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## COMPANY PROFILE

Kohinoor Mills Limited's vision is to achieve and then remain as the most progressive and profitable textile organization in Pakistan. Incorporated in 1987 as a small weaving mill, today Kohinoor Mills broadly undertakes three major businesses, weaving, processing, and power generation. It has, and continues to develop, a portfolio of businesses that are major players within their respective industries. Bringing together outstanding knowledge of customer needs and leading edge technology platforms, your company undertakes to provide superior products to its customers.

With an annual turnover of over Rs. 6 billion, today Kohinoor Mills Limited employs over 1,500 employees. It aims to create superior value for Kohinoor's customers and stakeholders without compromising its commitment to safety, environment and health for the communities in which it operates. Its products range from greige fabric to processed fabric.

## Company Information

### **Board of Directors**

Mr. Aamir Fayyaz Sheikh	Chief Executive / Chairman
Mr. Asad Fayyaz Sheikh	Director
Mr. Ali Fayyaz Sheikh	Director
Mr. Rashid Ahmed	Director
Mr. Kamran Shahid	Director
Mr. Aamir Amin	Director (NIT Nominee)
Mr. Mohammad Aamir Alam Qureshi	Director

### **Audit Committee**

Mr. Rashid Ahmed	Chairman
Mr. Asad Fayyaz Sheikh	Member
Mr. Ali Fayyaz Sheikh	Member

### **Human Resource & Remuneration Committee**

Mr. Rashid Ahmed	Chairman
Mr. Asad Fayyaz Sheikh	Member
Mr. Kamran Shahid	Member

### **Chief Financial Officer**

Mr. Kamran Shahid

### **Head of Internal Audit**

Mr. Faisal Sharif

### **Legal Advisors**

- Raja Mohammad Akram & Co.,  
Advocate & Legal Consultants,  
Lahore.
- Malik Muhammad Ashraf Kumma  
Advocate

### **Company Secretary**

Mr. Muhammad Rizwan Khan

### **Auditors**

M/s. Riaz Ahmad & Co.,  
Chartered Accountants.

### **Registered Office & Mills**

8<sup>th</sup> K.M. Manga Raiwind Road,  
District Kasur.

UAN: (92-42) 111-941-941  
CELL LINES: (92-333) 4998801-10  
LAND LINES: (92-42) 36369340  
FAX: (92-42) 35391946 & 35393459  
EMAIL: [info@kohinoormills.com](mailto:info@kohinoormills.com)  
WEBSITE: [www.kohinoormills.com](http://www.kohinoormills.com)

### **Shares Registrar**

M/s. Hameed Majeed Associates (Pvt.) Ltd,  
HM House, 7 Bank Square, Lahore.  
LAND LINES: (92-42) 37235081 & 82  
FAX: (92-42) 37358817

### **Bankers**

- Allied Bank Limited
- Al Baraka Islamic Bank B.S.C. (E.C)
- Askari Bank Limited
- Bank Alfalah Limited
- Faysal Bank Limited
- Habib Bank Limited
- Habib Metropolitan Bank Limited
- MCB Bank Limited
- National Bank of Pakistan
- NIB Bank Limited
- Silk Bank Limited
- Standard Chartered Bank (Pakistan) Ltd
- The Bank of Punjab
- United Bank Limited

### **Liaison Office**

Room No. 301-302, 3<sup>rd</sup> Floor, Regency Plaza,  
Gulberg 3, Lahore

LAND LINES: (92-42) 35757461-5  
FAX: (92-42) 35757460

### **Stock Exchange**

Kohinoor Mills Limited is a public limited Company  
and its shares are traded under personal goods  
sector at all three Stock Exchanges of Pakistan.

## **MISSION & VISION STATEMENT**

*The Kohinoor Mills Limited's stated mission is to become and then remain as the most progressive and profitable company in Pakistan in terms of industry standards and stakeholders interest.*

*The Company shall achieve its mission through a continuous process of having sourced, developed, implemented and managed the best leading edge technology, industry best practices, human resource and innovative products and services and sold these to its customers, suppliers and stakeholders*

### **Business Activities**

*The Company is principally engaged in the business of textile manufacturing covering weaving, bleaching, dyeing, buying and selling and otherwise dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fiber and to generate, distribute, supply and sell electricity.*

## CODE OF CONDUCT

### Introduction to the Code

This code has been formulated to ensure that directors and employees of the Company operate within acceptable standards of conduct and sound business principles which strive for development and growth. The Company takes pride in adherence to its principles and continues to serve its customers, stakeholders and society.

### Contents

This code identifies the acceptable standards under following headings:

- Core values
- Business culture
- Responsibilities

### Core values

The credibility, goodwill and repute earned over the years can be maintained through continued conviction in our corporate values of honesty, justice, integrity, and respect. The Company strongly believes in democratic leadership style with fair, transparent, ethical and high professional standards of conduct in all areas of business activities.

### Business culture

#### Operations

The Company shall formulate and monitor its objectives, strategies and overall business plan of the organization.

The Company shall be continuously involved in the research and development of new products while improving quality of existing products using highest level of quality control measures at every stage of its operations. Creativity and innovation must prevail at all levels of hierarchy to achieve organizational excellence.

#### Abidance of Law

It is Company's prime object to comply with all applicable laws and regulations and to cooperate with all governmental and regulatory bodies.

#### Corporate Reporting and Internal Controls

The Company maintains effective, transparent and secure financial reporting and internal control systems so as to ensure reliable performance measurement and compliance with local regulations and international accounting standards as applicable.

The Company strictly adheres to the principles of good corporate governance and is committed to high standards of corporate governance.

The Company regularly updates and upgrades manufacturing and reporting systems so as to keep abreast with technological advancements and achieve economies of production.

#### Integrity and Confidentiality

The Company believes in uprightness and expects it to be a fundamental responsibility of employees to act in Company's best interest while holding confidential information and neither to solicit internal information from others nor to disclose Company's figures, data or any material information to any unauthorized person/body.

Inside information about the Company, its customers, vendors, employees shall not be used for their own gain or for that of others directly or indirectly.

### Responsibilities

#### Shareholders

The Company believes in maximizing shareholders value by providing consistent growth and fair return on their investment.

**Customers**

The Company considers it imperative to maintain cordial relationship with the customers as integral to its growth and development of business and is committed to provide high quality products and services that conform to highest international standards.

**Employees**

The Company is an equal opportunity employer at all levels with respect to issues such as color, race, gender, age, ethnicity and religious beliefs and its promotional policies are free of any discrimination.

The Company ensures that employees work towards achievement of corporate objectives, individually and collectively as a team and conduct themselves at work and in society as respectable employees and good citizens.

The Company believes in continuous development and training of its employees.

The Company has set high standards of performance and recognizes employee's contribution towards its growth and reward them based on their performance. The Company believes development, growth and recognition result in motivated employees.

All employees of the Company are part of Kohinoor family and the families of all members are also part and parcel of Kohinoor family. The Company believes that the sense of belonging to Kohinoor fulfils an essential need of its employees and the organization and as such will always be nurtured.

**Environment  
and Social  
Responsibility**

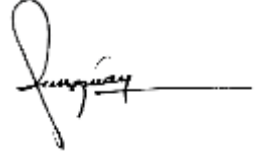
Protecting the environment in which we live is an important element. The Company uses all means to ensure a clean, safe, and healthy and pollution free environment not only for its workers and employees but also for the well being of all people who live in and around any of the production and manufacturing facilities. The Company will always employ such technology as may be beneficial in maintaining a healthy and hygienic working environment. It also believes in community development without political affiliations with any person or group of persons and contributes part of its resources for a better environment with an unprejudiced approach.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25<sup>th</sup> Annual General Meeting (AGM) of the members of **Kohinoor Mills Limited** (the Company) will be held on Wednesday, 31<sup>st</sup> day of October, 2012 at 11:00 a.m. at the Registered Office of the Company situated at 8<sup>th</sup> Kilometer, Manga Raiwind Road, District Kasur, to transact the following business:-

1. To confirm the minutes of the Annual General Meeting held on October 31, 2011.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2012, together with Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending June 30, 2013 and fix their remuneration.
4. To transact any other business with the permission of the Chair.

**By Order of the Board**



**(MUHAMMAD RIZWAN KHAN)**  
Company Secretary

**Kasur:**

Tuesday, October 09, 2012

### NOTES

1. The shares transfer books of the Company will remain closed from October 24, 2012 to October 31, 2012 (both days inclusive). Physical transfers/CDS Transaction IDs received in order at Shares Registrar of the Company i.e., M/s. Hameed Majeed Associates (Pvt.) Ltd, HM house, 7 Bank Square, Lahore, upto October 23, 2012, will be considered in time.
2. A member entitled to attend and vote at AGM may appoint a person/representative as proxy to vote in place of member at the meeting. Proxies in order to be effective must be received at the Company's Registered Office duly stamped and signed not later than 48 hours before the time of holding meeting. A member may not appoint more than one proxy. A copy of shareholder's attested Computerized National Identity Card (CNIC) must be attached with the proxy form.
3. The CDC account holders / sub account holders are requested to bring with them their CNIC along with participant(s) ID numbers and their account numbers at the time of attending the meeting in order to facilitate identification of the respective shareholders. In case of corporate entity, the Board of Directors' resolution/Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
4. Members, who have not yet submitted photocopies of their CNIC to Shares Registrar, are requested to send the same at earliest.
5. Shareholders are requested to promptly notify change in their addresses, if any, to Shares Registrar of the Company.

## Directors' Report

The Directors of the Company are pleased to present the audited financial statements for the year ended June 30, 2012. These financial statements are presented in accordance with the requirements of the Companies Ordinance, 1984.

### Textile Industry Outlook

Pakistan's economy continued to struggle through the financial year (FY) 2011-12 with crippling power and gas shortages, rising fuel prices, precarious security situation and fragile geopolitical environment of the region. The severity of energy crisis hampered sustainability and growth of business sector, with many business closures resulting in lay-offs. Those who were able to weather out had to incur heavy costs for alternate fuels at the expense of their profitability and competitiveness. Overall, country's exports declined from US\$ 25.35 billion in FY 2010-11 to US\$ 24.66 billion in FY 2011-12. The Pakistani rupee also recorded 9.3% depreciation during the year.

The continuing global economic recession, with dampened overall demand in the US and European markets, escalating cost of doing business in Pakistan due to increase in input costs made the operating environment more unfavourable for the whole industry.

### Debt and Corporate Restructuring

To turn the company around, the management of Kohinoor Mills had devised a detailed strategy for debt and corporate restructuring last year that envisaged focusing on its core business of greige and dyed fabric and divestment from hosiery and apparel operations. Further, to improve the company's financial position, the sale proceeds from the assets of hosiery and apparel divisions were to be utilized for partial settlement of the company's bank liabilities and replenishment of its working capital base. Additionally, bank debt was to be further reduced through sale of short term investment in Security General Insurance Company Limited (SGI), disposal of surplus industrial land through debt-asset swap and injection of sponsor's loan through debt-asset swap. The banks were to be requested for restructuring of residual debt.

While the sale of hosiery division, SGI shares and injection of sponsor's loan has already been concluded, the process of debt-asset swap for industrial land is planned to be implemented during the year 2012. In the second phase of the restructuring, the company has finalized the restructuring arrangements of the residual debt with almost all of its bankers on softer terms. These arrangements include waiver of the accrued mark-up, mark-up rate ranging from 5% to the cost of funds of the bank, initial grace period of one to two years in repayment of principal and subsequent repayment in 8 to 10 years.

As mentioned in the Auditors' Report, IAS 39 "Financial Instruments: Recognition and Measurement" requires that substantial modification of the terms of existing borrowings should be accounted for as an extinguishment of the original borrowings and recognition of new borrowings at fair value. This adjustment due to debt-restructuring of the company would have resulted in increase of Rs. 1,226 million in Profit after taxation for the current year, with charge-offs in subsequent years. However, the management is of the view that this figure will further change in coming months after approval of restructuring of loan from one remaining bank and conclusion of debt-asset swap for industrial land. Accordingly, the gain resulting from debt-restructuring has been deferred till finalization of the said factors and has not been included in the net income.

### **Operating & Financial Results**

During the financial year ended June 30, 2012, your company earned a gross profit of Rs. 919 million on sales of Rs. 6,262 million compared to gross loss of Rs. 95 million on sales of Rs 5,210 million for the previous financial year 2010-11. Gross margin was 14.7% compared to negative 1.8% in the previous year. During FY 2011-12, your company recorded a net profit of Rs. 629 million, compared to net loss of Rs 1,396 million in the previous financial year. The Earning per share was Rs. 12.36 per share compared to loss per share of Rs. 27.42 for previous financial year.

Decline in raw material prices and optimal capacity utilization throughout the year resulted in significant improvement in gross margins, which together with major savings in fixed costs, due to closure of loss-making hosiery and apparel divisions, resulted in higher operating profits, that otherwise remained under pressure during the current year due to severe gas loadshedding. Due to debt restructuring on favourable terms, there was significant reduction in the finance cost during the current period. Overall, after four years of consistent struggle, the company was able, by the grace of Allah, to return to profitability.

### **Dividend**

In view of the current financial position of the company, cash flows of your company do not permit dividend payout. Therefore, your directors have regrettably decided to omit any dividend this year.

### **Performance Overview**

A brief overview of performance of your company for the year ended June 30, 2012 is discussed below. Six years' performance overview of your company is also annexed to this report.

### **Weaving Division**

Reduced yarn prices and better capacity utilization due to improved working capital position resulted in return to profitability in this division. Keeping in view the good order position, the management is confident that the performance in this division will be maintained in remaining part of the year.

### **Dyeing Division**

Reduction in greige fabric prices, improvement in yield and better capacity utilization after the injection of working capital led this division back into profitability. Being at the value-added end of the fabric business, the management is intensifying its product development and marketing efforts in this division, which shall ensure further improvement in profitability.

### **Genertek Division**

The overall performance remained depressed in this division due to continued gas load shedding, averaging 3 to 5 days till December and then complete suspension from January till March, and the resultant reliance on HFO-based gensets for power generation. However, with the energization of self-financed LESCO grid in November 2011, the division was able to a large extent avoid heavy losses that it faced in the past due to gas load-shedding in winter months. However, with the continued expected gas and electricity load-shedding, performance is expected to remain under pressure in this division. The management is earnestly exploring the options of alternate bio-fuels and coal-fired boilers to generate steam. In view of the worsening gas and electricity supply situation in the country in the long run, the management is exploring various options for alternate-fuel fired power generation.

**Q Mart Corporation (Pvt) Ltd (a wholly owned subsidiary of your company)**

Q Mart Corporation is currently operating with five stores in different locations of Punjab, including the first store in the Lahore city. The management has increased the product range being offered to increase the stores' revenue. The company intends to roll out one further store in Lahore city in coming months. The management is hopeful that these efforts will result in this company making profits as the sale turnover increases.

