals paid	-	-	(1,300,000)	(1,300,000)
Balance at 30 June, 2020	<b>503,649,521</b>	<b>1,463,142,972</b>	<b>1,099,660</b>	<b>1,967,892,153</b>

	2019			TOTAL
	Liabilities from financing activities			
	Long term loans (Directors)	Short term borrowings	Finance Lease	
	(Rupees)			
Balance at 1 July, 2018	438,376,521	1,463,142,972	4,799,660	1,906,319,153
Long term loan obtained	31,773,000	-	-	31,773,000
Lease rentals paid	-	-	(2,400,000)	(2,400,000)
Balance at 30 June, 2019	<b>470,149,521</b>	<b>1,463,142,972</b>	<b>2,399,660</b>	<b>1,935,692,153</b>

## 32 CHIEF EXECUTIVE, EXECUTIVE DIRECTOR AND EXECUTIVES REMUNERATION

	2020 (Rupees)			2019 (Rupees)		
	CHIEF EXECUTIVE	EXECUTIVE DIRECTOR	EXECUTIVES	CHIEF EXECUTIVE	EXECUTIVE DIRECTOR	EXECUTIVES
Remuneration	4,600,000	1,400,000	13,054,880	4,600,000	1,400,000	6,188,904
House rent	2,070,000	630,000	5,874,696	2,070,000	630,000	2,785,007
Gratuity	-	-	987,907	-	-	602,120
Utilities	230,000	70,000	652,744	230,000	70,000	309,445
	<b>6,900,000</b>	<b>2,100,000</b>	<b>20,570,227</b>	<b>6,900,000</b>	<b>2,100,000</b>	<b>9,885,476</b>
Number of persons	1	1	7	1	1	5

32.1 The Chief Executive, Executive Director and certain Executives are provided with company maintained cars.

## 33 TRANSACTIONS WITH RELATED PARTIES

33.1	Name of Related Party	Basis of relationship	Transactions during the year	Percentage of Shareholding
	(Yousaf Weaving Mills Limited)	Common Directorship	No	No
	(Chakwal Spinning Mills)	Common Directorship	No	No
	(Chakwal Textile Mills Limited)	Director's relative is director	Yes	No

**33.1** Transactions with related parties comprise associated undertakings and other related parties through directorship and close family members and relatives of the directors of the company.

Transactions with related parties undertaken during the year were as follows:-

	Note	2020 (Rupees)	2019 (Rupees)
<b>Purchases of raw materials and goods</b>			
(Chakwal Textile Mills Limited)	33.1.1	11,561,394	-
		<b>11,561,394</b>	<b>-</b>

**33.1.1** Payment against purchases during the year Rs. 9,947,000 (2019: Rs. Nil)

	Note	2020 (Rupees)	2019 (Rupees)
<b>Sales of raw materials and goods</b>			
(Chakwal Textile Mills Limited)	33.1.2	-	184,088
		<b>-</b>	<b>184,088</b>

**33.1.2** Receipts against sales during the year Rs. Nil (2018: Rs. Nil)

### Loan from Directors

Loan received from directors during the year		<b>33,500,000</b>	31,773,000
<b>Aggregate maximum balance due from at the end of any month during the year.</b>			
(Chakwal Spinning Mills)		<b>2,061,975</b>	2,061,975
(Yousaf Weaving Mills Limited)		<b>21,931,293</b>	21,931,293
<b>Aggregate maximum balance due to at the end of any month during the year.</b>			
(Chakwal Textile Mills Limited)		<b>5,340,807</b>	3,726,413
Directors loan		<b>503,649,521</b>	470,149,521

## 34 FINANCIAL RISK MANAGEMENT

## 34.1 The company has exposures to the following risks from its use of financial instruments:

Market Risk  
Credit Risk  
Liquidity Risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

## a) Market Risk

## i) Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures. Primarily with respect to Euros. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to foreign entities. The Company's exposure to currency risk was as follows:

	2020	2019
Supplier's credit-EURO	885,947	885,947
The following significant exchange rates were applied during the year.		
Average rate (Rupees per Euro)	N/A	N/A
Reporting date rate (Rupees per Euro)	185.59	185.00

**Foreign Exchange Risk Management**

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and balances held in foreign currency. However the company is not materially exposed to foreign currency risk on assets and liabilities. As at June 30, 2020, financial liabilities include Rs. 167.080 million (2019: Rs. 163.900 million) which are subject to foreign currency risk against Euros.

