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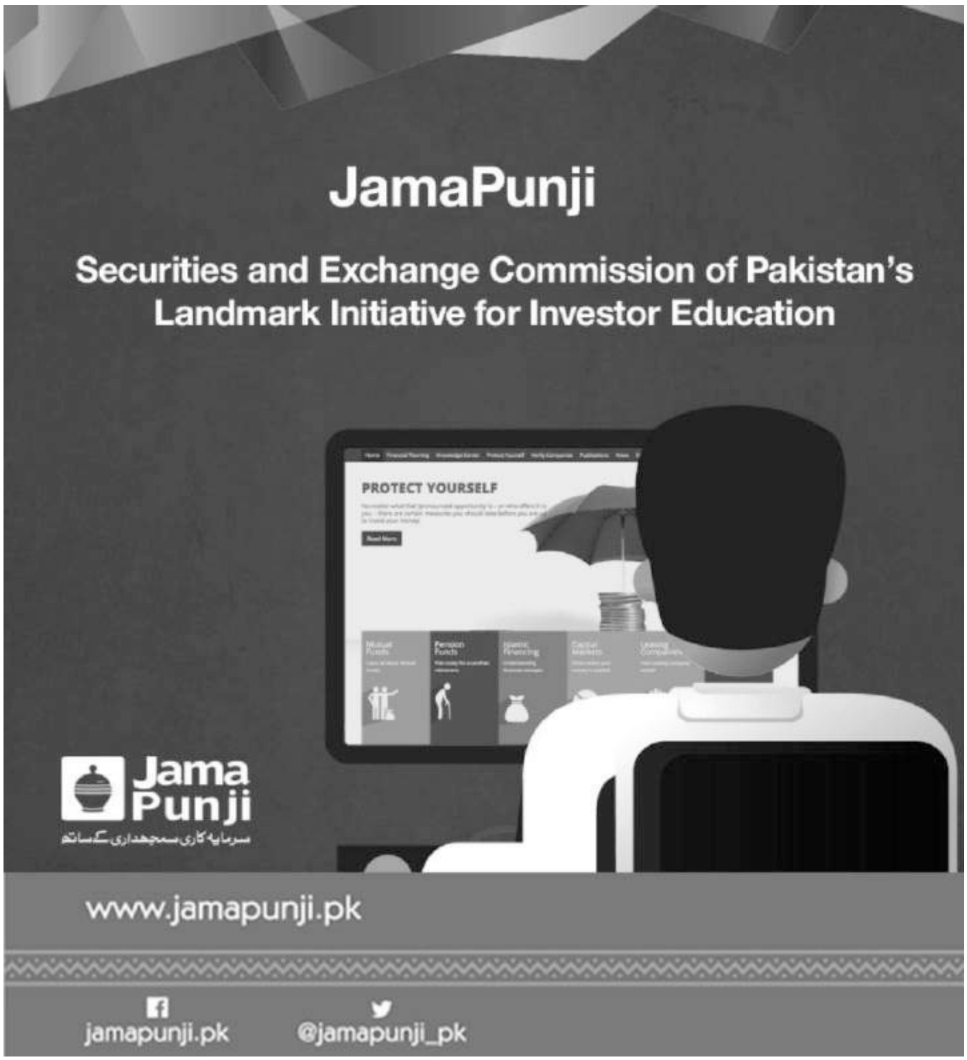
ISO 9002 APPROVED

KHURSHID SPINNING MILLS LIMITED

ANNUAL REPORT 2015

بسم الله الرحمن الرحيم

In the name of ALLAH,
The Most Beneficent,
The Most merciful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COMPANY INFORMATION

Board of Directors	Khawaja Asem Khurshid	Chairman
	Khawaja Amer Khurshid	Chief Executive Officer
	Mr. Muhammad Faheem	Director
	Mr. Muhammad Iqbal	Director
	Mr. Zeeshan Saeed	Director
	Mr. Muhammad Shahbaz Ali	Director
	Mr. Faseeh Uzaman	Director
Audit Committee	Mr. Zeeshan Saeed	Chairman
	Mr. Muhammad Iqbal	Member
	Mr. Muhammad Shahbaz Ali	Member
HR and Remuneration Committee	Mr. Muhammad Iqbal	Chairman
	Mr. Muhammad Faheem	Member
	Mr. Faseeh Uzaman	Member
CFO/Company Secretary	Mr. Muhammad Saqib Ehsan	
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, Sheikhupura Road, Faisalabad	

VISION STATEMENT

We aim at maintaining the confidence of our valued customers by fulfilling their needs, demands and stipulations.

We will achieve consistent financial performance which creates value for the shareholders.

Our organization encourages employee participation that also helps us to achieve quality results.

We believe in innovative technology applications to achieve continuous improvement and ability to avail the required opportunities.

We intend to involve all employees in the development and implementation of quality systems, which will be reviewed periodically to ensure their effectiveness.

We aim to improve the profitability of our company through improved efficiency and cost controls.

We will take effective measures so as to protect the environment and contribute towards the economic strength of the country and function as a good corporate citizen.

MISSION STATEMENT

We aim to strive for market leadership, to maintain full confidence of our customers, ensure continuous improvement in profitability and at maintenance of industry standards by striving for quality products and introduction of innovative quality applications.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 30th Annual General Meeting of the members, holding Ordinary Shares of Khurshid Spinning Mills Limited, will be held on Saturday, October 31, 2015 at its Registered Office, 133-134, Regency the Mall, Faisalabad at 11:30 A.M. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of last Annual General Meeting held on October 31, 2014.

2. To receive, consider and adopt the Audited Accounts of the Company for the financial year ended June 30, 2015 and reports of the Directors and Auditors thereon.

3. To appoint the auditors and fix their remuneration for the next financial year.

4. To transact any other ordinary business with the permission of the chair.

BY ORDER OF THE BOARD

COMPANY SECRETARY
KHURSHID SPINNING MILLS LIMITED

Dated: October 09, 2015
Faisalabad

NOTES:

1. The share transfer books of the Company shall remain closed from October 24, 2015 to October 31, 2015 (both days inclusive). Transfers received in order at Registered Office of the Company or our Share Registrar, M/s Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore by the close of business on October 23, 2015 will be considered in time.

