

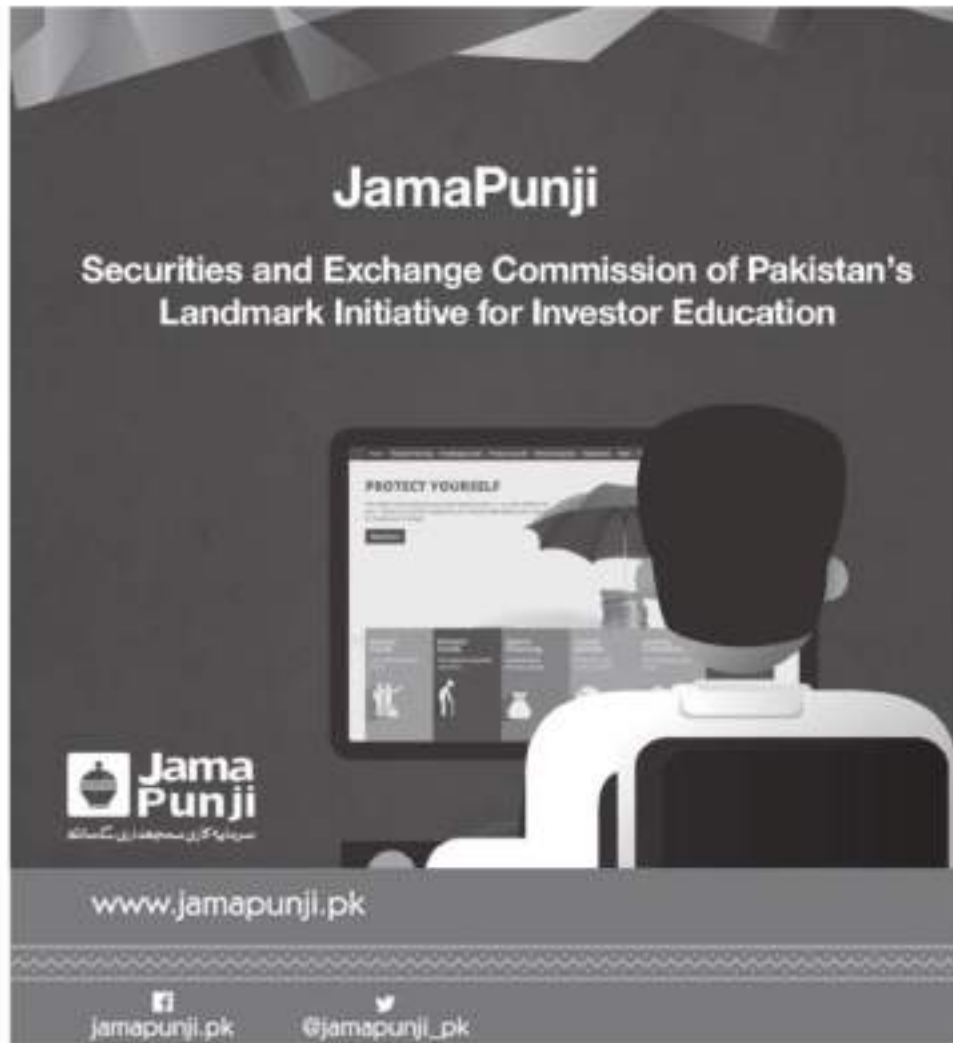


KHURSHID
SPINNING
MILLS LIMITED

2017
ANNUAL
REPORT



**In the name of ALLAH,
The Most Beneficent,
The Most merciful**





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.

**COMPANY INFORMATION**

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



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 32nd Annual General Meeting of the members, holding Ordinary Shares of Khurshid Spinning Mills Limited, will be held on Tuesday, October 31, 2017 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 the Annual General Meeting held on October 31, 2016.
2. To receive, consider and adopt the Audited Financial Statements for the year ended June 30, 2017 together with the Auditors, and Directors Reports thereon.
3. To appoint the auditors and fix their remuneration for the next financial year. The retiring auditors Messers Riaz Ahmad and Company, Chartered Accountants, being eligible, have offered themselves for re-appointment.

OTHER BUSINESS:

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

BY ORDER OF THE BOARD

COMPANY SECRETARY

Dated: October 7, 2017
Faisalabad.

NOTES:

1. The share transfer books of the Company shall remain closed from October 24, 2017 to October 31, 2017 (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 23 October, 2017 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. Shareholders are requested to notify the change in their addresses if any, immediately. Moreover, the members who have not yet submitted their Computerized National Identity Cards to the Company are requested to send at their earliest.
4. SECP vide SRO 787(1)/2014 dated September 8, 2014 has provided an option to receive audited financial statements electronically through email. Hence, members who hold shares in physical form and are interested in receiving the annual reports electronically in future are required to submit their e-mail addresses and consent for electronic transmission to the Shares Registrar of the company.
5. In compliance with SECP notification No. 634(1)/2014 dated July 10, 2014 the audited financial statements and reports of the Company for the year ended June 30, 2017 are being placed on the company's website: www.khurshidgroup.com.pk for the information and review of shareholders.



CHAIRMAN'S REVIEW REPORT

On behalf of the Board of Directors, I feel pleasant to share with you the performance of the company for the year ended 30 June 2017. Spinning Industry is remained unimpressive during the year due to high cost of production, low prices of local yarn and uncertain economic policies and business conditions. Due to which most of the spinning units have suffered heavy losses from last couple of years.

In this difficult scenario, the management has decided to continue its operations on lease due to heavy accumulated losses and non-availability of working capital. We are paying our debts successfully and we believe there is no question of lack of going concern of the company.

I would like to take this opportunity to thank our valued shareholders, financial institutions and employees for their support and trust. We are confident that we will perform better and our results will be favorable in future.

