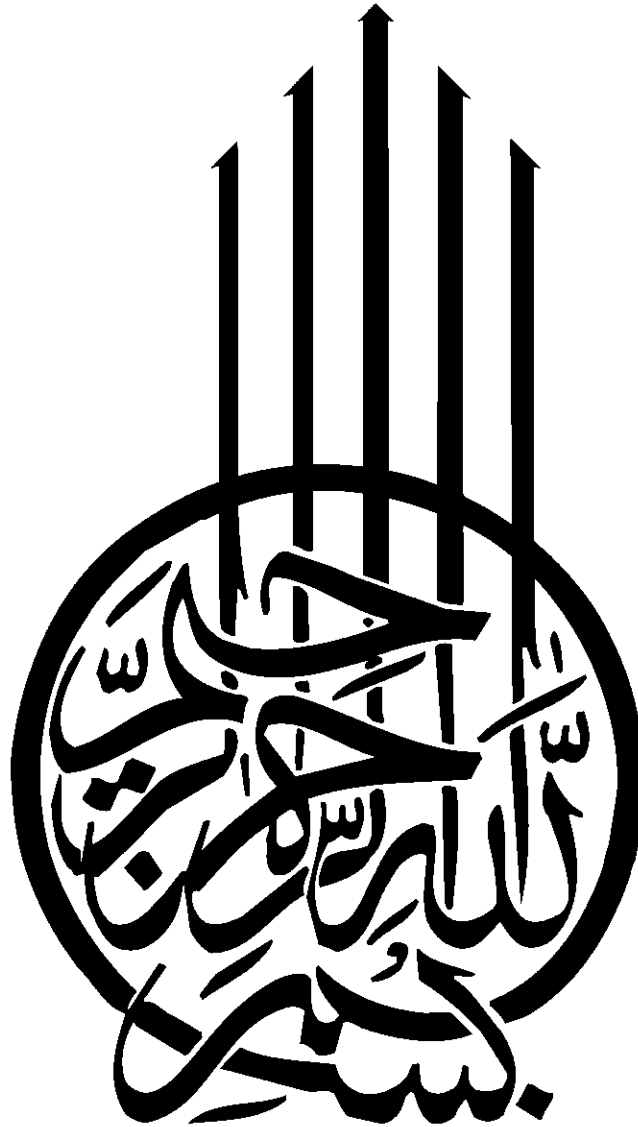




**Khurshid Spinning  
Mills Limited**

**ANNUAL REPORT**

**2013**



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



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**COMPANY INFORMATION**

**Board of Directors**

Khawaja Asem Khurshid	Chairman
Khawaja Amer Khurshid	Chief Executive Officer
Mr. Muhammad Faheem	Director
Mr. Muhammad Iqbal	Director
Mr. Zeeshan Saeed	Director
Mr. Muhammad Shahbaz Ali	Director
Mr. Faseeh Uzaman	Director

**Audit Committee**

Mr. Zeeshan Saeed	Chairman
Mr. Muhammad Iqbal	Member
Mr. Muhammad Shahbaz Ali	Member

**HR and Remuneration Committee**

Mr. Muhammad Iqbal	Chairman
Mr. Muhammad Faheem	Member
Mr. Faseeh Uzaman	Member

**CFO/Company Secretary** Mr. Muhammad Saqib Ehsan

**Auditors**

Riaz Ahmad and Company  
Chartered Accountants  
560-F, Raja Road, Gulistan Colony  
Faisalabad

**Bankers**

National Bank of Pakistan  
Habib Bank Limited  
The Bank of Punjab  
Meezan Bank Limited  
Al-Barka Bank (Pakistan) 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



## **VISION STATEMENT**

- We aim at maintaining the confidence of our valued customers by fulfilling their needs, demands and stipulations.
- We will achieve consistent financial performance which creates value for the shareholders.
- Our organization encourages employee participation that also helps us to achieve quality results.
- We believe in innovative technology applications to achieve continuous improvement and ability to avail the required opportunities.
- We intend to involve all employees in the development and implementation of quality systems, which will be reviewed periodically to ensure their effectiveness.
- We aim to improve the profitability of our company through improved efficiency and cost controls.
- We will take effective measures so as to protect the environment and contribute towards the economic strength of the country and function as a good corporate citizen.

## **MISSION STATEMENT**

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



## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 28<sup>th</sup> Annual General Meeting of the members, holding Ordinary Shares of Khurshid Spinning Mills Limited, will be held on Saturday, 28 June 2014 at its Registered Office, 133-134, Regency the Mall, Faisalabad at 9:00 A.M. to transact the following business:

### **ORDINARY BUSINESS**

1. To confirm the minutes of last Extra Ordinary General Meeting held on 26 March 2014.
2. To receive, consider and adopt the Audited Accounts of the Company for the financial year ended 30 June 2013 and reports of the Directors and Auditors thereon.
3. To appoint the auditors and fix their remuneration for the next financial year.
4. To transact any other ordinary business with the permission of the chair.

**BY ORDER OF THE BOARD**

**COMPANY SECRETARY  
KHURSHID SPINNING MILLS LIMITED**

Dated: 06 June 2014  
Faisalabad

### **NOTES:**

1. The share transfer books of the Company shall remain closed from 25 June 2014 to 03 July 2014 (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 24 June 2014 will be considered in time.
2. A member entitled to attend and vote at this meeting may appoint a person/representative as his/her proxy to attend and vote on his/her behalf. The instrument appointing proxy must be received at the Registered Office of the Company duly signed, stamped and witnessed not later than 48 hours before the meeting.
3. Members are requested to notify any change in their addresses immediately. Moreover, the members who have not yet submitted their Computerized National Identity Cards to the Company are requested to send them at their earliest.



