

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Intorduction

We have reviewed the accompanying condensed interim balance sheet of **KHALID SIRAJ TEXTILE MILLS LIMITED** ('the Company') as at **December 31, 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 condensed interim financial information for the six months period 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.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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.

Conclusion

Based on review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figure for the quarter ended December 31, 2013 and December 31, 2012 in the condensed interim profit and loss / condensed interim statement of comprehensive income have not been reviewed, and we do not express a conclusion thereon.

Other Matters

We draw intention to note 1.2 to the interim financial informtaion indicate that the Company incurred a net loss of Rs. 47.571 million (Dec 2012: Rs. 16.788 million) resulting in accumulated losses of Rs. 245.653 million (Jun 2013: Rs. 204.743 million) at the close of the half year ended December 31, 2013. The Company's current liabilities exceed its current assets by Rs. 96.025 million indicate the existance of the uncertainty which may cast a significant doubt the Company's ability to continue as a going concern. The interim financial information do not include the adjustment that would result if the Company was unable to continue as a going concern.

Our opinion is not qualified in respect of this matter.

LAHORE
Dated: February 17, 2014

KAMRAN & CO.
CHARTERED ACCOUNTANTS
Engagement Partner: Kamran Fatah (FCA)

**KHALID SIRAJ TEXTILE MILLS LIMITED
COMPANY INFORMATION**

Chief Executive Officer	-	Mian Tayyab Iqbal
Directors	-	Mian Tahir Iqbal
	-	Miss. Rabia Iqbal
	-	Mrs. Tayyaba Waseem
	-	Mrs. Rukhsana Arif
	-	Kh. Iftikhar-ud-Din
	-	Mr. Muhammad Asif (NIT Nominee)
Audit Committee		
Chairman	-	Miss. Rabia Iqbal
Members	-	Mrs. Tayyaba Waseem
	-	Mrs. Rukhsana Arif
HR Committee		
Chairman	-	Mian Tahir Iqbal
Members	-	Miss. Rabia Iqbal
	-	Mrs. Tayyaba Waseem
Company Secretary	-	Haji Tariq Samad
Internal Auditor	-	Mr. Muhammad Naeem Wazir
Auditors	-	Kamran & Co. Chartered Accountants A/2, Ingola Appartments, 24-Jail Road, Lahore.
Legal Advisor	-	Mr. Majid Ali Rana (Advocate)
Share Registrar	-	M/s. Corplink (Pvt) Limited Wings Arcade, 1-K, Commercial, Model Town, Lahore. Ph: 042-35916714, Fax: 042-35869037
Registered Office	-	467-M Block, Model Town Extension, Lahore.
Mills	-	48-K.M, Lahore-Multan Road, Phool Nagar (Bhai Pheru), Tehsil Pattoki, Distt. Kasur.

**KHALID SIRAJ TEXTILE MILLS LIMITED
BRIEF FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

DIRECTORS' REVIEW:

For the quarter under review, the company suffered loss before tax of Rs. 21.248 million. During the quarter, the mill was in production for only seventeen days. The loss, during the quarter, would have been less but charging of depreciation on revalued fixed assets amounting to Rs. 10.247 million increased the gross loss to Rs. 15.233 million for the quarter.

FUTURE PROSPECTS:

The Management has decided not to start the operation of the mills till such time the business conditions improve and there are clear indications of running the mills on reasonable profit margin.