For and on behalf of the Board of Directors

Muhammad Ashraf
Chairman



DIRECTORS REPORT TO THE MEMBERS

The Directors of the Company are pleased to submit 32nd annual report of the Company, comprising of the audited financial statements for the year ended June 30, 2017 along with Auditors' Report thereon and other required information prescribed under the Code of Corporate Governance and Companies Ordinance 1984. The Financial results of the Company are summarized hereunder:

	2017	2016
	(RUPEES IN THOUSAND)	
REVENUE	47,748	29,988
ADMINISTRATIVE EXPENSES	(2,023)	(2,273)
OTHER EXPENSES	(32,205)	(35,071)
FINANCE COST	(15,806)	(16,643)
LOSS BEFORE TAXATION	(2,286)	(23,999)
TAXATION	2,202	3,378
LOSS AFTER TAXATION	(84)	(20,621)
LOSS PER SHARE -		
BASIC AND DILUTED (RUPEES)	(0.006)	(1.565)

Financial results for the year ended June 30, 2017 shows loss after taxation of Rupees 0.084 million as compared to previous year's loss after taxation of Rupees 20.621 million including the effect of credit balance written back of Rupees 12.304 million. There has been no production operation since October 2011 due to overdue debts and non-availability of working capital.

Future Outlook

Spinning industry is the strong pillar of textile industry in the country and plays vital role for development of the economy of the country. Currently, it is very difficult time for spinning industry due to decline in cotton crop, high cost of production, high tariff energy cost, dumping of Indian yarn at low prices and disproportionate selling prices of local yarn, uncertain economic policies and business conditions, unfavorable textile policy which directly affected the textile industry especially spinning industry. Due to these reasons, most of the spinning units are facing heavy losses from past many years. In view of the above, the management of your Company has decided to continue its operations on lease which were given to Messrs Beacon Impex (Pvt.) Limited at monthly lease rent of Rupees 2.500 million. The 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.

The directors of the Company are fully aware of the affairs of the company and are making their strenuous efforts to improve overall performance of the company, cost controls and internal expenses to a minimum level to reduce the losses of the Company.

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, 2017 was Rupees 0.006.

Key operating and financial data

Key operating and financial data for last 06 years in summarized form is annexed.

Qualifications by the Auditors

The qualification made by the auditors for the going concern is based due to heavy accumulated losses of Rupees 463.406 million. To keep the assets in good running condition, the management has leased out the operating fixed assets of the Company at monthly lease rent of Rupees 2.500 million. Moreover, 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. The management has also settled / paid overdue liabilities of majority banks and also arranged rescheduling of unpaid liabilities with The Bank of Punjab and has successfully paid Rupees 192.533 million from total rescheduled amount of Rupees 350.534 million up to 30 June 2017.

In view of favorable settlement/rescheduling of overdue debts with financial institutions, continuation of operations on lease, the management feels there is no question of lack of going concern of the Company.

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

Pattern of shareholding as on June 30, 2017 is annexed.

Compliance with the Code of Corporate Governance

The "Statement of Compliance with the Code of Corporate Governance" is annexed.

Statement on Corporate and Financial Reporting Framework

- 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.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 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.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- 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 four meetings were held and number of meetings attended by each Director is as follows:

Name of Directors	Number of meetings attended
Mr. Muhammad Ashraf	4
Muhammad Iqbal	4
Khawaja Asem Khurshid	3
Khawaja Amer Khurshid	3
Mr. Zeeshan Saeed	4
Mr. Muhammad Shahbaz Ali	4
Mr. Faseeh Uzaman	4



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

Name of Directors	Number of meetings attended
Mr. Zeeshan Saeed	4
Khawaja Asem Khurshid	4
Mr. Muhammad Shahbaz Ali	4

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

MUHAMMAD IQBAL
Chief Executive Officer

Faisalabad
October 07, 2017

ڈائریکٹرز رپورٹ

کھلی کے دہائی کی زماں سال 30 جون 2017 کی رپورٹ آپ کی خدمت میں پیش کر رہے ہیں۔ جس کے ساتھ انڈیا رپورٹ اور دوسری معلومات کو ذاتی کارپوریٹ گورننس اور کھلی رپورٹس 1984 کے مطابق تفصیل۔
 اہمائی نتائج کا خلاصہ مندرجہ ذیل ہیں۔

2016	ہزار روپوں میں	2017	آدھائی
29,988		47,748	
(2,273)		(2,023)	
(35,071)		(32,205)	
(16,643)		(15,808)	
(23,999)		(2,286)	
3,378		2,202	
(20,621)		(84)	
(1,565)		(0.006)	

زیر پانچ روپے والی سال 30 جون 2017 کے اعلان میں یسٹ انڈین انسٹان 0.084 ملین روپے ہے۔ جبکہ اس کے برعکس مالی سال 30 جون 2016 میں یسٹ انڈین انسٹان 20.821 ملین روپے میں تھا جس میں کھینے 12.304 ملین روپے ادا کئے جانے والی آمدن میں شامل کئے جس آپ کی کھینے کے لئے 2011 سے کوئی پیسہ اور نہیں کی ہے۔ پیسہ اور نہ ہونے کی وجہ فزکائی قلت اور آمد کرتے ہیں۔

مستقبل کے امکانات

[illegible]

کچھ کے اندر کیلئے کھینے کے معاملات سے بخوبی واقف ہیں اور اپنی تمام توانائیاں بے کار نہ مار دے ہیں۔ تاکہ کھینے کے حالات بہتر بن سکیں، اور اوجاہت کو کم کر سکیں تاکہ کھینے کو کم سے کم نقصان ہو۔
میں فزع ہوا کہ کیا