**Foreign Currency Sensitivity Analysis**

At June 30, 2020 if the Rupee had weakened / strengthened by 5% against the Euro with all other variables held constant, loss for the year would have been lower / higher by Rs. 8.354 million (2019: Rs. 8.195 million) mainly as a result of foreign exchange gains / losses on translation of foreign currency Euro denominated borrowings.

## ii) Other Price Risk

Other price risk represents the risk that the fair value or future cash flows of a 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 instrument traded in the market. The Company is exposed to other price risk only in respect of investment in KASB modaraba certificates amount to Rs. 149,688 (2019: Rs. 166,320).

**Sensitivity analysis**

At June 30, 2020 if the price had decreased/increased by 5% against with all other variable held constant, loss for the year would have been lower/higher by Rs. 7,484 (2019: Rs.8,316) mainly as a result of price variations.

### iii) Interest Rate Risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing, lease liabilities and short term borrowings. As the borrowings are obtained at variable rates, these expose the Company to cash flow interest rate risk.

At the statement of financial position date the interest rate profile of the Company's interest bearing financial instruments was:

	2020 (Rupees)	2019 (Rupees)
<b>Floating rate instruments</b>		
<b>Financial Liabilities:</b>		
Short term borrowings	1,463,142,972	1,463,142,972
<b>Financial Assets:</b>		
Bank balance - Saving account	1,672,437	561,493

### b) Credit Risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:-

	2020 (Rupees)	2019 (Rupees)
Long term deposits	39,325,312	39,325,312
Trade debts	179,977,831	243,074,294
Loans and advances	21,781,211	63,337,141
Bank balance	8,715,840	3,313,175

The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating. The names and credit rating of major banks where the Company maintains its bank balances are as follows.

Name of Bank	Rating Agency	Credit Rating		2020	2019
		Short term	Long term		
				-----Rupees-----	
Askari Bank Limited	PACRA	A1+	AA+	31,955	31,955
MCB Bank Limited	PACRA	A1+	AAA	163,543	49,391
National Bank of Pakistan	PACRA	A1+	AAA	41,581	41,581
Habibmetro Bank Limited	PACRA	A1+	AA+	976,728	976,876
Meezan Bank Limited	VIS	A-1+	AA+	4,980,246	(166,469)
Allied Bank Limited	PACRA	A1+	AAA	1,672,437	581,490
Habib Bank Limited	VIS	A1+	AAA	69,504	45,838
Bank Al Falah Limited	PACRA	A1+	AA+	485,327	243,347
Standard Chartered Bank	PACRA	A1+	AAA	241	75,983
J S Bank Limited	PACRA	A1+	AA-	294,279	1,433,183
				<b>8,715,840</b>	<b>3,313,175</b>

The Company's exposure to credit risk and impairment losses related to trade debts is as follow:

The impairment analysis of trade debts at the reporting date was:

	2020		2019	
	Gross	Impairment	Gross	Impairment
-----Rupees-----				
<b>Trade Debtors</b>	<b>179,977,831</b>	<b>(34,188,664)</b>	243,074,294	(34,188,664)
	<b>179,977,831</b>	<b>(34,188,664)</b>	243,074,294	(34,188,664)

### c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through working capital and from contribution from sponsors. As at the statement of financial position date, the Company had Rs. 9.8 million cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

Contractual maturities of financial liabilities as at June 30, 2020:

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	Rupees	Rupees	Rupees	Rupees	Rupees
Gratuity	49,523,071	-	-	-	49,523,071
Supplier's credit	167,080,699	167,080,699	163,900,150	-	-
Long-term finances	364,705,882	364,705,882	364,705,882	-	-
Liabilities against leased assets	1,099,660	1,099,660	1,099,660	-	-
Trade and other payables	494,803,831	494,803,831	494,803,831	-	-
Accrued interest	471,877,939	471,877,939	471,877,939	-	-
Short term finances	1,463,142,972	1,463,142,972	1,463,142,972	-	-