2. A member entitled to attend and vote at this meeting may appoint a person/representative as his/her proxy to attend and vote on his/her behalf. The instrument appointing proxy must be received at the Registered Office of the Company duly signed, stamped and witnessed not later than 48 hours before the meeting.

3. Members are requested to notify any change in their addresses immediately. Moreover, the members who have not yet submitted their Computerized National Identity Cards to the Company are requested to send them at their earliest.

KHURSHID SPINNING MILLS LIMITED
DIRECTORS REPORT TO THE MEMBERS

The Directors of the Company are pleased to present their 30th Annual Report, comprising of Annual Financial Statements of the Company for the financial year ended June 30, 2015 along with Auditors' Report thereon and other required information prescribed under the Code of Corporate Governance. The comparative financial results of the Company are reproduced hereunder:

	2015	2014
	(RUPEES IN THOUSAND)	
OTHER INCOME	24,692	53,798
ADMINISTRATIVE EXPENSES	(2,106)	(2,046)
OTHER EXPENSES	(37,469)	(48,764)
	(39,575)	(50,810)
(LOSS) / PROFIT FROM OPERATIONS	(14,883)	2,988
FINANCE COST	(21,261)	(22,394)
LOSS BEFORE TAXATION	(36,144)	(19,406)
TAXATION	6,627	9,444
LOSS AFTER TAXATION	(29,517)	(9,962)
LOSS PER SHARE - BASIC AND DILUTED (RUPEES)	(2.24)	(0.76)

Financial results for the year ended June 30, 2015 shows loss after taxation of Rupees 29.517 million as compared to previous year's loss after taxation of Rupees 9.962 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 condition. The lessee has also given loan amounting to Rupees 208.559 million to your Company for payment of overdue liabilities of banks, creditors and for Balancing, Modernization and Replacement of plant and machinery and related equipment of the company to keep these assets in working condition and to enhance productivity.

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.

Dividend

Since the Company has accumulated losses, therefore, the directors have not recommended any dividend for the year.

Loss per share

Loss per share for the year ended June 30, 2015 is Rupees 2.24.

Key operating and financial data

Key operating and financial data for last 06 years in summarized form in given on page no. 11.

Board of Directors and Committees Changes

No change has been made in the Board of Directors, Audit Committee and Human Resource and Remuneration Committee during the year.

Qualifications by the Auditors

The qualification made by the auditors for the going concern is based due to heavy accumulated losses of Rupees 467.699 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 favorable settlement / rescheduling of overdue debts with financial institutions, continuation of operations on lease and faourable Government textile policies, the management feels there is no question of lack of going concern of the Company.

Auditors

The auditors Messrs Riaz Ahmad & Company, Chartered Accountants retired and being eligible for re-appointment. The Board of Directors has been suggested by the Audit Committee, the re-appointment of Messrs Riaz Ahmad & Company, Chartered Accountants, as auditors of your company for the next financial year.

Pattern of Shareholding

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately.

No trade in the shares of the company was carried out during the year by its Directors, CEO, CFO and Company Secretary and their spouses and minor children except for the sales of shares as mentioned on page no. 44.

Compliance with the Code of Corporate Governance

The "Statement of Compliance with the Code of Corporate Governance" is annexed on page no. 12.

Statement on Corporate and Financial Reporting Framework

a) The financial statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

b) Proper books of accounts of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

Board of Directors and Audit Committee Meetings

During the year under review five meetings were held and number of meetings attended by each Director is as follows:

Name of Directors	Number of meetings attended
Khawaja Asem Khurshid	5
Khawaja Amer Khurshid	5
Mr. Muhammad Faheem	5
Mr. Muhammad Iqbal	5

Mr. Zeeshan Saeed	5
Mr. Muhammad Shahbaz Ali	5
Mr. Faseeh Uzaman	5

Likewise, five meetings of the Audit Committee were held during the year, with the following attendance:

Name of Directors	Number of meetings attended
Mr. Zeeshan Saeed	5
Mr. Muhammad Iqbal	5
Mr. Muhammad Shahbaz Ali	5

Acknowledgment

We would like to take this opportunity to express my appreciation to the employees of the company for their hard work 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
October 09, 2015

KHAWAJA AMER KHURSHID
Chief Executive Officer

KEY OPERATING AND FINANCIAL DATA

	2015	2014	2013	2012	2011	2010
	----(RUPEES IN THOUSAND)----					
Summary of Profit and Loss Account						
Sales	-	-	-	104,593	349,746	502,293
Gross loss	-	-	-	(79,673)	(60,125)	(84,837)
(Loss) / profit before taxation	(36,144)	(19,406)	23,944	(74,144)	(76,087)	(100,151)
Taxation	6,627	9,444	12,993	15,872	16,760	41,900
(Loss) / profit after taxation	(29,517)	(9,962)	36,937	(58,272)	(59,327)	(58,251)
Summary of Balance Sheet						
Total assets	457,283	473,185	508,928	542,088	638,593	327,205
Long term loans / leases	188,915	431,613	462,657	359,507	341,874	349,960
Deferred liabilities	77,830	87,096	97,103	145,270	167,765	12,044
Current liabilities	332,409	82,804	76,100	140,838	174,209	115,256
Net assets	(141,871)	(128,328)	(126,932)	(103,527)	(45,255)	(150,055)
Represented by:						
Share capital	131,748	131,748	131,748	131,748	131,748	131,748
Accumulated loss	(454,364)	(452,264)	(461,475)	(523,633)	(495,337)	(393,325)
	(322,616)	(320,516)	(329,727)	(391,885)	(363,589)	(261,577)
Surplus on revaluation of property, plant and equipment and Investment properties - net of deferred income tax	180,745	192,188	202,795	288,358	318,334	111,522
	(141,871)	(128,328)	(126,932)	(103,527)	(45,255)	(150,055)
Ratios:						
Gross loss to sales %age	N/A	N/A	N/A	(76.17)	(17.19)	(16.89)
Loss before tax to sales %age	N/A	N/A	N/A	(70.89)	(21.75)	(19.94)
Loss after tax to sales %age	N/A	N/A	N/A	(55.71)	(16.96)	(11.60)
Current ratio	1:0.005	1:0.002	1:0.005	1:0.84	1:0.30	1:0.30