**KHURSHID SPINNING MILLS LIMITED  
DIRECTORS REPORT TO THE MEMBERS**

The Directors of the Company are pleased to present their 28<sup>th</sup> Annual Report, comprising of Annual Financial Statements of the Company for the financial year ended June 30, 2013 along with Auditors' Report thereon and other required information prescribed under the Code of Corporate Governance. The comparative financial results of the Company are reproduced hereunder:

	<b>2013</b>	<b>2012</b>
	<b>(RUPEES IN THOUSAND)</b>	
SALES	-	104,593
COST OF SALES	-	(184,266)
GROSS LOSS	-	(79,673)
DISTRIBUTION COST	-	(916)
ADMINISTRATIVE EXPENSES	(3,146)	(5,408)
OTHER EXPENSES	(62,917)	(270)
	(66,063)	(6,594)
	(66,063)	(86,267)
OTHER INCOME	99,548	15,002
PROFIT / (LOSS) FROM OPERATIONS	33,485	(71,265)
FINANCE COST	(9,541)	(2,879)
PROFIT / (LOSS) BEFORE TAXATION	23,944	(74,144)
TAXATION	12,993	15,872
PROFIT / (LOSS) AFTER TAXATION	36,937	(58,272)
EARNINGS / LOSS PER SHARE - BASIC AND DILUTED (RUPEES)	2.80	(4.42)

Financial Statements for the year ended 30 June 2013 shows profit after taxation of Rupees 36.937 million as compared to previous year's loss after taxation of Rupees 58.272 million. There has been no production operation since October 2011 due to overdue debts and non-availability of working capital.

It is regretted to explain that the Company failed to hold its Annual General Meeting (AGM) within prescribed time, due to the non-preparation of financial statements within prescribed time, due to financial constraints and closure of the operations of the mills, when all the employees had left their jobs, and the respective documentary records of the Company were lying scattered. The Company was also engaged with its Bankers / Financial Institutions for settlement / rescheduling of its overdue debts. Hence, the Company applied to The Securities and Exchange Commission of Pakistan (SECP) for seeking extension in holding its Annual General Meeting whereby the extension was granted by SECP upto 30 November 2013. However, the Company could not finalize the financial statements uptill the extended period due to the continuation of the reasons mentioned above. After employing hard work of the employees, the financial statements were finalized in the month of May 2014. We assure our members to comply with legal requirements regarding finalization of financial statements and holding of AGM in future.



### **Future Prospects**

Your company has leased out its production facilities to Messrs Beacon Impex (Pvt.) Limited at monthly lease rent of Rupees 2.000 million. Now operations are being carried out by the lessee and proper arrangements have been made by the lessee to keep the assets in good condition. The lessee has also given loan amounting to Rupees 208.559 million to your Company for settlement of overdue debts with financial institutions, for Balancing, Modernization and Replacement of plant and machinery and related equipment of the company to keep these assets in working condition and to enhance productivity.

In the meanwhile, we will do our best to curtail and keep our internal expenses to a minimum level to achieve maximum profit for the Company out of lease rentals.

### **Dividend**

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

### **Earnings per share**

Earnings per share for the year ended 30 June 2013 is Rupees 2.80.

### **Key operating and financial data**

Key operating and financial data for last 06 years in summarized form is given on page no. 10.

### **Board and Committee Changes**

The following changes occurred on the Board during the period under review:

1. Khawaja Khurshid Anwar resigned and Mr. Muhammad Iqbal was appointed as new Director and Khawaja Asem Khurshid was appointed as new Chairman in his place with effect from 29 December 2012.
2. Mr. Tariq Pervez resigned and Mr. Zeeshan Saeed was appointed as new Director in his place with effect from 29 December 2012.
3. Mr. M. Khalid Saifullah Shah resigned and Mr. Muhammad Shahbaz Ali was appointed as new Director in his place with effect from 23 February 2013.
4. Khawaja Shahid Amin Sethi resigned and Mr. Faseeh Uzaman was appointed as new Director in his place with effect from 23 February 2013.

Due to the resignation of above mentioned Directors, the formation of Audit Committee and Human Resource and Remuneration Committee were changed accordingly. The names of the members of these committees are given hereunder:

### **Audit Committee**

Mr. Zeeshan Saeed	Chairman
Mr. Muhammad Iqbal	Member
Mr. Muhammad Shahbaz Ali	Member





### **HR and Remuneration Committee**

Mr. Muhammad Iqbal	Chairman
Mr. Muhammad Faheem	Member
Mr. Faseeh Uzaman	Member

### **Qualifications by the Auditors**

The qualification made by the auditors for the going concern is based due to heavy accumulated losses of Rupees 461.475 million. The management has leased out the operating fixed assets of the Company at Rupees 2.000 million lease rent per month. Moreover, the lessee has also given interest free loan amounting to Rupees 208.559 million to the Company for the payment of outstanding liabilities of banks and for Balancing, Modernization and Replacement (BMR) of plant and machinery and related equipment of the Company. We hope better results in the future due to stern efforts by the management and financial assistance from financial institutions for settlement of overdue debts. In view of favourable settlement of overdue debts with financial institutions, continuation of operations on lease and favourable Government textile policies, the management feels there is no question of lack of going concern of the Company.

The qualification made by the auditors regarding classification of freehold land and building thereon as Investment Properties in the financial statements, we will arrange revaluation of freehold land and building thereon for the purpose mentioned above in the next financial year and will classify these assets as investment properties in the financial statements accordingly.

### **Auditors**

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

### **Pattern of Shareholding**

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

No trade in the shares of the company was carried out by its Directors, CEO, CFO and Company Secretary and their spouses and minor children except for the shares purchased by the new Directors.

### **Compliance with the Code of Corporate Governance**

The "Statement of Compliance with the Code of Corporate Governance" is annexed on page no. 11.

### **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.



- a) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- b) 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.
- c) The system of internal control is sound in design and has been effectively implemented and monitored.
- d) There are no significant doubts upon the Company's ability to continue as a going concern.

### **Board of Directors Meetings**

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

<b>Name of Directors</b>	<b>Number of meetings attended</b>
Khawaja Khurshid Anwar	2
Khawaja Amer Khurshid	4
Khawaja Asem Khurshid	4
Khawaja Shahid Amin Sethi	3
Mr. Tariq Pervez	2
Mr. Muhammad Faheem	4
Mr. M. Khalid Saifullah Shah	3
Mr. Muhammad Iqbal	2
Mr. Zeeshan Saeed	2
Mr. Muhammad Shahbaz Ali	1
Mr. Faseeh Uzaman	1

Directors who could not attend Board meetings due to illness or some other engagements were granted leave of absence in accordance with the law.

