



**Khurshid
Spinning Mills Limited**

**HALF YEARLY
REPORT**

**December 31, 2014
(UN-AUDITED)**



COMPANY INFORMATION

Board of Directors	Khawaja Asem Khurshid Khawaja Amer Khurshid Mr. Muhammad Faheem Mr. Muhammad Iqbal Mr. Zeeshan Saeed Mr. Muhammad Shahbaz Ali Mr. Faseeh Uzaman	Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Zeeshan Saeed Mr. Muhammad Iqbal Mr. Muhammad Shahbaz Ali	Chairman Member Member
HR and Remuneration Committee	Mr. Muhammad Iqbal Mr. Muhammad Faheem Mr. Faseeh Uzaman	Chairman Member Member
CFO/Company Secretary	Mr. Muhammad Saqib Ehsan	
Auditors	Riaz Ahmad and Company Chartered Accountants 560-F, Raja Road, Gulistan Colony, Faisalabad	
Bankers	National Bank of Pakistan The Bank of Punjab Meezan Bank Limited Al-Barka Bank (Pakistan) Limited Habib Metropolitan Bank Limited	
Share Registrar	Corplink (Private) Limited Wings Arcade, 1-K, Commercial, Model Town, Lahore	
Registered/Head Office	133-134, Regency the Mall, Faisalabad	
Mills	35 Kilometer, Sheikhpura Road, Faisalabad	



DIRECTORS REPORT TO THE SHAREHOLDERS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

The Directors of the Company are pleased to present the un-audited Condensed Interim Financial Information for the half year ended on 31 December 2014.

The company has sustained loss after taxation of Rupees 14.148 million as compared to previous half year's loss after taxation of Rupees 6.390 million. There has been no production operation since October 2011 due to overdue debts and non-availability of working capital.

Future Prospects

Your company has leased out its production facilities to Messrs Beacon Impex (Pvt.) Limited at monthly lease rent of Rupees 2.000 million. Now, operations are being carried out by the lessee and proper arrangements have been made by the lessee to keep the assets in good condition. In the meanwhile, we remain focused on cost controls and every possible effort is being made to curtail and keep our internal expenses to a minimum level to achieve maximum profit out of lease rentals.

Qualifications by the Auditors

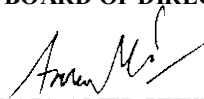
The qualification made by the auditors for the going concern is based due to heavy accumulated losses of Rupees 459.474 million. The management has settled / paid overdue liabilities of majority banks and also arranged rescheduling of unpaid liabilities with The Bank of Punjab. Moreover, operating fixed assets of the Company has been leased out at Rupees 2.000 million lease rent per month to keep the assets in good running condition. Furthermore, the lessee has also given loan amounting to Rupees 208.559 million to the Company for the payment of overdue liabilities of banks, creditors and for Balancing, Modernization and Replacement (BMR) of plant and machinery and related equipment of the Company. In view of favourable settlement / rescheduling of overdue debts with financial institutions, continuation of operations on lease and favourable Government textile policies, the management feels there is no question of lack of going concern of the Company.

Acknowledgement

I would like to take this opportunity to express my appreciation to the employees of the company for their hard work, dedication and commitment. We would also like to express our gratitude to the valued shareholders and financial institutions for extending their co-operation.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Faisalabad
February 28, 2015


KHAWAJA AMER KHURSHID
Chief Executive Officer



**AUDITORS' REPORT TO THE MEMBERS
ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

Introduction

We have reviewed the accompanying condensed interim balance sheet of KHURSHID SPINNING MILLS LIMITED as at 31 December 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 31 December 2014 and 31 December 2013 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 31 December 2014.

Scope of Review

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

Basis for Adverse Conclusion

As explained in Note 1.2 to the condensed interim financial information, the company has prepared this condensed interim financial information on going concern assumption. However, as at 31 December 2014, the company has accumulated loss of Rupees 459.474 million, its liabilities exceed its total assets by Rupees 142.476 million and its current liabilities exceed its current assets by Rupees 93.181 million. Moreover, the company's operations are suspended since October 2011 due to overdue debts and shortage of working capital.

In view of the matter discussed in the preceding paragraph, we consider that due to closure of operations, the company will be unable to settle its liabilities in the normal course of business. Consequently the going concern assumption used in the preparation of the annexed condensed interim financial information is not appropriate. The condensed interim financial information does not disclose this fact.

Adverse Conclusion

Based on our review, because of the effect of matter discussed in the preceding paragraph, this condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

RIAZ AHMAD & COMPANY
Chartered Accountants

Riaz Ahmad & Co.