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the Listing Regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors (The Board). At present the Board includes:

Category	**Names**
Executive Directors:	Khawaja Asem Khurshid, Khawaja Amer Khurshid
Independent/Non-Executive Directors:	Mr. Muhammad Iqbal, Mr. Zeeshan Saeed,
	Mr. Muhammad Shahbaz Ali, Mr. Faseeh Uzaman
	Mr. Muhammad Faheem

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.

3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy has occurred in the Board during the year ended June 30, 2015.

5. The Company has prepared a 'Code of Conduct', and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written

notices of the Board meetings, along with agenda and working papers, were circulated at least seven days prior to the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Company has arranged the prescribed training program for one Director during the year to carry out its orientation course, to acquaint him with the code, applicable laws, his duties and responsibilities to enable him to effectively manage the affairs of the Company.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval by the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of three non-executive directors including the Chairman of the Committee.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises of three non-executive directors including the Chairman of the Committee.

18. The Board has set-up an effective internal audit function.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are incompliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The ‘closed period’, prior to the announcement of interim /final results, and business decisions, which may materially affect the market price of company’s securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Faisalabad
October 09, 2015

KHAWAJA AMER KHURSHID
Chief Executive Officer

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **KHURSHID SPINNING MILLS LIMITED** (“the Company”) for the year ended 30 June 2015 to comply with the requirements of Listing Regulations of the respective Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company’s personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors’ statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company’s corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm’s length transactions and transactions which are not executed at arm’s length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm’s length price or not.

The Company has not complied with the corporate and financial reporting requirements of the Code. The financial statements of the Company have not been prepared in accordance with the requirements of the approved accounting standards as applicable in Pakistan. Therefore, the financial statements do not give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended.

Based on our review, except for the above instance of non-compliance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2015.

RIAZ AHMAD & COMPANY
Chartered Accountants
Riaz Ahmad & Co.
Name of engagement partner:
Mubashar Mehmood
Date: October 09, 2015
FAISALABAD

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KHURSHID SPINNING MILLS LIMITED** ("the Company") as at 30 June 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) as explained in Note 1.2 to the financial statements, the Company has prepared these financial statements on going concern assumption. However, as at 30 June 2015, the Company has accumulated loss of Rupees 467.699 million, its liabilities exceed its total assets by Rupees 141.871 million and its current liabilities exceed its current assets by Rupees 330.686 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 financial statements is not appropriate. The financial statements do not disclose this fact.

(b) Except for the effects of the matter stated in paragraph (a) above, in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(c) Except for the effects of the matter stated in paragraph (a) above, in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(d) in our opinion and to the best of our information and according to the explanations given to us, because of the significance of the matter stated in paragraph (a) above, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof do not conform with approved accounting standards as applicable in Pakistan, and, do not give the information required by the Companies Ordinance, 1984, in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

(e) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

RIAZ AHMAD & COMPANY
Chartered Accountants

Riaz Ahmad & Co.

Name of engagement partner:
Mubashar Mehmood
Date: October 09, 2015
FAISALABAD

KHURSHID SPINNING MILLS LIMITED
BALANCE SHEET AS AT 30 JUNE 2015

	NOTE	2015 (RUPEES IN THOUSAND)	2014 (RUPEES IN THOUSAND)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
17 000 000 (2014: 17 000 000) ordinary shares of Rupees 10 each		170,000	170,000
Issued, subscribed and paid up share capital 13 174 800 (2014: 13 174 800) ordinary shares of Rupees 10 each fully paid in cash		131,748	131,748
Reserves	3	(454,364)	(452,264)
Total equity		(322,616)	(320,516)
Surplus on revaluation of property, plant and equipment and investment properties - net of deferred income tax	4	180,745	192,188
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	156,476	177,280
Long term loans	6	32,439	254,333
Deferred income tax liability	7	77,830	87,096
		266,745	518,709
CURRENT LIABILITIES			
Trade and other payables	8	91,430	54,454
Current portion of non-current liabilities	9	239,160	26,531
Provision for taxation		1,819	1,819
		332,409	82,804
TOTAL LIABILITIES		599,154	601,513
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		457,283	473,185

	NOTE	2015 (RUPEES IN THOUSAND)	2014 (RUPEES IN THOUSAND)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	353,860	375,109
Investment properties	12	95,967	95,967
Long term deposits		5,733	1,929
		455,560	473,005
CURRENT ASSETS			
Sales tax refundable		1,608	-
Cash and bank balances	13	115	180
		1,723	180
TOTAL ASSETS		457,283	473,185

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER | **DIRECTOR**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	2015	2014
		(RUPEES IN THOUSAND)	
OTHER INCOME	14	24,692	53,798
ADMINISTRATIVE EXPENSES	15	(2,106)	(2,046)
OTHER EXPENSES	16	(37,469)	(48,764)
		(39,575)	(50,810)
(LOSS) / PROFIT FROM OPERATIONS		(14,883)	2,988
FINANCE COST	17	(21,261)	(22,394)
LOSS BEFORE TAXATION		(36,144)	(19,406)
TAXATION	18	6,627	9,444
LOSS AFTER TAXATION		(29,517)	(9,962)
LOSS PER SHARE - BASIC AND DILUTED (RUPEES)	19	(2.24)	(0.76)

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	(RUPEES IN THOUSAND)	
LOSS AFTER TAXATION	(29,517)	(9,962)
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 year	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(29,517)	(9,962)