**Information Technology**

Your company is making continuous efforts to have efficient IT systems supporting timely and effective decisions. It has provided its employees, the most modern facilities to achieve optimum efficiency levels. Most of manufacturing equipment and machinery used in the operations are equipped with technologically advanced software providing on line real time information for most of the production processes.

The company's intranet acts as a useful resource base providing in depth information on the company's policies and procedures along with other information for beneficial use to the employees of the company.

**Human Resource & Training**

With a human capital of about 1,500 employees, the company believes that the employees are vital ingredient in shaping company's future where each individual contributes directly to the success of the organization.

Your company's HR team is a group of highly skilled and experienced professionals. They work very closely with business teams to design efficient people solutions that will effectively meet the business goals.

Your company places a premium on respect for individuals, equal opportunities, advancement based on merit, effective communication, and the development of high performance culture. The company takes pride in continuous improvement at all levels and strives to ensure that opportunity for growth and varied career experiences are provided to all employees.

Your company is an equal opportunity employer and this is practiced in all aspects of the company's business activities including recruitment and employment.

Combined with state of the art technology and HR Information Systems, the result is a high performance environment within which individuals can achieve their professional and personal dreams.

**Training & Development**

Your company believes in human resource development through training and development and places due emphasis on training in all spheres of its production process. The company made efforts during the year with more focused and cost effective training programs for the major technical categories such as weavers, technologists and quality control inspectors. Candidates are engaged through a Trainee Scheme and trained in-house over a period of 6 months through a career path. This has helped company in preparing a highly skilled workforce and also provides replacements to cover turnover.

In-house training sessions are regularly conducted in general management, fire fighting, first aid, health and safety, computer and technical disciplines.

### **Safety, Health & Environment**

Your company has provided safe & healthy workplace for both staff & contractors and will act responsibly towards the communities and environment in which we operate. This will be achieved by continuous improvement of our safety, health and environment performance through corporate leadership, dedication of staff and the application of the highest professional standards at workplace.

### **Corporate Social Responsibility**

Your company has very distinct Corporate and Social Responsibility (CSR) policy in fulfilling its responsibilities of securing the community within which it operates.

Your company through its directors is actively involved in the various social responsibility initiatives in the field of primary education and health care.

### **Compliance with the Code of Corporate Governance**

The Board reviews the company's strategic direction on regular basis. The business plans and budgetary targets, set by the Board are also reviewed regularly. The Audit Committee is empowered for effective compliance of Code of Corporate Governance. The Board is committed to maintain a high standard of good Corporate Governance.

### **Corporate & Financial Reporting Frame Work**

The Board of Directors of the company is fully cognizant of its responsibility as laid down in the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan. The following statements are a manifestation of its commitment towards compliance with best practices of Code of Corporate Governance.

- a. The financial statements together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These Statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b. The company has maintained proper books of account as required by the Companies Ordinance, 1984.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements except for the departure as stated in para on Debt and Corporate restructuring above.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the company's ability to continue as a going concern.

- g. There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations of the stock exchanges where the company is listed.
- h. There are no significant plans for any corporate restructuring, business expansion or discontinuation of any part of company's operations.
- i. Information regarding statutory payments on account of outstanding taxes, duties, levies and other charges (if any) has been given in related note(s) to the audited accounts.
- j. The company strictly complies with the standard of safety rules & regulations. It also follows environmental friendly policies.
- k. The valuation of investment made by the staff retirement benefit fund (Provident Fund), based on their respective un-audited accounts is as follows:

June 30, 2012	Rs 51.159 million
June 30, 2011	Rs 56.476 million

#### **Board of Directors**

The Board of Directors is responsible for the overall governance and administration of the company. All directors are aware of their duties and powers conferred by the Companies Ordinance, 1984, Code of Corporate Governance and Company's Memorandum and Articles of Association and have filed declaration to the effect. They exercise their fiduciary responsibilities through board meetings which are held every quarter for reviewing and approving the adoption of company's financial statements in addition to review and adoption of company's significant plans and decisions, projections, forecasts, and budgets having regard to the recommendations of the Audit Committee. The responsibilities include establishing the company's strategic objectives, providing leadership, supervising the management of the business and reporting to shareholders on their stewardship.

During the year under review four (4) meetings of the Board of Directors were held. The attendance by each Director is as follows:

<b>Name of Directors</b>	<b>No. of meetings attended</b>
Mr. Aamir Fayyaz Sheikh	3
Mr. Asad Fayyaz Sheikh	3
Mr. Ali Fayyaz Sheikh	3
Mr. Rashid Ahmed	4
Mr. Aamir Amin	4
Mr. Kamran Shahid	4
Mr. Tahir Bashir Solehria	4

Pursuant to Section 180(2) of the Companies Ordinance, 1984, the Board of Directors filled the casual vacancy by appointing Mr. Mohammad Aamir Alam Qureshi in place of the outgoing Director Mr. Tahir Bashir Solehria as on July 16, 2012. The Board wishes to place on record its appreciation for the services and guidance that Mr. Tahir Bashir Solehria provided during his term as Director of the Company.

Other than those set out below, there has been no trading during the year under review in the Company's shares by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children:

<b>Name of the Directors</b>	<b>Purchased</b>	<b>Sold</b>
No. of shares		
Mr. Aamir Fayyaz Sheikh	285,360	-
Mr. Asad Fayyaz Sheikh	811,500	-
Mr. Ali Fayyaz Sheikh	780,000	-
Mr. Rashid Ahmed	111,651	50,000
Mr. Kamran Shahid	458,850	

#### **Audit Committee**

The Audit Committee operates according to the terms of reference agreed by the Board of Directors of the company. It focuses on monitoring compliance with the best practices of the Code of Corporate Governance and relevant statutory requirements, changes in accounting policies and practices, compliance with applicable accounting standards and listing regulations.

It recommends to the Board of Directors the terms of appointment of external auditors by company shareholders and reviews their recommendations relating to audit. Other responsibilities include monitoring the internal audit function, safeguarding company's assets through appropriate internal control systems including financial and operational controls, accounting system and reporting structure, preliminary review of business plans and quarterly, half-yearly and annual results prior to approval and publication by the Board.

The Audit Committee comprises the following three (3) members, of which one (1) is non-executive director who is the Chairman of the Committee:

Mr. Rashid Ahmed	Chairman
Mr. Asad Fayyaz Sheikh	Member
Mr. Ali Fayyaz Sheikh	Member

During the year under review five (5) meetings of the Audit Committee were held. The attendance by each member is as follows:

<b>Name of members</b>	<b>No. of meetings attended</b>
Mr. Rashid Ahmed	5
Mr. Asad Fayyaz Sheikh	4
Mr. Ali Fayyaz Sheikh	4

#### **Human Resource and Remuneration Committee**

Pursuant to clause (xxv) of the Code of Corporate Governance 2012, the Board of Directors of the Company formulated a Human Resource and Remuneration Committee (HR & R). The Committee will operate according to terms of reference agreed by the Board of Directors and is going to be responsible for recommending human resource management policies to the board, selection, evaluation, compensation (including retirement benefits) and succession planning of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit; and consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO.

Initially, the HR & R Committee comprises of the following three members:

Mr. Rashid Ahmed	Chairman
Mr. Asad Fayyaz Sheikh	Member
Mr. Kamran Shahid	Member

#### **Code of Conduct**

In order to promote integrity for the Board, senior management and other employees of the Company, the Board has prepared and disseminated Code of Conduct on Company's website for information of everybody associated or dealing with the Company for his/her understanding of the professional standards and corporate values.

#### **Pattern of Shareholding**

The Statement of Pattern of Shareholding along with categories of shareholders of the company as at June 30, 2012, as required under section 236 of the Companies Ordinance, 1984 and the Code of Corporate Governance is annexed with this report.

#### **Future Prospects**

The Pakistani economy, overall, faces significant challenges on several fronts. The continuing power-crisis, "war on terror", recurring natural calamities and excessive reliance on assistance from multilateral agencies have weakened the government's ability to respond to the economic challenges. Further, the continuing global recession is only adding to the challenges faced by export industry. However, the recent reversals in cotton prices and resurgent demand in export markets augurs well for the Pakistani textile industry.

Your company went through a difficult phase during past few years. Working capital shortages due to continued losses made it impossible to operate production facilities at all divisions at an optimal

level. However, after completion of the debt restructuring, as discussed earlier, the company has been able to replenish some of its lost working capital. These funds have enabled the company to operate its core businesses again at optimal capacity level. Further, the company has obtained approvals from almost all of its banks for restructuring of the residual debt, which has resulted in significant savings in the company's finance cost. By the grace of Almighty Allah, the company has been able to return to profitability after four years. The current order book of the company is healthy and it has confirmed orders up to December 2012 at full capacity. Therefore, the management is confident that the company shall be able to build on its performance, going forward.

### **Auditors**

The external auditors of the company, M/s Riaz Ahmad & Company, Chartered Accountants shall retire on the conclusion of forthcoming Annual General Meeting. Being eligible for re-appointment under the Companies Ordinance, 1984, they have offered their services as auditors of the company for the year ending June 30, 2013. The Board of Directors has endorsed the recommendation of Audit Committee for auditors' 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 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.

### **Acknowledgment**

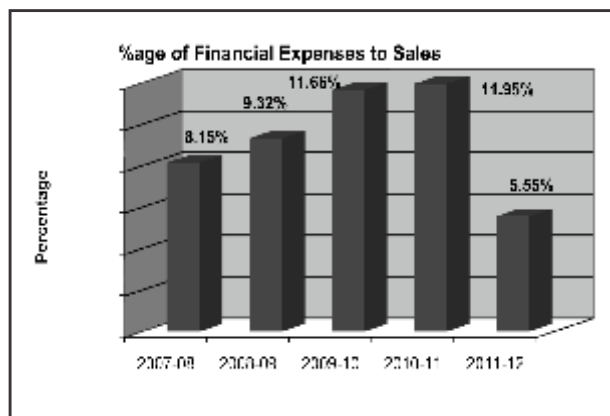
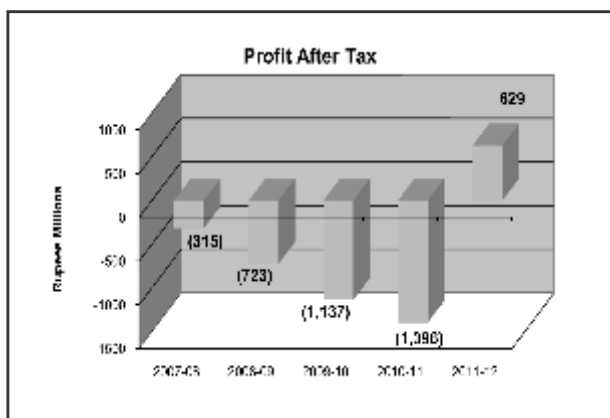
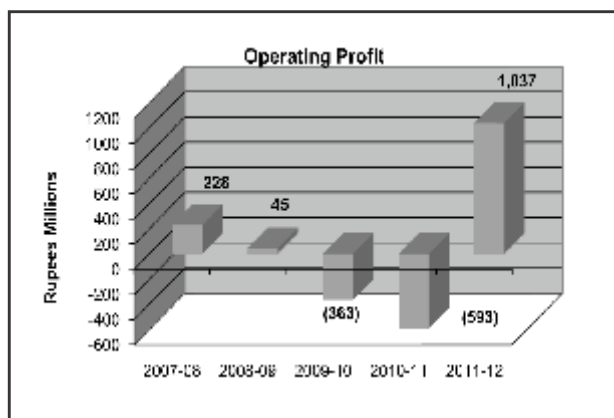
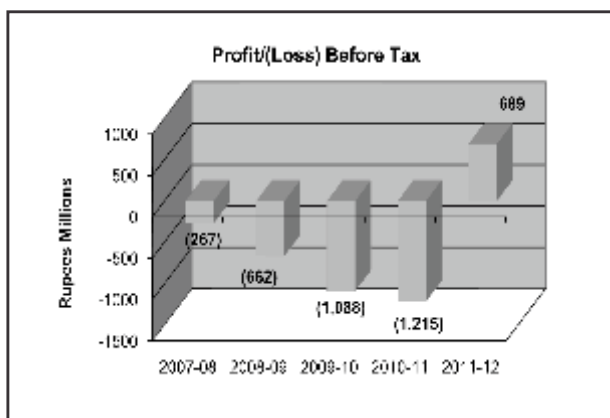
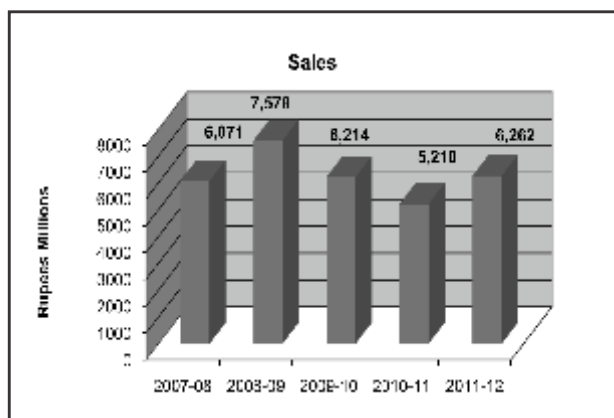
The board places on record its profound gratitude for its valued shareholders, banks, financial institutions and customers, whose cooperation, continued support and patronage have enabled the company to strive for constant improvement. During the period under review, relations between the management and employees remained cordial and we wish to place on record our appreciation for the dedication, perseverance and diligence of the staff and workers of the company.