Contractual maturities of financial liabilities as at June 30, 2019:

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	Rupees	Rupees	Rupees	Rupees	Rupees
Gratuity	64,593,059	-	-	-	64,593,059
Supplier's credit	163,900,150	163,900,150	163,900,150	-	-
Long-term finances	364,705,882	364,705,882	364,705,882	-	-
Liabilities against leased assets	2,399,660	2,399,660	2,399,660	-	-
Trade and other payables	341,370,176	341,370,176	341,370,176	-	-
Accrued interest	471,877,939	471,877,939	471,877,939	-	-
Short term finances	1,463,142,972	1,463,142,972	1,463,142,972	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest mark up have been disclosed in respective notes to these financial statements.

## 34.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

### Financial assets as per statement of financial position

	At Amortized Cost		Fair value through profit and loss		Fair value through other comprehensive income	
	2020	2019	2020	2019	2020	2019
			Rupees			
Long term deposits	39,325,312	39,325,312	-	-	-	-
Long term investments	-	-	-	-	149,688	166,320
Trade debts	145,789,167	208,885,631	-	-	-	-
Loans and advances	21,781,211	63,337,141	-	-	-	-
Trade deposits , prepayments and other receivables	-	2,500	-	-	-	-
cash and bank balances	9,813,594	4,298,576	-	-	-	-
	<b>216,709,284</b>	<b>315,849,159</b>	-	-	<b>149,688</b>	<b>166,320</b>

### Financial liabilities as per statement of financial position

	At Amortized Cost		Fair value through profit and loss	
	2020	2019	2020	2019
Long term finance	364,705,882	364,705,882	-	-
Suppliers credit	167,080,699	163,900,150	-	-
Lease liability	1,099,660	2,399,660	-	-
Trade and other payable	492,888,714	339,455,059	-	-
Accrued interest on loans and borrowings	471,877,939	471,877,939	-	-
short term borrowings	1,463,142,972	1,463,142,972	-	-
	<b>2,960,795,865</b>	<b>2,805,481,662</b>	-	-

## 34.3 Capital Risk Management

The Company's prime object when managing capital to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

	<b>2020</b>	2019
	<b>(Rupees)</b>	(Rupees)
Total borrowings	<b>2,498,579,074</b>	2,461,898,525
Less: Cash and bank balances	<b>9,813,594</b>	4,298,576
Net debt	<b>2,488,765,479</b>	2,457,599,949
Total equity	<b>(722,763,277)</b>	(477,241,218)
Total capital employed	<b>1,766,002,203</b>	1,980,358,731
Gearing ratio	<b>1.41</b>	<b>1.24</b>

## 35 RECOGNIZED FAIR VALUE MEASUREMENT - FINANCIAL ASSETS

## (i) Fair value hierarchy

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

As at June 30, 2020	Level 1	Level 2	Level 3	Total
.....Rupees.....				
<b>Long term investment</b>				
Modaraba Certificates	149,688			149,688
<b>Total</b>	<b>149,688</b>			<b>149,688</b>

As at June 30, 2019	Level 1	Level 2	Level 3	Total
.....Rupees.....				
<b>Long term investment</b>				
Modaraba Certificates	166,320			166,320
<b>Total</b>	<b>166,320</b>			<b>166,320</b>

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

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

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

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

There was no transfer between any level during the year.

## 36 PLANT CAPACITY AND PRODUCTION

	2020 (Rupees)	2019 (Rupees)
Number of spindles installed	78,492	78,492
Installed capacity in 20's count based on triple shift for 365 (2019 - 365) days (kgs) - Approximately	35,331,147	35,331,147
Actual production after conversion into 20's count (kgs)	12,851,321	31,187,853

The conversion into 20's count depicts the approximate efficiency as it fluctuates with changes in count of yarn spun and count mix in a particular period.

Under utilization of available capacity was due to normal maintenance power outages and time cost in shifting of counts together with decrease in sales.