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	(RUPEES IN THOUSAND)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(36,144)	(19,406)
Adjustments for non-cash charges and other items:		
Depreciation	37,716	49,054
Credit balances written back	(690)	(29,796)
Finance cost	21,261	22,394
Working capital changes		
Increase in sales tax refundable	(1,608)	-
Increase in trade and other payables	21,236	23,932
Cash generated from operations	41,771	46,178
Finance cost paid	(9,981)	(22,574)
Increase in long term deposits	(3,804)	-
Net cash generated from operating activities	27,986	23,604
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(37)	(44)
Net cash used in investing activities	(37)	(44)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(28,014)	(24,163)
Long term loans - net	-	16,455
Short term borrowings - net	-	(16,026)
Net cash used in financing activities	(28,014)	(23,734)
NET DECREASE IN CASH AND CASH EQUIVLANTS	(65)	(174)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	180	354
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 13)	115	180

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	SHARE CAPITAL	RESERVES			TOTAL EQUITY
		CAPITAL	REVENUE		
		EQUITY PORTION OF SHAREHOLDERS' LOAN	ACCUMULATED LOSS	TOTAL	
	------(RUPEES IN THOUSAND)------				
Balance as at 30 June 2013	131,748	-	(461,475)	(461,475)	(329,727)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	19,173	19,173	19,173
Loss for the year	-	-	(9,962)	(9,962)	(9,962)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	(9,962)	(9,962)	(9,962)
Balance as at 30 June 2014	131,748	-	(452,264)	(452,264)	(320,516)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	14,082	14,082	14,082
Loss for the year	-	-	(29,517)	(29,517)	(29,517)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	(29,517)	(29,517)	(29,517)
Transaction with owners:					
Equity portion of Shareholders' loan	-	13,335	-	13,335	13,335
Balance as at 30 June 2015	131,748	13,335	(467,699)	(454,364)	(322,616)

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 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 Karachi and Lahore Stock Exchanges in Pakistan. Its registered office is situated at 133-134, Regency The Mall, Faisalabad. The Company manufactures and deals in all types of yarn.

1.2 Going concern assumption

The Company has accumulated loss of Rupees 467.699 million (2014: Rupees 452.264 million), its liabilities exceed its total assets by Rupees 141.871 million (2014: Rupees 128.328 million) and its current liabilities exceed its current assets by Rupees 330.686 million (2014: Rupees 82.624 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 investment properties of the Company as mentioned in Note 11.1.3. 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 as mentioned in Note 6.2. Moreover most of the pending cases with banks have also been settled. The management believes that in view of favorable conditions, settlement / rescheduling of liabilities with the bank, the Company would be able to continue as a going concern. Consequently, these financial statements have been prepared on a going concern basis and do not include any adjustments that may be necessary, should the Company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

b) Accounting convention

These financial statements have been prepared under the historical cost convention except for certain property, plant and equipment measured at revalued amounts.

c) Critical accounting estimates and judgments

The preparation of financial statements 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. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provision for doubtful receivables

The Company reviews its receivable balances against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

d) Amendments to published approved standards and interpretation that are effective in current year and are relevant to the Company

Following amendments to published approved standards and interpretation are mandatory for the Company's accounting periods beginning on or after 01 July 2014:

IAS 32 (Amendments) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements.

IAS 36 (Amendments) ‘Impairment of Assets’ (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

IFRIC 21 'Levies' (effective for annual periods beginning on or after 01 January 2014). The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 – 2012 Cycle, incorporating amendments to seven IFRSs more specifically in IAS 24 ‘Related Party Disclosures’, which is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The application of the above amendments and interpretation does not result in any impact on profit or loss, other comprehensive income / (loss) and total comprehensive income / (loss).

e) Amendments to published standards that are effective in current year but not relevant to the Company

There are other amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2014 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards and amendments to published standards that are not yet effective but relevant to the Company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2015 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 ‘Financial Instruments: Recognition and Measurement’. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company’s financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2017). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2016). Amendments have been made to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that information should not be obscured by aggregating or by providing immaterial information, materiality consideration apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality consideration do apply; clarification that the list of the line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in IAS 1. However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. However, the amendments are not expected to have a material impact on the Company's financial statements.

g) Standards and amendments to published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2015 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.3 Employee benefits

The Company has curtailed the unfunded gratuity scheme for its employees due to the discontinuance of the Company's operations since the financial year ended 30 June 2012.

2.4 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred income tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred income tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.5 Property, plant, equipment and depreciation

Operating fixed assets

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost / revalued amount less accumulated depreciation and any identified impairment loss. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. Freehold land is stated at cost / revalued amount less any identified impairment loss. Capital work-in-progress is stated at cost less any identified impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Increase in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to profit and loss account. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the assets' original cost is transferred from surplus on revaluation of property, plant and equipment to accumulated loss. All transfers to / from surplus on revaluation of property, plant and equipment are net of applicable deferred taxation.

Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful life at the rates specified in Note 11.1. The Company charges the depreciation on additions from the month when the asset is available for use and, whereas no depreciation is charged on the assets de-recognized during the month. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

2.6 Investment properties

Land and buildings held to earn rental income are classified as investment properties. Investment properties are carried at fair value which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The valuation of the properties is carried out with sufficient regularity.

Subsequent gain or loss arising from a change in the fair value of investment properties is included in the profit and loss account for the year in which it arises.

2.7 Impairment

The carrying amounts of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current and saving accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.9 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the profit and loss account.

2.10 Financial instruments

Financial instruments carried on the balance sheet include deposits, cash and bank balances, long term financing, long term loans and trade and other payables etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instruments at fair value through profit or loss" which are measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.11 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

2.12 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.13 Revenue recognition

Revenue from different sources is recognized as under:

- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

- Rental income is recognized when rent is accrued.