### **Acknowledgment**

I would like to take this opportunity to express my appreciation to the employees of the company for their hard work, dedication and commitment. We would also like to express our gratitude to the valued shareholders, financial institutions, customers and suppliers for extending their co-operation.

**For and on behalf of the Board of Directors**

**KHAWAJA AMER KHURSHID**  
Chief Executive Officer

**Faisalabad**  
**June 06, 2014**



**KEY OPERATING AND FINANCIAL DATA**

	2013	2012	2011	2010	2009	2008
	(RUPEES IN THOUSAND)					

**Summary of Profit and Loss Account**

Sales	-	104,593	349,746	502,293	292,920	378,624
Gross loss	-	(79,673)	(60,125)	(84,837)	(53,680)	(19,317)
Profit / (loss) before taxation	23,944	(74,144)	(76,087)	(100,151)	(100,485)	(67,717)
Taxation	12,993	15,872	16,760	41,900	8,498	(339)
Profit / (loss) after taxation	36,937	(58,272)	(59,327)	(58,251)	(91,987)	(68,056)

**Summary of Balance Sheet**

Total assets	508,928	542,088	638,593	327,205	527,019	576,102
Long term loans / leases	462,657	359,507	341,874	349,960	361,749	241,117
Deferred liabilities	97,103	145,270	167,765	12,044	90,861	99,470
Current liabilities	76,100	140,838	174,209	115,256	113,778	202,897
Net assets	(126,932)	(103,527)	(45,255)	(150,055)	(39,369)	32,618

**Represented by:**

Share capital	131,748	131,748	131,748	131,748	131,748	131,748
Accumulated loss	(461,475)	(523,633)	(495,337)	(393,325)	(291,398)	(232,207)
Surplus on revaluation of property, plant and equipment	(329,727)	(391,885)	(363,589)	(261,577)	(159,650)	(100,459)
	202,795	288,358	318,334	111,522	120,281	133,077
	(126,932)	(103,527)	(45,255)	(150,055)	(39,369)	32,618

**Ratios:**

Gross loss to sales %age	N/A	(76.17)	(17.19)	(16.89)	(18.33)	(5.10)
Loss before tax to sales %age	N/A	(70.89)	(21.75)	(19.94)	(34.30)	(17.89)
Loss after tax to sales %age	N/A	(55.71)	(16.96)	(11.60)	(31.40)	(17.97)
Current ratio	1:0.005	1:0.84	1:0.30	1:0.30	1:1.68	1:0.95



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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

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

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

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

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. Four casual vacancies have been occurred during the year and the same were filled by the Directors within stipulated time.

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, other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days prior to the meetings. The minutes of the meetings were appropriately recorded and circulated.

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



10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval by the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members, two of whom 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, 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 Institute of Chartered Accountants of Pakistan.
20. The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

**For and on behalf of the Board of Directors**

**KHAWAJA AMER KHURSHID**  
Chief Executive Officer

**Faisalabad**  
**June 06, 2014**



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **KHURSHID SPINNING MILLS LIMITED** ("the Company") for the year ended 30 June 2013, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's 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.

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 2013 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended.

Based on our review, with the exception of the matter described in preceding paragraph, 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 of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

**RIAZ AHMAD & COMPANY**  
Chartered Accountants

*Riaz Ahmad & Co.*

Name of engagement partner:  
Liaqat Ali Panwar  
Date: June 06, 2014.  
FAISALABAD



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KHURSHID SPINNING MILLS LIMITED** as at 30 June 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) as explained in Note 1.2 to the financial statements, the company has prepared these financial statements on going concern assumption. However, as at 30 June 2013, the company has accumulated loss of Rupees 461.475 million, its liabilities exceed its total assets by Rupees 126.932 million and its current liabilities exceed its current assets by Rupees 75.746 million. Moreover, the company has suspended its operations since October 2011 due to shortage 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) the company has not classified the freehold land and building thereon which were leased out by the Company, as investment properties as required by the International Accounting Standard (IAS) 40 'Investment Property'.
- (c) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984:
- (d) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (e) in our opinion and to the best of our information and according to the explanations given to us, because of the matters discussed in paragraph (a) and (b) 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 a true and fair view of the state of the company's affairs as at 30 June 2013 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended. In all other respects, in our opinion the financial statements give the information required by the Companies Ordinance, 1984, in the manner so required: and
- (f) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**RIAZ AHMAD & COMPANY**  
Chartered Accountants

*Riaz Ahmad & Co.*

Name of engagement partner:  
Liaqat Ali Panwar  
Date: June 06, 2014.  
FAISALABAD





**BALANCE SHEET**

	NOTE	2013 (RUPEES IN THOUSAND)	2012 (RUPEES IN THOUSAND)
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized share capital</b>			
17 000 000 (2012: 17 000 000) ordinary shares of Rupees 10 each		<u>170,000</u>	<u>170,000</u>
<b>Issued, subscribed and paid up share capital</b>			
13 174 800 (2012: 13 174 800) ordinary shares of Rupees 10 each fully paid in cash		131,748	131,748
<b>Accumulated loss</b>		<u>(461,475)</u>	<u>(523,633)</u>
<b>Total equity</b>		<u>(329,727)</u>	<u>(391,885)</u>
<b>Surplus on revaluation of property, plant and equipment - net of deferred income tax</b>	3	202,795	288,358
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	4	196,316	206,303
Long term loans	5	266,341	136,547
Liabilities against assets subject to finance lease	6	-	16,657
Deferred income tax liability	7	97,103	145,270
		559,760	504,777
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	26,417	50,396
Accrued mark-up	9	8,989	16,820
Short term borrowings	10	16,026	69,266
Current portion of long term financing	4	22,849	-
Provision for taxation		1,819	4,356
		76,100	140,838
<b>TOTAL LIABILITIES</b>		<u>635,860</u>	<u>645,615</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	11		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>508,928</u>	<u>542,088</u>

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

**CHIEF EXECUTIVE OFFICER**



AS AT 30 JUNE 2013

	NOTE	2013 (RUPEES IN THOUSAND)	2012 (RUPEES IN THOUSAND)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	506,645	528,383
Long term deposits		<u>1,929</u>	<u>1,929</u>
		508,574	530,312
<b>CURRENT ASSETS</b>			
Advance income tax		-	2,490
Short term deposits		-	3,502
Sales tax refundable		-	5,159
Cash and bank balances	13	<u>354</u>	<u>625</u>
		354	11,776
<b>TOTAL ASSETS</b>		<u><u>508,928</u></u>	<u><u>542,088</u></u>

