



**Khurshid
Spinning Mills Limited**

**HALF YEARLY
REPORT**

**DECEMBER 31, 2016
(UN-AUDITED)**



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 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, 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 2016

The Directors of the Company are pleased to present the un-audited Condensed Interim Financial Information for the half year ended on 31 December 2016.

The company has sustained loss after taxation of Rupees 8.477 million as compared to previous half year's loss after taxation of Rupees 9.307 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 2.500 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 477.955 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 2.500 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, 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, 2017**

**MUHAMMAD IQBAL
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 2016 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 2016 and 31 December 2015 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 2016.

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 2016, the Company reported loss after taxation of Rupees 8.477 million. Moreover, it has accumulated loss of Rupees 477.955 million, its total liabilities exceed its total assets by Rupees 164.629 million and its current liabilities exceed its current assets by Rupees 360.600 million. Moreover, 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

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 28, 2017

FAISALABAD



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Half year ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
----- (RUPEES IN THOUSAND) -----				
OTHER INCOME	15,000	13,005	7,500	7,005
ADMINISTRATIVE EXPENSES	(803)	(1,251)	(437)	(787)
OTHER EXPENSES	(16,103)	(17,532)	(8,052)	(8,766)
FINANCE COST	(7,759)	(6,511)	(4,030)	(4,463)
LOSS BEFORE TAXATION	(9,665)	(12,289)	(5,019)	(7,011)
TAXATION	1,188	2,982	594	1,491
LOSS AFTER TAXATION	<u>(8,477)</u>	<u>(9,307)</u>	<u>(4,425)</u>	<u>(5,520)</u>
LOSS PER SHARE - BASIC AND DILUTED (RUPEES)	<u>(0.64)</u>	<u>(0.71)</u>	<u>(0.34)</u>	<u>(0.42)</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 2016**

	Half year ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	----- (RUPEES IN THOUSAND) -----			
LOSS AFTER TAXATION	(8,477)	(9,307)	(4,425)	(5,520)
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>(8,477)</u>	<u>(9,307)</u>	<u>(4,425)</u>	<u>(5,520)</u>

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 2016

	Half year ended	
	31 December 2016	31 December 2015
	(RUPEES IN THOUSAND)	
CASH GENERATED FROM OPERATING ACTIVITIES		
Loss before taxation	(9,665)	(12,289)
Adjustments for non-cash charges and other items:		
Depreciation	16,192	17,638
Finance cost	7,759	6,511
Gain on remeasurement of fair value of investment properties	-	(1,000)
Working capital changes		
Loans and advances	10	-
Sales tax refundable	-	(52)
Increase in trade and other payables	5,077	9,155
Cash generated from operations	19,373	19,963
Finance cost paid	(2,474)	(3,877)
Income tax paid	(400)	(1,008)
Net cash generated from operating activities	16,499	15,078
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	-	(29)
Net cash used in investing activities	-	(29)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(16,498)	(15,098)
Net cash used in financing activities	(16,498)	(15,098)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1	(49)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	162	115
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	163	66

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 2016**

	RESERVES				TOTAL EQUITY
	SHARE CAPITAL	CAPITAL	REVENUE	TOTAL	
		EQUITY PORTION OF SHAREHOLDERS' LOAN	ACCUMULATES LOSS		
------(RUPEES IN THOUSAND)-----					
Balance as at 30 June 2015 - Audited	131,748	13,335	(467,699)	(454,364)	(322,616)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	6,337	6,337	6,337
Loss for the half year ended 31 December 2015	-	-	(9,307)	(9,307)	(9,307)
Other comprehensive loss for the half year ended 31 December 2015	-	-	-	-	-
Total comprehensive loss for the half year ended 31 December 2015	-	-	(9,307)	(9,307)	(9,307)
Balance as at 31 December 2015 - Un-audited	131,748	13,335	(470,669)	(457,334)	(325,586)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	6,523	6,523	6,523
Loss for the half year ended 30 June 2016	-	-	(11,314)	(11,314)	(11,314)
Other comprehensive loss for the half year ended 30 June 2016	-	-	-	-	-
Total comprehensive loss for the half year ended 30 June 2016	-	-	(11,314)	(11,314)	(11,314)
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 loss 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)

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 2016**

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. Its registered office is situated at 133-134, Regency The Mall, Faisalabad. The principal objectives of the Company are to manufacture and deal in all types of yarn.

1.2 Going concern assumption

The Company reported loss after taxation of Rupees 8.477 million (31 December 2015: Rupees 9.307 million). Moreover, the Company has accumulated loss of Rupees 477.955 million (30 June 2016: Rupees 475.460 million), its total liabilities exceed its total assets by Rupees 164.629 million (30 June 2016: Rupees 156.152 million) and its current liabilities exceed its current assets by Rupees 360.600 million (30 June 2016: Rupees 352.862 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 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 7.1.2. 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 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 2016 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 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 2016.

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 2016.

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 2016.

Un-Audited 31 December 2016	Audited 30 June 2016
(RUPEES IN THOUSAND)	

5. LONG TERM FINANCING

The Bank of Punjab:

Demand finance - I	66,392	82,890
Demand finance - II	84,607	80,561
Total	<u>150,999</u>	<u>163,451</u>
Less: Current portion shown under current liabilities	34,828	33,276
	<u>116,171</u>	<u>130,175</u>

6. CONTINGENCIES AND COMMITMENTS

There was no contingent liability and commitment as at 31 December 2016 (30 June 2016: Rupees Nil).

7. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (Note 7.1)	307,139	323,331
Capital work-in-progress	1,768	1,768
	<u>308,907</u>	<u>325,099</u>

7.1 Operating fixed assets:

Opening book value	323,331	352,092
Add:		
Effect of surplus on revaluation	-	5,662
Cost of additions during the period / year (Note 7.1.1)	-	860
	-	6,522
Less: Depreciation charged during the period / year	(16,192)	(35,283)
	<u>307,139</u>	<u>323,331</u>

7.1.1 Cost of additions during the period / year

Electric installations	-	831
Office equipment	-	29
	<u>-</u>	<u>860</u>

7.1.2 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 2.500 million (30 June 2016: Rupees 2.000 million).



8. 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 2016	30 June 2016
(RUPEES IN THOUSAND)	

Long term loans	35,991	34,752
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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 2016.

10. DATE OF AUTHORIZATION

This condensed interim financial information was approved and authorized for issue on February 28, 2017 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.

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