کچھنی کے شمارے کی وجہ سے ڈائریکٹرز نے منافع نہ دینے کی سفارش کی ہے۔

في حصص نقصان

مالی سال 30 جون 2017ء میں فی شخص تھکان 0.006 روپے تھا۔

کلیدی ایریٹنگ اور مالیاتی اعداد و شمار

کھیتی کے پچھلے چھ سالوں کے مالیاتی اعداد و شمار گف ہیں۔

آویز کے تحفظات

آپ کو اس سے کہنی کے تحت شدت و نقصان 463,406 ملین روپوں کی وجہ سے کہنی کے مستقبل پر تحفظ کا اظہار کیا ہے۔ کہنی کا اثاثہ جات کی اچھی حالت میں رکھنے کے لئے کہنی سے مل کر 2.5 ملین روپے بلانہ چلایا ہے۔ گریڈ دار کے ساتھ سروسز 208,559 ملین روپے بھی کہنی کو دیے ہیں۔ جس سے وہ اپنے بھائیوں کو اگلیاں اور اپنے 81 اثاثہ جات اور شیروں کی دیکھ بھال کر سکے۔ اور بجٹ آف اسٹاپ کے ساتھ 350,534 ملین روپے کے فرقے کو Re-schedule کیا ہے۔ جس میں سے کہنی نے 192,533 ملین روپے کا سرمایہ سے نوکر کر دیے ہیں۔ اس نا اہلی اور بڑوں کی اچھی ادا کیوں اور اس بھائیوں کو گریڈ دار کی ہر چاہنے کی وجہ سے اور آف اڈر کنٹریز پر سمجھتے ہیں کہ کہنی کے مستقبل کو کوئی شے بدل سکتی نہیں ہے۔

257

موجودہ دور کا راز ایسا اچھا کھتی جا رہا تھا کہ ٹیکس نے بعد از راجا کو صاف کھالیت کی بنا پر کوہ کو دوبارہ تقرری کیلئے پیش کیا ہے۔ پورا آف (ایئر کنٹری) آٹ کھلی نے ریاض احمد ایچ کھنی چارز کا انکا ٹیکس کو دوبارہ اگلے مالی سال کیلئے تقرری کی سفارش کی ہے۔

شیخزادہ والدہ کی ترتیب

230 سال 2017 کی ٹیبلٹ کی ترتیب ہے۔



کوڈ آف کارپوریٹ گورننس

کوڈ آف کارپوریٹ گورننس کا بیان لکھ ہے

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کا بیان ہے

1- کمپنی کی انتظامیہ کی طرف سے چار کے جانے والے مالیاتی شیڈولز میں سے کسی کے امور پر شیڈول کے نتائج، کیش فلو اور دیگر مالیاتی بیان کرتے ہیں

2- کمپنی کے کاؤنٹس کی بکس کی معقول ویکھ بھال کی گئی ہے

3- مناسب اکاؤنٹنگ پالیسیوں کو مالی بیانات کی جاری میں لاگو کیا گیا ہے۔ اور اکاؤنٹنگ تحجیبت معقول وائٹمنڈانہ فیصلوں پر مبنی ہیں

4- بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جو پاکستان میں بھی لاگو ہیں ان کی تمام فیصلہ شیڈولز میں عمل میں کی گئی ہے۔

5- اندرونی کنٹرول کے نظام کا اپنا اپنی شکل ٹھیک ہے اور اسے اچھے طریقے سے لاگو اور مانٹر کیا گیا ہے۔

6- کمپنی کے جاری رہنے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں

بورڈ کے اجلاس اور حاضری

2017 میں بورڈ آف ڈائریکٹرز نے درج ذیل ملاقاتیں کیں۔ حاضریوں کا ریکارڈ درج ذیل ہے۔

ڈائریکٹرز کے نام	حاضری
جناب محمد اشرف	04
جناب محمد اقبال	04
خواجہ عامر خورشید	03
خواجہ عامر خورشید	03
جناب ذیشان سعید	04
جناب محمد شہباز علی	04
جناب فیصل الزمان	04
آڈٹ کمیٹی نے زیر جانر مالی سال کے دوران چار ملاقاتیں کیں۔ جن کی تفصیلات درج ذیل ہیں	
ڈائریکٹرز کے نام	حاضری
جناب ذیشان سعید	04
خواجہ عامر خورشید	04
جناب محمد شہباز علی	04

اعتراف

بورڈ آف ڈائریکٹرز مالیاتی اداروں، شیئر ہولڈرز اور اپنے ملازمین کی نگرانی اور محنت کی قدر کرتا ہے

فیصل آباد

07 اکتوبر 2017

بورڈ آف ڈائریکٹرز کی جانب سے

محمد اقبال
چیف ایگزیکٹو آفیسر



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE TO THE MEMEBERS

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in chapter of 5.19 of Rule Book of Pakistan Stock Exchange Limited (PSX) for the purpose of establishing the 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:

Non-Executive Directors

Khawja Amer Khurshid

Khawaja Asem Khurshid

Independent Directors

Mr. Muhammad Ashraf

Mr. Muhammad Iqbal

Mr. Zeeshan Saeed

Mr. Muhammad Shahbaz Ali

Mr. Faseeh Uzaman

The independent Directors meets the criteria of independence under clause 5.19.1 (b) of the CCG.

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 NBFIs or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy has been occurred in the Board during the year ended June 30, 2017.

5. The Company has prepared a 'Code of Conduct', and has ensured that appropriate steps have been taken to disseminate it throughout the Company alongwith 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 alongwith 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 and other non-executive directors, have been taken by the Board.

8. All 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. The Board met at least once in each quarter during the year ended 30 June 2017. Written notices of the Board meetings along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. No orientation course for Directors was arranged during the year due to financial issues. However, we shall comply with the related requirement during the next financial year.

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

11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and it 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 members, who are 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 members, who are 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 (ICAP), 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 in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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 exchange.

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

23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of person from the said list.

24. We confirm that all other material principles enshrined in the CCG have been complied with except for orientation course for Directors as mentioned in paragraph no. 9, reasonable progress is being made by the Company to see compliance by end of next financial year.

