



**Khurshid  
Spinning Mills Limited**

**HALF YEARLY  
REPORT**

**December 31, 2015  
(UN-AUDITED)**



## COMPANY INFORMATION

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



**DIRECTORS REPORT TO THE SHAREHOLDERS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

The Directors of the Company are pleased to present the un-audited Condensed Interim Financial Information for the half year ended on 31 December 2015.

The company has sustained loss after taxation of Rupees 9.307 million as compared to previous half year's loss after taxation of Rupees 14.148 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 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 470.669 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 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 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 29, 2016**

**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 (the "Company") as at 31 December 2015 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 2015 and 31 December 2014 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 2015.

*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 2015, the Company has incurred loss after taxation of Rupees 9.307 millions. Moreover, the Company has accumulated loss of Rupees 470.669 million, its liabilities exceed its total assets by Rupees 152.314 million and its current liabilities exceed its current assets by Rupees 340.455 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 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**

**Name of engagement partner:**  
**Mubashar Mehmood**  
**Date: February 29, 2016**  
**FAISALABAD**



CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER 2015

	NOTE	UN-AUDITED 31 December 2015	AUDITED 30 June 2015		NOTE	UN-AUDITED 31 December 2015	AUDITED 30 June 2015
		(RUPEES IN THOUSAND)				(RUPEES IN THOUSAND)	
<b>EQUITY AND LIABILITIES</b>				<b>ASSETS</b>			
<b>SHARE CAPITAL AND RESERVES</b>				<b>NON-CURRENT ASSETS</b>			
Authorized share capital				Property, plant and equipment	7	336,251	353,860
17 000 000 (30 June 2015: 17 000 000) ordinary shares of Rupees 10 each		170,000	170,000	Investment properties		96,967	95,967
Issued, subscribed and paid up share capital				Long term deposits		5,733	5,733
Reserves		131,748	131,748			438,951	455,560
<b>TOTAL EQUITY</b>		(458,470)	(454,364)	<b>CURRENT ASSETS</b>			
Surplus on revaluation of property, plant and equipment and investment properties - net of deferred income tax		(328,722)	(322,616)	Tax refunds due from statutory authorities		2,668	1,608
<b>LIABILITIES</b>		174,408	180,745	Cash and bank balances		66	115
<b>NON-CURRENT LIABILITIES</b>	5					2,734	1,723
Long term financing		142,387	156,476	<b>TOTAL ASSETS</b>		441,685	457,283
Long term loans		33,575	32,439				
Deferred income tax liability		74,848	77,830				
<b>CURRENT LIABILITIES</b>		250,810	266,745				
Trade and other payables		100,585	91,430				
Current portion of non-current liabilities		240,785	239,160				
Provision for taxation		1,819	1,819				
<b>TOTAL LIABILITIES</b>		343,189	332,409				
<b>CONTINGENCIES AND COMMITMENTS</b>	6	593,999	599,154				
<b>TOTAL EQUITY AND LIABILITIES</b>		441,685	457,283				

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 2015**

Half year ended		Quarter ended	
31 December 2015	31 December 2014	31 December 2015	31 December 2014

------(RUPEES IN THOUSAND)-----

OTHER INCOME	13,005	12,325	7,005	6,324
ADMINISTRATIVE EXPENSES	(1,251)	(995)	(787)	(564)
OTHER EXPENSES	(17,532)	(20,673)	(8,766)	(9,437)
	(18,783)	(21,668)	(9,553)	(10,001)
LOSS FROM OPERATIONS	(5,778)	(9,343)	(2,548)	(3,677)
FINANCE COST	(6,511)	(8,222)	(4,463)	(3,793)
LOSS BEFORE TAXATION	(12,289)	(17,565)	(7,011)	(7,470)
TAXATION	2,982	3,417	1,491	1,708
LOSS AFTER TAXATION	<u>(9,307)</u>	<u>(14,148)</u>	<u>(5,520)</u>	<u>(5,762)</u>
LOSS PER SHARE - BASIC AND DILUTED (RUPEES)	<u>(0.71)</u>	<u>(1.07)</u>	<u>(0.42)</u>	<u>(0.44)</u>

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



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

Half year ended		Quarter ended	
31 December 2015	31 December 2014	31 December 2015	31 December 2014

----- (RUPEES IN THOUSAND) -----

LOSS AFTER TAXATION (9,307) (14,148) (5,520) (5,762)

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

(9,307) (14,148) (5,520) (5,762)

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



**CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	Half year ended	
	31 December 2015	31 December 2014
<b>(RUPEES IN THOUSAND)</b>		
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(12,289)	(17,565)
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	17,638	18,796
Finance cost	6,511	8,222
(Gain) / loss on remeasurement of fair value of investment properties	(1,000)	2,000
<b>Working capital changes</b>		
Tax refunds due from statutory authorities	(52)	-
Increase in trade and other payables	9,155	7,505
<b>Cash generated from operations</b>	19,963	18,958
Finance cost paid	(3,877)	(5,520)
Income tax paid	(1,008)	-
<b>Net cash generated from operating activities</b>	15,078	13,438
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on property, plant and equipment	(29)	-
<b>Net cash used in investing activities</b>	(29)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term financing	(15,098)	(13,455)
<b>Net cash used in financing activities</b>	(15,098)	(13,455)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(49)	(17)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	115	180
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	66	163

