

**Khurshid
Spinning Mills Limited**

**HALF YEARLY
REPORT**

**DECEMBER 31, 2017
(UN-AUDITED)**



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



CONTENTS

COMPANY INFORMATION	3
DIRECTORS REPORT TO THE SHAREHOLDERS (ENGLISH/URDU)	4
AUDITORS' REPORT TO THE MEMBERS	6
CONDENSED INTERIM BALANCE SHEET	7
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT	8
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	9
CONDENSED INTERIM CASH FLOW STATEMENT	10
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	11
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION	12



COMPANY INFORMATION

Board of Directors	Mr. Muhammad Ashraf Mr. Muhammad Iqbal Mr. Zeeshan Saeed Mr. Muhammad Shahbaz Ali Mr. Faseeh Uzaman Khawaja Amer Khurshid Khawaja Asem Khurshid	Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Zeeshan Saeed Khawaja Asem Khurshid Mr. Muhammad Shahbaz Ali	Chairman Member Member
HR and Remuneration Committee	Mr. Muhammad Shahbaz Ali Mr. Muhammad Iqbal Mr. Faseeh Uzaman	Chairman Member Member
CFO/Company Secretary	Mr. Ali Mudassar	
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 Habib Metropolitan Bank Limited	
Share Registrar	Corplink (Private) Limited Wings Arcade, I-K, Commercial, Model Town, Lahore.	
Registered/Head Office	Universal House, West Canal Road, Farooqabad, Faisalabad.	
Mills	35 Kilometer, Sheikhpura Road, Faisalabad.	



DIRECTORS REPORT TO THE SHAREHOLDERS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

The Directors of the Company are pleased to present the un-audited Condensed Interim Financial Information for the half year ended on 31 December 2017.

The company has sustained loss after taxation of Rupees 3.456 million as compared to previous half year's loss after taxation of Rupees 8.477 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 3.000 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 running 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 461.400 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 3.000 million lease rent per month to keep the assets in good running condition. Furthermore, the lessee has also given interest free 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 favorable settlement / rescheduling of overdue debts with financial institutions, continuation of operations on lease, 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, 2018

MUHAMMAD IQBAL
Chief Executive Officer

حصص یافتگان کے لیے ڈائریکٹرز کا جائزہ

عرصہ ششماہی 31 دسمبر 2017

کمپنی کے ڈائریکٹرز 31 دسمبر 2017 کی ششماہی کے غیر آڈٹ شدہ مالیاتی نتائج آپ کی خدمت میں پیش کر رہے ہیں۔

کمپنی کا 31 دسمبر 2017 کے اختتام پر بعد از ٹیکس نقصان 3.456 ملین روپے ہے۔ جبکہ اس کے برعکس پچھلی ششماہی میں بعد از ٹیکس نقصان 8.477 ملین روپے تھا۔ آپ کی کمپنی نے 31 اکتوبر 2011 سے کوئی پیداوار نہیں کی، جس کی وجہ فنڈز کی قلت اور زائد قرضے ہیں۔

مستقبل کے امکانات

آپ کی کمپنی نے اپنے پیداواری اثاثہ جات کو ٹیکنالوجی پر انویسٹ لمیٹڈ کو ماہانہ کرایہ داری مبلغ 3.000 ملین روپے میں دیا ہے۔ جو کہ آپ کی کمپنی کے تمام اثاثہ جات کی بہت اچھی طرح دیکھ بھال اور مرمت کے لیے آنے والے تمام اخراجات خود ادا کر رہی ہے۔ کمپنی کے ڈائریکٹرز اپنی تمام تر توانائیاں بروے کار لارہے ہیں۔ تاکہ کمپنی کے اخراجات کو کم سے کم رکھیں اور ماہانہ کرایہ داری سے زیادہ سے زیادہ منافع ہو۔