BY ORDER OF THE BOARD

Mr. Muhammad Iqbal
Chief Executive Officer
October 07, 2017



KEY OPERATING AND FINANCIAL DATA

2017	2016	2015	2014	2013	2012
(RUPEES IN THOUSAND)					

Summary of Profit and Loss Account

Sales	-	-	-	-	104,593
Gross loss	-	-	-	-	(79,673)
(Loss) / profit before taxation	(2,286)	(23,999)	(36,144)	23,944	(74,144)
Taxation	2,202	3,378	6,627	12,993	15,872
(Loss) / profit after taxation	(84)	(20,621)	(29,517)	36,937	(58,272)

Summary of Balance Sheet

Total assets	413,361	437,392	457,283	473,185	508,928	542,088
Long term financing / loans	140,230	164,927	188,915	431,613	462,657	359,507
Deferred liabilities	63,870	71,374	77,830	87,096	97,103	145,270
Current liabilities	363,195	357,243	332,409	82,804	76,100	140,838
Net assets	(153,934)	(156,152)	(141,871)	(128,328)	(126,932)	(103,527)

Represented by:

Share capital	131,748	131,748	131,748	131,748	131,748	131,748
Accumulated loss	(450,071)	(462,125)	(454,364)	(452,264)	(461,475)	(523,633)
	(318,323)	(330,377)	(322,616)	(320,516)	(329,727)	(391,885)
Surplus on revaluation of property, plant and equipment and investment properties - net of deferred income tax	164,389	174,225	180,745	192,188	202,795	288,358
	(153,934)	(156,152)	(141,871)	(128,328)	(126,932)	(103,527)

Ratios:

Gross loss to sales %age	N/A	N/A	N/A	N/A	N/A	(76.17)
Loss before tax to sales %age	N/A	N/A	N/A	N/A	N/A	(70.89)
Loss after tax to sales %age	N/A	N/A	N/A	N/A	N/A	(55.71)
Current ratio	1:0.020	1:0.012	1:0.005	1:0.002	1:0.005	1:0.84



**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH
BEST PRACTICES OF 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 2017 to comply with the requirements of Clause 5.19.24 (b) of the Rule Book of Pakistan Stock Exchange Limited, 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 personnel and reviews of various documents prepared by the Company to comply with the Code.

As a part of our audit of the 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 2017 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 2017.

As stated in paragraph No. 9 of the Statement of Compliance, no training program for the directors of the Company was arranged during the year as required by Rule 5.19.7 of the Regulations of Pakistan Stock Exchange Limited.



Date: OCTOBER 07, 2017.
FAISALABAD



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KHURSHID SPINNING MILLS LIMITED** ("the Company") as at 30 June 2017 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 repealed 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 2017, the Company has accumulated loss of Rupees 463.406 million, its total liabilities exceed its total assets by Rupees 153.934 million and its current liabilities exceed its current assets by Rupees 355.905 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 repealed 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 repealed 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 repealed 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 2017 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).



Date: OCTOBER 7, 2017.
FAISALABAD



BALANCE SHEET		AS AT 30 JUNE 2017	
	NOTE	2017 (RUPEES IN THOUSAND)	2016 (RUPEES IN THOUSAND)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
17 000 000 (2016: 17 000 000) ordinary shares of Rupees 10 each		170,000	170,000
Issued, subscribed and paid up share capital			
13 174 800 (2016: 13 174 800) ordinary shares of Rupees 10 each fully paid in cash		131,748	131,748
Reserves	3	(450,071)	(462,125)
Total equity		(318,323)	(330,377)
Surplus on revaluation of plant, equipment and investment properties - net of deferred income tax	4	164,369	174,225
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	103,001	130,175
Long term loans	6	37,229	34,752
Deferred income tax liability	7	63,870	71,374
		204,100	236,301
CURRENT LIABILITIES			
Trade and other payables	8	111,577	111,189
Short term borrowings	9	208,559	208,559
Current portion of long term financing	5	35,840	33,276
Provision for taxation		7,219	4,219
		363,195	357,243
TOTAL LIABILITIES		567,295	593,544
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	10	413,361	437,392

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

NOTE	2017 (RUPEES IN THOUSAND)	2016 (RUPEES IN THOUSAND)
ASSETS		
NON-CURRENT ASSETS		
Plant and equipment	292,715	325,099
Investment properties	107,623	102,179
Long term deposits	5,233	5,233
	406,071	433,011
CURRENT ASSETS		
Loans and advances	5,410	2,418
Sales tax refundable	1,801	1,801
Cash and bank balances	79	152
	7,290	4,381
TOTAL ASSETS	413,361	437,392



**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2017**

	NOTE	2017 (RUPEES IN THOUSAND)	2016
REVENUE	15	47,748	29,988
ADMINISTRATIVE EXPENSES	16	(2,023)	(2,273)
OTHER EXPENSES	17	(32,205)	(35,071)
FINANCE COST	18	(15,806)	(16,643)
LOSS BEFORE TAXATION		<u>(2,286)</u>	<u>(23,999)</u>
TAXATION	19	2,202	3,378
LOSS AFTER TAXATION		<u>(84)</u>	<u>(20,621)</u>
LOSS PER SHARE - BASIC AND DILUTED (RUPEES)	20	<u>(0.006)</u>	<u>(1.565)</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER



**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	(RUPEES IN THOUSAND)	
LOSS AFTER TAXATION	(84)	(20,621)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss	-	-
	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(84)</u>	<u>(20,621)</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER



**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	(RUPEES IN THOUSAND)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(2,286)	(23,999)
Adjustments for non-cash charges and other items:		
Depreciation	32,384	35,283
Gain on remeasurement of fair value of investment properties	(5,444)	(5,983)
Finance cost	15,806	16,643
	<u>40,460</u>	<u>21,944</u>
Working capital changes		
Decrease / (increase) in current assets:		
Loans and advances	10	(10)
Sales tax refundable	-	(193)
	10	(203)
Increase in trade and other payables	388	18,698
Cash generated from operations	<u>40,858</u>	<u>40,439</u>
Finance cost paid	(4,273)	(6,999)
Income tax paid	(3,002)	(2,408)
Net cash generated from operating activities	<u>33,583</u>	<u>31,032</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on plant and equipment	-	(28)
Net cash used in investing activities	-	(28)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(33,666)	(30,957)
Net cash used in financing activities	<u>(33,666)</u>	<u>(30,957)</u>
NET DECREASE / (INCREASE) IN CASH AND CASH EQUIVALENTS	(83)	47
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	162	115
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 14)	<u>79</u>	<u>162</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER



STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	SHARE CAPITAL	RESERVES		TOTAL	TOTAL EQUITY
		CAPITAL EQUITY PORTION OF SHAREHOLDERS' LOAN	REVENUE ACCUMULATED LOSS		
Balance as at 30 June 2015	131,748	13,335	(467,699)	(454,364)	(322,616)
Transfer from surplus on revaluation of plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	12,860	12,860	12,860
Loss for the year	-	-	(20,621)	(20,621)	(20,621)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	(20,621)	(20,621)	(20,621)
Balance as at 30 June 2016	131,748	13,335	(475,460)	(462,125)	(330,377)
Transfer from surplus on revaluation of plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	12,138	12,138	12,138
Loss for the year	-	-	(84)	(84)	(84)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	(84)	(84)	(84)
Balance as at 30 June 2017	131,748	13,335	(463,406)	(450,071)	(318,323)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017****1. THE COMPANY AND ITS OPERATIONS**

1.1 Khurshid Spinning Mills Limited is a public limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017) and listed on Pakistan Stock Exchange Limited. 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 463.406 million (2016: Rupees 475.460 million), its total liabilities exceed its total assets by Rupees 153.934 million (2016: Rupees 156.152 million) and its current liabilities exceed its current assets by Rupees 355.905 million (2016: Rupees 352.862 million) as at the balance sheet date. Moreover, the Company's operations are suspended since October 2011 due to overdue debts and non-availability of working capital which raise doubts about the Company being a going concern. Therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The management has leased out the operating fixed assets along with 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 9. The management believes that in view of favorable conditions and 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 repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 on 30 May 2017. Securities and Exchange Commission of Pakistan (SECP) vide its Circular 17 of 2017 and its press release dated 20 July 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures about Company's operations and has also enhanced the definition of related parties.

b) Accounting convention

These financial statements have been prepared under the historical cost convention except for certain plant and equipment and investment properties which are carried at their fair value.

**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 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 accounting standards that are effective in current year and are relevant to the Company

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2016:

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 the 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.

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 which is based on revenue, generated by an activity by using 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.



IAS 34 (Amendments) 'Interim Financial Reporting' (effective for annual periods beginning on or after 01 January 2016). This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

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

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

There are other amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2016 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, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2017 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 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). 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. IFRS 15 replaces IAS 11 'Construction Contracts', IAS 18 'Revenue', IFRIC 13 'Customer Loyalty Programmes', IFRIC 15 'Agreements for Construction of Real Estate', IFRIC 18 'Transfer of Assets from Customers' and SIC 31 'Revenue-Barter Transactions Involving Advertising Services'. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in the Company's financial statements.



IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have significant impact on Company's financial statements.

IAS 40 (Amendments), 'Investment Property' (effective for annual periods beginning on or after 01 January 2018). Amendments have been made to state that an entity shall transfer a property to, or from investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57 (a)-(d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list. The amendment is not likely to have a significant impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is 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 approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2017 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 benefit

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 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 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 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 Plant, equipment and depreciation**Operating fixed assets**

All operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss, except those subject to revaluation which are stated at revalued amount less accumulated depreciation and any identified impairment loss. Capital work-in-progress is stated at cost less any recognized impairment loss. Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to the construction / erection period of qualifying assets and other directly attributable costs of bringing the asset to working condition.

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.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to surplus on revaluation of operating fixed assets except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss account, in which case the increase is recognized in profit and loss account. A revaluation deficit is recognized in profit and loss account, except to the extent that it offsets an existing surplus on the same asset recognized in surplus on revaluation of operating fixed assets.

An annual transfer from surplus on revaluation of operating fixed assets to accumulated loss is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation

Depreciation on 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 given 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 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.

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**a) Financial assets**

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current 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, loans and advances, cash and bank balances, long term financing, long term loans, short term borrowings 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 Other receivables

Other receivables are carried at original invoice value less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Receivables considered bad are written off when identified.

2.14 Revenue recognition

Revenue from rental income is recognized when rent is accrued.

2.15 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.

2.16 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.

2.17 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.

	2017 (RUPEES IN THOUSAND)	2016
3. RESERVES:		
Composition of reserves is as follows:		
Capital reserve		
Equity portion of shareholders' loans (Note 3.1)	13,335	13,335
Revenue reserve		
Accumulated loss	(463,406)	(475,460)
	<u>(450,071)</u>	<u>(462,125)</u>

- 3.1 Fair value of shareholders' loan has been estimated at the present value of future cash flows discounted at effective interest rate of 7.13 percent (2016: 7.13 percent) per annum.



	2017 (RUPEES IN THOUSAND)	2016
4. SURPLUS ON REVALUATION OF PLANT, EQUIPMENT AND INVESTMENT PROPERTIES - NET OF DEFERRED INCOME TAX		
Plant and equipment (Note 4.1)	109,248	119,652
Investment properties (Note 4.2)	55,141	54,573
	<u>164,389</u>	<u>174,225</u>
4.1 Plant and equipment		
Balance as on 01 July	119,652	126,740
Add:		
Increase in surplus on revaluation of plant and equipment - net of deferred income tax	-	3,908
Adjustment of deferred income tax liability due to the re-assessment (Note 7)	1,734	1,864
	<u>121,386</u>	<u>132,512</u>
Less:		
Transferred to accumulated loss in respect of incremental depreciation charged during the year - net of deferred income tax	(12,138)	(12,860)
Balance as on 30 June	<u>109,248</u>	<u>119,652</u>
4.1.1 Revaluation of plant and machinery and power generation house of the Company was carried out on 30 June 2016 by an independent valuer, Messrs Zafar Iqbal and Company by reference to prevailing market prices. Previously revaluation was carried out by independent valuers on 30 September 1995, 11 April 2003, 17 March 2005 and 15 June 2011.		
4.2 Investment properties		
Balance as on 01 July	54,573	54,005
Add:		
Related deferred income tax liability (Note 7)	568	568
Balance as on 30 June	<u>55,141</u>	<u>54,573</u>
5. LONG TERM FINANCING		
Secured		
The Bank of Punjab		
Demand Finance - I (Note 5.1 and Note 5.3)	49,224	82,890
Demand Finance - II (Note 5.2 and Note 5.3)	89,617	80,561
	<u>138,841</u>	<u>163,451</u>
Less: Current portion shown under current liabilities	35,840	33,276
	<u>103,001</u>	<u>130,175</u>
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. The demand finance is repayable in repayable in 25 quarterly installments up to 31 March 2019 and chargeable at cost of funds rate of 5.82 (2016: 6.58) 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 This 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 5.82 (2016: 6.58) percent per annum. The reconciliation of principal amount and carrying value is given hereunder:

	2017 (RUPEES IN THOUSAND)	2016 (RUPEES IN THOUSAND)
Principal outstanding	108,777	108,777
Effect of adjustment	(28,216)	(35,547)
Amortization charged to profit and loss account using the effective interest method (Note 18)	9,056	7,331
Carrying value as at 30 June	89,617	80,561

- 5.3** The security on the Demand Finances is secured by way of creation of first exclusive equitable mortgage of Rupees 419.521 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.