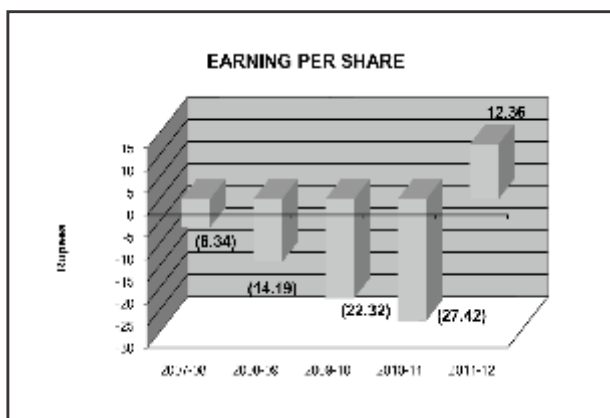
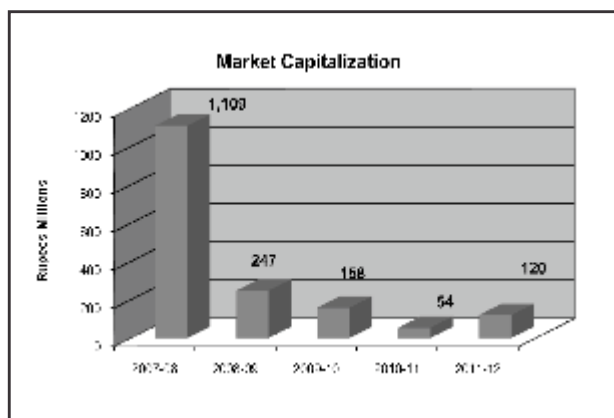
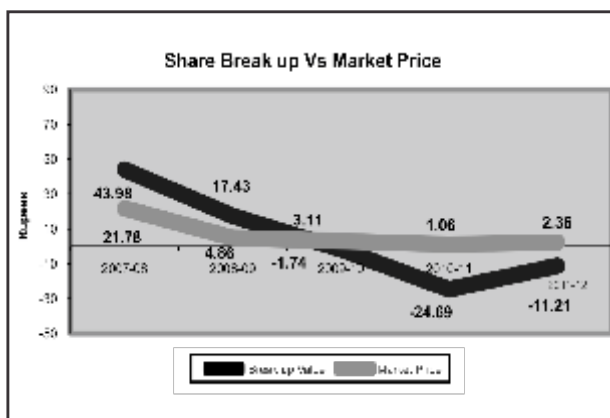
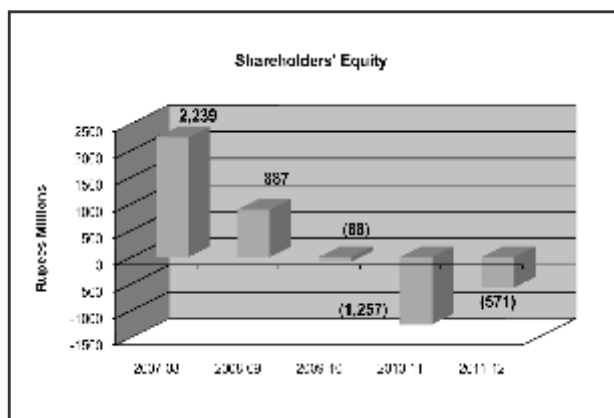
For and on behalf of the Board

Kasur:  
24 September 2012

  
(AAMIR FAYYAZ SHEIKH)  
Chief Executive

## Performance Overview





## SIX YEARS' PERFORMANCE

		2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
<b>OPERATING</b>							
Gross Margin*	%	14.67	(1.81)	5.23	8.70	13.07	14.78
Pre Tax Margin*	%	11.00	(23.32)	(17.50)	(8.73)	(4.40)	2.27
Net Margin	%	10.05	(26.79)	(18.30)	(9.53)	(5.19)	1.50
<b>PERFORMANCE</b>							
Return on Long Term Assets	%	17.58	(41.38)	(20.73)	(12.74)	(7.30)	2.84
Total Assets Turnover		1.08	0.90	0.71	0.84	0.67	0.89
Fixed Assets Turnover		1.83	1.70	1.20	1.40	1.49	1.89
Inventory Turnover	Days	53.41	63.84	84.00	74.00	96.00	71.00
Return on Equity	%	nm	nm	nm	(81.44)	(14.06)	4.58
Return on Capital Employed	%	24.57	nm	(92.01)	(30.67)	(7.28)	4.25
Retention	%	100.00	-	-	-	-	44.39
<b>LEVERAGE</b>							
Debt:Equity		120:(20)	nm	107:(7)	59:41	39:61	39:61
<b>LIQUIDITY</b>							
Current		1.06	0.38	0.44	0.55	0.84	0.93
Quick		0.67	0.26	0.24	0.30	0.49	0.61
<b>VALUATION</b>							
Earning per share (pre tax)*	Rs.	13.53	(23.87)	(21.36)	(13.00)	(5.38)	4.21
Earning per share (after tax)	Rs.	12.36	(27.42)	(22.32)	(14.19)	(6.34)	2.78
Breakup value	Rs.	(11.21)	(24.69)	(1.74)	17.43	43.98	68.69
Dividend payout - Cash	Rs.	-	-	-	-	-	12.50
Bonus issue	%	-	-	-	-	-	10.00
Payout ratio - Cash (after tax)	%	-	-	-	-	-	55.61
Price earning ratio	Rs.	0.19	(0.04)	(0.14)	(0.34)	(3.43)	9.37
Market price to breakup value	Rs.	(0.21)	(0.04)	(1.79)	0.28	0.50	0.43
Dividend yield	%	-	-	-	-	-	4.24
Market value per share	Rs.	2.36	1.06	3.11	4.86	21.78	29.50
Market capitalization	Rs.(000)	120,150	53,966	158,333	247,428	1,108,842	1,072,768
<b>HISTORICAL TRENDS</b>							
Turnover*	Rs.(000)	6,261,868	5,210,209	6,214,371	7,578,457	6,071,271	7,611,237
Gross profit*	Rs.(000)	918,875	(94,544)	324,598	659,138	793,521	1,124,500
Profit/(Loss) before tax*	Rs.(000)	689,071	(1,215,277)	(1,087,528)	(661,761)	(267,105)	173,054
Profit/(Loss) after tax	Rs.(000)	629,489	(1,396,003)	(1,136,512)	(722,552)	(314,802)	114,441
<b>FINANCIAL POSITION</b>							
Shareholder's funds	Rs.(000)	(570,526)	(1,256,932)	(88,488)	887,261	2,238,857	2,497,983
Property Plant and Equipment	Rs.(000)	3,412,683	3,062,840	5,181,770	5,404,086	4,062,382	4,026,564
Current assets	Rs.(000)	2,243,136	2,413,795	3,199,998	3,378,901	4,771,035	4,509,102
Current liabilities	Rs.(000)	2,115,791	6,345,402	7,317,408	6,109,691	5,689,702	4,868,224
Long term assets	Rs.(000)	3,580,165	3,373,358	5,491,986	5,672,331	4,311,432	4,031,148
Long term liabilities	Rs.(000)	3,422,637	31,085	438,911	1,016,955	1,153,908	1,174,043

nm: not meaningful

\*for continued operations only

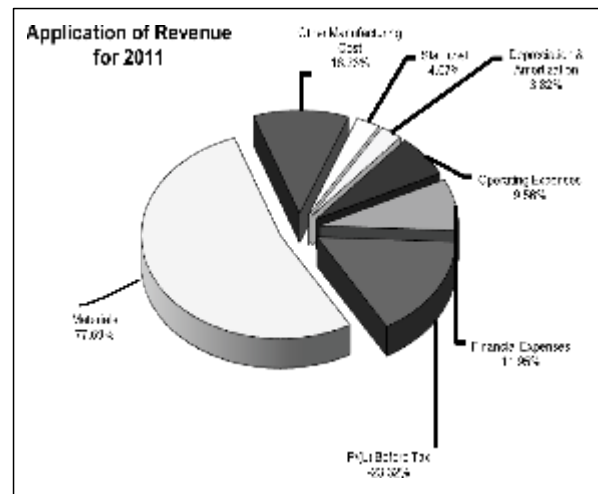
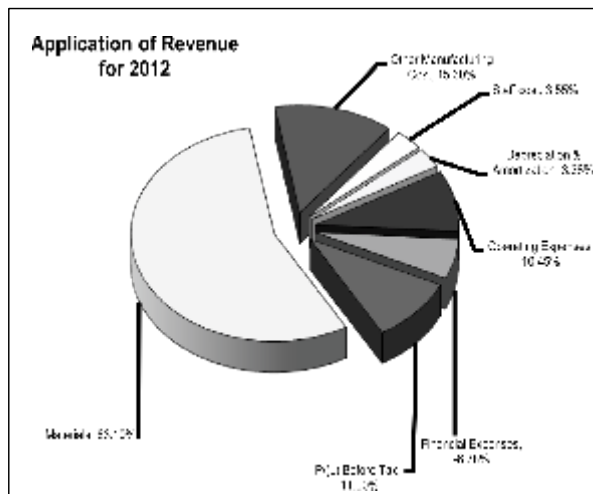
## Statement of Value Addition

### Value Added

	2012		2011	
	%age	Rupees (000)	%age	Rupees (000)
Local Sales	16.99%	1,063,590	19.64%	1,023,111
Export Sales	83.01%	5,198,278	80.36%	4,187,099
<b>Total Sales</b>	<b>100%</b>	<b>6,261,868</b>	<b>100%</b>	<b>5,210,209</b>

### Value Allocated

Materials	63.10%	3,951,056	77.69%	4,048,017
Other Manufacturing Cost	15.30%	958,152	16.23%	845,780
Staff cost	3.55%	222,228	4.07%	212,058
Depreciation & Amortization	3.38%	211,557	3.82%	198,898
Operating Expenses	10.45%	654,657	9.56%	498,078
Financial Expenses	-6.78%	(424,853)	11.95%	622,655
P/(L) Before Tax	11.00%	689,071	-23.32%	(1,215,277)
	<b>100%</b>	<b>6,261,868</b>	<b>100%</b>	<b>5,210,209</b>



## Statement of Compliance with the Code of Corporate Governance FOR THE YEAR ENDED 30 JUNE 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of Stock Exchanges in Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent Non-Executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

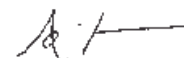
Mr. Aamir Fayyaz Sheikh	Chief Executive / Executive Director
Mr. Asad Fayyaz Sheikh	Executive Director
Mr. Ali Fayyaz Sheikh	Executive Director
Mr. Rashid Ahmed	Independent Non-Executive Director
Mr. Aamir Amin	Non-Executive Director representing National Investment Trust Ltd.
Mr. Kamran Shahid	Executive Director
Mr. Mohammad Aamir Alam Qureshi	Executive Director

The above named independent Director meets the criteria of independence under clause i (b) of the Code of Corporate Governance.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year ended June 30, 2012. However, a necessary disclosure has been provided in the Directors Report dated September 24, 2012, regarding a change in the Board of Directors of the Company.
5. 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..
6. 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.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive Directors, have been taken by the Board/shareholders.
8. 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 and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of meetings were appropriately recorded and circulated.
9. The Board encourages training programs for its Directors and as per the requirements of code of corporate governance plans to enroll one of its Directors for the appropriate orientation course in due course.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' Report for the year ended June 30, 2012, has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, of whom Chairman of the committee is an independent Director.
16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises three members of whom Chairman of the committee is an independent Director. Currently, majority of the members in Human Resource and Remuneration Committee are not from non-executive directors. However, the Company has intention to comply with this requirement of Code of Corporate Governance from next election of directors.
18. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchanges.
23. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board



**(AAMIR FAYYAZ SHEIKH)**  
Chief Executive

Kasur:  
24 September 2012

## **REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **KOHINOOR MILLS LIMITED** ("the Company") for the year ended 30 June 2012, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of director of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of the various documents prepared by the Company to comply with the Code.

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

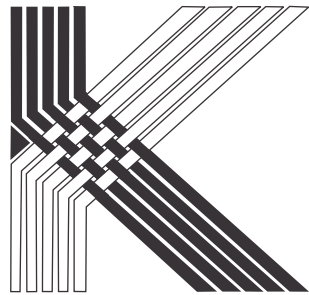
Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2012.

**RIAZ AHMAD & COMPANY**  
Chartered Accountants

Name of engagement partner:  
Syed Mustafa Ali

DATE: 24 September 2012  
LAHORE



**Kohinoor Mills Limited  
Financial Statements**

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KOHINOOR MILLS LIMITED** as at 30 June 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

As more fully explained in Note 7 to the financial statements, during the year ended 30 June 2012, existing borrowings have been restructured resulting in substantial modification of the terms of existing borrowings. In accordance with International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' this substantial modification of the terms of existing borrowings should be accounted for as an extinguishment of the original borrowings and the recognition of new borrowings at fair value. However, this adjustment has not been made in these financial statements. Had this adjustment been made, carrying amount of borrowings would have been lower and profit after taxation for the year ended 30 June 2012 would have been higher by Rupees 1,225.895 million. Further, negative equity of the company as at 30 June 2012 amounting to Rupees 570.526 million would have been converted into positive balance of Rupees 655.369 million.

Except for the effects of the matter stated in the preceding paragraph, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

- ii) the expenditure incurred during the year was for the purpose of the company's business;  
and
- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2012 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

RIAZ AHMAD & COMPANY  
Chartered Accountants

Name of engagement partner:  
Syed Mustafa Ali

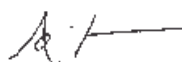
DATE: 24 September 2012

LAHORE

**BALANCE SHEET AS AT 30 JUNE 2012**

	Note	2012 Rupees	2011 Rupees
<b>EQUITY AND LIABILITIES</b>			
Share capital and reserves			
Authorized share capital	3	<u>1,100,000,000</u>	<u>1,100,000,000</u>
Issued, subscribed and paid-up share capital	4	509,110,110	509,110,110
Reserves	5	<u>(1,079,636,012)</u>	<u>(1,766,042,454)</u>
Total equity		(570,525,902)	(1,256,932,344)
Surplus on revaluation of operating fixed assets - net of deferred income tax	6	855,399,156	667,598,062
<b>LIABILITIES</b>			
Non-current liabilities			
Long term financing - secured	7	3,102,896,832	-
Sponsor's loan	8	272,000,000	-
Deferred income tax	9	47,740,202	31,084,682
		3,422,637,034	31,084,682
Current liabilities			
Trade and other payables	10	682,165,263	849,185,345
Accrued markup	11	445,334,605	996,903,370
Short term borrowings - secured	12	784,099,087	3,475,566,183
Current portion of long term financing	7	141,277,366	974,619,612
Provision for taxation		62,914,863	49,127,602
		2,115,791,184	6,345,402,112
Total liabilities		5,538,428,218	6,376,486,794
Contingencies and commitments	13		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>5,823,301,472</u>	<u>5,787,152,512</u>

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



CHIEF EXECUTIVE

Kohinoor Mills Limited - Annual Report 2012

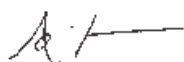
	Note	2012 Rupees	2011 Rupees
<b>ASSETS</b>			
Non-current assets			
Fixed assets	14	3,412,682,623	3,062,839,687
Long term investments	15	146,700,000	300,000,000
Long term security deposits		20,782,740	10,518,250
		<u>3,580,165,363</u>	<u>3,373,357,937</u>
Current assets			
Stores, spares and loose tools	16	252,126,678	236,551,528
Stock-in-trade	17	575,669,852	499,369,266
Trade debts	18	754,942,849	498,802,691
Advances	19	125,692,850	204,847,936
Trade deposits and short term prepayments	20	13,039,403	1,530,466
Other receivables	21	190,653,753	222,605,249
Sales tax recoverable		93,339,609	69,823,447
Short term investments	22	129,544,580	77,888,756
Cash and bank balances	23	108,126,535	229,350,175
		2,243,136,109	2,040,769,514
Non-current assets held for sale	24	-	373,025,061
		<u>2,243,136,109</u>	<u>2,413,794,575</u>
<b>TOTAL ASSETS</b>		<u><u>5,823,301,472</u></u>	<u><u>5,787,152,512</u></u>