## 37 NUMBER OF EMPLOYEES

	2020	2019
Average during the year	1224	1990
As at 30 June	1224	1990

## 38 IMPACT OF COVID-19

The pandemic of COVID-19 that rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On 23 March 2020, the Government of the Punjab and the Government of Sindh announced a temporary lock down as a measure to reduce the spread of the COVID-19. Complying with the lockdown, the Company temporarily suspended its operations from 24 March 2020. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company resumed its operations from 28 April 2020 and took all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowdown in economic activity. The lockdown caused disruptions in supply chain including supply of goods to the customers resulting in a decline in sales. Subsequent to the year ended 30 June 2020, due to significant reduction in outbreak, demand for the Company's goods is fast reverting back to normal levels. Due to this, management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:

- expected credit losses under IFRS 9 'Financial Instruments';
- the impairment of tangible assets under IAS 36 'Impairment of Assets';
- the net realisable value of inventory under IAS 2, 'Inventories';
- provisions and contingent liabilities under IAS 37 Provisions, Contingent Liabilities and Contingent Assets'; and
- going concern assumption used for the preparation of these financial statements.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements.

## 39 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on 05 November 2020 by the Board of Directors of the Company.

## 40 GENERAL

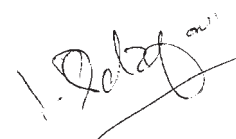
Figures have been rounded off to the nearest rupees.



(Khawaja Muhammad Jahangir)  
Chairman



(Mr. Muhammad Naveed)  
Chief Executive



(Mr. Muhammad Saeed Zafar)  
Chief Financial Officer

Lahore  
November 05, 2020

THE COMPANIES ACT, 2017  
(Section 227(2)(f))  
PATTERN OF SHAREHOLDING

FORM 34

1.1 Name of the Company **KOHINOOR SPINNING MILLS LIMITED**

2.1. Pattern of holding of the shares held by the shareholders as at **30-06-2020**

2.2 No. of Shareholders	-----Shareholdings-----		Total Shares Held
	From	To	
148	1	100	2,756
183	101	500	84,845
255	501	1,000	249,991
709	1,001	5,000	2,247,188
367	5,001	10,000	3,075,761
139	10,001	15,000	1,846,100
113	15,001	20,000	2,119,501
90	20,001	25,000	2,151,000
48	25,001	30,000	1,347,500
25	30,001	35,000	835,500
37	35,001	40,000	1,424,776
17	40,001	45,000	747,503
46	45,001	50,000	2,287,000
21	50,001	55,000	1,121,125
20	55,001	60,000	1,175,567
7	60,001	65,000	438,500
10	65,001	70,000	680,500
15	70,001	75,000	1,092,700
10	75,001	80,000	790,000
4	80,001	85,000	326,975
5	85,001	90,000	443,500
3	90,001	95,000	273,000
21	95,001	100,000	2,099,502
11	100,001	105,000	1,125,000
8	105,001	110,000	865,500
5	110,001	115,000	565,000
8	115,001	120,000	948,000
10	120,001	125,000	1,247,000
3	125,001	130,000	379,500
5	130,001	135,000	669,500
3	135,001	140,000	412,000
3	140,001	145,000	431,000
7	145,001	150,000	1,043,500
4	150,001	155,000	615,500
1	155,001	160,000	156,500
2	165,001	170,000	340,000
1	170,001	175,000	174,500
2	175,001	180,000	359,500
2	180,001	185,000	366,000
2	185,001	190,000	376,500
3	190,001	195,000	578,500
7	195,001	200,000	1,399,500
1	205,001	210,000	207,500
1	215,001	220,000	220,000
1	220,001	225,000	223,500
1	230,001	235,000	235,000
1	240,001	245,000	241,500
3	245,001	250,000	745,500
2	255,001	260,000	516,500
2	260,001	265,000	521,500
3	295,001	300,000	900,000
1	300,001	305,000	303,500
3	345,001	350,000	1,047,000
1	350,001	355,000	352,500
1	380,001	385,000	385,000
2	395,001	400,000	800,000
2	400,001	405,000	807,000
1	420,001	425,000	423,500
2	455,001	460,000	920,000
2	495,001	500,000	997,000
2	500,001	505,000	1,005,827
2	505,001	510,000	1,015,250
1	525,001	530,000	530,000
1	625,001	630,000	628,000
1	675,001	680,000	679,000
1	770,001	775,000	774,000
1	850,001	855,000	852,000
1	1,235,001	1,240,000	1,237,000
1	1,595,001	1,600,000	1,600,000
1	1,615,001	1,620,000	1,616,000
1	1,695,001	1,700,000	1,700,000
1	2,245,001	2,250,000	2,250,000
1	2,355,001	2,360,000	2,355,500
1	3,165,001	3,170,000	3,168,500
1	3,330,001	3,335,000	3,333,000
1	3,830,001	3,835,000	3,833,000
1	4,780,001	4,785,000	4,784,000
1	6,960,001	6,965,000	6,960,250
1	10,005,001	10,010,000	10,007,643
1	10,510,001	10,515,000	10,513,500
1	44,665,001	44,670,000	44,667,028
1	63,440,001	63,445,000	63,444,997
2434			215,714,285