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 2015

	SHARE CAPITAL	RESERVES		TOTAL EQUITY
		CAPITAL EQUITY PORTION OF SHAREHOLDERS' LOAN	REVENUE ACCUMULATED LOSS	
		------(RUPEES IN THOUSAND)-----		
Balance as at 30 June 2014 - (Audited)	131,748	-	(452,264)	(320,516)
Transfer from surplus on revaluation of property, plant and	-	-	6,938	6,938
Loss for the half year ended 31 December 2014	-	-	(14,148)	(14,148)
Other comprehensive loss for the half year ended	-	-	-	-
Total comprehensive loss for the half year ended	-	-	(14,148)	(14,148)
Balance as at 31 December 2014 - (Un-audited)	131,748	-	(459,474)	(327,726)
Transfer from surplus on revaluation of property, plant and	-	-	7,144	7,144
Loss for the half year ended 30 June 2015	-	-	(15,369)	(15,369)
Other comprehensive loss for the half year ended 30 June	-	-	-	-
Total comprehensive loss for the half year ended 30 June 2015	-	-	(15,369)	(15,369)
Transaction with owners: Equity portion of shareholders' loan	-	13,335	-	13,335
Balance as at 30 June 2015 - (Audited)	131,748	13,335	(467,699)	(322,616)
Transfer from surplus on revaluation of property, plant and	-	-	6,337	6,337
Loss for the half year ended 31 December 2015	-	-	(9,307)	(9,307)
Other comprehensive loss for the half year ended	-	-	-	-
Total comprehensive loss for the half year ended	-	-	(9,307)	(9,307)
Transaction with owners: Transferred to shareholders' loan	-	(1,136)	-	(1,136)
Balance as at 31 December 2015 - (Un-audited)	131,748	12,199	(470,669)	(326,722)

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 2015**

**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 Pakistan Stock Exchange Limited. 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 2015, the Company has loss after taxation of Rupees 9.307 million. The Company has accumulated loss of Rupees 470.669 million. Its liabilities exceed its total assets by Rupees 152.314 million and its current liabilities exceed its current assets by Rupees 340.455 million 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 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 adjustment 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 2015 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 2015.

**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 2015.

**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 2015.

Un-Audited	Audited
31 December	30 June
2015	2015

(RUPEES IN THOUSAND)

**5. LONG TERM FINANCING**

**The Bank of Punjab:**

Demand finance - I	98,749	113,847
Demand finance - II	75,864	73,230
	<u>174,613</u>	<u>187,077</u>
Less: Current portion shown under current liabilities	32,226	30,601
	<u>142,387</u>	<u>156,476</u>

**6. CONTINGENCIES AND COMMITMENTS**

There was no contingent liability and commitment as at 31 December 2015 (30 June 2015: Rupees Nil).

**7. PROPERTY, PLANT AND EQUIPMENT**

Operating fixed assets (Note 7.1)	334,483	352,092
Capital work-in-progress	1,768	1,768
	<u>336,251</u>	<u>353,860</u>

**7.1 Operating fixed assets:**

Opening book value	352,092	375,109
Add: Cost of additions during the period / year (Note 7.1.1)	29	14,699
	<u>352,121</u>	<u>389,808</u>
Less: Depreciation charged during the period / year	(17,638)	(37,716)
	<u>334,483</u>	<u>352,092</u>

**7.1.1 Cost of additions during the period / year**

Plant and machinery	-	13,912
Furniture and fixtures	-	25
Office equipment	29	33
Power generation house	-	729
	<u>29</u>	<u>14,699</u>

**7.2** Plant and machinery and other facilities located at mills alongwith investment properties have been given on lease to Messrs Beacon Impex (Private) Limited at monthly rental of Rupees 2.000 million (30 June 2015: Rupees 2.000 million).



## 8. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of directors. No transaction with related parties was occurred during the period. The period end balance with related parties is as follows:

Un-Audited	Audited
31 December	30 June
2015	2015
(RUPEES IN THOUSAND)	

Long term loans	45,774	45,774
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## 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 2015.

## 10. DATE OF AUTHORIZATION

This condensed interim financial information was approved and authorized for issue on February 29, 2016 by the Board of Directors of the Company.

## 11. CORRESPONDING FIGURES

In order to comply with the requirements of IAS 34, 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.

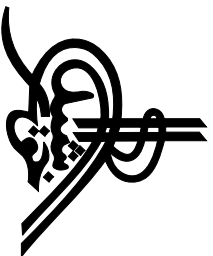
Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made.

## 12. GENERAL

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

**BOOK  
POST**

**PRINTED MATTER**



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