  
 \_\_\_\_\_  
 DIRECTOR

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
CONTINUING OPERATIONS:			
SALES	25	6,261,867,722	5,210,209,429
COST OF SALES	26	<u>(5,342,992,987)</u>	<u>(5,304,752,999)</u>
GROSS PROFIT/ (LOSS)		918,874,735	(94,543,570)
DISTRIBUTION COST	27	<u>(384,145,110)</u>	<u>(367,876,943)</u>
ADMINISTRATIVE EXPENSES	28	<u>(183,949,049)</u>	<u>(155,708,511)</u>
OTHER OPERATING EXPENSES	29	<u>(158,157,347)</u>	<u>(165,333,959)</u>
		<u>(726,251,506)</u>	<u>(688,919,413)</u>
		192,623,229	(783,462,983)
OTHER OPERATING INCOME	30	<u>844,479,690</u>	<u>190,841,424</u>
PROFIT / (LOSS) FROM OPERATIONS		1,037,102,919	(592,621,559)
FINANCE COST	31	<u>(348,032,232)</u>	<u>(622,655,407)</u>
PROFIT / (LOSS) BEFORE TAXATION		<u>689,070,687</u>	<u>(1,215,276,966)</u>
TAXATION	32	<u>(59,582,169)</u>	<u>(43,603,916)</u>
PROFIT / (LOSS) AFTER TAXATION FROM CONTINUING OPERATIONS		629,488,518	(1,258,880,882)
DISCONTINUED OPERATIONS:			
LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS	24	<u>-</u>	<u>(137,122,137)</u>
PROFIT / (LOSS) AFTER TAXATION		<u>629,488,518</u>	<u>(1,396,003,019)</u>
EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED FROM CONTINUING OPERATIONS	33	<u>12.36</u>	<u>(24.73)</u>
LOSS PER SHARE - BASIC AND DILUTED FROM DISCONTINUED OPERATIONS	33	<u>-</u>	<u>(2.69)</u>

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



CHIEF EXECUTIVE

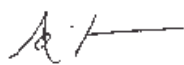


DIRECTOR

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	2012 Rupees	2011 Rupees
PROFIT / (LOSS) AFTER TAXATION	629,488,518	(1,396,003,019)
Surplus / (deficit) arising on re-measurement of available for sale investments to fair value	51,655,824	(39,267,437)
Surplus realized on disposal of available for sale investment	-	(141,726,463)
Deferred income tax relating to (surplus) / deficit on available for sale investment	(5,969,448)	47,510,899
Other comprehensive income / (loss) for the year - net of tax	45,686,376	(133,483,001)
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>	<b>675,174,894</b>	<b>(1,529,486,020)</b>

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



CHIEF EXECUTIVE

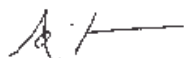


DIRECTOR

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	2012 Rupees	2011 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	689,070,687	(1,355,828,045)
<b>Adjustment for non cash charges and other items:</b>		
Depreciation	232,055,878	237,363,970
Amortization on intangible asset	931,067	1,681,857
Dividend income	(965,500)	(3,042,108)
Gain on sale of operating fixed assets	(13,680,040)	(1,159,816)
Gain on sale of investment	-	(141,726,465)
Gain on sale of non-current assets held for sale	-	(331,993,572)
Loss on disposal of stores, spares and loose tools	-	26,205,770
Impairment loss on equity investment	-	11,813,550
Impairment loss on investment in subsidiary company	153,300,000	-
Provision for doubtful debts	1,525,385	-
Operating fixed assets written off	-	1,272,274
Trade debts written off	-	136,926,662
Advances written off	-	18,876,115
Other receivables written off	-	14,788,092
Credit balances written back	-	(20,225,069)
Accrued markup written back	(772,885,676)	-
Donation	1,865,000	-
Finance cost	348,032,232	834,507,087
<b>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING (INCREASE) / DECREASE IN CURRENT ASSETS</b>	639,249,033	(570,539,698)
Stores, spares and loose tools	(15,575,150)	72,255,313
Stock-in-trade	(76,300,586)	609,007,513
Trade debts	(257,665,543)	138,997,164
Loans and advances	79,155,086	106,266,516
Trade deposits and short term prepayments	(11,508,937)	1,271,968
Other receivables	54,305,429	(56,214,779)
Sales tax recoverable	(23,516,162)	50,888,383
<b>DECREASE IN CURRENT LIABILITIES</b>		
Trade and other payables	(167,020,082)	(466,728,286)
<b>EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES</b>	(418,125,945)	455,743,792
<b>CASH GENERATED FROM / (USED IN) OPERATIONS</b>	221,123,088	(114,795,906)
Income tax paid	(68,994,226)	(55,688,580)
Net increase in long term security deposits	(10,264,490)	(302,499)
Finance cost paid	(126,715,321)	(310,256,992)
	(205,974,037)	(366,248,071)
<b>NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES</b>	15,149,051	(481,043,977)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on operating fixed assets	(82,919,585)	(33,948,658)
Proceeds from disposal of operating fixed assets	95,493,904	11,689,000
Dividend received	965,500	3,042,108
Proceeds from sale of non-current assets held for sale	-	1,861,000,000
<b>NET CASH FROM INVESTING ACTIVITIES</b>	13,539,819	1,841,782,450
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term financing	(342,414,016)	(295,792,056)
Sponsor's loan	272,000,000	-
Short term borrowings - net	(79,498,494)	(910,914,366)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	(149,912,510)	(1,206,706,422)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(121,223,640)	154,032,051
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	229,350,175	75,318,124
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	108,126,535	229,350,175

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



CHIEF EXECUTIVE



DIRECTOR

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	RESERVES						Total equity		
	CAPITAL RESERVES			REVENUE RESERVES					
	Share premium reserve	Fair value reserve	Sub-Total	General reserve	Accumulated loss	Sub-Total		Total reserves	
	Rupees .....								
Balance as at 30 June 2010	509,110,110	213,406,310	173,313,551	386,719,861	1,058,027,640	(2,042,345,807)	(984,318,167)	(597,598,306)	(88,488,196)
Transferred from surplus on revaluation of operating fixed assets - net of deferred income tax	-	-	-	-	-	13,799,351	13,799,351	13,799,351	13,799,351
Surplus transferred to accumulated loss on disposal of operating fixed assets - net of deferred income tax	-	-	-	-	-	347,242,521	347,242,521	347,242,521	347,242,521
Loss for the year	-	-	(133,483,001)	(133,483,001)	-	(1,396,003,019)	(1,396,003,019)	(1,396,003,019)	(1,396,003,019)
Other comprehensive loss for the year	-	-	-	-	-	-	-	(133,483,001)	(133,483,001)
Total comprehensive loss for the year ended 30 June 2011	-	-	(133,483,001)	(133,483,001)	-	(1,396,003,019)	(1,396,003,019)	(1,529,486,020)	(1,529,486,020)
Balance as at 30 June 2011	509,110,110	213,406,310	39,830,550	253,236,860	1,058,027,640	(3,077,306,954)	(2,019,279,314)	(1,766,042,454)	(1,256,932,344)
Transferred from surplus on revaluation of operating fixed assets - net of deferred income tax	-	-	-	-	-	11,231,548	11,231,548	11,231,548	11,231,548
Profit for the year	-	-	45,686,376	45,686,376	-	629,488,518	629,488,518	629,488,518	629,488,518
Other comprehensive income for the year	-	-	-	-	-	-	-	45,686,376	45,686,376
Total comprehensive income for the year ended 30 June 2012	-	-	45,686,376	45,686,376	-	629,488,518	629,488,518	675,174,894	675,174,894
Balance as at 30 June 2012	509,110,110	213,406,310	85,516,926	298,923,236	1,058,027,640	(2,436,586,888)	(1,378,559,248)	(1,079,636,012)	(570,525,902)

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



CHIEF EXECUTIVE



DIRECTOR

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### 1. THE COMPANY AND ITS OPERATIONS

Kohinoor Mills Limited ("the Company") is a public limited Company incorporated on 21 December 1987 in Pakistan under the Companies Ordinance, 1984 and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The registered office of the Company is situated at 8-K.M., Manga Raiwind Road, District Kasur. The Company is principally engaged in the business of textile manufacturing covering weaving, bleaching, dyeing, buying, selling and otherwise dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fiber and to generate, and supply electricity.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

#### 2.1 Basis of preparation

##### a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

##### b) Accounting convention

These financial statements have been prepared under the historical cost convention, except for lands and buildings which are carried at revalued amounts and certain financial instruments which are carried at their fair value.

##### c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

##### Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on conditions existing at the balance sheet date.

#### Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairments on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

#### Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

#### Provision for doubtful debts

The Company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

#### Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

- d) Amendments to published approved standards that are effective in current year and are relevant to the Company

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2011:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the International Accounting Standards Board (IASBs) comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. However, this amendment has no material impact on these financial statements.

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2011). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. However, this amendment has no material impact on these financial statements.

- e) Interpretations and amendments to published approved standards that are effective in current year but not relevant to the Company

There are other new interpretations and amendments to the published approved standards that are mandatory

for accounting periods beginning on or after 01 July 2011 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.

- f) Standards and amendments to published approved standards that are not yet effective but relevant to the Company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2012 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The clarifying amendments to IAS 32 are effective for annual periods beginning on or after 01 January 2014. However, these amendments are not expected to have a material impact on the Company's financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 01 January 2013). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Consolidated and Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation – Special Purpose Entities' in its entirety. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2013). This standard includes the disclosure requirements for all forms of interests in other entities,

including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard is not expected to have a material impact on the Company's financial statements.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from this amendment is the requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. However, this amendment is not expected to have a material impact on the Company's financial statements.

IAS 16 (Amendment), 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2013). This amendment requires that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. However, this amendment is not expected to have a material impact on the Company's financial statements.

On 17 May 2012, IASB issued Annual Improvements to IFRSs: 2009 – 2011 Cycle, incorporating amendments to five IFRSs more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial instruments: Presentation', that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

- g) Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Company

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2012 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.

## 2.2 Employee benefit

The Company operates a funded contributory provident fund scheme for its permanent employees. The Company and employees make equal monthly contributions of 8.33 percent of the basic salary, towards the fund. The Company's contribution is charged to the profit and loss account.

## 2.3 Provisions

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation

and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

## 2.4 Taxation

### Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

## 2.5 Foreign currencies

The financial statements are prepared in Pak Rupees, which is the Company's functional and presentation currency. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses, where applicable, are recognized in the profit and loss account.

## 2.6 Fixed assets

### 2.6.1 Property, plant and equipment and depreciation

#### Owned

#### a) Cost

Property, plant and equipment except freehold land and buildings are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified

impairment loss, buildings are stated at revalued amount less accumulated depreciation and any identified impairment loss, while capital work-in-progress is stated at cost less any identified impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Increases in the carrying amount arising on revaluation of operating fixed assets are credited to surplus on revaluation of operating fixed assets. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to income. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the income) and depreciation based on the assets' original cost is transferred from surplus on revaluation of operating fixed assets to accumulated loss. All transfers to / from surplus on revaluation of operating fixed assets are net of applicable deferred income tax.

b) Depreciation

Depreciation on all operating fixed assets is charged to income on a reducing balance method so as to write off cost / depreciable amount of an asset over its estimated useful life at the rates as disclosed in note 14.1. Depreciation on additions is charged from the month in which the asset is put to use and on disposal up to the month of disposal. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

c) Derecognition

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognized.

Leased

a) Finance leases

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to income over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to income.

b) Operating leases

Leases where significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income on a straight-line basis over the period of lease.

2.6.2 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

2.7 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is initially measured at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investment in subsidiary company, which is tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

a) Investments at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

b) Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

c) Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. These are sub-categorized as under:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'.

d) Equity investments in associated companies

The investments in associates in which the Company does not have significant influence are classified as "Available-for-Sale".

e) Investment in subsidiary company

Long term investment in subsidiary company is accounted for at cost less impairment loss, if any, in accordance with IAS 27 'Consolidated and Separate Financial Statements'.

2.8 Inventories

Inventories, except for stock in transit, waste stock and rejected goods are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spares and loose tools

Useable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. In transit stores and spares are valued at cost comprising invoice value plus other charges paid thereon.

Stock in trade

Cost of raw material is based on weighted average cost.

Cost of work in process and finished goods comprises prime cost and appropriate production overheads determined on weighted average cost. Cost of goods purchased for resale are valued at their respective

purchase price by using first-in-first-out method.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock and rejected goods are valued at net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale.

#### 2.9 Non-current assets held for sale

Non-current assets classified as assets held for sale are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recoverable principally through a sale transaction rather than through continuing use.

#### 2.10 Borrowing costs

Borrowing costs are recognized as expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing cost, if any, are capitalized as part of the cost of that asset.

#### 2.11 Revenue recognition

Revenue from different sources is recognized as under:

- (a) Revenue from sale of goods is recognized on dispatch of goods to customer.
- (b) Dividend on equity investments is recognized as income when right to receive payment is established.
- (c) Profit on bank deposits is recognized on a time proportion basis taking into account, the principal outstanding and rates of profits applicable thereon.

#### 2.12 Impairment

##### a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

2.13 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

2.14 Financial instruments

Financial instruments are recognized at fair value when the Company becomes party to the contractual provisions of the instrument by following trade date accounting. Any gain or loss on the subsequent measurement is charged to the profit and loss account except for available for sale investments. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses the control over contractual right that comprises the financial asset or a portion of financial asset. While a financial liability or a part of financial liability is derecognized from the balance sheet when, and only when, it is extinguished, i.e., when the obligation specified in contract is discharged, cancelled or expired.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are long term investments, trade debts, deposits, loans and advances and other receivables, short term investments and cash and bank balances.

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term financing, short term borrowings, accrued markup and trade and other payables.

2.14.1 Trade debts and other receivables

Trade debts and other receivable are initially measured at fair value and subsequently at amortized cost using effective interest rate method less provision for impairment. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

2.14.2 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

2.14.3 Markup bearing borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost, any difference between the proceeds and the redemption value is recognized in the income statement over the period of the borrowing using the effective interest rate method.

2.14.4 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current accounts, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.15 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

The Company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in equity are recognized in profit and loss account in the periods when the hedged item will affect profit or loss.

2.16 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which can not be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has three reportable business segments. Weaving (Producing different quality of greige fabric using yarn), Dyeing (Converting greige into dyed fabric) and Power Generation (Generating and distributing power).