CHIEF EXECUTIVE

DIRECTOR

**KHALID SIRAJ TEXTILE MILLS LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2013**

	Notes	Un-Audited December 31, 2013	Audited June 30, 2013
		(Rupees)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 12,000,000 (June 30, 2013: 12,000,000) ordinary shares of Rs.10 each		120,000,000	120,000,000
Issued, subscribed and paid up share capital:	5.02	107,000,000	107,000,000
Accumulated loss		(245,653,045)	(204,743,080)
		(138,653,045)	(97,743,080)
Surplus on revaluation of property, plant and equipment		157,209,409	163,869,982
Non-current liabilities			
Long-term finances	6	196,087,980	193,787,980
Deferred liabilities		19,614,454	21,436,083
		215,702,434	215,224,063
Current liabilities			
Trade and other payables		136,786,054	146,959,216
Mark-up accrued		11,674,762	7,461,811
Short-term borrowings	7	61,255,060	71,286,334
Current portion of long-term financing - from financial institutions - long-term liabilities		4,602,122	4,602,122
		214,317,998	230,309,483
Contingencies and commitments		-	-
		448,576,796	511,660,448
ASSETS			
Non-current assets			
Property, plant and equipment	8	312,632,295	326,386,507
Long-term deposits		2,001,000	1,941,000
Long-term advances		15,650,727	15,650,727
		330,284,022	343,978,234
Current assets			
Stores, spare parts and loose tools		38,544,287	36,159,325
Stock in trade		23,744,005	69,964,550
Trade debts		1,112,286	9,324,768
Loans and advances		1,442,808	667,993
Trade deposits and short-term prepayments		1,062,951	882,815
Balances due from government		51,178,806	44,633,050
Cash and bank balances		1,207,631	6,049,713
		118,292,774	167,682,214
		448,576,796	511,660,448

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

KHALID SIRAJ TEXTILE MILLS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT /
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

Notes	Six-Months Ended		Quarter Ended	
	December 31,	December 31,	December 31,	December 31,
	2013	2012	2013	2012
	(Rupees)		(Rupees)	
Sales	278,099,719	554,803,222	50,825,024	303,588,890
Cost of sales	310,823,528	554,090,951	66,058,335	298,622,809
Gross (Loss) / Profit	(32,723,809)	712,271	(15,233,311)	4,966,081
Operating expenses:				
Distribution and marketing cost	746,233	822,984	322,705	376,523
Administrative and general expenses	6,821,904	6,091,675	3,571,669	2,770,289
	7,568,137	6,914,659	3,894,374	3,146,812
Operating (Loss) / Profit	(40,291,946)	(6,202,388)	(19,127,685)	1,819,269
Finance cost	4,490,575	9,485,888	2,120,732	5,344,520
Loss before taxation	(44,782,521)	(15,688,276)	(21,248,417)	(3,525,251)
Taxation	2,788,016	1,100,153	509,903	(157,667)
Loss after taxation	(47,570,537)	(16,788,429)	(21,758,320)	(3,367,584)
Total comprehensive loss	(47,570,537)	(16,788,429)	(21,758,320)	(3,367,584)
Earnings per share - basic and anti-diluted	(4.45)	(1.57)	(2.03)	(0.31)

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

KHALID SIRAJ TEXTILE MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

	Share capital	Accumulated loss (Rupees)	Total Equity
Balance as at June 30, 2012	107,000,000	(188,626,925)	(81,626,925)
Total comprehensive income for the six months period ended December 31, 2012 loss for the period		(16,788,429)	(16,788,429)
Incremental depreciation on revaluation of property, plant and equipment for the period (net of deferred taxation)		7,387,847	7,387,847
Balance as at December 31, 2012	<u>107,000,000</u>	<u>(198,027,507)</u>	<u>(91,027,507)</u>
Total comprehensive income for the six months period ended June 30, 2013 loss for the period		(14,103,418)	(14,103,418)
Incremental depreciation on revaluation of property, plant and equipment for the period (net of deferred taxation)		7,387,845	7,387,845
Balance as at June 30, 2013	<u>107,000,000</u>	<u>(204,743,080)</u>	<u>(97,743,080)</u>
Total comprehensive income for the six months period ended December 31, 2013 loss for the period	-	(47,570,537)	(47,570,537)
Incremental depreciation on revaluation of property, plant and equipment for the period (net of deferred taxation)		6,660,572	6,660,572
Balance as at December 31, 2013	<u><u>107,000,000</u></u>	<u><u>(245,653,045)</u></u>	<u><u>(138,653,045)</u></u>