2.3 Categories of Shareholders	Shares Held	Percentage
2.3.1 Directors, Chief Executive Officer, and their spouse and minor children	128,461,239	59.5516
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	0	-
2.3.3 NIT and ICP	506,613	0.2349
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	5,539	0.0026
2.3.5 Insurance Companies	53,100	0.0246
2.3.6 Modarabas and Mutual Funds	57,000	0.0264
2.3.7 Shareholders holding 10% or more	110,370,596	51.1652
2.3.8 General Public		
a. Local	85,520,070	39.6451
b. Foreign	0	-
2.3.9 Others (to be specified)		
1- Joint Stock Companies	938,825	0.4352
2- Foreign Companies	14,900	0.0069
3- Pension Funds	55,067	0.0255
4- Others	101,932	0.0473

**Catagories of Shareholding required under Code of Corporate Governance (CCG)  
As on June 30, 2020**

Sr. No.	Name	No. of Shares	
		Held	Percentage
<b>Associated Companies, Undertakings and Related Parties (Name Wise Detail):</b>		-	-
<b>Mutual Funds (Name Wise Detail)</b>			
1	GOLDEN ARROW SELECTED STOCK FUND	500	0.0002
2	PRUDENTIAL STOCK FUND LTD. (CDC)	6,000	0.0028
3	PRUDENTIAL STOCKS FUND LTD (03360) (CDC)	50,000	0.0232
<b>Directors and their Spouse and Minor Children (Name Wise Detail):</b>			
1	KHAWAJA MOHAMMAD JAWED (CDC)	7,383,750	3.4229
2	KHAWAJA MOHAMMAD JAHANGIR PHINO	181,500	0.0841
3	KHAWAJA MOHAMMAD TANVEER	505,250	0.2342
4	KHAWAJA MOHAMMAD KALEEM	63,453,568	29.4156
5	KHAWAJA MOHAMMAD NADEEM	10,007,643	4.6393
6	MR. MOHAMMAD NAVEED	46,917,028	21.7496
7	MR. MOHAMMAD HAMZA YOUSAF	11,500	0.0053
8	MR. MOHAMAMD TARIQ SUFI	1,000	0.0005
<b>Executives:</b>		-	-
<b>Public Sector Companies &amp; Corporations:</b>		-	-
<b>Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:</b>		114,206	0.0529
<b>Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)</b>			
S. No.	Name	Holding	%Age
1	KHAWAJA MOHAMMAD KALEEM	63,453,568	29.4156
2	MR. MOHAMMAD NAVEED	46,917,028	21.7496

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

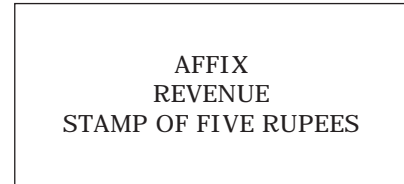
Form of Proxy - 48th Annual General Meeting

The Corporate Secretary  
 Kohinoor Spinning Mills Limited  
 7/1 E-3 Main Boulevard Gulberg III, Lahore