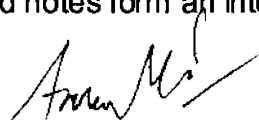
DIRECTOR



**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2013**

	NOTE	2013	2012
<b>(RUPEES IN THOUSAND)</b>			
SALES		-	104,593
COST OF SALES		<u>-</u>	<u>(184,266)</u>
GROSS LOSS		-	(79,673)
DISTRIBUTION COST		-	(916)
ADMINISTRATIVE EXPENSES	14	(3,146)	(5,408)
OTHER EXPENSES	15	(62,917)	(270)
		<u>(66,063)</u>	<u>(6,594)</u>
		(66,063)	(86,267)
OTHER INCOME	16	<u>99,548</u>	<u>15,002</u>
PROFIT / (LOSS) FROM OPERATIONS		33,485	(71,265)
FINANCE COST	17	<u>(9,541)</u>	<u>(2,879)</u>
PROFIT / (LOSS) BEFORE TAXATION		23,944	(74,144)
TAXATION	18	<u>12,993</u>	<u>15,872</u>
PROFIT / (LOSS) AFTER TAXATION		<u><u>36,937</u></u>	<u><u>(58,272)</u></u>
EARNINGS / (LOSS) PER SHARE - -BASIC AND DILUTED (RUPEES)	19	<u><u>2.80</u></u>	<u><u>(4.42)</u></u>

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

  
\_\_\_\_\_  
**CHIEF EXECUTIVE OFFICER**

  
\_\_\_\_\_  
**DIRECTOR**



**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013</b>	<b>2012</b>
	<b>(RUPEES IN THOUSAND)</b>	
PROFIT / (LOSS) AFTER TAXATION	36,937	(58,272)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss	<div style="border: 1px solid black; width: 100px; height: 40px; display: flex; align-items: center; justify-content: center;">-</div>	<div style="border: 1px solid black; width: 100px; height: 40px; display: flex; align-items: center; justify-content: center;">-</div>
Items that may be reclassified subsequently to profit or loss	<div style="border: 1px solid black; width: 100px; height: 40px; display: flex; align-items: center; justify-content: center;">-</div>	<div style="border: 1px solid black; width: 100px; height: 40px; display: flex; align-items: center; justify-content: center;">-</div>
Other comprehensive income for the year	-	-
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>	<div style="border-top: 1px solid black; border-bottom: 3px double black; width: 100px; display: flex; align-items: center; justify-content: center;">36,937</div>	<div style="border-top: 1px solid black; border-bottom: 3px double black; width: 100px; display: flex; align-items: center; justify-content: center;">(58,272)</div>

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

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2013**

	NOTE	2013 (RUPEES IN THOUSAND)	2012 (RUPEES IN THOUSAND)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from / (used in) operations</b>	20	12,155	(11,568)
Income tax paid		(47)	(74)
Gratuity paid		-	(4,242)
Finance cost paid		(9,541)	(2,195)
<b>Net cash generated from / (used in) operating activities</b>		<u>2,567</u>	<u>(18,079)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on property, plant and equipment		-	(1,182)
Proceeds from sale of property, plant and equipment		3,026	-
<b>Net cash from / (used in) investing activities</b>		3,026	(1,182)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term financing		(28,632)	(19,662)
Long term loans - net		(69,240)	36,611
Repayment of liabilities against assets subject to finance lease		(15,549)	-
Short term borrowings - net		107,557	-
<b>Net cash (used in) / from financing activities</b>		<u>(5,864)</u>	<u>16,949</u>
<b>NET DECREASE IN CASH AND CASH EQUIVLANTS</b>		(271)	(2,312)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		625	2,937
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 13)</b>		<u><u>354</u></u>	<u><u>625</u></u>

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

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**



STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2013

SHARE CAPITAL	ACCUMULATED LOSS	TOTAL
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------(RUPEES IN THOUSAND)-----

<b>Balance as at 30 June 2011</b>	131,748	(495,337)	(363,589)
-----------------------------------	---------	-----------	-----------

Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax

-	29,976	29,976
---	--------	--------

Loss for the year

-	(58,272)	(58,272)
-	-	-

Other comprehensive income for the year

Total comprehensive loss for the year

-	(58,272)	(58,272)
---	----------	----------

**Balance as at 30 June 2012**

131,748	(523,633)	(391,885)
---------	-----------	-----------

Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax

-	25,221	25,221
---	--------	--------

Profit for the year

-	36,937	36,937
-	-	-

Other comprehensive income for the year

Total comprehensive income for the year

-	36,937	36,937
---	--------	--------

**Balance as at 30 June 2013**

131,748	(461,475)	(329,727)
---------	-----------	-----------

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

CHIEF EXECUTIVE OFFICER

DIRECTOR



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**1. THE COMPANY AND ITS OPERATIONS**

**1.1** Khurshid Spinning Mills Limited is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 and listed on Karachi and Lahore Stock Exchanges in Pakistan. Its registered office was situated at 69-G, Gulberg - III, Lahore which has been subsequently transferred to 133-134, Regency The Mall, Faisalabad on 22 July 2013. The Company manufactures and deals in all types of yarn.

**1.2 Going concern assumption**

The Company has accumulated loss of Rupees 461.475 million (2012: Rupees 523.633 million) and its current liabilities exceed its current assets by Rupees 75.746 million (2012: Rupees 129.062 million) as at the balance sheet date. Moreover, the Company's operations are suspended since October 2011 due to shortage 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 of the Company as mentioned in Note 12.5. 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 5.2. Moreover most of the pending cases with banks have also been settled. The management believes that in view of favorable conditions and settlement of disputed liabilities with the banks 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 as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.



**b) Accounting convention**

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

**c) Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

**Useful lives, patterns of economic benefits and impairments**

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

**Taxation**

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

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

Following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2012:

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments does not address which items are presented in OCI. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.