Transaction among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

2.17 Off setting of financial assets and liabilities

Financial assets and liabilities are set off and the net amount is reported in the financial statements when there is legally enforceable right to set off and the Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.18 Dividend and other appropriations

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3 AUTHORIZED SHARE CAPITAL

2012 (NUMBER OF SHARES)	2011 (NUMBER OF SHARES)		2012 Rupees	2011 Rupees
80,000,000	80,000,000	Ordinary shares of Rupees 10 each	800,000,000	800,000,000
30,000,000	30,000,000	Preference shares of Rupees 10 each	300,000,000	300,000,000
<u>110,000,000</u>	<u>110,000,000</u>		<u>1,100,000,000</u>	<u>1,100,000,000</u>

4 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

28,546,003	28,546,003	Ordinary shares of Rupees 10 each fully paid in cash	285,460,030	285,460,030
18,780,031	18,780,031	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	187,800,310	187,800,310
3,584,977	3,584,977	Ordinary shares of Rupees 10 each issued due to merger with Kohinoor Genertek Limited as per scheme of arrangement	35,849,770	35,849,770
<u>50,911,011</u>	<u>50,911,011</u>		<u>509,110,110</u>	<u>509,110,110</u>

5	<b>RESERVES</b>	2012	2011
<b>Composition of reserves is as follows:</b>		Rupees	Rupees
	<b>Capital reserves</b>		
	Share premium reserve (Note 5.1)	213,406,310	213,406,310
	Fair value reserve - net of deferred income tax (Note 5.2)	85,516,926	39,830,550
		<u>298,923,236</u>	<u>253,236,860</u>
	<b>Revenue reserves</b>		
	General reserve	1,058,027,640	1,058,027,640
	Accumulated loss	(2,436,586,888)	(3,077,306,954)
		<u>(1,378,559,248)</u>	<u>(2,019,279,314)</u>
		<u>(1,079,636,012)</u>	<u>(1,766,042,454)</u>
5.1	This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.		
5.2	<b>Fair value reserve - net of deferred income tax</b>		
	Balance as at 01 July	54,007,525	235,001,425
	Fair value adjustment on investments:		
	Impact of revaluation of investment	51,655,824	(39,267,437)
	Fair value gain realized on disposal of investment	-	(141,726,463)
		<u>51,655,824</u>	<u>(180,993,900)</u>
		105,663,349	54,007,525
	Less: Deferred income tax liability on unquoted equity investment in Security General Insurance Company Limited	20,146,423	14,176,975
	Balance as at 30 June	<u>85,516,926</u>	<u>39,830,550</u>
5.2.1	This represents the unrealized gain on remeasurement of available for sale investments at fair value and is not available for distribution. This will be transferred to profit and loss account on realization.		
6	<b>SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF DEFERRED INCOME TAX</b>		
	Balance as at 01 July	684,505,769	1,055,327,214
	Add: Surplus incorporated during the year:		
	Lands	45,829,000	-
	Buildings	164,735,099	-
		<u>210,564,099</u>	<u>-</u>
	Less: Surplus in respect of operating fixed assets disposed of during the year:		
	Lands	-	256,087,297
	Buildings	-	99,896,136
		<u>-</u>	<u>355,983,433</u>
	Less: Incremental depreciation	12,076,933	14,838,012
		<u>882,992,935</u>	<u>684,505,769</u>
	Less: Related deferred income tax liability	27,593,779	16,907,707
	Balance as at 30 June	<u>855,399,156</u>	<u>667,598,062</u>

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	2012 Rupees	2011 Rupees
7 LONG TERM FINANCING - SECURED		
Financing from banking companies (Note 7.1 and 7.2)	3,244,174,198	974,619,612
Less: Current portion shown under current liabilities	141,277,366	974,619,612
	3,102,896,832	-

7.1	Lender	2012 -----Rupees-----	2011	Revised terms after restructuring	Security
	National Bank of Pakistan	670,719,000	491,516,782	This loan is repayable in 32 stepped up quarterly installments commencing from 30 September 2013 and ending on 30 June 2021. This loan carries markup at the rate of 7.70% per annum based on the average cost of funds of the bank which will be reviewed annually. Markup will be accrued over nine years during which the principal will be repaid. The accrued markup will be repaid in twelve equal quarterly installments commencing on 30 September 2021 and ending on 30 June 2024.	First joint pari passu charge of Rupees 628.394 million over fixed assets and Rupees 42.424 million over current assets of the Company with 25% margin.
	United Bank Limited	349,484,532	132,500,000	This loan is repayable in 28 equal quarterly installments of Rupees 13.54 million each commenced from 09 February 2012 and ending on 09 November 2018. Markup is payable quarterly at the rate of 5.00% per annum.	First pari passu charge of Rupees 606.000 million (with 25% margin) over all present and future current assets and Rupees 200.000 million over fixed assets of the Company. Personal guarantees of two directors.
	Allied Bank Limited	-	130,291,327	This loan has been fully repaid. As per rescheduling arrangement, no markup has been charged during the year.	-
	The Bank of Punjab	706,710,288	195,130,000	This loan is repayable in 32 stepped up quarterly installments commenced from 30 June 2011 and ending on 31 March 2019. This loan carries markup at the rate of 9.33% per annum based on the cost of funds of the bank which will be reviewed annually. Markup will be accrued over eight years during which the principal will be repaid. The accrued markup will be repaid in eight equal quarterly installments commencing on 30 June 2019 and ending on 31 March 2021.	Joint pari passu charge of Rupees 566.667 million over fixed assets, pari passu charge of Rupees 534.000 million and ranking charge of Rupees 268.000 million on all present and future current assets of the Company.
	Faysal Bank Limited	269,142,161	25,181,503	This loan is repayable in 28 stepped up quarterly installments commencing from 01 October 2013 and ending on 01 July 2020. Markup is payable quarterly at the rate of 5.00% per annum.	First pari passu charge of Rupees 266.800 million over current assets, ranking charge of Rupees 200.000 million over current assets and exclusive charge of Rupees 94.000 million on power generators of the Company.
	NIB Bank Limited	381,288,600	-	This loan is repayable in 36 stepped up quarterly installments commenced from 30 September 2011 and ending on 30 June 2020. Markup is payable quarterly at the rate of 5.00% per annum.	First pari passu charge of Rupees 464.000 million over fixed assets and joint pari passu charge of Rupees 800.000 million over current assets of the Company.
	Askari Bank Limited	167,919,000	-	This loan is repayable in 32 quarterly installments of Rupees 5.282 million each commencing from 30 June 2013 and ending on 31 March 2021. Markup is payable at the rate of 5.00% per annum.	First joint pari passu charge of Rupees 506.667 million over current assets by way of hypothecation and ranking charge of Rupees 169.000 million over fixed assets of the Company by way of hypothecation.
	Bank Alfalah Limited	234,584,199	-	This loan is repayable in 32 stepped up quarterly installments commencing from 01 July 2012 and ending on 01 April 2020. This loan carries markup at the rate of 8.30% per annum based on the cost of funds of the bank which will be reviewed monthly. Markup will be accrued over nine years during which the principal will be repaid. The accrued markup will be repaid in thirty six equal monthly installments commencing on 01 May 2020 and ending on 01 April 2023.	Hypothecation charge of Rupees 410.000 million over all present and future current assets of the Company.
	Silk Bank Limited	169,326,418	-	This loan is repayable in 32 stepped up quarterly installments commencing from 30 September 2012 and ending on 30 June 2020. This loan carries markup at the rate of 11.52% per annum based on the cost of funds of the bank which will be reviewed quarterly. Markup will be accrued over nine years during which the principal will be repaid. The accrued markup will be repaid in twelve equal quarterly installments commencing on 30 September 2020 and ending on 30 June 2023.	First joint pari passu charge of Rupees 360.000 million over all present and future current assets by way of hypothecation and ranking charge of Rupees 170.000 million over fixed assets of the Company.
	Habib Bank Limited	295,000,000	-	This loan is repayable in 32 stepped up quarterly installments commencing from 30 June 2012 and ending on 31 March 2020. Markup is payable quarterly at the rate of 5.00% per annum.	First joint pari passu charge of Rupees 1,160.000 million over current assets, joint pari passu charge of Rupees 146.67 million and ranking charge of Rupees 362.000 million over fixed assets of the Company.
		3,244,174,198	974,619,612		

7.2 After restructuring arrangements with the banking companies, short term borrowings of Rupees 2,611,969 million have been transferred from short term borrowings to long term financing.

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8	SPONSOR'S LOAN		
	This represents unsecured interest free loan from director of the Company with un-defined period of repayment.		
9	DEFERRED INCOME TAX	2012	2011
	The (liability) / asset for deferred taxation originated due to temporary differences relating to:	Rupees	Rupees
	Taxable temporary differences on:		
	Accelerated tax depreciation	95,133,167	87,554,685
	Surplus on revaluation of operating fixed assets	27,593,779	16,907,707
	Surplus on revaluation of investment - available for sale	20,146,423	14,176,975
		142,873,369	118,639,367
	Deductible temporary difference on:		
	Accumulated tax losses	(276,825,386)	(351,349,289)
	Net deferred income tax asset	(133,952,017)	(232,709,922)
	Less: Deferred income tax liability recognized (Note 9.1)	47,740,202	31,084,682
	Net deferred income tax asset not recognized	<u>(181,692,219)</u>	<u>(263,794,604)</u>
9.1	Deferred income tax liability on surplus on revaluation of operating fixed assets and surplus on revaluation of investment available for sale - Security General Insurance Company Limited has been recognized in these financial statements. Remaining net deferred income tax asset of Rupees 181.692 million (2011: Rupees 263.795 million) has not been recognized in these financial statements as the temporary differences are not expected to reverse in the foreseeable future.		
10	TRADE AND OTHER PAYABLES		
	Creditors	451,899,376	624,208,931
	Advances from customers	99,106,673	118,249,429
	Sales commission payable	48,607,837	40,931,705
	Income tax deducted at source	15,185,716	24,844,150
	Security deposits - interest free	597,278	647,278
	Payable to employees' provident fund trust	-	3,613,048
	Accrued and other liabilities	62,036,847	31,959,268
	Unclaimed dividend	4,731,536	4,731,536
		<u>682,165,263</u>	<u>849,185,345</u>
11	ACCRUED MARKUP		
	Long term financing	344,523,260	313,378,742
	Short term borrowings (Note 11.1)	100,811,345	683,524,628
		<u>445,334,605</u>	<u>996,903,370</u>
11.1	This includes overdue markup of Rupees 58.857 million (2011: Rupees 558.813 million).		
12	SHORT TERM BORROWINGS - SECURED		
	From banking companies-secured		
	Short term running finance (Note 12.1)	-	536,373,393
	SBP refinance (Note 12.1, 12.2 and 12.3)	537,927,000	2,794,972,791
	Other short term finances (Note 12.1, 12.2 and 12.4)	246,172,087	144,219,999
		<u>784,099,087</u>	<u>3,475,566,183</u>
12.1	Short term borrowings of Rupees 2,611.969 million have been transferred to long term financing after restructuring arrangements with banking companies.		

- 12.2 These facilities are secured against hypothecation charge on current assets, lien on export contracts / letters of credit, first and second pari passu charge on fixed and current assets, personal guarantees of directors, pledge of investment in listed security and ranking charge on current assets of the Company. Rescheduling of short term borrowings obtained from MCB Bank Limited is in process. However, as per the original terms of the agreement with the aforementioned bank, the aggregate borrowing facilities amounting to Rupees 121.189 million stand expired as at 30 June 2012.
- 12.3 The rate of markup is 11% per annum (2011: 8.5% to 11% per annum).
- 12.4 The rates of markup range from 5% to 16.06% per annum (2011: 12.31% to 16.12% per annum).
- 13 CONTINGENCIES AND COMMITMENTS
- 13.1 Contingencies
- 13.1.1 The Deputy Collector (Refund – Gold) by order dated 19 June 2007 rejected the input tax claim of the Company, for the month of June 2005, amounting to Rupees 10.345 million incurred in zero rated local supplies of textile and articles thereof on the grounds that the input tax claim is in contravention of SRO 992(I)/2005 which states that no registered person engaged in the export of specified goods (including textile and articles thereof) shall, either through zero-rating or otherwise, be entitled to deduct or reclaim input tax paid in respect of stocks of such goods acquired up to 05 June 2005, if not used for the purpose of exports made up to the 31 December 2005. Consequently, the Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR). ATIR has decided this appeal in favour of the Company subject to necessary verification. Pending the outcome of necessary verification, no provision for inadmissible input tax has been recognized in these financial statements, since the Company is confident of the outcome of verification.
- 13.1.2 The Additional Collector, Sales Tax Department has raised sales tax demand amounting to Rupees 8.956 million alongwith additional tax and penalty, as a result of sales tax audit for the year 1999-2000 conducted by the Sales Tax Department. The Company is contesting the demand and management is confident that decision will be in favour of the Company, hence, no provision there against has been made in these financial statements.
- 13.1.3 Bank guarantees of Rupees 65.80 million (2011: Rupees 65.80 million) are given by the banks of the Company in favour of Sui Northern Gas Pipelines Limited against gas connections.
- 13.1.4 Bank guarantee of Rupees 6.5 million (2011: Rupees 6.5 million) is given by the bank of the Company in favour of Director, Excise and Taxation to cover the disputed amount of infrastructure cess.
- 13.1.5 Bank guarantees of Rupees 8.331 million (2011: Rupees Nil) are given by the bank of the Company in favour of Lahore Electric Supply Company Limited against electricity connections.
- 13.1.6 Lahore Electric Supply Company Limited (LESCO) has served a notice to the Company in connection with violation of Power Purchase Agreement. According to the aforesaid notice, the Company was using gas alongwith Refined Furnace Oil (RFO) in the ratio of 50:50 as co-fuel in order to generate electric power for sale to LESCO whereas tariff was charged to LESCO on the basis of RFO. The matter is being resolved under the provisions of above said Power Purchase Agreement and referred to Mr. Justice (Retd.) Syed Jamshed Ali Shah for arbitration. The proceedings of arbitration are in process. An amount of Rupees 86.833 million receivable by the Company from LESCO is still unpaid. No provision in these financial statements has been made against this receivable, as the Company is confident that the said amount will be recovered in full.
- 13.2 Commitments
- 13.2.1 Aggregate commitments for capital expenditures and revenue expenditures are amounting to Rupees 79.324 million and Rupees 22.220 million (2011: Rupees Nil and Rupees 9.677 million) respectively.
- 13.2.2 Post dated cheques issued to suppliers are amounting to Rupees 9.694 million (2011: Rupees 131.882 million).