آڈیٹرز کے تحفظات

آڈیٹرز نے کمپنی کے جمع شدہ نقصان 461.400 ملین روپوں کی وجہ سے کمپنی کے مستقبل پر تحفظات کا اظہار کیا ہے۔ کمپنی نے زیادہ تر بنکوں کو ادا نگیوں کے ساتھ اپنے معاملات طے کر لیے ہیں اور بینک آف پنجاب کے ساتھ اپنے قرضے کو ری شیڈول کیا ہے۔ کمپنی کے اثاثہ جات کو اچھی حالت میں رکھنے کے لیے کمپنی نے مل کو 3.000 ملین روپے ماہانہ پر دیا ہے۔ کرایہ دار نے بلا سود قرضہ 208.559 ملین روپے بھی کمپنی کو دیئے ہیں۔ جس سے وہ اپنے بنکوں کو ادائیگیاں اور اپنے اثاثہ جات اور مشینوں کی دیکھ بھال کر سکے۔ ان مالیاتی اداروں کی اچھی ادائیگیوں اور آپریشن کو کرایہ داری پر چلانے کی وجہ سے بورڈ آف ڈائریکٹرز یہ سمجھتے ہیں کہ کمپنی کے مستقبل کو کوئی خدشہ لاحق نہ ہے۔

اعتراف

بورڈ آف ڈائریکٹرز، مالیاتی اداروں، شیئر ہولڈرز اور اپنے ملازمین کی لگن اور محنت کی قدر کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی طرف سے

محمد اقبال

چیف ایگزیکٹو آفیسر

فیصل آباد

28 فروری 2018



**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 ("the Company") as at 31 December 2017 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 2017 and 31 December 2016 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 2017.

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 2017, the Company has incurred loss after taxation of Rupees 3.456 million. Moreover, the Company has suffered accumulated loss of Rupees 461.400 million which has turned equity into negative balance of Rupees 316.317 million. Furthermore, its liabilities exceed its total assets by Rupees 157.390 million and its current liabilities exceed its current assets by Rupees 356.562 million. In addition to above, the Company has suspended its operations since October 2011 due to overdue debts and non-availability of working capital.

In view of the matters 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

Our review indicates that, 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:
Mubashar Mehmood
Date: February 28, 2018
FAISALABAD



CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER 2017

	NOTE	UN-AUDITED 31 December 2017	AUDITED 30 June 2017		NOTE	UN-AUDITED 31 December 2017	AUDITED 30 June 2017
		(RUPEES IN THOUSAND)				(RUPEES IN THOUSAND)	
EQUITY AND LIABILITIES							
SHARE CAPITAL AND RESERVES							
Authorized share capital		170,000	170,000				
17 000 000 (30 June 2017: 17 000 000) ordinary shares of Rupees 10 each							
Issued, subscribed and paid up share capital		131,748	131,748				
Reserves		(448,065)	(450,071)				
Total equity		(316,317)	(318,323)				
Surplus on revaluation of property, plant and equipment and investment properties - net of deferred income tax		158,927	164,389				
LIABILITIES							
NON-CURRENT LIABILITIES							
Long term financing	3	92,245	103,001				
Long term loans		38,557	37,229				
Deferred income tax liability		61,529	63,870				
		192,331	204,100				
CURRENT LIABILITIES							
Trade and other payables		115,463	111,577				
Short term borrowings		208,559	208,559				
Current portion of long term financing		31,574	35,840				
Provision for taxation		8,859	7,219				
		364,465	363,195				
TOTAL LIABILITIES		556,796	567,295				
CONTINGENCIES AND COMMITMENTS							
TOTAL EQUITY AND LIABILITIES		399,406	413,361				
				TOTAL ASSETS			
				399,406	413,361		