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

There are other amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2012 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

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

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2013 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The clarifying amendments to IAS 32 are effective for annual periods beginning on or after 01 January 2014. However, these amendments are not expected to have a material impact on the Company's financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs



and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.

On 17 May 2012, IASB issued Annual Improvements to IFRSs: 2009 – 2011 Cycle, incorporating amendments to five IFRSs more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial instruments: Presentation', that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

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

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2013 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

**2.2 Provisions**

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

**2.3 Employee benefits**

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

**2.4 Taxation**

**Current**

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



## **Deferred**

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

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

## **2.5 Property, plant and equipment**

### **Owned**

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

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

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



### **Assets subject to finance lease**

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost is included in liabilities against assets subject to finance lease. The liabilities are classified as current and non-current depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to profit and loss account over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to profit and loss account.

### **Depreciation**

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful life at the rates specified in Note 12.1 and 12.2. The Company charges the depreciation on additions from the month when the asset is available for use and, whereas no depreciation is charged on the assets de-recognized during the month. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

### **De-recognition**

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

## **2.6 Impairment**

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



## **2.7 Cash and cash equivalents**

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

## **2.8 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.

## **2.9 Financial instruments**

Financial instruments carried on the balance sheet include deposits, cash and bank balances, long term financing, liabilities against assets subject to finance lease, short term borrowings, accrued mark-up 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 instrument at fair value through profit or loss" which is 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.

## **2.10 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.

## **2.11 Trade and other payables**

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



**2.12 Revenue recognition**

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on dispatch of goods to customers.
- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.
- Rental income is recognized when rent is accrued.

**2.13 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.

**2.14 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.

**2.15 Off setting**

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.

**2013                  2012**  
**(RUPEES IN THOUSAND)**

**3. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF DEFERRED INCOME TAX**

Surplus on revaluation of property, plant and equipment as at 01 July	288,358	318,334
Add: Related deferred income tax liability (Note 7)	35,174	-
	<u>323,532</u>	<u>318,334</u>
Less:		
Net decrease in surplus on revaluation of property, plant and equipment	95,516	-
Transferred to accumulated loss in respect of incremental depreciation charged during the year - net of deferred income tax	25,221	29,976
	120,737	29,976
	<u>202,795</u>	<u>288,358</u>



- 3.1 Freehold land, buildings thereon, plant and machinery and power generation house of the Company were revalued by an independent valuer on 11 April 2013. The revaluation exercise was carried out by Messrs Maricon Consultants (Private) Limited by reference to prevailing market prices. Previously freehold land, buildings thereon and plant and machinery were revalued by independent valuers on 30 September 1995, 17 March 2005 and 15 June 2011.

**2013                      2012**  
**(RUPEES IN THOUSAND)**

**4. LONG TERM FINANCING - SECURED**

**Financing From Banking companies**

Habib Bank Limited (Note 4.1) -                      52,482

The Bank of Punjab:

Demand Finances (Note 4.2)	-	153,821
Demand Finance - I (Note 4.3 and Note 4.5)	166,024	-
Demand Finance - II (Note 4.4 and Note 4.5)	53,141	-
	<u>219,165</u>	<u>153,821</u>
Total	219,165	206,303

Less: Current portion shown under current liabilities 22,849                      -

196,316                      206,303

- 4.1 The Company has repaid Rupees 17.900 million as full and final settlement against the loan on 09 July 2012 and 02 August 2012. The Bank has also released the charge of Rupees 208.000 million created over fixed assets of the Company. The cases pending in the court have also been withdrawn subsequent to the balance sheet date.
- 4.2 These were repayable in 12 equal quarterly installments upto 30 September 2012. The facilities were secured by way of hypothecation of stocks of cotton bales and cotton yarn lying within the mills' premises, equitable mortgage of the house of directors and personal guarantee of directors. The bank has approved the proposal of the Company to restructure its entire outstanding liabilities towards the Company on 12 February 2013 as given in Note 4.3 to Note 4.4. The cases pending in the court will also be withdrawn accordingly.
- 4.3 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 against payable balance. This demand finance is repayable in 25 quarterly installments upto 31 March 2019 and chargeable at cost of funds rate of 9.55 percent per annum (2012: Nil). However, actual rate of cost of funds shall be applicable as approved by State Bank of Pakistan from time to time.
- 4.4 The Demand Finance-II is restructured by the Bank by conversion of entire overdue mark up payable by the Company including merger / transfer of mark-up liability payable by A.K. Exports (Private) Limited (an associated company) amounting to Rupees 51.209 million against payable balance. 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 4.3.



- 4.4.1** The Company has determined the amortized cost of its markup 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 9.55 percent per annum (2012: Nil). The reconciliation of principal amount and carrying value is given hereunder:

	2013 (RUPEES IN THOUSAND)	2012 (RUPEES IN THOUSAND)
Principal outstanding	108,777	-
Effect of adjustment (Note 16)	(56,875)	-
Amortization charged to profit and loss account using the effective interest method (Note 17)	1,239	-
Carrying value as at 30 June	<u>53,141</u>	<u>-</u>

- 4.5** The Demand Finances given in Note 4.3 and 4.4 shall be secured by way of creation of first exclusive equitable mortgage of Rupees 419.421 million on Company's fixed assets located at 35 KM Sheikhpura Road, Faisalabad alongwith token registered mortgage of Rupees 0.100 million and personal guarantee of the directors of the Company. However after the creation of above charges on Company's fixed assets as per rescheduling terms and conditions, all existing charges shall be released by the Bank.

	2013 (RUPEES IN THOUSAND)	2012 (RUPEES IN THOUSAND)
<b>5. LONG TERM LOANS - UNSECURED</b>		
Directors (Note 5.1)	57,782	112,886
Associated company (Note 5.1)	-	8,661
	57,782	121,547
<b>Others:</b>		
Hub Enterprises	-	15,000
Beacon Impex (Private) Limited (Note 5.2)	208,559	-
	208,559	15,000
	<u>266,341</u>	<u>136,547</u>

- 5.1** These represent interest free loans provided by the directors of the Company and A.K. Exports (Private) Limited, an associated company. The loan provided by A.K. Exports (Pvt.) Limited is adjusted during the year as mentioned in Note 4.3 and 4.4. The directors loan have no defined repayment terms but is not repayable within next twelve months, hence have been classified as non-current.

