



**Khurshid  
Spinning Mills Limited**

**HALF YEARLY  
REPORT**

**December 31, 2013  
(UN-AUDITED)**



## COMPANY INFORMATION

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



**DIRECTORS REPORT TO THE SHAREHOLDERS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

The Directors of the Company are pleased to present the un-audited Condensed Interim Financial Information for the half year ended on 31 December 2013.

The company has sustained loss after taxation of Rupees 6.390 million as compared to previous half year's loss after taxation of Rupees 17.132 million. There has been no production operation since October 2011 due to overdue debts and non-availability of working capital.

It is regretted to explain that the condensed interim financial information for the half year ended 31 December 2013 was not finalized within prescribed time due to delay in holding of Annual General Meeting for the year ended 30 June 2013 and preparation of accounts for the quarter ended 30 September 2013. However, we assure our members to comply with the legal requirements regarding finalization of half yearly accounts in future.

### **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 458.441 million. The management has leased out the operating fixed assets of the Company at Rupees 2.000 million lease rent per month. Moreover, the lessee has also given interest free loan to the Company to manage its affairs in the best interest of the Company. Furthermore, the pending cases with financial institutions have also been settled. In view of favorable settlement / rescheduling of overdue debts with financial institutions, continuation of operations on lease and favorable Government textile policies, the management feels there is no question of lack of going concern of the Company.

The qualification made by the auditors regarding classification of freehold land and building thereon as Investment Properties in the condensed interim financial information, we will arrange and classify these assets as investment properties in the annual financial statements.

### **Acknowledgement**

The management wishes to place on record its appreciation for the hard work and devotion of its employees and the invaluable advice and support of the company's directors and shareholders.

**For and on behalf of the Board of Directors**



**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 2013 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 2013 and 31 December 2012 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 2013.

*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 2013, the company has accumulated loss of Rupees 458.441 million, its liabilities exceed its total assets by Rupees 133.322 million and its current liabilities exceed its current assets by Rupees 66.760 million. Moreover, the company's operations are suspended 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 preparation of the annexed condensed interim financial information is not appropriate. The condensed interim financial information does not disclose this fact.



The company has not classified the freehold land and building thereon which were leased out by the company, as investment properties as required by the International Accounting Standard (IAS) 40 'Investment Property'.

*Adverse Conclusion*

Based on our review, because of the effect of matters discussed in the preceding paragraphs, 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**

**Name of engagement partner:**  
**Liaqat Ali Panwar**

**Date: August 29, 2014**

**FAISALABAD**



CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER 2013

| NOTE   | UN-AUDITED<br>31 December<br>2013<br>(Rupees in thousand) | AUDITED<br>30 June<br>2013<br>(Rupees in thousand) | NOTE | UN-AUDITED<br>31 December<br>2013<br>(Rupees in thousand) | AUDITED<br>30 June<br>2013<br>(Rupees in thousand) |
|--|---|--|------|---|--|
| <b>EQUITY AND LIABILITIES</b>  |   |  |      |   |  |
| <b>SHARE CAPITAL AND RESERVES</b>  |   |  |      |   |  |
| Authorized share capital<br>17 000 000 (30 June 2013: 17 000 000) ordinary<br>shares of Rupees 10 each | 170,000   | 170,000  |      | 482,332   | 506,645  |
| Issued, subscribed and paid up share capital   | 131,748   | 131,748  | 8    | 1,929   | 1,929  |
| Accumulated loss   | (453,441)   | (461,475)  |      | 484,261   | 508,574  |
| Total equity   | (326,693)   | (329,727)  |      | 155   | 354  |
| Surplus on revaluation of property, plant and<br>equipment - net of deferred income tax                | 193,371   | 202,795  |      |   |  |
| <b>LIABILITIES</b>   |   |  |      |   |  |
| <b>NON-CURRENT LIABILITIES</b>   |   |  |      |   |  |
| Long term financing  | 185,933   | 196,316  |      |   |  |
| Long term loans  | 272,642   | 266,341  |      |   |  |
| Deferred income tax liability  | 52,248  | 97,103   |      |   |  |
|  | 550,823   | 559,760  |      |   |  |
| <b>CURRENT LIABILITIES</b>   |   |  |      |   |  |
| Trade and other payables   | 41,143  | 26,417   |      |   |  |
| Accrued mark-up  | -   | 8,989  |      |   |  |
| Short term borrowings  | -   | 16,026   |      |   |  |
| Current portion of long term financing   | 23,953  | 22,849   |      |   |  |
| Provision for taxation   | 1,819   | 1,819  |      |   |  |
|  | 66,915  | 76,100   |      |   |  |
|  | 617,738   | 635,860  |      |   |  |
| <b>TOTAL LIABILITIES</b>   |   |  |      |   |  |
| <b>CONTINGENCIES AND COMMITMENTS</b>   |   |  |      |   |  |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>484,416</b>  | <b>508,928</b>                                     |      | <b>484,416</b>  | <b>508,928</b>                                     |