The annexed notes 1 to 3 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

KHALID SIRAJ TEXTILE MILLS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

	Six-Months Ended	
	December 31, 2013	December 31, 2012
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating (Loss) / Profit	(44,782,521)	(15,688,276)
Adjustments for non-cash charges / items:		
Depreciation on property, plant and equipment	14,641,194	16,071,809
Provision for employee retirement benefits	1,165,830	1,500,000
Finance cost	4,490,575	9,485,888
	<u>20,297,599</u>	<u>27,057,697</u>
Loss before working capital changes	<u>(24,484,922)</u>	<u>11,369,421</u>
Working capital changes		
(Increase)/Decrease in current assets		
Stores, spare parts and loose tools	(2,384,964)	(1,175,667)
Stock in trade	46,220,545	(91,637,622)
Trade debts	8,212,482	(8,286,610)
Loans and advances	(774,815)	(56,802)
Trade deposits and short-term prepayments	(180,136)	(2,640,724)
Balances due from government	(1,679,970)	(1,789,320)
Increase/(Decrease) in trade and other payables	<u>(10,173,162)</u>	<u>16,589,494</u>
	<u>39,239,980</u>	<u>(88,997,251)</u>
Cash used in operations	<u>14,755,058</u>	<u>(77,627,830)</u>
Income taxes paid	(7,653,802)	(8,309,191)
Employee retirement benefits paid	(2,987,459)	(1,186,800)
Finance cost paid	<u>(277,624)</u>	<u>(7,960,928)</u>
Net cash (used in) operating activities	<u>3,836,173</u>	<u>(95,084,749)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(886,981)	(87,445)
(Increase)/Decrease in long-term deposits	<u>(60,000)</u>	<u>(5,000)</u>
Net cash out flow in investing activities	<u>(946,981)</u>	<u>(92,445)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (net) of long-term finances	2,300,000	18,791,204
(Repayment)/Proceeds (net) of short term borrowings	<u>(10,031,274)</u>	<u>81,611,536</u>
Net cash from financing activities	<u>(7,731,274)</u>	<u>100,402,740</u>
Net increase/(decrease) in cash and cash equivalents	<u>(4,842,082)</u>	<u>5,225,546</u>
Cash and cash equivalents at the beginning of the period	<u>6,049,713</u>	<u>3,845,355</u>
Cash and cash equivalents at the end of the period	<u><u>1,207,631</u></u>	<u><u>9,070,901</u></u>

The annexed notes 1 to 3 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

KHALID SIRAJ TEXTILE MILLS LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

1 STATUS AND ACTIVITIES

1.1 The Company was incorporated in Pakistan on January 17, 1988 as Public Limited Company under the Companies Ordinance, 1984 and is listed on Karachi and Lahore Stock Exchanges. The Company is engaged in the manufacturing and sale of cotton yarn. The registered office of the Company is situated at 467-M Block, Model Town Extension, Lahore.

1.2 Going concern assumption

The accompanying condensed interim financial information have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

The Company incurred a net loss of Rs. 47.571 million (Dec 2012: Rs. 16.788 million) resulting in accumulated losses of Rs. 245.653 million (Jun 2013: Rs. 204.743 million) at the close of the half year ended 31 December 2013. The Company's current liabilities exceed its current assets by Rs. 96.025 million (Jun 2013: Rs. 62.627 million).

The Company managed its liquidity constraints largely through financing from its sponsors. The Company's ability to continue as a going concern is dependent on continued financing from sponsors.

The management is confident that due to positive market indicators and improved efficiency, there is every likelihood that the Company will show improved performance in the coming years. To achieve the same, following measures were taken -

- a) Related parties of the Company have agreed to continue financing the operations; and
- b) Switching over from manufacturing of fine cotton yarn counts to course yarn counts.

In view of the above, the management believes that the Company will continue as a going concern and hence these financial statements have been prepared accordingly.