Name of engagement partner:
Muhammad Kamran Nasir
Date: February 28, 2015.
FAISALABAD



CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER 2014

NOTE	Un-audited 31 December 2014 (Rupees in thousand)	Audited 30 June 2014 (Rupees in thousand)	NOTE	Un-audited 31 December 2014 (Rupees in thousand)	Audited 30 June 2014 (Rupees in thousand)
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Authorized share capital 17 000 000 (30 June 2014; 17 000 000) ordinary shares of Rupees 10 each	170,000	170,000			
Issued, subscribed and paid up share capital	131,748	131,748			
Accumulated loss	(459,474)	(452,264)			
Total equity	(327,726)	(320,516)			
Surplus on revaluation of property, plant and equipment and investment properties-net of deferred income tax	185,250	192,188			
LIABILITIES					
NON-CURRENT LIABILITIES					
Long term financing	163,492	177,280			
Long term loans	254,333	254,333			
Deferred income tax liability	83,673	87,086			
	501,504	518,709			
CURRENT LIABILITIES					
Trade and other payables	61,959	54,454			
Current portion of long term financing	29,566	26,531			
Provision for taxation	1,819	1,819			
	93,344	82,804			
TOTAL LIABILITIES	594,848	601,513			
CONTINGENCIES AND COMMITMENTS					
TOTAL EQUITY AND LIABILITIES	452,372	473,185			
				452,372	473,185

The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Half year ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	------(Rupees in thousand)-----			
OTHER INCOME	12,325	23,334	6,324	11,000
ADMINISTRATIVE EXPENSES	(995)	(744)	(564)	(396)
OTHER EXPENSES	(20,673)	(24,170)	(9,437)	(12,085)
	(21,668)	(24,914)	(10,001)	(12,481)
LOSS FROM OPERATIONS	(9,343)	(1,580)	(3,677)	(1,481)
FINANCE COST	(8,222)	(9,665)	(3,793)	(4,784)
LOSS BEFORE TAXATION	(17,565)	(11,245)	(7,470)	(6,265)
TAXATION	3,417	4,855	1,708	2,428
LOSS AFTER TAXATION	<u>(14,148)</u>	<u>(6,390)</u>	<u>(5,762)</u>	<u>(3,837)</u>
LOSS PER SHARE - BASIC AND DILUTED (RUPEES)	<u>(1.07)</u>	<u>(0.49)</u>	<u>(0.44)</u>	<u>(0.29)</u>

The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

Half year ended		Quarter ended	
31 December 2014	31 December 2013	31 December 2014	31 December 2013

----- (Rupees in thousand) -----

LOSS AFTER TAXATION (14,148) (6,390) (5,762) (3,837)

OTHER COMPREHENSIVE INCOME

Items that will not be reclassified
subsequently to profit or loss

-	-	-	-
-	-	-	-

Items that may be reclassified
subsequently to profit or loss

Other comprehensive income for the
period

- - - - -

TOTAL COMPREHENSIVE LOSS
FOR THE PERIOD

(14,148) (6,390) (5,762) (3,837)

The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR



CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Half year ended	
31 December 2014	31 December 2013

(Rupees in thousand)

CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation	(17,565)	(11,245)
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Adjustments for non-cash charges and other items:

Depreciation	18,796	24,313
Credit balances added back	-	(11,333)
Finance cost	8,222	9,665
Loss on remeasurement of fair value of investment properties	2,000	-

Working capital changes

Increase in trade and other payables	7,505	16,059
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Cash generated from operations

	18,958	27,459
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Finance cost paid	(5,520)	(16,086)
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Net cash generated from operating activities

	13,438	11,373
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CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of long term financing	(13,455)	(11,847)
Long term loans obtained	-	16,301
Repayment of short term borrowings	-	(16,026)

Net cash used in financing activities

	(13,455)	(11,572)
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NET DECREASE IN CASH AND CASH EQUIVALENTS

	(17)	(199)
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**CASH AND CASH EQUIVALENTS AT THE
BEGINNING OF THE PERIOD**

	180	354
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**CASH AND CASH EQUIVALENTS AT THE
END OF THE PERIOD**

	163	155
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The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	SHARE CAPITAL	ACCUMULATE D LOSS	TOTAL EQUITY
	----- (Rupees in thousand) -----		
Balance as at 30 June 2013 - Audited	131,748	(461,475)	(329,727)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	9,424	9,424
Loss for the half year ended 31 December 2013	-	(6,390)	(6,390)
Other comprehensive income for the half year ended 31 December 2013	-	-	-
Total comprehensive loss for the half year ended 31 December 2013	-	(6,390)	(6,390)
Balance as at 31 December 2013- Un-audited	131,748	(458,441)	(326,693)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	9,749	9,749
Loss for the half year ended 30 June 2014	-	(3,572)	(3,572)
Other comprehensive income for the half year ended 30 June 2014	-	-	-
Total comprehensive loss for the half year ended 30 June 2014	-	(3,572)	(3,572)
Balance as at 30 June 2014 - Audited	131,748	(452,264)	(320,516)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	6,938	6,938
Loss for the half year ended 31 December 2014	-	(14,148)	(14,148)
Other comprehensive income for the half year ended 31 December 2014	-	-	-
Total comprehensive loss for the half year ended 31 December 2014	-	(14,148)	(14,148)
Balance as at 31 December 2014 - Un-audited	131,748	(459,474)	(327,726)

The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR



**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

1. THE COMPANY AND ITS OPERATIONS

1.1 Khurshid Spinning Mills Limited is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 and listed on Karachi and Lahore Stock Exchanges in Pakistan. The registered office of the Company is at 133-134, Regency the Mall, Faisalabad. The Company manufactures and deals in all types of yarn.