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Half year ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	----- (RUPEES IN THOUSAND) -----			
OTHER INCOME	16,500	15,000	9,000	7,500
ADMINISTRATIVE EXPENSES	(880)	(803)	(376)	(437)
OTHER EXPENSES	(14,493)	(16,103)	(7,247)	(8,052)
FINANCE COST	(5,274)	(7,759)	(2,582)	(4,030)
LOSS BEFORE TAXATION	(4,147)	(9,665)	(1,205)	(5,019)
TAXATION	691	1,188	271	594
LOSS AFTER TAXATION	<u>(3,456)</u>	<u>(8,477)</u>	<u>(934)</u>	<u>(4,425)</u>
LOSS PER SHARE - BASIC AND DILUTED (RUPEES)	<u>(0.26)</u>	<u>(0.64)</u>	<u>(0.07)</u>	<u>(0.34)</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Half year ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	----- (RUPEES IN THOUSAND) -----			
LOSS AFTER TAXATION	(3,456)	(8,477)	(934)	(4,425)
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	<u>(3,456)</u>	<u>(8,477)</u>	<u>(934)</u>	<u>(4,425)</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER



**CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Half year ended	
	31 December 2017	31 December 2016
	(RUPEES IN THOUSAND)	
CASH GENERATED FROM OPERATING ACTIVITIES		
Loss before taxation	(4,147)	(9,665)
Adjustments for non-cash charges and other items:		
Depreciation	14,568	16,192
Finance cost	5,274	7,759
Working capital changes		
(Increase) / decrease in loans and advances	(31)	10
Decrease in trade and other payables	3,886	5,077
Cash generated from operations	<u>19,550</u>	<u>19,373</u>
Finance cost paid	(1,320)	(2,474)
Income tax paid	(500)	(400)
Net cash generated from operating activities	<u>17,730</u>	<u>16,499</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	<u>(17,650)</u>	<u>(16,498)</u>
Net cash used in financing activities	<u>(17,650)</u>	<u>(16,498)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	80	1
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	79	162
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>159</u>	<u>163</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	SHARE CAPITAL	RESERVES			TOTAL EQUITY
		CAPITAL EQUITY PORTION OF SHAREHOLDERS' LOAN	REVENUE ACCUMULATED LOSS	TOTAL	
(RUPEES IN THOUSAND)					
Balance as at 30 June 2016 - Audited	131,748	13,335	(475,460)	(462,125)	(330,377)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	5,982	5,982	5,982
Loss for the half year ended 31 December 2016	-	-	(8,477)	(8,477)	(8,477)
Other comprehensive loss for the half year ended 31 December 2016	-	-	-	-	-
Total comprehensive income for the half year ended 31 December 2016	-	-	(8,477)	(8,477)	(8,477)
Balance as at 31 December 2016 - Un-audited	131,748	13,335	(477,955)	(464,620)	(332,872)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	6,156	6,156	6,156
Profit for the half year ended 30 June 2017	-	-	8,393	8,393	8,393
Other comprehensive income for the half year ended 30 June 2017	-	-	-	-	-
Total comprehensive income for the half year ended 30 June 2017	-	-	8,393	8,393	8,393
Balance as at 30 June 2017 - Audited	131,748	13,335	(463,406)	(450,071)	(318,323)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	5,462	5,462	5,462
Loss for the half year ended 31 December 2017	-	-	(3,456)	(3,456)	(3,456)
Other comprehensive income for the half year ended 31 December 2017	-	-	-	-	-
Total comprehensive loss for the half year ended 31 December 2017	-	-	(3,456)	(3,456)	(3,456)
Balance as at 31 December 2017 - Un-audited	131,748	13,335	(461,400)	(448,065)	(316,317)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER



**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

1. THE COMPANY AND ITS OPERATIONS

- 1.1** Khurshid Spinning Mills Limited ("the Company") is a public limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017) and listed on Pakistan Stock Exchange Limited. Its registered office is situated at Universal House, West Canal Road, Feroqabad, Faisalabad. The principal objectives of the Company are to manufacture and deal in all types of yarn.

As per the notice no. PSX/N-7787 dated 20 December 2017 issued by Pakistan Stock Exchange Limited ("PSX"), the Company is placed in the Defaulters' Segment due to issuance of show cause notice of winding up by the Securities and Exchange Commission of Pakistan (SECP). The management has taken up this matter with SECP and has requested to withdraw said notice of winding up and matter is under consideration.