2 STATEMENT OF COMPLIANCE

This condensed interim financial information is un-audited but subject to limited scope review by auditors and have been prepared in accordance with the requirements of International Accounting Standard No. 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provision of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all of the information required for full financial statements, and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2013.

3 BASIS OF MEASUREMENT

This condensed interim financial information has been prepared under the historical cost convention modified by adjustment of revaluation of certain assets. In this condensed interim financial information, except for the cash flow statement, all the transactions have been accounted for on accrual basis.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods for computation adopted for the preparation of this condensed interim financial information is the same as those applied in preparation of the financial statements for the year ended June 30, 2013.

5 Share capital and reserves

5.01 Authorised share capital

12,000,000 (June 30, 2013: 12,000,000) ordinary shares of Rs. 10/- each

5.02 Issued, subscribed and paid up share capital:

10,000,000 (June 30, 2013: 10,000,000) ordinary shares of Rs. 10/- each fully paid in cash

700,000 (June 30, 2013: 700,000) ordinary shares of Rs. 10/- each issued as fully paid bonus shares

	(Un-audited) December 31, 2013 (Rupees)	(Audited) June 30, 2013
	<u>120,000,000</u>	<u>120,000,000</u>
	100,000,000	100,000,000
	7,000,000	7,000,000
	<u>107,000,000</u>	<u>107,000,000</u>

6	LONG TERM FINANCES		
6.01	Sponsors' loan	30,400,000	30,400,000
6.02	Sponsors' uncalled dividend	24,058,182	24,058,182
6.03	Due to ex-associated undertakings	32,329,798	32,329,798
6.04	Ex-directors	109,300,000	107,000,000
		<u>196,087,980</u>	<u>193,787,980</u>
6.01	Loan from sponsors		
	These represent unsecured loan from sponsors of the Company. The terms repayment has not yet been decided so far. The above loan alongwith uncalled dividends is subjudice before the Honourable Lahore High Court, Lahore (also refer note 6.2).		
6.02	Sponsors' uncalled dividend		
	These represent uncalled dividends by sponsors of the Company. The above uncalled dividend alongwith loans from sponsors is subjudice before the Honourable Lahore High Court, Lahore (also refer note 6.1).		
6.03	Previous associated undertakings		
	This represents unsecured loans from various Companies which were previously associated undertakings but now have been allocated by the Honourable High Court, Lahore to ohter families of ex-Ittefaq Group. The matter is still pending adjudication.		
6.04	Long-term loans from ex-directors		
	Long-term loan	113,902,122	111,602,122
	Less: Current portion	(4,602,122)	(4,602,122)
		<u>109,300,000</u>	<u>107,000,000</u>
7	SHORT TERM BORROWINGS - SECURED		
	Cash finance/overdraft	61,255,060	71,286,334
		<u>61,255,060</u>	<u>71,286,334</u>
8	PROPERTY, PLANT AND EQUIPMENT		
	Opening written down value	326,386,508	349,924,018
	Addition during the period		
	Factory building on free hold land	-	1,816,357
	Plant and machinery	886,981	6,045,898
	Electric installation	-	915,886
	Furniture and fixture	-	1,287,281
		886,981	10,065,422
	Less:		
	Impairment loss	-	2,710,563
	Adjustment	-	(734,563)
	Depreciation for the period	14,641,194	31,626,932
		<u>14,641,194</u>	<u>33,602,932</u>
	Closing book value	<u>312,632,295</u>	<u>326,386,508</u>
9	AUTHORIZATION FOR ISSUE		
	These financial statements has been approved by the Board of Directors of the Company and authorised for issue on February 20, 2014.		
10	CORRESPONDING FIGURES		
10.01	Corresponding figures have been re-arranged, wherever necessary to the facilitation of comparison.		
10.02	Figures have been rounded off to nearest rupee.		

CHIEF EXECUTIVE OFFICER

DIRECTOR