1.2 Going concern assumption

During the period ended 31 December 2014, the Company has incurred a net loss of Rupees 14.148 million. The Company has accumulated loss of Rupees 459.474 million as on 31 December 2014 (30 June 2014: Rupees 452.264 million) and its current liabilities exceed its current assets by Rupees 93.181 million (30 June 2014: Rupees 82.624 million) as at the balance sheet date. Moreover, the Company's operations are suspended since October 2011 due to overdue debts and non-availability of working capital which raise doubts about Company being a going concern. Therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The management has leased out the operating fixed assets of the Company as mentioned in Note 7.2. Now, operations are being carried out by the lessee and proper arrangements are made by the lessee to keep the assets in good condition. The lessee has also given loan to the Company to manage its affairs in the best interest of the Company. The management believes that in view of the favourable conditions and rescheduling of liabilities with the bank, the Company would be able to continue as a going concern. Consequently, this condensed interim financial information has been prepared on a going concern basis and does not include any adjustments that may be necessary, should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited but subject to limited scope review by the statutory auditors and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. This condensed interim financial information of the Company for the half year ended 31 December 2014 has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting" and 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. This condensed interim financial information should be read in conjunction with the preceding audited annual published financial statements of the Company for the year ended 30 June 2014.

3. ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and methods of computations adopted for the preparation of this condensed interim financial information are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 30 June 2014.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



During preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2014.

Un-Audited	Audited
31 December	30 June
2014	2014

(Rupees in thousand)

5. LONG TERM FINANCING

The Bank of Punjab:

Demand finance - I	128,406	141,861
Demand finance - II	<u>64,652</u>	<u>61,950</u>
Total	193,058	203,811
Less: Current portion shown under current liabilities	29,566	26,531
	<u>163,492</u>	<u>177,280</u>

6. CONTINGENCIES AND COMMITMENTS

There was no contingent liability and commitment as at 31 December 2014 (30 June 2014: Rupees Nil).

7. PROPERTY, PLANT AND EQUIPMENT

Opening balance	375,109	506,645
Add:		
Cost of additions during the period / year (Note 7.1)	-	5,482
Effect of revaluation as at 25 June 2014	-	8,003
	<u>375,109</u>	<u>520,130</u>
Less:		
Book value of assets transferred to investment properties	-	(95,967)
Depreciation charged during the period / year	(18,796)	(49,054)
	(18,796)	(145,021)
	<u>356,313</u>	<u>375,109</u>

7.1 Cost of additions during the period / year

Buildings on freehold land	-	1,303
Plant and machinery	-	1,919
Office equipment	-	81
Power generation house	-	911
Electric installations	-	1,141
Electric equipment and appliances	-	127
	-	<u>5,482</u>

7.2 Freehold land, buildings on free hold land, plant and machinery and other facilities located at mills have been given on lease at monthly rental of Rupees 2.000 million (30 June 2014: Rupees 2.000 million).



8. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of directors and key management personnel. Significant transactions with related parties are as follows:

(Un-audited)			
Half year Ended		Quarter Ended	
31 December 2014	31 December 2013	31 December 2014	31 December 2013

------(Rupees in thousand)-----

i) Transactions

Directors

Long term loan obtained from Directors - 16,301 - 16,039

Un-Audited	Audited
31 December 2014	30 June 2014

(Rupees in thousand)

ii) Period end balances

Long term loans 45,774 45,774

9. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the Company for the year ended 30 June 2014.

10. DATE OF AUTHORIZATION

This condensed interim financial information was approved and authorized for issue on February 28, 2015 by the Board of Directors of the Company.

11. CORRESPONDING FIGURES

In order to comply with the requirements of IAS 34 "Interim Financial Reporting", the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made.

12. GENERAL

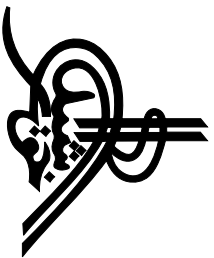
Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

CHIEF EXECUTIVE OFFICER

DIRECTOR

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Khurshid Spinning Mills Limited

133-134, Regency the Mall, Faisalabad

Ph: +92 41 2610030 Fax: +92 41 2610027