	2012	2011
	Rupees	Rupees
<b>FIXED ASSETS</b>		
Property, plant and equipment		
Operating fixed assets (Note 14.1)	3,372,275,939	3,031,101,708
Capital work-in-progress (Note 14.2)	38,875,416	31,000,666
	<u>3,411,151,355</u>	<u>3,062,102,374</u>
Intangible asset - computer software (Note 14.1)	1,531,268	737,313
	<u>3,412,682,623</u>	<u>3,062,839,687</u>

14.1 Reconciliations of carrying amounts of operating fixed assets and intangible asset at the beginning and end of the year are as follows:

Description	Operating fixed assets										Intangible asset	
	Freehold land	Residential building	Factory building	Plant and machinery	Electric installations	Furniture, fixtures and equipment	Computers	Motor vehicles	Total			
As at 30 June 2010												
Cost / revalued amount	827,363,000	254,607,362	1,066,561,739	5,041,384,043	109,037,643	115,964,056	46,808,172	74,650,718	7,536,576,733		9,754,449	
Accumulated depreciation / amortization	(31,418,020)	(287,422,679)	(267,422,679)	(1,928,215,180)	(54,912,171)	(49,205,996)	(33,773,870)	(30,281,693)	(2,395,228,705)		(6,722,694)	
Net book value	<u>827,363,000</u>	<u>223,189,342</u>	<u>799,139,064</u>	<u>3,113,168,863</u>	<u>54,125,472</u>	<u>66,758,060</u>	<u>13,034,302</u>	<u>44,369,025</u>	<u>5,141,148,028</u>		<u>3,031,755</u>	
Year ended 30 June 2011												
Opening net book value	827,363,000	223,189,342	799,139,064	3,113,168,863	54,125,472	66,758,060	13,034,302	44,369,025	5,141,148,028		3,031,755	
Additions	-	13,226,074	22,208,122	1,204,859	-	1,548,179	1,460,778	890,000	40,538,012		-	
Disposals:												
Cost	-	-	-	(39,809,212)	-	-	(28,750)	(6,458,476)	(46,296,438)		-	
Accumulated depreciation	-	-	-	32,134,767	-	-	11,649	3,620,838	35,767,254		-	
	-	-	-	(7,674,445)	-	-	(17,101)	(2,837,638)	(10,529,184)		-	
Reclassified to non-current assets held for sale:												
Cost	(57,500,000)	(45,808,076)	(623,866,944)	(1,141,019,427)	(33,830,074)	(42,585,313)	(17,233,080)	-	(2,461,842,914)		(2,182,572)	
Accumulated depreciation / amortization	-	3,881,121	110,348,527	405,912,323	13,501,721	13,897,074	13,183,244	-	560,424,010		1,569,987	
	<u>(57,500,000)</u>	<u>(42,226,955)</u>	<u>(513,518,417)</u>	<u>(735,107,104)</u>	<u>(20,328,353)</u>	<u>(28,688,239)</u>	<u>(4,049,836)</u>	-	<u>(1,901,418,904)</u>		<u>(612,585)</u>	
Write-off:												
Cost	-	-	-	-	-	(1,851,666)	-	-	(1,851,666)		-	
Accumulated depreciation	-	-	-	-	-	579,392	-	-	579,392		-	
Depreciation charge / amortization	-	(9,901,643)	(25,236,468)	(183,475,903)	(4,249,484)	(4,998,994)	(3,419,917)	(6,081,561)	(237,363,910)		(1,681,857)	
Closing net book value	<u>269,863,000</u>	<u>171,060,744</u>	<u>273,610,253</u>	<u>2,209,119,533</u>	<u>30,752,494</u>	<u>33,347,652</u>	<u>7,008,226</u>	<u>36,339,826</u>	<u>3,031,101,708</u>		<u>737,313</u>	
As at 30 June 2011												
Cost / revalued amount	269,863,000	208,799,286	455,920,869	3,882,763,526	76,412,428	73,075,256	31,007,120	69,082,242	5,066,923,727		7,571,877	
Accumulated depreciation / amortization	(269,863,000)	(37,738,542)	(182,310,616)	(1,673,643,993)	(45,659,934)	(39,727,624)	(23,998,894)	(32,742,416)	(2,035,822,019)		(6,834,564)	
Net book value	<u>269,863,000</u>	<u>171,060,744</u>	<u>273,610,253</u>	<u>2,209,119,533</u>	<u>30,752,494</u>	<u>33,347,652</u>	<u>7,008,226</u>	<u>36,339,826</u>	<u>3,031,101,708</u>		<u>737,313</u>	
Year ended 30 June 2012												
Opening net book value	269,863,000	171,060,744	273,610,253	2,209,119,533	30,752,494	33,347,652	7,008,226	36,339,826	3,031,101,708		737,313	
Additions	-	1,098,288	1,098,288	26,685,489	34,873,175	1,661,501	5,805,197	3,196,163	73,319,813		1,725,022	
Disposals:												
Cost	(1,865,000)	-	-	(307,538,576)	-	-	(56,000)	(6,809,243)	(316,268,759)		-	
Accumulated depreciation	(1,865,000)	-	-	228,871,631	-	-	18,734	3,699,530	232,589,895		-	
Transferred from non-current assets held for sale:												
Cost	250,000,000	-	-	145,342,099	11,836,988	19,851,218	2,488,125	-	429,717,840		-	
Accumulated depreciation	-	-	-	(44,213,458)	(4,597,479)	(5,794,753)	(2,193,089)	-	(56,692,779)		-	
Depreciation charge / amortization	-	-	-	101,128,641	7,244,919	14,116,465	535,036	-	373,025,061		-	
Surplus on revaluation	45,829,000	2,662,292	162,072,807	(189,795,096)	(6,482,326)	(5,627,556)	(3,278,192)	(4,610,323)	(232,055,878)		(931,067)	
Closing net book value	<u>563,827,000</u>	<u>165,169,999</u>	<u>423,072,000</u>	<u>2,068,471,682</u>	<u>66,388,262</u>	<u>43,498,042</u>	<u>10,033,001</u>	<u>31,815,953</u>	<u>3,372,275,939</u>		<u>1,531,268</u>	
As at 30 June 2012												
Cost / revalued amount	563,827,000	211,461,578	619,091,964	3,747,252,598	123,122,001	94,587,975	39,444,442	65,469,162	5,464,256,720		9,796,899	
Accumulated depreciation / amortization	(46,291,579)	(196,019,964)	(167,780,916)	(1,678,780,916)	(56,733,739)	(51,089,933)	(29,411,441)	(33,653,209)	(2,091,980,781)		(7,165,631)	
Net book value	<u>563,827,000</u>	<u>165,169,999</u>	<u>423,072,000</u>	<u>2,068,471,682</u>	<u>66,388,262</u>	<u>43,498,042</u>	<u>10,033,001</u>	<u>31,815,953</u>	<u>3,372,275,939</u>		<u>1,531,268</u>	
Depreciation / amortization rate % per annum		5	5	10	10	10	30	20			20	

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- 14.1.1 Lands and buildings of the Company were revalued as at 30 June 2009 by an independent valuer. The latest revaluation as at 30 June 2012 was carried out by Messrs Hamid Mukhtar and Company (Private) Limited, the approved valuers. Had there been no revaluation, the value of the assets would have been lower by Rupees 882.993 million (2011: Rupees 471.485 million).
- 14.1.2 The book value of lands and buildings on cost basis is Rupees 75.030 million and Rupees 194.045 million (2011: Rupees 39.916 million and Rupees 203.132 million) respectively.
- 14.1.3 Detail of operating fixed assets exceeding book value of Rupees 50,000 disposed of during the year is as follows.

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars
----- Rupees -----						
Land	1,865,000	-	1,865,000	-	Donation	Punjab Social Security Health Management Company
Motor vehicles						
Honda Civic LRP-167	938,000	658,162	279,838	279,838	Negotiation	Mr. Shahbaz Munir, Lahore
Honda City LEB-06-6429	840,500	444,991	395,509	870,000	Negotiation	Mr. Muhammad Ikram, Lahore
Suzuki Cultus LEC-08-7931	668,720	274,764	393,956	650,000	Negotiation	Mr. Abdul Azeem Ashraf, Lahore
Suzuki Baleno LZV-5171	838,930	462,098	376,832	485,307	Negotiation	Mr. Abdul Hannan, Lahore
Hyundai Santro LWR-4671	618,000	328,458	289,542	495,000	Negotiation	Mr. Imran Ahmad Kamal, (Company's employee)
Hyundai Santro LWR-4652	618,000	328,458	289,542	490,000	Negotiation	Mr. Abdul Hannan, Lahore
Suzuki Cultus LZW-6532	678,150	370,624	307,526	380,000	Negotiation	Mr. Irfan Khan, Lahore
Honda Civic LEA-07-208	1,546,000	788,465	757,535	1,374,900	Negotiation	Mr. Abdul Hannan, Lahore
Plant and machinery						
84 Picanol Omni Plus Looms	307,538,516	228,871,631	78,666,885	90,408,679	Negotiation	GB Raja Top Weaving (Private) Limited, India
	314,284,816	232,527,651	81,757,165	95,433,724		
Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 50,000	118,943	62,244	56,699	60,180		
	<u>314,403,759</u>	<u>232,589,895</u>	<u>81,813,864</u>	<u>95,493,904</u>		

- |  | 2012<br>Rupees     | 2011<br>Rupees     |
|--|--------------------|--------------------|
| 14.1.4 The gain on disposal of operating fixed assets has been allocated as follows:   |                    |                    |
| Other operating income (Note 30)   | 13,680,040         | 398,792            |
| Discontinued operations (Note 24.1)  | -                  | 761,024            |
|  | <u>13,680,040</u>  | <u>1,159,816</u>   |
| 14.1.5 The depreciation charge for the year has been allocated as follows:   |                    |                    |
| Cost of sales (Note 26)  | 214,267,743        | 186,452,012        |
| Distribution cost (Note 27)  | 1,246,919          | 1,433,283          |
| Administrative expenses (Note 28)  | 16,541,216         | 6,163,683          |
| Discontinued operations (Note 24.1 and 24.2)   | -                  | 43,314,992         |
|  | <u>232,055,878</u> | <u>237,363,970</u> |
| 14.1.6 The amortization of intangible asset amounting to Rupees 0.931 million (2011: Rupees 1.682 million) is included in administrative expenses. |                    |                    |

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	2012 Rupees	2011 Rupees
14.2 CAPITAL WORK-IN-PROGRESS		
Plant and machinery	38,715,669	243,999
Civil works	159,747	-
Electric installations	-	30,756,667
	38,875,416	31,000,666
15 LONG TERM INVESTMENTS		
Investment in subsidiary company - at cost		
Q Mart Corporation (Private) Limited - unquoted		
30,000,000 (2011: 30,000,000) ordinary shares of Rupees 10 each	300,000,000	300,000,000
Less: Impairment loss (Note 29)	153,300,000	-
	146,700,000	300,000,000
Available for sale		
Associated company (without significant influence)		
K-2 Hosiery (Private) Limited - unquoted		
1,194,000 (2011: 1,194,000) ordinary shares of Rupees 10 each (Note 15.1)	-	-
	146,700,000	300,000,000
15.1 Investment in K-2 Hosiery (Private) Limited has been impaired and written off against provision.		
16 STORES, SPARES AND LOOSE TOOLS		
Stores and spares	247,853,445	231,507,685
Loose tools	4,273,233	5,043,843
	252,126,678	236,551,528
17 STOCK-IN-TRADE		
Raw material	117,407,790	109,567,292
Work-in-process	123,171,757	57,287,055
Finished goods (Note 17.1 and 17.2)	335,090,305	332,514,919
	575,669,852	499,369,266
17.1 This includes finished goods of Rupees 56.582 million (2011: Rupees 36.455 million) valued at net realizable value.		
17.2 Finished goods include stock-in-transit amounting to Rupees 69.532 million (2011: Rupees 90.493 million).		
18 TRADE DEBTS		
Considered good:		
Secured (against letters of credit)	519,241,862	338,549,504
Unsecured	235,700,987	160,253,187
	754,942,849	498,802,691
Considered doubtful:		
Others - unsecured	1,525,385	-
Less: Provision for doubtful trade debts		
As at 01 July	-	50,283,028
Add: Provision for the year	1,525,385	136,926,662
Less: Written off against provision	-	(187,209,690)
As at 30 June	1,525,385	-
	-	-

- 18.1 As on 30 June 2012, trade debts of Rupees 181.246 million (2011: Rupees 289.639 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The age analysis of these trade debts is as follows:

	2012 Rupees	2011 Rupees
Upto 1 month	8,889,044	159,836,880
1 to 6 months	33,184,798	19,385,362
More than 6 months	139,172,533	110,417,254
	<u>181,246,375</u>	<u>289,639,496</u>

- 18.2 As at 30 June 2012, trade debts of Rupees 1.525 million (2011: Rupees 187.210 million) were impaired. The aging of these trade debts was more than three years. These trade debts have been provided for / written off in the books of account.

19 ADVANCES

Considered good:

Q Mart Corporation (Private) Limited - wholly owned subsidiary company	10,050,643	6,760,521
Advances to:		
- staff (Note 19.1)	6,990,394	5,968,891
- suppliers	101,865,168	178,924,248
- contractors	100,000	69,375
Letters of credit	6,686,645	13,124,901
	<u>125,692,850</u>	<u>204,847,936</u>

- 19.1 This includes interest free advances to executives amounting to Rupees 4.846 million (2011: Rupees 1.260 million).

20 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	7,943,768	1,509,162
Short term prepayments	5,095,635	21,304
	<u>13,039,403</u>	<u>1,530,466</u>

21 OTHER RECEIVABLES

Considered good:

Advance income tax	107,678,640	85,324,707
Export rebate and claims	80,907,115	96,557,902
Receivable from employees' provident fund trust	1,752,723	-
Miscellaneous	315,275	40,722,640
	<u>190,653,753</u>	<u>222,605,249</u>

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		2012 Rupees	2011 Rupees
22	<b>SHORT TERM INVESTMENTS</b>		
	Available for sale		
	Quoted		
	Maple Leaf Cement Factory Limited (Note 22.1)		
	11,251,000 (2011: 11,251,000) ordinary shares of Rupees 10 each	23,177,060	169,431,065
	Add: Accumulated impairment loss	-	(146,254,005)
		23,177,060	23,177,060
	Add: Fair value adjustment	28,915,070	-
		52,092,130	23,177,060
	Unquoted		
	Security General Insurance Company Limited (Note 22.2)		
	643,667 (2011: 643,667) fully paid ordinary shares of Rupees 10 each	704,171	704,171
	Add: Fair value adjustment	76,748,279	54,007,525
		77,452,450	54,711,696
		129,544,580	77,888,756
22.1	5,377,000 (2011: 5,377,000) ordinary shares of Maple Leaf Cement Factory Limited with a market value of Rupees 24.895 million (2011: Rupees 11.077 million) are pledged as security against short term borrowings as referred in Note 12.2.		
22.2	Shares of SGI have been valued by the management at Rupees 120.33 per share using the net assets based valuation method. As on 30 June 2011, net asset based value of Rupees 129.17 per share, determined by an independent valuer, was discounted by 34.20% to equate it with recent market transaction between knowledgeable, willing parties.		
23	<b>CASH AND BANK BALANCES</b>		
	Cash in hand (Note 23.1)	1,548,234	4,780,512
	Cash with banks:		
	On current accounts (Note 23.2 and 23.4)	28,714,540	26,017,946
	On deposit accounts (Note 23.3 and 23.5)	77,863,761	198,551,717
		106,578,301	224,569,663
		108,126,535	229,350,175
23.1	Cash in hand includes foreign currency of US\$ Nil and Euro Nil (2011: US\$ 1,170 and Euro 4,350).		
23.2	Cash with banks on current accounts includes foreign currency balance of US\$ 790.04 (2011: US\$ 884.29).		
23.3	Rate of profit on bank deposits ranges from 5% to 10% (2011: 5.06% to 11.5%) per annum.		
23.4	Cash with banks on current accounts includes an amount of Rupees 7.884 million (2011: Rupees 8.491 million) with Allied Bank Limited, in a non-checking account, to secure performance of certain conditions of restructuring arrangements.		
23.5	This includes term deposit receipt of Rupees 55.560 million (2011: Rupees Nil) which is under lien with the bank.		