2.14 Borrowing cost

Interest, mark-up and other charges on long term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

2.15 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

2.16 Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

	2015	2014
	(RUPEES IN THOUSAND)	
3. RESERVES:		
Composition of reserves is as follows:		
Capital reserve		
Equity portion of Shareholders' loan (Note 3.1)	13,335	-
Revenue reserve		
Accumulated loss	(467,699)	(452,264)
	(454,364)	(452,264)

3.1 Loan from Directors has been recognized at amortized cost using discount rate of 7.13% per annum. The resulting change has been charged to equity portion of Shareholders' loan.

	2015	2014
4. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES - NET OF DEFERRED INCOME TAX		
Property, plant and equipment (Note 4.1)	126,740	138,751
Investment properties (Note 4.2)	54,005	53,437
	180,745	192,188
4.1 Property, plant and equipment		
Balance as on 01 July	138,751	202,795
Add:		
Net increase in surplus on revaluation of property, plant and equipment - net of deferred income tax	-	5,710
Related deferred income tax liability (Note 7)	2,071	2,856
	140,822	211,361
Less:		
Surplus related to investment properties - net of deferred income tax	-	53,437
Transferred to accumulated loss in respect of incremental depreciation charged during the year - net of deferred income tax	14,082	19,173
	14,082	72,610
Balance as on 30 June	126,740	138,751

	2015	2014
	(RUPEES IN THOUSAND)	

4.2 Investment properties

	2015	2014
Balance as on 01 July	53,437	-
Add:		
Transferred from revaluation of property, plant and equipment (Note	-	53,437
Related deferred income tax liability (Note 7)	568	-
Balance as on 30 June	54,005	53,437

4.3 Revaluation of plant and machinery and power generation house of the Company was carried out on 11 April 2013 by an independent valuer, Messrs Maricon Consultants (Private) Limited by reference to prevailing market prices. While freehold land and buildings thereon, which were transferred to investment properties at the end of last year, were last time revalued by an independent valuer, Messrs Zafar Iqbal and Company on 25 June 2014 on the basis of prevailing market prices. Previously freehold land, buildings thereon, plant and machinery and power generation house were revalued by independent valuers on 30 September 1995, 17 March 2005 and 15 June 2011.

5. LONG TERM FINANCING - SECURED

The Bank of Punjab:

	2015	2014
Demand Finance - I (Note 5.1 and Note 5.3)	113,847	141,861
Demand Finance - II (Note 5.2 and Note 5.3)	73,230	61,950
	187,077	203,811
Less: Current portion shown under current liabilities	30,601	26,531
	156,476	177,280

5.1 The Demand Finance-I is restructured by the Bank by conversion of entire principal outstanding liability of the Company including merger / transfer of principal liability of A.K. Exports (Private) Limited (an associated company) amounting to Rupees 109.073 million. This demand finance is repayable in 25 quarterly installments up to 31 March 2019 and chargeable at cost of funds rate of 7.13 (2014: 8.63) percent per annum. However, actual rate of mark-up will be applicable as approved by State Bank of Pakistan from time to time.

5.2 The Demand Finance-II is restructured by the Bank by conversion of entire overdue mark-up payable by the Company including merger / transfer of mark-up liability payable by A.K Exports (Private) Limited (an associated company) amounting to Rupees 51.209 million. This demand finance is non-interest bearing and will be repayable in 12 equal quarterly installments of Rupees 9.065 million each commencing from 30 June 2019 after complete adjustment of principal liability as given in Note 5.1.

5.2.1 The Company has determined the amortized cost of its mark-up free demand finance using the effective interest method. Rate of cost of funds used to calculate the amortized cost is the fair market rate applicable on the financial instruments of similar nature and condition. The effective cost of funds rate is 7.13 (2014: 8.63) percent per annum. The reconciliation of principal amount and carrying value is given hereunder:

	2015	2014
Principal outstanding	108,777	108,777
Effect of adjustment	(46,827)	(55,636)
Amortization charged to profit and loss account using the effective interest method (Note 17)	11,280	8,809
Carrying value as at 30 June	73,230	61,950

5.3 The security on the Demand Finances is secured by way of creation of first exclusive equitable mortgage of Rupees 419.421 million on Company's fixed assets located at 35-Kilometer Sheikhupura Road, Faisalabad along with token registered mortgage of Rupees 0.100 million and personal guarantee of the directors of the Company.

	2015	2014
	(RUPEES IN THOUSAND)	
6. LONG TERM LOANS - UNSECURED		
Directors (Note 6.1)	32,439	45,774
Others - Beacon Impex (Private) Limited (BIL) (Note 6.2)	208,559	208,559
	240,998	254,333
Less: Current portion shown under current liabilities	208,559	-
	32,439	254,333

6.1 These represent interest free loans provided by the directors of the Company and are repayable after 30 June 2020. These have been recognized at amortized cost under IAS-39 'Financial Instruments: Recognition and Measurement' using discount rate of 7.13% per annum. The resulting difference has been transferred to equity and is being amortized over the remaining term of the loan as referred to in Note 3.1.

6.2 This represents interest free loan obtained from Messrs Beacon Impex (Private) Limited 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. The repayment terms and conditions have not yet been settled. However, BIL may demand the payment within the next financial year. Therefore this amount has been transfered to current portion of non-current liabliaties.

7. DEFERRED INCOME TAX LIABILITY

	2015	2014
Balance as on 01 July	87,096	97,103
Add: Adjustment of deferred income tax liability due to the re-assessment	-	2,293
	87,096	99,396
Less:		
Transferred to surplus on revaluation of property, plant and equipment (Note 4.1)	2,071	2,856
Transferred to surplus on revaluation of investment properties (Note 4.2)	568	-
Deferred income tax liability on account of incremental depreciation charged during the year transferred to profit and loss account	6,627	9,444
	9,266	12,300
Deferred income tax liability recognized	77,830	87,096

7.1 The Company has accumulated tax losses of Rupees 316.861 million including unabsorbed depreciation as at 30 June 2015 (2014: Rupees 288.775 million). The related deferred income tax asset amounting to Rupees 93.969 million (2014: Rupees 91.814 million) has not been recognized as sufficient tax profit would not be available in the foreseeable future.