- 5.2** This represents interest free loan obtained from Messrs Beacon Impex (Private) Limited for the payment of outstanding liabilities of banks and for Balancing, Modernization and Replacement (BMR) of plant and machinery and related equipment of the Company. The repayment terms and conditions have not yet been settled. However it is confirmed by the lender that the repayment would not be demanded within next twelve months from the balance sheet date, therefore it has been classified as non - current.

**6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

The Company has repaid Rupees 15.549 million to Meezan Bank Limited as full and final settlement for the principal amount of liabilities against assets subject to finance lease on 27 July 2012. The Company has also moved an application before the court to withdraw the case subsequently.





2013      2012  
(RUPEES IN THOUSAND)

**7. DEFERRED INCOME TAX LIABILITY**

This comprise the following:

Deferred income tax liability related to surplus on revaluation of property, plant and equipment

145,270      161,411

Less:

Transferred to surplus on revaluation of property, plant and equipment (Note 3)

35,174

-

Deferred income tax liability on account of incremental depreciation charged during the year transferred to profit and loss account

12,993

16,141

48,167

16,141

Deferred income tax liability recognized

97,103

145,270

**7.1** The Company has accumulated tax losses of Rupees 256.981 million including unabsorbed depreciation as at 30 June 2013 (2012: Rupees 243.746 million). The related deferred income tax asset amounting to Rupees 0.251 million (2012: Rupees 20.478 million) has not been recognized as sufficient tax profit would not be available in the foreseeable future.

**8. TRADE AND OTHER PAYABLES**

Creditors

952

9,589

Accrued liabilities

365

889

Advances from customers

13,638

32,119

Others

11,462

7,799

26,417

50,396

**9. ACCRUED MARK-UP**

Long term financing

8,989

4,804

Liabilities against assets subject to finance lease

-

2,605

Short term borrowings

-

9,411

8,989

16,820

**10. SHORT TERM BORROWINGS**

From banking companies - secured:

Al Baraka Bank (Pakistan) Limited (Note 10.1)

16,026

45,850

Meezan Bank Limited (Note 10.2)

-

23,416

16,026

69,266



**10.1** This represents aggregate murabaha finance facilities to finance the working capital requirements of the Company and were secured against pledge of raw materials, charge over current assets of the Company for Rupees 50 million and personal guarantee of main sponsoring directors of the Company. As a result of settlement with Bank, substantial amount has been paid during the year as per terms and conditions settled on 20 March 2013. The balance outstanding amount has also been re-paid on 05 November 2013 subsequent to balance sheet date. The cases pending in the court have also been withdrawn subsequent to the balance sheet date.

**10.2** The Company has repaid Rupees 20 million on 27 July 2012 to the Bank as full and final settlement against aggregate murabaha finance facility. The Company has also moved an application before the court to withdraw the case subsequently.

## **11. CONTINGENCIES AND COMMITMENTS**

### **a) Contingencies**

Guarantees of Rupees Nil (2012: Rupees 8 million) have been given by the bank of the Company to Sui Northern Gas Pipelines Limited against gas connection.

### **b) Commitments**

There was no capital or other commitment as at 30 June 2013 (2012: Rupees Nil).

**2013                  2012**  
**(RUPEES IN THOUSAND)**

## **12. PROPERTY, PLANT AND EQUIPMENT**

Operating fixed assets:

Owened assets (Note 12.1)	506,645	512,198
Leased assets (Note 12.2)	-	16,185
	<u>506,645</u>	<u>528,383</u>



12.1 OPERATING FIXED ASSETS - OWNED

	Freehold land	Buildings on freehold land	Plant and machinery	Furniture and fixtures	Office equipment	Vehicles	Power generation house	Electric installations	Factory equipment	Electric equipment and appliances	Total
(RUPEES IN THOUSAND)											
<b>At 30 June 2011</b>											
Cost / revalued amount	25,662	156,158	519,032	1,132	2,827	17,553	53,360	16,701	5,835	1,946	800,207
Accumulated depreciation	-	(23,155)	(147,157)	(920)	(2,076)	(15,983)	(26,488)	(12,580)	(5,292)	(1,339)	(234,960)
<b>Net book value</b>	<b>25,662</b>	<b>133,004</b>	<b>371,875</b>	<b>212</b>	<b>751</b>	<b>1,570</b>	<b>26,872</b>	<b>4,121</b>	<b>543</b>	<b>607</b>	<b>565,247</b>
<b>Year ended 30 June 2012</b>											
Opening net book value	25,662	133,004	371,875	212	751	1,570	26,872	4,121	543	607	565,247
Additions	-	-	1,182	-	-	-	-	-	-	-	1,182
Depreciation charge	-	(13,300)	(37,277)	(21)	(75)	(314)	(2,667)	(412)	(54)	(61)	(54,201)
<b>Closing net book value</b>	<b>25,662</b>	<b>119,704</b>	<b>335,780</b>	<b>191</b>	<b>676</b>	<b>1,256</b>	<b>24,185</b>	<b>3,709</b>	<b>489</b>	<b>546</b>	<b>512,198</b>
<b>At 30 June 2012</b>											
Cost / revalued amount	25,662	158,158	520,214	1,132	2,827	17,553	53,360	16,701	5,835	1,946	801,389
Accumulated depreciation	-	(36,455)	(184,434)	(841)	(2,151)	(16,297)	(29,175)	(12,992)	(5,346)	(1,400)	(289,181)
<b>Net book value</b>	<b>25,662</b>	<b>119,704</b>	<b>335,780</b>	<b>191</b>	<b>676</b>	<b>1,256</b>	<b>24,185</b>	<b>3,709</b>	<b>489</b>	<b>546</b>	<b>512,198</b>
<b>Year ended 30 June 2013</b>											
Opening net book value	25,662	119,704	335,780	191	676	1,256	24,185	3,709	489	546	512,198
Additions	-	1,828	112,620	-	76	-	3,765	148	-	122	128,559
Transferred from leased assets:	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	32,509	-	-	6,980	-	-	-	-	39,489
Accumulated depreciation	-	-	(17,581)	-	-	(5,723)	-	-	-	-	(23,304)
<b>Effect of revaluation as at 11 April 2013:</b>											
Increase in revaluation	-	-	-	-	-	-	8,021	-	-	-	8,021
Decrease in revaluation	(4,262)	(65,421)	(79,287)	-	-	-	-	-	-	-	(148,970)
Cost / revalued amount	-	17,895	27,538	-	-	-	-	-	-	-	45,433
Accumulated depreciation	(4,262)	(47,526)	(51,749)	-	-	-	-	-	-	-	(103,537)
<b>Disposals:</b>											
Cost	-	-	-	-	-	(6,980)	-	-	-	-	(6,980)
Accumulated depreciation	-	-	-	-	-	5,723	-	-	-	-	5,723
Depreciation charge	-	(11,357)	(38,634)	(19)	(75)	(251)	(2,700)	(373)	(49)	(66)	(53,524)
<b>Closing net book value</b>	<b>21,400</b>	<b>72,649</b>	<b>372,945</b>	<b>172</b>	<b>677</b>	<b>1,005</b>	<b>33,271</b>	<b>3,484</b>	<b>440</b>	<b>602</b>	<b>506,645</b>
<b>At 30 June 2013</b>											
Cost / revalued amount	21,400	102,566	586,056	1,132	2,903	17,553	65,146	16,849	5,835	2,058	821,508
Accumulated depreciation	-	(29,917)	(213,111)	(960)	(2,226)	(16,548)	(31,875)	(13,365)	(5,395)	(1,466)	(314,863)
<b>Net book value</b>	<b>21,400</b>	<b>72,649</b>	<b>372,945</b>	<b>172</b>	<b>677</b>	<b>1,005</b>	<b>33,271</b>	<b>3,484</b>	<b>440</b>	<b>602</b>	<b>506,645</b>
<b>Annual rate of depreciation (%)</b>	-	10	10	10	10	20	10	10	10	10	10