24 NON-CURRENT ASSETS HELD FOR SALE

The non-current assets classified as held for sale under International Financial Reporting Standard (IFRS) 5 'Non-current Assets Held For Sale and Discontinued Operations' in their respective categories are summarized hereunder:

	2012 Rupees	2011 Rupees
<b>(a) Non-current assets classified as held for sale</b>		
Property, plant and equipment - Hosiery Division (Note 24.1)	-	-
Property, plant and equipment - Apparel Division (Note 24.2)	-	123,025,061
Surplus Industrial land (Note 24.3)	-	250,000,000
	<u>-</u>	<u>373,025,061</u>
<b>(b) Analysis of the result of discontinued operations</b>		
<b>(Loss) / Profit after taxation from discontinued operations</b>		
Hosiery Division (Note 24.1)	-	(250,325,326)
Apparel Division (Note 24.2)	-	51,703,189
Surplus Industrial land (Note 24.3)	-	61,500,000
	<u>-</u>	<u>(137,122,137)</u>
<b>Cash flows from discontinued operations</b>		
Hosiery Division (Note 24.1)	-	202,483,420
Apparel Division (Note 24.2)	-	72,547
Surplus Industrial land (Note 24.3)	-	369,000,000
	<u>-</u>	<u>571,555,967</u>

A breakup of the constituents of non-current assets held for sale and discontinued operations is given as follows:

24.1 Hosiery Division

Non-current assets classified as held for sale

The carrying amounts of non-current assets of the Hosiery Division classified as held for sale were as follows:

Book value of assets transferred from fixed assets:

Residential building	-	42,226,955
Factory building	-	372,396,511
Plant and machinery	-	633,978,463
Electric installations	-	13,083,433
Furniture, fixtures and equipment	-	14,571,774
Computers	-	3,514,801
Intangible asset	-	612,585
	<u>-</u>	<u>1,080,384,522</u>
Less: Book value of assets sold	-	1,080,384,522
	<u>-</u>	<u>-</u>

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	2012 Rupees	2011 Rupees
Analysis of the result of discontinued operation		
SALES	-	628,114,122
COST OF SALES	-	(795,318,691)
GROSS LOSS	-	(167,204,569)
DISTRIBUTION COST	-	(36,106,161)
ADMINISTRATIVE EXPENSES	-	(34,993,074)
OTHER OPERATING EXPENSES	-	(39,892,206)
	-	(110,991,441)
	-	(278,196,010)
OTHER OPERATING INCOME	-	237,343,669
LOSS FROM DISCONTINUED OPERATION	-	(40,852,341)
FINANCE COST	-	(211,851,680)
LOSS BEFORE TAXATION FROM DISCONTINUED OPERATION	-	(252,704,021)
TAXATION	-	2,378,695
LOSS AFTER TAXATION FROM DISCONTINUED OPERATION	-	(250,325,326)
Analysis of the cash flows of discontinued operation		
Cash flows from operating activities	-	128,895,020
Cash flows from investing activities	-	1,273,588,400
Cash flows from financing activities	-	(1,200,000,000)
	-	202,483,420

### 24.2 Apparel Division

The Board of Directors of the Company in its meeting held on 23 November 2010 resolved to dispose of the fixed assets of Apparel Division which was approved by the members of the Company in Extra-ordinary General Meeting held on 24 February 2011. Out of the total non-current assets classified as held for sale during the previous year, the factory building with a carrying amount of Rupees 141.122 million was disposed of to M/s Interloop Limited as part of sale transaction. Remaining non-current assets having net book value of Rupees 123.025 million have been transferred to operating fixed assets during the year ended 30 June 2012 as the management could not locate the buyer upto the reporting date. Therefore, depreciation of Rupees 10.855 million against these non-current assets has been charged during the year as required by International Financial Reporting Standard (IFRS) 5 'Non-current Assets Held For Sale and Discontinued Operations'.

Non-current assets classified as held for sale

The carrying amounts of non-current assets of Apparel Division classified as held for sale are as follows:

Factory building	-	141,121,906
Plant and machinery	101,128,641	101,128,641
Electric installations	7,244,919	7,244,919
Furniture, fixtures and equipment	14,116,465	14,116,465
Computers	535,036	535,036
	123,025,061	264,146,967
Less: Book value of non-current assets transferred to operating fixed assets (Note 14.1)	123,025,061	-
Less: Book value of non-current asset held for sale (factory building)	-	141,121,906
	-	123,025,061

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	2012 Rupees	2011 Rupees
Analysis of the result of discontinued operation		
SALES	-	9,065,343
COST OF SALES	-	(25,696,429)
GROSS LOSS	-	(16,631,086)
DISTRIBUTION COST	-	(475,521)
ADMINISTRATIVE EXPENSES	-	(246,816)
OTHER OPERATING EXPENSES	-	(8,004,291)
	-	(8,726,628)
	-	(25,357,714)
OTHER OPERATING INCOME	-	76,010,656
PROFIT BEFORE TAXATION FROM DISCONTINUED OPERATION	-	50,652,942
TAXATION	-	1,050,247
PROFIT AFTER TAXATION FROM DISCONTINUED OPERATION	-	51,703,189
Analysis of the cash flows of discontinued operation		
Cash flows from operating activities	-	(214,842,262)
Cash flows from investing activities	-	214,914,809
	-	72,547

### 24.3 Surplus Industrial land

The Board of Directors of the Company in its meeting held on 23 November 2010 also resolved to dispose of the surplus industrial land of the Company, which was approved by the members of the Company in Extra-ordinary General Meeting held on 24 February 2011. A portion of surplus industrial land was sold to M/s Interloop Limited as part of the sale transaction. The management could not locate the buyer for sale of remaining portion of land which has been transferred to operating fixed assets during the year ended 30 June 2012 as required by International Financial Reporting Standard (IFRS) 5 'Non-current Assets Held For Sale and Discontinued Operations'.

Following is the carrying amount of surplus industrial land classified as held for sale:

Surplus industrial land	250,000,000	557,500,000
Less: Land sold	-	307,500,000
Less: Land transferred to operating fixed assets (Note 14.1)	250,000,000	-
	-	250,000,000
Land sold		
Sales proceeds	-	369,000,000
Less: Book value of land sold	-	307,500,000
	-	61,500,000

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		2012 Rupees	2011 Rupees
25	<b>SALES</b>		
	Export	5,171,284,521	4,146,129,474
	Local (Note 25.1)	1,063,589,849	1,023,110,592
	Duty drawback	-	17,915,464
	Export rebate	26,993,352	23,053,899
		<u>6,261,867,722</u>	<u>5,210,209,429</u>
25.1	<b>Local sales</b>		
	Sales	924,340,246	840,751,567
	Less: Sales tax	35,443	136,768
		<u>924,304,803</u>	<u>840,614,799</u>
	Processing income	139,285,046	182,495,793
		<u>1,063,589,849</u>	<u>1,023,110,592</u>
26	<b>COST OF SALES</b>		
	Raw material consumed (Note 26.1)	3,354,453,055	3,189,649,822
	Chemicals consumed	528,605,525	481,415,673
	Salaries, wages and other benefits	217,065,323	190,186,285
	Employees' provident fund contributions	8,010,208	8,601,885
	Cloth conversion and processing charges	46,540,459	21,166,505
	Fuel, oil and power	750,177,055	613,275,523
	Stores, spares and loose tools consumed	74,518,724	57,150,097
	Packing materials consumed	39,886,281	31,844,842
	Repair and maintenance	44,653,643	49,570,201
	Insurance	6,135,441	6,699,196
	Other manufacturing expenses	48,403,332	44,993,684
	Depreciation on operating fixed assets (Note 14.1.5)	214,267,743	186,452,012
		<u>5,332,716,789</u>	<u>4,881,005,725</u>
	Work-in-process inventory		
	As on 01 July	57,287,055	133,538,923
	As on 30 June	(123,171,757)	(57,287,055)
		<u>(65,884,702)</u>	<u>76,251,868</u>
	Cost of goods manufactured	5,266,832,087	4,957,257,593
	Cost of yarn and cloth purchased for resale	78,736,286	91,799,868
		<u>5,345,568,373</u>	<u>5,049,057,461</u>
	Finished goods inventory		
	As on 01 July	332,514,919	588,210,457
	As on 30 June	(335,090,305)	(332,514,919)
		<u>(2,575,386)</u>	<u>255,695,538</u>
		<u>5,342,992,987</u>	<u>5,304,752,999</u>
26.1	<b>RAW MATERIAL CONSUMED</b>		
	Opening stock	109,567,292	149,280,299
	Purchased during the year	3,362,293,553	3,149,936,815
		<u>3,471,860,845</u>	<u>3,299,217,114</u>
	Less: Closing stock	117,407,790	109,567,292
		<u>3,354,453,055</u>	<u>3,189,649,822</u>

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		2012 Rupees	2011 Rupees
27	<b>DISTRIBUTION COST</b>		
	Salaries and other benefits	36,640,240	34,527,464
	Employees' provident fund contributions	1,442,249	1,661,676
	Travelling, conveyance and entertainment	15,114,564	10,356,073
	Printing and stationery	212,400	137,318
	Communications	18,336,335	14,169,682
	Vehicles' running	3,214,693	2,656,419
	Insurance	2,017,035	1,304,777
	Fee, subscription and taxes	42,000	214,500
	Repair and maintenance	25,889	43,243
	Commission to selling agents	174,776,528	184,701,544
	Outward freight and handling	100,920,226	94,725,006
	Clearing and forwarding	24,676,359	20,009,526
	Sales promotion and advertising	4,446,591	664,000
	Depreciation on operating fixed assets (Note 14.1.5)	1,246,919	1,433,283
	Miscellaneous	1,033,082	1,272,432
		<u>384,145,110</u>	<u>367,876,943</u>
28	<b>ADMINISTRATIVE EXPENSES</b>		
	Salaries and other benefits	73,937,873	79,999,720
	Employees' provident fund contributions	1,777,308	2,511,092
	Travelling, conveyance and entertainment	39,461,759	19,212,213
	Printing and stationery	2,951,371	5,479,226
	Communications	3,788,742	3,127,231
	Vehicles' running	7,997,670	7,762,074
	Legal and professional	8,966,004	11,244,868
	Insurance	3,859,797	2,962,742
	Fee, subscription and taxes	4,266,769	783,180
	Rent	1,276,417	-
	Repair and maintenance	5,042,837	5,054,854
	Electricity, gas and water	154,204	173,598
	Auditors' remuneration (Note 28.1)	1,263,000	1,173,000
	Depreciation on operating fixed assets (Note 14.1.5)	16,541,216	6,163,683
	Amortization on intangible asset (Note 14.1.6)	931,067	1,681,857
	Miscellaneous	11,733,015	8,379,173
		<u>183,949,049</u>	<u>155,708,511</u>
28.1	<b>Auditors' remuneration</b>		
	Audit fee	1,050,000	1,000,000
	Half yearly review and other certifications	200,000	165,000
	Reimbursable expenses	13,000	8,000
		<u>1,263,000</u>	<u>1,173,000</u>
29	<b>OTHER OPERATING EXPENSES</b>		
	Donations (Note 29.1)	3,137,695	119,452
	Impairment loss on equity investment	-	11,813,550
	Impairment loss on investment in subsidiary company	153,300,000	-
	Provision for doubtful trade debts	1,525,385	-
	Irrecoverable trade debts written off	-	132,105,838
	Advances written off	-	17,934,562
	Other receivables written off	-	3,345,407
	Others	194,267	15,150
		<u>158,157,347</u>	<u>165,333,959</u>

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29.1	This includes land having cost of Rupees 1.865 million (2011: Rupees Nil) given as donation to Punjab Social Security Health Management Company in which Mr. AmirFayyaz Sheikh (director of the Company) is Chairman of the Board of Directors.	2012 Rupees	2011 Rupees
30	OTHER OPERATING INCOME		
	Income from financial assets		
	Gain on sale of shares of Security General Insurance Company Limited	-	141,726,465
	Dividend on equity investment in Security General Insurance Company Limited	965,500	3,042,108
	Exchange gain - net	24,822,940	25,710,287
	Return on bank deposits	12,161,953	482,572
	Accrued markup written back (Note 7)	772,885,676	-
	Income from non-financial assets		
	Scrap sales and others	19,963,581	19,481,200
	Gain on sale of operating fixed assets (Note 14.1.4)	13,680,040	398,792
		844,479,690	190,841,424
31	FINANCE COST		
	Markup on long term financing	229,361,620	126,548,577
	Mark up on short term borrowings	88,635,161	441,895,366
	Interest on employees' provident fund	-	471,267
	Bank commission and other financial charges	30,035,451	53,740,197
		348,032,232	622,655,407
32	TAXATION		
	Current (Note 32.1)	62,914,863	43,543,915
	Prior year	(2,487,309)	875,490
	Deferred tax	(845,385)	(815,489)
		59,582,169	43,603,916
32.1	Provision for current income tax represents final tax on exports sales under section169 and minimum tax on local sales under section 113 of Income Tax Ordinance, 2001. As the Company has carry forwardable tax losses of Rupees 790.929 million (2011: Rupees 1,003.855 million), therefore, it is impracticable to prepare the tax charge reconciliation for the years presented.		
33	EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED		
	There is no dilutive effect on the basic loss per share, which is based on:		
		2012	2011
	Continuing operations		
	Profit / (loss) for the year from continuing operations (Rupees)	629,488,518	(1,258,880,882)
	Weighted average number of ordinary shares (Numbers)	50,911,011	50,911,011
	Earnings / (loss) per share (Rupees)	12.36	(24.73)
	Discontinued operations		
	Loss for the year from discontinued operations (Rupees)	-	137,122,137
	Weighted average number of ordinary shares (Numbers)	-	50,911,011
	Loss per share (Rupees)	-	(2.69)

34 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration, including all benefits to chief executive, directors and other executives are as follows:

	2012			2011		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	..... Rupees .....					
Managerial remuneration	2,640,000	6,979,500	20,383,100	2,640,000	5,214,000	20,705,480
House rent	660,023	1,744,878	5,402,124	660,000	1,303,506	5,597,205
Utilities	263,931	697,878	2,079,830	264,000	521,364	2,112,217
Special allowance	528,000	1,395,900	3,669,700	528,000	1,042,800	3,667,516
Contribution to provident fund	219,912	597,930	1,712,112	444,000	989,580	3,794,880
Other allowances	708,046	1,772,844	3,298,038	264,000	521,400	2,064,552
	<u>5,019,912</u>	<u>13,188,930</u>	<u>36,544,904</u>	<u>4,800,000</u>	<u>9,592,650</u>	<u>37,941,850</u>

Number of persons	1	4	24	1	4	27
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34.1 Chief executive, directors and executives of the Company are provided with free use of Company's owned and maintained cars.