6. LONG TERM LOANS

From sponsor directors / shareholders

Opening balance	34,752	32,439
Add: Fair value adjustment (Note 18)	2,477	2,313
Closing balance	37,229	34,752

- 6.1** These represent interest free loans obtained from sponsor directors / shareholders of the Company. These loans are repayable in one bullet installment on 30 June 2020.

7. DEFERRED INCOME TAX LIABILITY

Balance as on 01 July	71,374	77,830
Add: Adjustment of deferred income tax liability due to the re-assessment	-	1,754
	71,374	79,584
Less:		
Transferred to surplus on revaluation of plant and equipment (Note 4.1)	1,734	1,864
Transferred to surplus on revaluation of investment properties (Note 4.2)	568	568
Deferred income tax liability on account of incremental depreciation charged during the year transferred to profit and loss account	5,202	5,778
	7,504	8,210
Deferred income tax liability recognized	63,870	71,374

- 7.1** The Company has accumulated tax losses of Rupees 295,410 million including unabsorbed depreciation as at 30 June 2017 (2016: Rupees 279,328 million). The related deferred income tax asset amounting to Rupees 10,485 million (2016: Rupees 3,748 million) has not been recognized as sufficient tax profit would not be available in the foreseeable future.

8. TRADE AND OTHER PAYABLES

Accrued liabilities	376	318
Advances from customers	-	12,304
Others	111,201	98,567
	111,577	111,189

**9. SHORT TERM BORROWINGS**

This represents unsecured interest free loan obtained from Messrs Beacon Impex (Private) Limited (BIL) 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 been settled. However, BIL may demand the payment within the next financial year.

10. CONTINGENCIES AND COMMITMENTS

There was no contingent liability and commitment as at 30 June 2017 (2016: Rupees Nil).

11. PLANT AND EQUIPMENT

	2017	2016
	(RUPEES IN THOUSAND)	
Operating fixed assets (Note 11.1)	290,947	323,331
Capital work-in-progress (Note 11.2)	1,768	1,768
	<u>292,715</u>	<u>325,099</u>



11.1 OPERATING FIXED ASSETS

	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 2015									
Cost / revalued amount	601,387	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)	(1,601)	(364,327)
Closing net book value	317,006	163	650	642	28,426	3,755	356	594	352,092
Year ended 30 June 2016									
Opening net book value	317,006	163	650	642	28,426	3,755	356	594	352,092
Additions	-	-	29	-	-	831	-	-	860
Effect of surplus on revaluation as at 30 June 2016	4,745	-	-	-	917	-	-	-	5,662
Depreciation charge	(31,751)	(16)	(68)	(128)	(2,843)	(382)	(36)	(59)	(35,283)
Closing net book value	290,000	147	611	514	26,500	4,204	320	535	323,331
At 30 June 2016									
Cost / revalued amount	606,632	1,157	3,046	17,552	67,703	18,821	5,835	2,195	722,941
Accumulated depreciation	(316,132)	(1,039)	(2,435)	(17,038)	(41,203)	(14,617)	(5,315)	(1,660)	(399,630)
Net book value	290,500	117	611	514	26,500	4,204	320	535	323,311
Year ended 30 June 2017									
Opening net book value	290,500	117	611	514	26,500	4,204	320	535	323,331
Depreciation charge	(29,050)	(15)	(61)	(103)	(2,650)	(420)	(32)	(53)	(32,384)
Closing net book value	261,450	102	550	411	23,850	3,784	288	482	290,947
At 30 June 2017									
Cost / revalued amount	606,632	1,157	3,046	17,552	67,703	18,821	5,835	2,195	722,941
Accumulated depreciation	(345,182)	(1,025)	(2,496)	(17,141)	(43,853)	(15,037)	(5,547)	(1,713)	(431,994)
Net book value	261,450	132	550	411	23,850	3,784	288	482	290,947
Annual rate of depreciation (%)	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 would have been as follows:

	Cost	Accumulated depreciation	Net book value
	----- (RUPEES IN THOUSAND) -----		
Plant and machinery	269,551	158,180	111,371
Power generation house	58,765	40,902	17,863
2017	<u>328,316</u>	<u>199,082</u>	<u>129,234</u>
2016	<u>328,316</u>	<u>184,722</u>	<u>143,594</u>

2017 2016
(RUPEES IN THOUSAND)

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

Administrative expenses (Note 16)	179	212
Other expenses (Note 17)	32,205	35,071
	<u>32,384</u>	<u>35,283</u>

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 2.500 million (2016: Rupees 2.000 million).

11.2 Capital work-in-progress

Electric installations	<u>1,768</u>	<u>1,768</u>
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12. INVESTMENT PROPERTIES

Balance as on 01 July	102,179	95,967
Further capital expenditure on investment properties	-	229
	<u>102,179</u>	<u>96,196</u>
Fair value gain (Note 15)	5,444	5,983
Balance as on 30 June	<u>107,623</u>	<u>102,179</u>

12.1 The fair value of investment properties, comprising freehold land and buildings thereon has been determined on 30 June 2017 by Messrs Zafar Iqbal and Company, an independent valuer. Expenses of capital nature directly related to investment properties amounting to Rupees Nil (2016: Rupees 0.229 million) were incurred during the year as shown above.