1.2 Going concern assumption

The Company reported loss after taxation of Rupees 3.456 million (31 December 2016: Rupees 8.477 million). Moreover, the Company has suffered accumulated loss of Rupees 461.400 million (30 June 2017: Rupees 463.406 million) which has turned equity into negative balance of Rupees 316.317 million (30 June 2017: Rupees 318.323 million). Furthermore, its total liabilities exceed its total assets by Rupees 157.390 million (30 June 2017: Rupees 153.934 million) and its current liabilities exceed its current assets by Rupees 356.562 million (30 June 2017: Rupees 355.905 million) as at the balance sheet date. In addition to above, the Company's operations are suspended since October 2011 due to overdue debts and non-availability of working capital which raise doubts about the 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 along with the investment properties of the Company as mentioned in Note 5.1.1. 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 settlement / 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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the audited annual financial statements of the Company for the year ended 30 June 2017.

2.1 Basis of preparation

2.1.1 Statement of compliance

- a)** As per the requirements of Circular No. 23 of 2017 dated 04 October 2017 issued by the Securities and Exchange Commission of Pakistan (SECP) and clarification issued by the Institute of Chartered Accountants of Pakistan via Circular No. 17 of 2017, companies whose financial year, including quarterly and other interim periods, closes on or before 31 December 2017, shall prepare their financial statements, including interim financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, this condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed.



- b) This condensed interim financial information does not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended 30 June 2017.
- c) The figures included in the condensed interim profit and loss account for the quarters ended 31 December 2017 and 31 December 2016 along with the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the accumulated figures for the half years ended 31 December 2017 and 31 December 2016.

2.1.2 Accounting estimates, judgments and financial risk management

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts. Actual results may differ from these judgments, estimates and assumptions.

However, the management believes that the change in outcome of judgments, estimates and assumptions would not have a material impact on the amounts disclosed in this condensed interim financial information.

Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those applied in Company's annual audited financial statements for the year ended 30 June 2017.

The Company's financial risk management objectives and policies are consistent with those disclosed in the Company's annual audited financial statements for the year ended 30 June 2017.

Un-Audited 31 December 2017	Audited 30 June 2017
(RUPEES IN THOUSAND)	

3. LONG TERM FINANCING

The Bank of Punjab:

Secured

Demand finance - I	31,574	49,224
Demand finance - II	<u>92,245</u>	<u>89,617</u>
	123,819	138,841
Less: Current portion shown under current liabilities	31,574	35,840
	<u>92,245</u>	<u>103,001</u>

4. CONTINGENCIES AND COMMITMENTS

There was no contingent liability and commitment as at 31 December 2017 (30 June 2017: Rupees Nil).

5. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (Note 5.1)	276,379	290,947
Capital work-in-progress	1,768	1,768
	<u>278,147</u>	<u>292,715</u>

5.1 Operating fixed assets

Opening book value	290,947	323,331
Less: Depreciation charged during the period / year	(14,568)	(32,384)
	<u>276,379</u>	<u>290,947</u>



- 5.1.1** Plant and machinery and other facilities located at mills along with investment properties have been given on lease to Messrs Beacon Impex (Private) Limited at monthly rental of Rupees 3.000 million (30 June 2017: Rupees 2.500 million).

6. RELATED PARTIES BALANCES

The related parties comprise of directors. No transaction with any related party occurred during the period. The period end balances with related parties are given below:

Un-Audited	Audited
31 December 2017	30 June 2017
(RUPEES IN THOUSAND)	

Long term loans	38,557	37,229
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7. DATE OF AUTHORIZATION

This condensed interim financial information was approved by the Board of Directors of the Company and authorized for issue on February 28, 2018 .

8. 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.

9. GENERAL

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

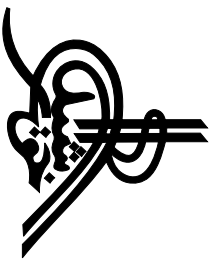
CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

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