

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
KHALID SIRAJ TEXTILE MILLS LIMITED  
REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

**INTRODUCTION**

We have reviewed the accompanying condensed interim statement of financial position of “**KHALID SIRAJ TEXTILE MILLS LIMITED**” as at 31 December 2022 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity together with notes forming part thereof (herein-after referred to as the interim financial statements) for the half year period ended. Management is responsible for the preparation and presentation of this interim financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figure for the condensed interim statement of profit or loss / statement of comprehensive income for the quarter ended 31 December 2022 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 31 December 2022.

**SCOPE OF REVIEW**

We conducted our review in accordance with international standard on review engagement 2410, “Review of interim financial information by the independent auditor of the entity “. A review of interim financial statements consists of making inquiries, primarily of the 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 Standard 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**

- (a) The Company has ceased its manufacturing operations in Nov 2013 and in prior years leased out its manufacturing facility to ASM Industries (Pvt) Limited to earn lease rentals. However, partial rentals were received during the last year from the lessee owing to certain dispute with them, and accordingly only receipt amount is declared as other income in the last year financial statements. The Company has incurred a net loss of Rs. 10.746 million (Dec 2021: Rs. 0.531 million) resulting in accumulated losses of Rs. 412.349 million (30 Jun 2022: Rs. 409.537 million) at the close of the half year ended 31 Dec 2022. The Company's current liabilities exceed its current assets by Rs. 133.819 million (30 Jun 2022: Rs. 132.916 million). Moreover, short term borrowings from financial institutions remained unpaid along with accrued markup which is in litigation. Based on the audit evidence obtained, we believe that the Company will not be able to meet its obligations in the ordinary course of business. Accordingly, we do not agree with management's preparation and presentation of the financial statements on a going concern basis. However, the financial statements, are prepared on going concern basis. Had the financial statements been prepared on a non-going concern basis of accounting, we believe that it would have had a significant negative effect on the Company's financial position and financial performance.

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- (b) The Company has not provided for mark-up on short-term borrowings owing to the dispute with financial institutions, and no provision for cost of funds had been accounted for in the financial statements. In the absence of detailed working and the opinion of legal counsel of the Company in this regard we were unable to determine the amount of provision required on account of accrued mark-up.
- (c) Short-term borrowings amounting to Rs. 68.181 million from financial institutions remained unconfirmed in the absence of direct balance confirmations. These also could not be verified through other corroborative audit evidences.
- (d) We are unable to confirm long term finances amounting to Rs. 199.439 million & their terms in the absence of direct confirmation.
- (e) We remained unable to confirm the trade & other payables amounting to Rs 27.396 million and corresponding write back of Rs 27.74 million during the last year in the absence of direct balance confirmation and other corroborative procedures.
- (f) We are unable to verify unclaimed dividends, contingences and any receivable and corresponding lease income from the lessee in the absence of confirmation from legal advisors.
- (g) We are unable to verify any addition in plant & machinery during the prior year, as the lease agreement states that significant portion of the rentals shall be withheld for overhauling of the plant. However, the Company has not received any information from the lessees relating to addition. Accordingly, we are unable to confirm the closing balance of property, plant & equipment and related revaluation and its adjustments.
- (h) We are unable to confirm stores & spares amounting to Rs 3.6 million and corresponding write offs of Rs 3.5 million made last year as mill premises was leased out and hence unable to perform physical stock taking of store items as at last year end.
- (i) The Company is not in compliance with certain requirements of Listed Companies (Code of Corporate Governance) Regulations, 2019 and rules of Pakistan Stock Exchange and we have issued an adverse review report on the statement of compliance for the last year. We are unable to determine any financial implication of the same.

#### **ADVERSE CONCLUSION**

Our review indicates that, because of the significance of the effects of the matters as described in paragraph (a) to (i) of the “Basis for Adverse Conclusion” section of our report, this interim financial information does not give the true and fair view of the financial position of the Company as at December 31, 2022 and of its financial performance and its cash flows for the six-month period then ended in accordance with the accounting and financial reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Kamran Fatah (FCA).

*Kamran & Co*

**KAMRAN & CO.**  
**CHARTERED ACCOUNTANTS**



**LAHORE**  
**23<sup>rd</sup> FEBRUARY 2023**  
UDIN # RR2022101815y89RdMT3