## 12.2 LEASED ASSETS

	Plant and machinery	Vehicles	Total
<b>(RUPEES IN THOUSAND)</b>			
<b>At 30 June 2011</b>			
Cost	32,509	6,979	39,488
Accumulated depreciation	(15,922)	(5,408)	(21,330)
Net book value	<u>16,587</u>	<u>1,571</u>	<u>18,158</u>
<b>Year ended 30 June 2012</b>			
Opening net book value	16,587	1,571	18,158
Depreciation charge	(1,659)	(314)	(1,973)
Closing net book value	<u>14,928</u>	<u>1,257</u>	<u>16,185</u>
<b>At 30 June 2012</b>			
Cost	32,509	6,979	39,488
Accumulated depreciation	(17,581)	(5,722)	(23,303)
Net book value	<u>14,928</u>	<u>1,257</u>	<u>16,185</u>
<b>Year ended 30 June 2013</b>			
Opening net book value	14,928	1,257	16,185
Transferred to owned assets:			
Cost	(32,509)	(6,979)	(39,488)
Accumulated depreciation	17,581	5,722	23,303
	(14,928)	(1,257)	(16,185)
Depreciation charge	-	-	-
Closing net book value	<u>-</u>	<u>-</u>	<u>-</u>
<b>At 30 June 2013</b>			
Cost	-	-	-
Accumulated depreciation	-	-	-
Net book value	<u>-</u>	<u>-</u>	<u>-</u>
<b>Annual rate of depreciation (%)</b>	10	20	

**12.3** Had there been no revaluation, the cost, accumulated depreciation and book value of the revalued assets as at 30 June 2013 would have been as follows:

	Cost	Accumulated depreciation	Net book value
<b>(RUPEES IN THOUSAND)</b>			
Freehold land	7,091	-	7,091
Buildings on freehold land	40,202	23,040	17,162
Plant and machinery	253,720	103,011	150,709
Power generation house	57,125	31,720	25,405
	<u>358,138</u>	<u>157,771</u>	<u>200,367</u>



2013 2012  
(RUPEES IN THOUSAND)

**12.4 Depreciation charge for the year has been allocated as follows:**

**Owned assets**

Cost of sales	-	53,791
Other expenses (Note 15)	53,179	-
Administrative expenses (Note 14)	345	410
	53,524	54,201

**Leased assets**

Cost of sales	-	1,973
	53,524	56,174

**12.5 Freehold land, buildings on free hold land, plant and machinery and other facilities located at mills have been given on lease to Messrs Beacon Impex (Private) Limited at monthly rental of Rupees 2.000 million (2012: Rupees 1.500 million).**

**12.6 Detail of operating fixed assets disposed of during the year is as follows:**

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchasers
<b>----- (Rupees in thousand) -----</b>						
<b>Vehicles</b>						
Land Cruiser LZW-0024	3,750	3,075	675	1,575	Negotiation	Ch. Muhammad Saleem Chak No. 112 G.B., Tehsil Jaranwala, District Faisalabad.
Santro Club LW-6464	609	500	109	289	Negotiation	Ch. Muhammad Ashraf, Chak No. 182 G.B., Tehsil and District Toba Tek Singh.
Honda City FSH-919	907	744	163	436	Negotiation	Mr. Ijaz Ahmad Faizi, P-120, Muslim Town No. 3, Faisalabad.
Santro Club FSH-1120	527	432	95	228	Negotiation	Mr. Saeed Butt, Street No. 26, Waheed Park, Abdullahpur, Faisalabad.
Santro Club FSH-3320	537	440	97	238	Negotiation	Mr. Tariq Pervaz, P-699, Street No. 18, Tariqabad, Faisalabad.
Santro Club LZZ-0088	650	532	118	260	Negotiation	Mr. Muhammad Shafique P-10, Street No. 10, Waheed Park, Abdullahpur, Faisalabad.
	<b>6,980</b>	<b>5,723</b>	<b>1,257</b>	<b>3,026</b>		

2013 2012  
(RUPEES IN THOUSAND)