34.2 Meeting fee of Rupees 200,000 (2011: Rupees 210,000) was paid to two non- executive directors for attending meetings.

35 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of subsidiary company, other related parties, key management personnel and provident fund trust. The Company in the normal course of business carries out transactions with related parties. Detail of transactions with related parties, other than those which have been specifically disclosed else where in these financial statements are as follows:

	2012 Rupees	2011 Rupees
Q Mart Corporation (Private) Limited - Subsidiary company		
Sale of goods	303,456	2,796,297
Purchase of goods	2,760,689	145,603
Rent	360,000	-

36 SEGMENT INFORMATION

36.1 The Company has three reportable segments. The following summary describes the operation in each of the Company's reportable segments:

- Weaving
- Dyeing
- Power Generation

	Weaving		Dyeing		Power Generation		Elimination of inter-segment transactions		Total - Company	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Sales										
- External	1,347,547,035	1,276,957,888	4,914,320,887	3,925,786,759	7,464,782	7,464,782	-	-	6,261,867,722	5,210,209,429
- Intersegment	2,161,471,336	1,894,475,749	39,254,999	20,982,950	657,665,992	484,176,921	(2,858,337,887)	(1,999,655,620)	-	-
Cost of sales	3,508,964,631	2,771,433,637	4,953,575,686	3,946,769,709	657,665,992	491,641,703	(2,858,337,887)	(1,999,655,620)	6,261,867,722	5,210,209,429
Gross profit / (loss)	(3,257,066,600)	(2,363,412,259)	(4,231,109,395)	(3,176,185,103)	(733,165,179)	(664,782,277)	2,858,337,887	1,999,655,620	(5,342,992,867)	(5,304,752,999)
Distribution cost	(67,833,794)	(49,584,954)	(316,311,316)	(318,291,909)	(55,499,887)	(273,147,574)	-	-	918,874,735	(94,543,570)
Administrative expenses	(60,647,530)	(60,636,071)	(79,042,206)	(72,455,492)	(12,259,313)	(22,615,968)	-	-	(384,145,110)	(367,876,903)
Profit / (loss) from continuing operations before taxation and unallocated income/expenses	(100,481,324)	(110,221,025)	(995,353,522)	(990,745,481)	(122,559,313)	(22,615,968)	-	-	(568,094,159)	(623,586,454)
Unallocated income and expenses:										
Finance cost	91,426,707	(102,201,627)	327,112,769	(220,160,875)	(67,738,900)	(295,766,522)	-	-	350,780,576	(61,812,902)
Other operating expenses										
Other operating income										
Taxation										
Profit / (loss) after taxation from continuing operations										
Profit / (loss) after taxation from discontinued operations (Note 24)										
Profit / (loss) after taxation										

	(348,032,232)	(622,655,407)
	(158,157,347)	(165,333,959)
	844,479,690	190,841,424
	(59,582,169)	(43,603,916)
	278,707,942	(640,751,858)
	629,488,518	(1,258,880,882)
	629,488,518	(1,371,122,137)

36.2 Reconciliation of reportable segment assets and liabilities

	Weaving		Dyeing		Hostiery*		Power Generation		Apparel*		Total - Company	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Segment assets	2,030,965,073	1,808,347,711	2,318,913,885	2,017,062,182	277,595,352	277,595,352	863,108,074	895,379,581	-	-	5,212,866,952	5,013,301,712
Non-current assets held for sale											763,614,520	373,025,061
Unallocated assets											5,823,301,472	408,825,739
Total assets as per balance sheet											5,823,301,472	5,787,152,512
Segment liabilities												
Long term financing - secured	221,373,121	230,673,260	225,245,033	298,250,085	-	173,122,979	75,751,150	145,679,236	-	-	522,369,310	849,185,345
Sponsor's loan											3,244,174,198	974,619,612
Accrued markup											272,000,000	-
Short term borrowings - secured											445,334,605	996,903,370
Deferred income tax											784,099,087	3,475,566,183
Provision for taxation											47,740,202	31,084,682
Unallocated liabilities											62,914,863	49,127,602
Total liabilities as per balance sheet											159,795,953	-
											5,538,428,218	6,376,486,794

**36.3 Geographical information**

The Company's revenue from external customers by geographical location is detailed below:

	<b>2012</b>	<b>2011</b>
	<b>Rupees</b>	<b>Rupees</b>
Australia	269,737,850	201,446,363
Asia	3,173,873,062	2,735,381,563
Europe	748,920,159	805,973,503
United States of America and Canada	368,186,153	412,620,678
Africa	637,560,649	31,676,730
Pakistan	1,063,589,849	1,023,110,592
	<u>6,261,867,722</u>	<u>5,210,209,429</u>

**36.4** All non-current assets of the Company as at reporting dates are located and operating in Pakistan.

**36.5 Revenue from major customers**

The Company's revenue is earned from a large mix of customers.

\*The Company has discontinued the operations of Hosiery and Apparel Divisions during the year ended 30 June 2011.

37 PLANT CAPACITY AND PRODUCTION	2012	2011
Weaving		
Number of looms in operation	174	174
Number of looms inoperative	-	84
	174	258
Rated capacity of operative looms converted to 60 picks (square meter)	48,892,878	48,892,878
Actual production converted to 60 picks (square meter)	42,933,292	31,942,909
Number of days worked during the year (3 shifts per day)	366	365
Dyeing		
Rated capacity in 3 shifts (linear meter)	30,000,000	30,000,000
Actual production for three shifts	24,123,863	20,490,615
No. of days worked during the year (3 shifts per day)	355	355
Genertek		
Number of generators installed	9	9
Number of generators worked	7	7
Installed capacity (Mega Watt Hours)	291,446	291,446
Actual generation (Mega Watt Hours)	29,678	42,733
Standby generators		
Nigatta / Caterpillars generators (Mega Watt Hours)	8,935	8,935
Number of generators	2	2
Plant operation capacity is based on 365 days (2011: 365 days)		

**37.1** Under utilization of available capacity for weaving and dyeing divisions is due to normal maintenance and shortage of working capital.

**37.2** Actual power generation in Genertek in comparison to installed is low due to periodical scheduled and unscheduled maintenance of generators and low demand. During the maintenance period, electricity is supplied from standby generators.

## 38 FINANCIAL RISK MANAGEMENT

### 38.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risks management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors (the Board). The Company's finance department evaluates and hedges financial risk. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

#### (a) Market risk

##### (i) Currency risk

Currency risk is the risk that the fair value or 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 the United States Dollar (USD) and Euro. Currently, the Company's foreign exchange risk exposure is restricted to foreign currency bank balances and the amounts receivable from / payable to the foreign entities. The Company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Company's exposure to currency risk was as follows:

	2012	2011
Cash in hand - USD	-	1,170
Cash in hand - Euro	-	4,350
Cash at banks - USD	790	884
Trade debts - USD	15,157,520	4,165,530
Trade debts - Euro	-	244,632
Trade and other payable - USD	457,739	391,780
Net exposure - USD	14,700,571	3,775,804
Net exposure - Euro	-	248,982

The following significant exchange rates were applied during the year:

Rupees per US Dollar		
Average rate	88.72	85.39
Reporting date rate	94.10	85.85
Rupees per Euro		
Average rate	119.60	116.66
Reporting date rate	118.56	124.60

##### Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD and Euro with all other variables held constant, the impact on profit after taxation for the year would have been higher / lower by Rupees 68.453 million and Rupees Nil respectively (2011: loss after taxation would have been lower / higher by Rupees 16.028 million and Rupees 1.536 million respectively) mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

##### (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 not exposed to commodity price risk.

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### Sensitivity analysis

The table below summarises the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Company's profit after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

Index		Impact on profit / (loss) after taxation		Statement of other comprehensive income (fair value reserve)		
		2012 Rupees	2011 Rupees	2012 Rupees	2011 Rupees	
KSE 100 (5% increase)	Decrease in loss	-	1,158,853	Increase in fair value reserve	2,604,607	-
KSE 100 (5% decrease)	Increase in loss	-	1,158,853	Decrease in fair value reserve	2,604,607	-

Equity (fair value reserve) would increase / decrease as a result of gains / losses on equity investments classified as available for sale.

### (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 except for bank balances on saving accounts. The Company's interest rate risk arises from long term financing and short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2012 Rupees	2011 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	1,462,834,293	25,181,503
Floating rate instruments		
Financial assets		
Bank balances- saving accounts	77,863,761	198,551,717
Financial liabilities		
Long term financing	1,781,339,905	949,438,109
Short term borrowings	784,099,087	3,475,566,183

### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

### Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuate by 1% higher / lower with all other variables held constant, profit for the year would have been Rupees 24.876 million lower / higher (2011: loss for the year would have been higher / lower by Rupees 42.265 million) , mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

### (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. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Investments	129,544,580	77,888,756
Advances	17,041,037	12,729,412
Deposits	28,726,508	12,027,412
Trade debts	754,942,849	498,802,691
Other receivables	315,275	40,722,640
Bank balances	106,578,301	224,569,663
	<u>1,037,148,550</u>	<u>866,740,574</u>

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The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2012	2011
	Short Term	Long term	Agency	(Rupees)	
<b>Banks</b>					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	150,744	100,673
Allied Bank Limited	A1+	AA	PACRA	11,657,085	10,376,416
Askari Bank Limited	A1+	AA	PACRA	4,395,515	1,693,025
Bank Alfalah Limited	A1+	AA	PACRA	1,215,073	1,493,163
Faysal Bank Limited	A1+	AA	PACRA	407,209	405,988
Habib Bank Limited	A-1+	AA+	JCR-VIS	10,435,062	772,185
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	58,313,216	180,773,434
The Bank of Punjab	A1+	AA-	PACRA	1,939	23,251
Soneri Bank Limited	A1+	AA-	PACRA	-	7,385
MCB Bank Limited	A1+	AA+	PACRA	756,259	707,187
NIB Bank Limited	A1+	AA -	PACRA	4,537,568	11,411,358
Silkbank Limited	A-2	A -	JCR-VIS	1,047,063	9,255,085
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	12,813,508	6,799,269
United Bank Limited	A-1+	AA+	JCR-VIS	597,800	621,578
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	250,260	99,100
HSBC Middle East Bank Limited	P-1	A1	Moody's	-	20,566
Barclays Bank PLC	P-1	Aa3	Moody's	-	10,000
				106,578,301	224,569,663
<b>Investments</b>					
Maple Leaf Cement Factory Limited	D	D	PACRA	52,092,130	23,177,060
Security General Insurance Company Limited	A+		JCR-VIS	77,452,450	54,711,696
				129,544,580	77,888,756
				236,122,881	302,458,419

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 18.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

### (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. At 30 June 2012, the Company had Rupees Nil available borrowing limits from financial institutions but Rupees 108.127 million (2011: Rupees 229.350 million) cash and bank balances. The management believes the liquidity risk to be manageable. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2012

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
			----- (Rupees) -----			
Long term financing	3,244,174,198	4,441,317,925	64,906,340	134,957,487	351,946,309	3,889,507,789
Sponsor's loan	272,000,000	272,000,000	-	-	-	272,000,000
Trade and other payables	567,872,874	567,872,874	567,872,874	-	-	-
Accrued mark-up	445,334,605	445,334,605	445,334,605	-	-	-
Short term borrowings	784,099,087	828,024,863	828,024,863	-	-	-
	5,313,480,764	6,554,550,267	1,906,138,682	134,957,487	351,946,309	4,161,507,789

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Contractual maturities of financial liabilities as at 30 June 2011

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
----- (Rupees) -----						
Long term financing	974,619,612	1,279,061,250	751,972,212	119,750,334	191,895,326	215,443,378
Trade and other payables	702,478,718	667,171,646	667,171,646	-	-	-
Accrued mark-up	996,903,370	996,903,370	996,903,370	-	-	-
Short term borrowings	3,475,566,183	3,719,798,535	3,719,798,535	-	-	-
	<u>6,149,567,883</u>	<u>6,662,934,801</u>	<u>6,135,845,763</u>	<u>119,750,334</u>	<u>191,895,326</u>	<u>215,443,378</u>

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 note 7 and note 12 to these financial statements.

### 38.2 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. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable:

	Level 1	Level 2	Level 3	Total
-----Rupees-----				
As at 30 June 2012				
Assets				
Available for sale financial assets	52,092,130	-	77,452,450	129,544,580
As at 30 June 2011				
Assets				
Available for sale financial assets	23,177,060	-	54,711,696	77,888,756

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the company is the current bid price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimate. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2. The Company has no such type of financial instruments as at 30 June 2012.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

### 38.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
-----Rupees-----			
As at 30 June 2012			
Assets as per balance sheet			
Investments	-	129,544,580	129,544,580
Advances	17,041,037	-	17,041,037
Deposits	28,726,508	-	28,726,508
Trade debts	754,942,849	-	754,942,849
Other receivables	315,275	-	315,275
Cash and bank balances	108,126,535	-	108,126,535
	<u>909,152,204</u>	<u>129,544,580</u>	<u>1,038,696,784</u>

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	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Long term financing	3,244,174,198
Accrued mark-up	445,334,605
Short term borrowings	784,099,087
Trade and other payables	567,872,874
	5,041,480,764

	Loans and receivables	Available for sale	Total
	.....Rupees.....		
As at 30 June 2011			
Assets as per balance sheet			
Investments	-	77,888,756	77,888,756
Advances	12,729,412	-	12,729,412
Deposits	12,027,412	-	12,027,412
Trade debts	498,802,691	-	498,802,691
Other receivables	40,722,640	-	40,722,640
Cash and bank balances	229,350,175	-	229,350,175
	793,632,330	77,888,756	871,521,086

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Long term financing	974,619,612
Accrued mark-up	996,903,370
Short term borrowings	3,475,566,183
Trade and other payables	702,478,718
	6,149,567,883

### 38.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stake holders 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 share holders, issue new shares or sell assets to reduce debt.

### 39 AUTHORIZATION OF FINANCIAL STATEMENTS

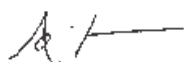
These financial statements were authorized for issue by the Board of Directors of the Company on 24 September 2012

### 40 CORRESPONDING FIGURES

Corresponding figures have been rearranged / regrouped, wherever necessary, for the purpose of comparison. However, no significant rearrangements / regroupings have been made.

### 41 GENERAL

Figures have been rounded off to nearest of Rupee.



CHIEF EXECUTIVE



DIRECTOR