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 2013**

|  | Half year ended                 |                     | Quarter ended       |                     |
|--|---------------------------------|---------------------|---------------------|---------------------|
|  | 31 December<br>2013             | 31 December<br>2012 | 31 December<br>2013 | 31 December<br>2012 |
|  | ------(Rupees in thousand)----- |                     |                     |                     |
| OTHER INCOME                                   | 23,334                          | 9,000               | 11,000              | 4,500               |
| ADMINISTRATIVE EXPENSES                        | (744)                           | (1,042)             | (396)               | (507)               |
| OTHER EXPENSES                                 | (24,170)                        | (32,293)            | (12,085)            | (16,146)            |
|  | (24,914)                        | (33,335)            | (12,481)            | (16,653)            |
| LOSS FROM OPERATIONS                           | (1,580)                         | (24,335)            | (1,481)             | (12,153)            |
| FINANCE COST                                   | (9,665)                         | (60)                | (4,784)             | (52)                |
| LOSS BEFORE TAXATION                           | (11,245)                        | (24,395)            | (6,265)             | (12,205)            |
| TAXATION                                       | 4,855                           | 7,263               | 2,428               | 4,046               |
| LOSS AFTER TAXATION                            | <u>(6,390)</u>                  | <u>(17,132)</u>     | <u>(3,837)</u>      | <u>(8,159)</u>      |
| LOSS PER SHARE - BASIC AND<br>DILUTED (RUPEES) | <u>(0.49)</u>                   | <u>(1.30)</u>       | <u>(0.29)</u>       | <u>(0.62)</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 2013**

| Half year ended     |                     | Quarter ended       |                     |
|---------------------|---------------------|---------------------|---------------------|
| 31 December<br>2013 | 31 December<br>2012 | 31 December<br>2013 | 31 December<br>2012 |

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

LOSS AFTER TAXATION (6,390) (17,132) (3,837) (8,159)

**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**

(6,390) (17,132) (3,837) (8,159)

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 2013**

|   | <b>Half year ended</b>      |                             |
|---|-----------------------------|-----------------------------|
|   | <b>31 December<br/>2013</b> | <b>31 December<br/>2012</b> |
|   | <b>(Rupees in thousand)</b> |                             |
| <b>CASH GENERATED FROM / (USED IN) OPERATIONS</b>                   |                             |                             |
| Loss before taxation  | (11,245)                    | (24,395)                    |
| <b>Adjustments for non-cash charges and other items:</b>            |                             |                             |
| Depreciation  | 24,313                      | 25,262                      |
| Credit balances added back  | (11,333)                    | -                           |
| Finance cost  | 9,665                       | 60                          |
| <b>Working capital changes</b>                                      |                             |                             |
| Increase / (decrease) in trade and other payables                   | 16,059                      | (2,303)                     |
|   | 27,459                      | (1,376)                     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |                             |                             |
| <b>Cash generated from / (used in) operations</b>                   | 27,459                      | (1,376)                     |
| Finance cost paid   | (16,086)                    | (60)                        |
| Income tax paid   | -                           | (19)                        |
| <b>Net cash generated from / (used in) operating activities</b>     | 11,373                      | (1,455)                     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |                             |                             |
| Repayment of long term financing                                    | (11,847)                    | (17,900)                    |
| Long term loans obtained  | 16,301                      | 68,578                      |
| Long term loans repaid  | -                           | (16,185)                    |
| Repayment of liabilities against assets subject to finance lease    | -                           | (13,470)                    |
| Repayment of short term borrowings                                  | (16,026)                    | (20,000)                    |
| <b>Net cash (used in) / from financing activities</b>               | (11,572)                    | 1,023                       |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                    | (199)                       | (432)                       |
| <b>CASH AND CASH EQUIVALENTS AT THE<br/>BEGINNING OF THE PERIOD</b> | 354                         | 625                         |
| <b>CASH AND CASH EQUIVALENTS AT THE<br/>END OF THE PERIOD</b>       | 155                         | 193                         |

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



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

|   | Share<br>Capital | Accumulate<br>d<br>loss | Total            |
|---|------------------|-------------------------|------------------|
| ------(Rupees in thousand)-----   |                  |                         |                  |
| Balance as at 30 June 2012 - Audited  | 131,748          | (523,633)               | (391,885)        |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax | -                | 13,489                  | 13,489           |
| Loss for the half year ended 31 December 2012   | -                | (17,132)                | (17,132)         |
| Other comprehensive loss for the half year ended 31 December 2012   | -                | -                       | -                |
| Total comprehensive loss for the half year ended 31 December 2012   | -                | (17,132)                | (17,132)         |
| Balance as at 31 December 2012- Un-audited  | 131,748          | (527,276)               | (395,528)        |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax | -                | 11,732                  | 11,732           |
| Profit for the half year ended 30 June 2013   | -                | 54,069                  | 54,069           |
| Other comprehensive income for the half year ended 30 June 2013   | -                | -                       | -                |
| Total comprehensive income for the half year ended 30 June 2013   | -                | 54,069                  | 54,069           |
| 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 loss 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   | <u>131,748</u>   | <u>(458,441)</u>        | <u>(326,693)</u> |