		2015	2014
		(RUPEES IN THOUSAND)	
8.	**TRADE AND OTHER PAYABLES**		
	Creditors	-	690
	Accrued liabilities	355	494
	Advances from customers	12,304	12,304
	Others	78,771	40,966
		91,430	54,454
9.	**CURRENT PORTION OF NON CURRENT LIABILITIES**		
	Long term financing (Note 5)	30,601	26,531
	Long term loans (Note 6)	208,559	-
		239,160	26,531

10. CONTINGENCIES AND COMMITMENTS

There was no contingent liability and commitment as at 30 June 2015 (2014: Rupees Nil).

		2015	2014
11.	**PROPERTY, PLANT AND EQUIPMENT**		
	Operating fixed assets (Note 11.1)	352,092	375,109
	Capital work-in-progress (Note 11.2)	1,768	-
		353,860	375,109

11.1 **OPERATING FIXED ASSETS**

	Freehold land	Buildings on freehold land	Plant and machinery	Furniture and fixtures	Office equipment	Vehicles	Power generation house	Electric installations	Factory equipment	Electric equipment and appliances	Total
	(RUPEES IN THOUSAND)										
At 30 June 2013											
Cost / revalued amount	21,400	102,566	586,056	1,132	2,903	17,552	65,146	16,849	5,835	2,068	821,507
Accumulated depreciation	-	(29,917)	(213,111)	(960)	(2,226)	(16,548)	(31,875)	(13,365)	(5,395)	(1,466)	(314,862)
Net book value	21,400	72,649	372,945	172	677	1,004	33,271	3,484	440	602	506,645
Year ended 30 June 2014											
Opening net book value	21,400	72,649	372,945	172	677	1,004	33,271	3,484	440	602	506,645
Additions	-	1,303	1,919	-	81	-	911	1,141	-	127	5,482
Effect of revaluation as at 25 June 2014	1,054	6,949	-	-	-	-	-	-	-	-	8,003
Transferred to investment properties:											
Cost / revalued amount	(22,454)	(110,818)	-	-	-	-	-	-	-	-	(133,272)
Accumulated depreciation	-	37,305	-	-	-	-	-	-	-	-	37,305
	(22,454)	(73,513)	-	-	-	-	-	-	-	-	(95,967)
Depreciation charge	-	(7,388)	(37,408)	(17)	(72)	(201)	(3,401)	(453)	(44)	(70)	(49,054)
Closing net book value	-	-	337,456	155	686	803	30,781	4,172	396	659	375,109
As at 30 June 2014											
Cost / revalued amount	-	-	587,975	1,132	2,984	17,552	66,057	17,990	5,835	2,195	701,720
Accumulated depreciation	-	-	(250,519)	(977)	(2,298)	(16,749)	(35,276)	(13,818)	(5,439)	(1,536)	(326,611)
Closing net book value	-	-	337,456	155	686	803	30,781	4,172	396	659	375,109
Year ended 30 June 2015											
Opening net book value	-	-	337,456	155	686	803	30,781	4,172	396	659	375,109
Additions	-	-	13,912	25	33	-	729	-	-	-	14,699
Depreciation charge	-	-	(33,862)	(17)	(69)	(161)	(3,084)	(417)	(40)	(66)	(37,716)
Closing net book value	-	-	317,506	163	650	642	28,426	3,755	356	593	352,092
As at 30 June 2015											
Cost / revalued amount	-	-	601,887	1,157	3,017	17,552	66,786	17,990	5,835	2,195	716,419
Accumulated depreciation	-	-	(284,381)	(994)	(2,367)	(16,910)	(38,360)	(14,235)	(5,479)	(1,602)	(364,327)
Net book value	-	-	317,506	163	650	642	28,426	3,755	356	593	352,092
Annual rate of depreciation (%)	-	10	10	10	10	20	10	10	10	10	

11.1.1 Had there been no revaluation, the cost, accumulated depreciation and book value of the revalued assets as at 30 June 2015 would have been as follows:

	Cost	Accumulated depreciation	Net book value
	------------(RUPEES IN THOUSAND)------------		
Plant and machinery	269,551	132,056	137,495
Power generation house	58,765	36,714	22,051
	328,316	168,770	159,546

	2015	2014
	(RUPEES IN THOUSAND)	

11.1.2 Depreciation charge for the year has been allocated as follows:

Administrative expenses (Note 15)	247	290
Other expenses (Note 16)	37,469	48,764
	37,716	49,054

11.1.3 Plant and machinery and other facilities located at mills along with investment properties as mentioned in Note 12 have been given on lease to Messrs Beacon Impex (Private) Limited at monthly rental of Rupees 2.000 million (2014: Rupees 2.000 million).

11.2 Capital work-in-progress

Electric installations	1,768	-

12. INVESTMENT PROPERTIES

The Company transferred freehold land and buildings thereon given on lease as mentioned in Note 11.1.3 to investment properties from property, plant and equipment using fair value model in financial year ended 30 June 2014. No expenses directly related to investment properties were incurred during the year.