Folio # / CDC A/C #.	
Participant I.D	
Account #	
Shares held	

I/We \_\_\_\_\_ of \_\_\_\_\_  
 being a member (s) of KOHINOOR SPINNING MILLS LIMITED hold \_\_\_\_\_ ordinary shares hereby appoint  
 Mr./Mrs./Miss \_\_\_\_\_ of \_\_\_\_\_ or  
 failing him/her \_\_\_\_\_ of \_\_\_\_\_  
 as my /our Proxy to attend and vote for me/us and on my/our behalf at the 48th Annual General Meeting of the  
 Company to be held on Friday, November 27, 2020 at 10:00 a.m. at 7/1 E-3 Main Boulevard Gulberg III, Lahore  
 and at every adjournment thereof.

- Witness: \_\_\_\_\_  
 Signature: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 CNIC: \_\_\_\_\_



- Witness: \_\_\_\_\_  
 Signature: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 CNIC: \_\_\_\_\_

Signature: \_\_\_\_\_

(Signature appended above should agree with the specimen signatures registered with the Company.)

**IMPORTANT**

- This Form of proxy, duly completed and signed, must be received at the registered office of the company, at 7/1 E-3 Main Boulevard Gulberg III, Lahore Pakistan, not less than 48 hours before the time of holding the meeting.
- If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the company, all such instruments of proxy shall be rendered invalid.

## پراکسی فارم (مختار نامہ)

رجسٹر فوئیو نمبر

سیکرٹری

کوہ نور سپننگ ملز لمیٹڈ

E-3 7/1 مین بولیوار ڈگلبہرگ-III لاہور۔

میں اہم

ساکن

بحیثیت رکن حال

عام حصص بمطابق شیئر رجسٹر فوئیو نمبر \_\_\_\_\_ پارٹنیشنٹ (شرکت) آئی ڈی نمبر \_\_\_\_\_ (بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر \_\_\_\_\_)

بذریعہ ہذا

محترم / محترمہ

ساکن

جو کمپنی کا ممبر ہے بمطابق چیئر رجسٹر فوئیو نمبر \_\_\_\_\_

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر \_\_\_\_\_ پارٹنیشنٹ (شرکت) آئی ڈی نمبر \_\_\_\_\_) یا اسکی غیر موجودگی میں محترم / محترمہ \_\_\_\_\_ ساکن \_\_\_\_\_ جو کمپنی کا ممبر ہے بمطابق چیئر رجسٹر فوئیو نمبر \_\_\_\_\_

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر \_\_\_\_\_ پارٹنیشنٹ (شرکت) آئی ڈی نمبر \_\_\_\_\_) کو مورخہ 27 نومبر 2020ء کو منعقد ہونے والے کمپنی کے 48 ویں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا ہمارا بطور مختار (پراکسی) مقرر کرنا ہوں کرتے ہیں۔

5 روپے کارسیدی ٹکٹ  
چسپاں کریں

دستخط کمپنی کے ہاں رجسٹرڈ نمونہ دستخطوں کے  
مطابق ہونے چاہئیں

دستخط \_\_\_\_\_ آج بروز \_\_\_\_\_ بتاریخ \_\_\_\_\_ 2020ء

1. گواہ

دستخط

نام

پتہ

شناختی کارڈ نمبر

2. گواہ

دستخط

نام

پتہ

شناختی کارڈ نمبر

## نوٹ:

1. اگر ایک ممبر اجلاس میں شرکت کے قابل نہیں ہے تو وہ اس فارم پر دستخط کرے اور کمپنی کے رجسٹرڈ آفس بمقام E-3 7/1 مین بولیوار ڈگلبہرگ-III لاہور پر اس طور ارسال کر دے کہ اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل پہنچ جانا چاہیے۔
2. اگر کوئی ممبر ایک سے زیادہ مختار نامزد کرے گا یا پراکسی فارم جمع کرائے گا تو وہ باطل تصور کیا جائے گا۔



**Book Post**  

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**Printed Matter**

*If undelivered please return to:*

**Kohinoor Spinning Mills Limited**  
**Corporate & Shares Department**

7/1-E-3, Main Boulevard, Gulberg III, Lahore.  
Tel: (042) 35757108 Fax: (042) 3575 5760