13. LOANS AND ADVANCES

Considered good:

Employee - against salary	-	10
Income tax	5,410	2,408
	<u>5,410</u>	<u>2,418</u>



	2017 (RUPEES IN THOUSAND)	2016
14. CASH AND BANK BALANCES		
Cash with banks:		
On current accounts	68	138
Cash in hand	11	24
	<u>79</u>	<u>162</u>
15. REVENUE		
Income from non-financial assets		
Rental income	30,000	24,000
Credit balance written back	12,304	-
Gain on remeasurement of fair value of investment properties (Note 13)	5,444	5,983
Others	-	5
	<u>47,748</u>	<u>29,988</u>
16. ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits	555	474
Travelling and conveyance	-	28
Advertisement, printing and stationery	78	80
Electricity and sui gas	177	258
Postage and telephone	51	85
Rent, rates and taxes	127	111
Repair and maintenance	46	55
Auditors' remuneration (Note 16.1)	360	360
Legal and professional	30	168
Fees, subscription and periodicals	293	365
Entertainment	83	77
Others	44	-
Depreciation (Note 11.1.2)	179	212
	<u>2,023</u>	<u>2,273</u>
16.1 Auditors' remuneration		
Audit fee	300	300
Other certifications including half yearly review	60	60
	<u>360</u>	<u>360</u>
17. OTHER EXPENSES		
Depredation (Note 11.1.2)	<u>32,205</u>	<u>35,071</u>



	2017 (RUPEES IN THOUSAND)	2016
18. FINANCE COST		
Mark-up on long term financing	4,270	6,978
Amortization on demand finance calculated by using the effective interest method (Note 5.2.1)	9,056	7,331
Fair value adjustment of loans from sponsor directors / shareholders (Note 6)	2,477	2,313
Bank charges and commission	3	21
	<u>15,806</u>	<u>16,643</u>
19. TAXATION		
Current (Note 19.1)	3,000	2,400
Deferred	(5,202)	(5,778)
	<u>(2,202)</u>	<u>(3,378)</u>

- 19.1** Provision for current taxation represents tax on rental income under the relevant provisions of Income Tax Ordinance, 2001. 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.

20. LOSS PER SHARE - BASIC AND DILUTED

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

		2017	2016
Loss for the year	(Rupees in thousand)	<u>(84)</u>	<u>(20,621)</u>
Weighted average number of ordinary shares	(Numbers)	<u>13 174 800</u>	<u>13 174 800</u>
Loss per share	(Rupees)	<u>(0.006)</u>	<u>(1.565)</u>

21. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

- 21.1** 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 repealed Companies Ordinance, 1984.

- 21.2** Meeting fee has been paid to the directors of the Company amounting to Rupees 12,000 (2016: Rupees Nil).

	(NUMBER OF PERSONS)	
22. NUMBER OF EMPLOYEES		
Number of employees as on 30 June	3	2
Average number of employees during the year	3	3

23. TRANSACTIONS WITH RELATED PARTIES

There was no transaction with any related party during the year except for those disclosed in Note 21.2.

**24. PLANT CAPACITY AND ACTUAL PRODUCTION**

The Company has suspended its operations and leased out its production facilities since October 2011.

25. FINANCIAL RISK MANAGEMENT**25.1 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 2017 (2016: Rupees Nil).

(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. 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:

	2017	2016
	(RUPEES IN THOUSAND)	
Fixed rate instruments:		
Financial liabilities		
Long term financing	49,224	82,890



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 2017 (2016: Rupees Nil).

(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:

	2017	2016
	(RUPEES IN THOUSAND)	
Deposits	5,733	5,733
Loans and advances	-	10
Bank balances	68	138
	<u>5,801</u>	<u>5,881</u>

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			2017	2016
	Short Term	Long term	Agency	(RUPEES IN THOUSAND)	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	5	5
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	1	1
The Bank of Punjab	A1+	AA	PACRA	61	131
Meezan Bank Limited	A-1+	AA	JCR-VIS	1	1
				<u>68</u>	<u>138</u>

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 2017, the Company had not any unavailed borrowing limits from financial institutions and Rupees 0.079 million (2016: Rupees 0.162 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 2017:

	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	138,841	175,168	18,968	18,968	37,517	99,715
Long term loans	37,229	37,229	-	-	-	37,229
Trade and other payables	111,577	111,577	111,577	-	-	-
Short term borrowings	208,559	208,559	208,559	-	-	-
	<u>496,206</u>	<u>532,533</u>	<u>339,104</u>	<u>18,968</u>	<u>37,517</u>	<u>136,944</u>

Contractual maturities of financial liabilities as at 30 June 2016:

Non-derivative financial liabilities:						
Long term financing	163,451	191,667	18,968	18,968	37,936	115,795
Long term loans	34,752	34,752	-	-	-	34,752
Trade and other payables	98,885	98,885	98,885	-	-	-
Short term borrowings	208,559	208,559	208,559	-	-	-
	<u>505,647</u>	<u>533,863</u>	<u>326,412</u>	<u>18,968</u>	<u>37,936</u>	<u>150,547</u>

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



25.2 Financial instruments by categories

	2017 (RUPEES IN THOUSAND)	2016 (RUPEES IN THOUSAND)
Financial assets		
Deposits	5,733	5,733
Loans and advances	-	10
Cash and bank balances	79	162
	<u>5,812</u>	<u>5,905</u>
Financial liabilities		
Long term financing	138,841	163,451
Long term loans	37,229	34,752
Trade and other payables	111,577	98,885
Short term borrowings	208,559	208,559
	<u>496,206</u>	<u>505,647</u>

25.3 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.

25.4 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.

26. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

**27. RECOGNIZED FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS****(i) Fair value hierarchy**

Judgements and estimates are made in determining the fair values of the non-financial assets that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

At 30 June 2017	Level 1	Level 2	Level 3	Total
-----RUPEES IN THOUSAND-----				
Plant and machinery	-	261,450	-	261,450
Power generation house	-	23,850	-	23,850
Investment properties	-	107,623	-	107,623
Total non-financial assets	-	392,923	-	392,923
At 30 June 2016	Level 1	Level 2	Level 3	Total
-----RUPEES IN THOUSAND-----				
Plant and machinery	-	290,500	-	290,500
Power generation house	-	26,500	-	26,500
Investment properties	-	102,179	-	102,179
Total non-financial assets	-	419,179	-	419,179

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

(ii) Valuation techniques used to determine level 2 fair values

The Company obtains independent valuations for its investment properties at least annually and its plant and machinery and power generation house (classified as plant and equipment) at least after every three years. The management updates the assessment of the fair value of investment properties, plant and machinery and power generation house taking into account the most recent independent valuations. The management determines the property's value within a range reasonable fair value estimates. The best evidence of fair value of freehold land is current prices in an active market for similar lands. The best evidence of fair value of buildings is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same building. The best evidence of fair value of plant and machinery and power generation house is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the value of new plant and machinery and power generation house of the same specifications.

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's investment properties at the end of every financial year and for plant and machinery and power generation house at least after every three years. As at 30 June 2017, the fair value of investment properties has been determined by Messrs Zafar Iqbal and Company. The valuation of plant and machinery and power generation house has been performed by Messrs Zafar Iqbal & Company as at 30 June 2016.

Changes in fair values are analyzed at each reporting date during the annual valuation discussion between the management of the Company and the valuer. As part of this discussion the team presents a report that explains the reason for the fair value movements.



28. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 07, 2017 by the Board of Directors of the Company.

29. CORRESPONDING FIGURES

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

30. GENERAL

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER



FORM 34

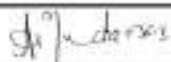
PATTERN OF SHAREHOLDING

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 **30-06-2017**

-----Shareholding-----			
4. No. of Shareholders	From	To	Total Shares Held
448	1	100	44,800
868	101	500	330,000
233	501	1000	210,700
181	1001	5000	479,100
40	5001	10000	276,900
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	580001	585000	580,600
1	595001	600000	599,300
2	650001	655000	1,300,700
1	855001	860000	856,900
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	4,634,000	35.1732%
5.2 Associated Companies, undertakings and related parties.	-	0.0000%
5.3 NIT and ICP	1,091,900	8.2878%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	2,150,400	16.3221%
5.5 Insurance Companies	109,500	0.8311%
5.6 Modarabas and Mutual Funds	56,100	0.4258%
5.7 Share holders holding 10% or more	6,478,500	49.1734%
5.8 General Public		
a. Local	5,120,800	38.8681%
b. Foreign	-	0.0000%
5.9 Others (to be specified)		
Joint Stock Companies	12,100	0.0918%

6. Signature of Company Secretary	
7. Name of Signatory	Ali Mudassar
8. Designation	Company Secretary
9. NIC Number	35402-0165605-5
10. Date	30 06 2017



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 Tuesday, October 31, 2017 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.....2017

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

1. Witness.....

2. Witness.....

Date.....

Place.....

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.



پروکسی فارم

میں / ہم از بحیثیت **خورشید سپننگ ملز لمیٹڈ** کے ممبر اور عام حصص یافتہ مطابق شیئرز رجسٹر فوایو ای ڈی سی اکاؤنٹ نمبر مقرر کرتا ہوں۔ فوایو ای ڈی سی اکاؤنٹ نمبر سی این آئی نمبر یا پاسپورٹ نمبر یا بصورت دیگر فوایو ای ڈی سی اکاؤنٹ نمبر سی این آئی نمبر یا پاسپورٹ نمبر جو کمپنی کے ممبر بھی ہیں، کو کمپنی کے منگل 31 اکتوبر 2017 کو دن 11:30 بجے منعقد ہونے والے چھواں سالانہ اجلاس میں اپنی جانب سے شرکت اور رائے دی کیلئے اپنا پروکسی مقرر کرتا ہوں۔

2017ء

دستخط مورخہ

گواہی:

1: دستخط

نام

پتہ

سی این آئی سی یا پاسپورٹ نمبر

2: دستخط

نام

پتہ

سی این آئی سی یا پاسپورٹ نمبر

5 روپے کا

محصول ٹکٹ

دستخط

(کمپنی کے پاس دستخط کے نمونے کے مطابق ہوں)

سی این آئی سی یا پاسپورٹ نمبر

ضروری:

- 1- پروکسی فارم ہذا مکمل اور دستخط کے ہمراہ اجلاس کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل کمپنی کے رجسٹرڈ آفس یا شیئرز رجسٹرار کے آفس میں جمع کرا دیا جائے۔
 - 2- فارم پر ممبر یا اس کا تحریر یا مقرر کردہ اثاری دستخط کرے گا۔ ممبر کا رجسٹریشن ہونے کی صورت میں اس کی ممبر فارم پر ثبت کرنی ہوگی۔
 - 3- اجلاس میں شرکت اور رائے دی کا اہل ممبر اپنی جانب سے شرکت اور رائے دی کیلئے دوسرے ممبر کو اپنا پروکسی مقرر کر سکتا ہے تاہم کارپوریشن کسی بھی غیر ممبر کو اپنا پروکسی مقرر کر سکتی ہے۔
- برائے سی ڈی سی اکاؤنٹ ہولڈرز / کارپوریشن اسٹاکس مزید برآں مندرجہ ذیل شرائط پر عمل کرنا ہوگا۔
- (i) پروکسی فارم پر دو افراد کی گواہی ہونی چاہئے جن کے نام اور سی این آئی سی یا پاسپورٹ نمبر فارم پر درج ہوں۔
 - (ii) ممبر اور پروکسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ کاپیاں پروکسی فارم کے ہمراہ منسلک کرنی ہوں گی۔
 - (iii) پروکسی اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہوگا۔
 - (iv) کارپوریشن اسٹاکس کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / اپاءور آف اثاریتی معائنہ فرد کے دستخط کا نمونہ (اگر پہلے فراہم نہ کئے گئے ہوں) پروکسی فارم کے ہمراہ کمپنی کو پیش کرنے ہوں گے۔



Khurshid Spinning Mills Limited

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