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



**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

**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 2013, the Company has incurred a net loss of Rupees 6.390 million. The Company has accumulated loss of Rupees 458.441 million as on 31 December 2013 (30 June 2013: Rupees 461.475 million) and its current liabilities exceed its current assets, by Rupees 66.760 million (30 June 2013: Rupees 75.746 million). 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 8.1. 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 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 2013 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 Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information should be read in conjunction with the audited annual published financial statements of the Company for the year ended 30 June 2013.

**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 2013.

**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 2013.

| Un-Audited  | Audited |
|-------------|---------|
| 31 December | 30 June |
| 2013        | 2013    |

(Rupees in thousand)

**5. LONG TERM FINANCING**

**The Bank of Punjab:**

|   |                |                |
|---|----------------|----------------|
| Demand finance - I                                    | 154,177        | 166,024        |
| Demand finance - II                                   | 55,709         | 53,141         |
| Total   | 209,886        | 219,165        |
| Less: Current portion shown under current liabilities | 23,953         | 22,849         |
|   | <u>185,933</u> | <u>196,316</u> |

6. The Company has fully repaid the outstanding amount to Al Baraka Bank (Pakistan) Limited on 05 November 2013.

**7. CONTINGENCIES AND COMMITMENTS**

There was no contingent liability and commitment as at 31 December 2013 (30 June 2013: Rupees Nil).

**8. PROPERTY, PLANT AND EQUIPMENT**

|                 |         |         |
|-----------------|---------|---------|
| Opening balance | 506,645 | 512,198 |
|-----------------|---------|---------|

Add:

|   |   |         |
|---|---|---------|
| Cost of additions during the period / year                      | - | 128,559 |
| Transferred from leased assets during the period / year         | - | 16,185  |
| Effect of increase in surplus on revaluation as at 30 June 2013 | - | 8,021   |
|   | - | 152,765 |

Less:

|   |          |           |
|---|----------|-----------|
| Effect of decrease in surplus on revaluation as at 30 June 2013 | -        | (103,537) |
| Book value of deletions during the period / year                | -        | (1,257)   |
| Depreciation charged during the period / year                   | (24,313) | (53,524)  |
|   | (24,313) | (158,318) |

|  |                |                |
|--|----------------|----------------|
|  | <u>482,332</u> | <u>506,645</u> |
|--|----------------|----------------|



- 8.1 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 2013: Rupees 2.000 million).

**9. TRANSACTIONS WITH RELATED PARTIES**

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

| (Un-audited)        |                     |                     |                     |
|---------------------|---------------------|---------------------|---------------------|
| Half year Ended     |                     | Quarter Ended       |                     |
| 31 December<br>2013 | 31 December<br>2012 | 31 December<br>2013 | 31 December<br>2012 |

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

**i) Transactions**

**Associated company**

|                         |   |        |   |       |
|-------------------------|---|--------|---|-------|
| Long term loan obtained | - | 67,556 | - | 8,950 |
|-------------------------|---|--------|---|-------|

**Directors**

|  |        |       |        |       |
|--|--------|-------|--------|-------|
| Long term loan obtained from Directors | 16,301 | 1,022 | 16,039 | 282   |
| Long term loan repaid to Directors     | -      | 6,185 | -      | 2,077 |

|   |   |     |   |    |
|---|---|-----|---|----|
| Remuneration paid to Chief Executive Officer, Directors and Executive | - | 108 | - | 54 |
|---|---|-----|---|----|

| Un-Audited          | Audited         |
|---------------------|-----------------|
| 31 December<br>2013 | 30 June<br>2013 |

(Rupees in thousand)

**ii) Period end balances**

|                 |        |  |        |
|-----------------|--------|--|--------|
| Long term loans | 45,620 |  | 29,319 |
|-----------------|--------|--|--------|

**10. 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 2013.

**11. DATE OF AUTHORIZATION**

This condensed interim financial information was approved and authorized for issue on 29 August 2014 by the Board of Directors of the Company.

**12. 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.

**13. GENERAL**

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

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR

**BOOK  
POST**

**PRINTED MATTER**



If undelivered Please return to:

**Khurshid Spinning Mills Limited**

133-134, Regency the Mall, Faisalabad

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