13. CASH AND BANK BALANCES

Cash with banks:		
On current accounts	85	112
On saving accounts (Note 13.1)	-	53
	85	165
Cash in hand	30	15
	115	180

13.1 Rate of profit on saving accounts was 3.85% (2014: 6%) per annum.

14. OTHER INCOME

Income from financial assets		
Profit on saving accounts	2	2
Income from non-financial assets		
Rental income	24,000	24,000
Credit balances written back	690	29,796
	24,692	53,798

		2015	2014
		(RUPEES IN THOUSAND)	
15.	**ADMINISTRATIVE EXPENSES**		
	Salaries and other benefits	500	370
	Travelling and conveyance	76	28
	Advertisement, printing and stationery	75	123
	Electricity and sui gas	261	225
	Postage and telephone	83	58
	Rent, rates and taxes	88	83
	Repairs and maintenance	43	35
	Auditors' remuneration (Note 15.1)	350	335
	Legal and professional	30	218
	Fees, subscription and periodicals	257	221
	Entertainment	96	60
	Depreciation (Note 11.1.2)	247	290
		2,106	2,046
15.1	**Auditors' remuneration**		
	Audit fee	300	300
	Other certifications including half yearly review	50	35
		350	335
16.	**OTHER EXPENSES**		
	Depreciation (Note 11.1.2)	37,469	48,764
17.	**FINANCE COST**		
	Mark-up on long term financing	9,922	13,556
	Amortization on demand finance calculated by using the effective interest method (Note 5.2.1)	11,280	8,809
	Bank charges and commission	59	29
		21,261	22,394
18.	**TAXATION**		
	Current	-	-
	Deferred	(6,627)	(9,444)
		(6,627)	(9,444)

18.1 No provision for current taxation under Income Tax Ordinance, 2001 is required due to accumulated tax losses of the Company. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of accumulated tax losses of the Company.

19. LOSS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic loss per share which is based on:

		2015	2014
Loss for the year	(Rupees in thousand)	(29,517)	(9,962)
Weighted average number of ordinary shares	(Numbers)	13 174 800	13 174 800
Loss per share	(Rupees)	(2.24)	(0.76)

20. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

20.1 No remuneration, fee or any other expenses have been paid to Chief Executive Officer and Directors of the Company for their services and no employee of the Company falls within definition of executive as defined in Clause (iii) Para 2 Part 1 of the 4th schedule to the Companies Ordinance, 1984.

20.2 Meeting fee amounting to Rupees 60,000 (2014: Rupees 15,000) has been paid to non-executive directors of the Company.

21. NUMBER OF EMPLOYEES

	(NUMBER OF PERSONS)	
Number of employees as on 30 June	3	3
Average number of employees during the year	3	3

22. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of directors. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2015	2014
	(RUPEES IN THOUSAND)	
Long term loans - net	-	(55,104)

23. PLANT CAPACITY AND ACTUAL PRODUCTION

The Company has suspended its operations since October 2011.

24. FINANCIAL RISK MANAGEMENT

24.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk and use of non-derivative financial instruments.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company has no receivable / payable balances in foreign currency as at 30 June 2015.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long term financing and bank balances in saving accounts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date, the interest rate profile of the Company’s interest bearing financial instruments was:

	2015	2014
	(RUPEES IN THOUSAND)	
Fixed rate instruments:		
Financial assets		
Bank balances - saving accounts	-	53
Financial liabilities		
Long term financing	113,847	141,861

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

The Company does not possess any variable rate financial assets and liabilities as at 30 June 2015.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2015	2014
	(RUPEES IN THOUSAND)	
Deposits	5,733	1,929
Bank balances	85	165
	5,818	2,094

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2015	2014
	Short Term	Long term	Agency	(Rupees in thousand)	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	5	9
Faysal Bank Limited	A1+	AA	PACRA	-	9
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	18	97
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	-	37
The Bank of Punjab	A1+	AA-	PACRA	61	12
Meezan Bank Limited	A-1+	AA	JCR-VIS	1	1
				85	165

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash. At 30 June 2015, the Company had not any unavailed borrowing limits from financial institutions and Rupees 0.115 million (2014: Rupees 0.180 million) cash and bank balances. Management believes the liquidity risk to be high. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2015:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
	------ (RUPEES IN THOUSAND) ------					
Non-derivative financial liabilities:						
Long term financing	187,077	244,022	18,967	18,967	37,935	168,153
Long term loans	240,998	240,998	-	208,559		32,439
Trade and other payables	79,126	79,126	79,126	-	-	-
	507,201	564,146	98,093	227,526	37,935	200,592

Contractual maturities of financial liabilities as at 30 June 2014:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
Non-derivative financial liabilities:						
Long term financing	203,811	281,959	18,967	18,967	37,935	206,090
Long term loans	254,333	254,333	-	-	254,333	-
Trade and other payables	42,150	42,150	42,150	-	-	-
	500,294	578,442	61,117	18,967	292,268	206,090

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June. The rates of mark-up have been disclosed in Note 5 to these financial statements.

24.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

24.3 Financial instruments by categories

	2015	2014
	(RUPEES IN THOUSAND)	
	Loans and receivables	
As at 30 June		
Assets as per balance sheet		
Deposits	5,733	1,929
Cash and bank balances	115	180
	5,848	2,109
	Financial liabilities at amortized cost	
Liabilities as per balance sheet		
Long term financing	187,077	203,811
Long term loans	240,998	254,333
Trade and other payables	79,126	42,150
	507,201	500,294

24.4 Offsetting financial assets and financial liabilities

As on balance sheet date, recognized financial instruments are not subject to offsetting as there are no enforceable master netting arrangements and similar agreements.

24.5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt.

25. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 09, 2015 by the Board of Directors of the Company.

26. CORRESPONDING FIGURES

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

27. GENERAL

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

FORM 34

PATTERN OF SHAREHOLDING

1. Incorporation Number **0014146**

2. Name of the Company **Khurshid Spinning Mills Limited**

3. Pattern of holding of the shares held by the shareholders as at **30-06-2015**

	------Shareholding------		
4. No. of Shareholders	**From**	**To**	**Total Shares Held**
450	1	100	45,000
869	101	500	330,500
232	501	1000	210,000
180	1001	5000	474,100
39	5001	10000	266,900
19	10001	15000	258,100
8	15001	20000	140,700
4	20001	25000	90,800
4	25001	30000	111,300
3	30001	35000	98,400
3	35001	40000	111,100
1	45001	50000	50,000
1	55001	60000	57,500
3	60001	65000	186,200
1	75001	80000	75,100
1	95001	100000	99,900
1	100001	105000	101,900
1	185001	190000	190,000
1	210001	215000	211,300
1	230001	235000	235,000
1	590001	595000	590,600
1	595001	600000	599,300
2	650001	655000	1,304,200
1	855001	860000	858,400
1	1930001	1935000	1,932,000
1	2210001	2215000	2,211,500
1	2335001	2340000	2,335,000
1830			**13,174,800**

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	4,626,400	35.1155%
5.2 Associated Companies, undertakings and related parties.	-	0.0000%
5.3 NIT and ICP	1,168,500	8.8692%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	2,075,300	15.7521%
5.5 Insurance Companies	109,500	0.8311%
5.6 Modarabas and Mutual Funds	56,100	0.4258%
5.7 Share holders holding 10%	6,478,500	49.1734%
5.8 General Public	5,126,900	38.9145%
5.9 Others (to be specified) Joint Stock Companies	12,100	0.0918%

6. Signature of Company Secretary			
7. Name of Signatory	Muhammad Saqib Ehsan		
8. Designation	Company Secretary		
9. NIC Number	33100-8192659-7		
10 Date	7	10	2015

NAMEWISE CATEGORIES OF SHAREHOLDERS
AS ON 30 JUNE 2015

S. NO.	NAME	HOLDING	% AGE
DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN			
1	KHAWAJA AMER KHURSHID	2,335,000	17.7232%
2	KHAWAJA ASEM KHURSHID	2,211,500	16.7858%
3	MR. MUHAMMAD FAHEEM	2,400	0.0182%
4	MR. MUHAMMAD IQBAL	24,400	0.1852%
5	MR. ZEESHAN SAEED	20,600	0.1564%
6	MR. FASEEH UL ZAMAN	13,500	0.1025%
7	MR. MUHAMMAD SHAHBAZ ALI	13,500	0.1025%
8	MRS. SHARMEEN ASIM W/O ASEM KHURSHID	5,500	0.0417%
		4,626,400	35.1155%
ASSOCIATED COMPANIES			
		0	0.0000%
NIT & ICP			
1	NATIONAL BANK OF PAKISTAN	75,100	0.5700%
2	NATIONAL BANK OF PAKISTAN	858,400	6.5155%
3	INVESTMENT CORPORATION OF PAKISTAN	235,000	1.7837%
		1,168,500	8.8692%
FINANCIAL INSTITUTION			
1	BANKERS EQUITY LIMITED	1,932,000	14.6644%
2	THE BANK OF PUNJAB	6,300	0.0478%
3	ASIAN DEVELOPMENT EQUITY LIMITED	37,400	0.2839%
4	UNION BANK LIMITED	1,200	0.0091%
5	HABIB BANK LIMITED	60,600	0.4600%
6	UNITED BANK LIMITED	37,800	0.2869%
		2,075,300	15.7521%
INSRUANCE COMPANIES			
1	STATE LIFE INSURANCE CORPORATION OF PAKSITAN	101,900	0.7734%
2	PAKISTAN REINSURANCE COMPANY LIMITED	7,600	0.0577%
		109,500	0.8311%
MODARABA AND MUTUAL FUND			
1	FIRST PREMIER MODARABA	200	0.0015%
2	TRUST MODARABA	12,600	0.0956%
3	SECOND PRUDENTIAL MODARABA	7,500	0.0569%
4	THIRD PRUDENTIAL MODARABA	29,400	0.2232%
5	MODARABA AL-MALI	6,400	0.0486%
		56,100	0.4258%
JOINT STOCK COMPANIES			
1	PYRAMID INVESTMENT (PVT) LTD.	4,600	0.0349%
2	ALI HUSAIN RAJABALI LIMITED	7,500	0.0569%
		12,100	0.0918%
SHARES HELD BY THE GENERAL PUBLIC		5,126,900	38.9145%
	TOTAL:	**13,174,800**	**100.0000%**

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

S. No.	NAME	HOLDING	%AGE
1	KHAWAJA AMER KHURSHID	2,335,000	17.7232%
2	KHAWAJA ASEM KHURSHID	2,211,500	16.7858%
3	BANKERS EQUITY LTD	1,932,000	14.6644%
		6,478,500	49.1734%

SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL

S. No.	NAME	HOLDING	%AGE
1	KHAWAJA AMER KHURSHID	2,335,400	17.7232%
2	KHAWAJA ASEM KHURSHID	2,211,500	16.7858%
3	BANKERS EQUITY LTD	1,932,000	14.6644%
5	NATIONAL BANK OF PAKISTAN	933,500	7.0855%
		7,412,400	56.2589%

During the financial year the trading in shares of the Company by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children is as follows:

S. No.	NAME	SALE	PURCHASE
1	KHAWAJA AMER KHURSHID	400	-
2	MR. MUHAMMAD FAHEEM	95,100	-

KHURSHID SPINNING MILLS LIMITED

PROXY FORM

I/We…………………………………………………………………………………………….

of…………………………………………………………………………………………….

In the district of……………………………………………………...being a member/members of

Khurshid Spinning Mills Limited holding………………………..………….Ordinary Shares

of Rs. 10/-each hereby appoint

Mr./Ms.…………………………………………………………....

of…………………………………………………………………………………..….a member of

or falling him/her Mr./Ms.

…………………………………………………………………………

of…………………………………………………..…who is also a member of the Company,

vide Registered Folio No. ………………………………………………… as my/our proxy

to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Saturday, October 31, 2015 at 11:30 A.M. at 133-134, Regency the Mall, Faisalabad - the Registered Office of the Company and at any adjournment thereof.

As witness my/our hand this………………………day of…………………………2015

1. Witness…………………………
2. Witness…………………………

Date……………………………………...

Place……………………………………..

Please affix here
revenue stamp
or Rs. 5
and sign across

Signature should
Agree with the
Signature registered
With the Company

IMPORTANT

A member entitled to vote at the meeting may appoint a proxy. Proxy in order to be effective must be received at Registrars/Registered Office of the Company duly signed, stamped and witnessed not later than 48 hours before the meeting.

Khurshid Spinning Mills Limited
133-134, Regency the Mall,Faisalabad
Ph: +92 41 2610030 Fax: +92 41 2610027