**13. CASH AND BANK BALANCES**

**Cash with banks:**

On current accounts	80	131
On saving accounts (Note 13.1)	55	209
	135	340

**Cash in hand**

	219	285
	354	625

**13.1 Rate of profit on saving accounts was 6 % (2012: 5% to 6%) per annum).**



	2013	2012
	(RUPEES IN THOUSAND)	
<b>14. ADMINISTRATIVE EXPENSES</b>		
Directors' remuneration	216	688
Salaries and other benefits	447	1,789
Travelling and conveyance	21	8
Advertisement, printing and stationery	72	147
Electricity and sui gas	151	416
Postage and telephone	40	139
Vehicles' running and maintenance	-	160
Rent, rates and taxes	170	5
Repairs and maintenance	12	47
Auditors' remuneration (Note 14.1)	325	325
Legal and professional	591	1,190
Fees, subscription and periodicals	729	11
Entertainment	27	73
Depreciation (Note 12.4)	345	410
	<u>3,146</u>	<u>5,408</u>
<b>14.1 Auditors' remuneration</b>		
Audit fee	300	300
Half yearly review	25	25
	<u>325</u>	<u>325</u>
<b>15. OTHER EXPENSES</b>		
Sales tax refundable written off	5,159	270
Depreciation (Note 12.4)	53,179	-
Others	4,579	-
	<u>62,917</u>	<u>270</u>
<b>16. OTHER INCOME</b>		
<b>Income from financial assets</b>		
Profit on saving accounts	2	5
Effect of adjustment in demand finance due to amortization (Note 4.4)	56,875	-
<b>Income from non-financial assets</b>		
Rental income	21,000	3,000
Credit balances added back	19,338	11,910
Gain on sale of property, plant and equipment	1,769	-
Others	564	87
	<u>99,548</u>	<u>15,002</u>
<b>17. FINANCE COST</b>		
Mark-up on long term financing	8,236	2,038
Amortization on demand finance calculated by using the effective interest method (Note 4.4)	1,239	684
Bank charges and commission	66	157
	<u>9,541</u>	<u>2,879</u>



	2013 (RUPEES IN THOUSAND)	2012
<b>18. TAXATION</b>		
Current	-	269
Deferred	(12,993)	(16,141)
	<u>(12,993)</u>	<u>(15,872)</u>

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

**19. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED**

There is no dilutive effect on the basic earnings / (loss) per share which is based on:

		2013	2012
Profit / (loss) for the year	(Rupees in thousand)	<u>36,937</u>	<u>(58,272)</u>
Weighted average number of ordinary shares	(Numbers)	<u>13 174 800</u>	<u>13 174 800</u>
Earnings / (loss) per share	(Rupees)	<u>2.80</u>	<u>(4.42)</u>
		<b>2013</b>	<b>2012</b>
		<b>(RUPEES IN THOUSAND)</b>	

**20. CASH GENERATED FROM / (USED IN) OPERATIONS**

Profit / (loss) before taxation	23,944	(74,144)
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	53,524	56,174
Credit balances added back	(19,338)	(11,910)
Sales tax refundable written off	5,159	270
Gain on sale of property, plant and equipment	(1,769)	-
Finance cost	9,541	2,879
Effect of adjustment in demand finance due to amortization	(55,636)	-
Working capital changes (Note 20.1)	(3,270)	15,163
	<u>12,155</u>	<u>(11,568)</u>

**20.1 Working capital changes**

Decrease / (increase) in current assets:		
Stores and spare parts	-	5,466
Stock in trade	-	10,396
Trade debts	-	16,263
Loans and advances	-	6,671
Other receivables	-	(160)
	-	38,636
Decrease in trade and other payables	(3,270)	(23,473)
	<u>(3,270)</u>	<u>15,163</u>



**21. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES**

Aggregate amount charged in the financial statements for remuneration, allowances including all benefits to the Directors of the Company are as follows:

	<b>Directors</b>	
	<b>2013</b>	<b>2012</b>
	<b>(RUPEES IN THOUSAND)</b>	
<b>Managerial remuneration</b>	132	411
<b>Allowances</b>		
House rent	60	192
Utilities	24	48
Others	-	37
	<u>216</u>	<u>688</u>
Number of persons	<u>1</u>	<u>3</u>

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

**21.2** No meeting fee was paid to any Director of the Company.

**21.3** No remuneration was paid to non-executive directors of the Company.

**(NUMBER OF PERSONS)**

**22. NUMBER OF EMPLOYEES**

Number of employees as on 30 June	3	3
Average number of employees during the year	3	52

**23. TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise of associated company, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	<b>2013</b>	<b>2012</b>
	<b>(RUPEES IN THOUSAND)</b>	
<b>Associated Company</b>		
Loan obtained during the year	151,622	-
Bank liability of associated company adjusted	160,283	-
<b>Directors</b>		
Long term loans from Directors - net	(55,104)	36,611

**24. PLANT CAPACITY AND ACTUAL PRODUCTION**

	<b>2013</b>	<b>2012</b>
	<b>(FIGURES IN THOUSAND)</b>	
100% plant capacity converted to 20s count based on 3 shifts per day for 1 095 shifts (2012: 1 098 shifts)	Kgs 4 762	4 595
Actual production converted to 20s count based on 3 shifts per day - 2013: Nil (2012: 204 shifts)	Kgs -	611

**24.1** The Company has suspended its operations since October 2011 due to shortage of working capital.





## 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 evaluates and hedges financial risks. The Board also 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 and 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 2013.

##### (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 has no interest-bearing assets except for bank balances in saving accounts. The Company's interest rate risk arises from long term financing and bank balances in saving accounts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

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



**2013      2012**  
**(RUPEES IN THOUSAND)**

**Fixed rate instruments:**

**Financial assets**

Bank balances - saving accounts	55	209
---------------------------------	----	-----

**Financial liabilities**

Long term financing	166,024	133,505
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**Floating rate instruments:**

**Financial liabilities**

Long term financing	-	17,588
Liabilities against assets subject to finance lease	-	16,657
Short term borrowings	-	69,266

**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 2013.

**(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:

**2013      2012**  
**(RUPEES IN THOUSAND)**

Deposits	1,929	5,431
Bank balances	135	340
	2,064	5,771



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			2013	2012
	Short Term	Long term	Agency	(Rupees in thousand)	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	9	9
Allied Bank Limited	A1+	AA+	PACRA	17	30
Faysal Bank Limited	A1+	AA	PACRA	1	3
Habib Bank Limited	A-1+	AAA	JCR-VIS	16	40
Bank Al-Habib Limited	A1+	AA+	PACRA	1	2
Soneri Bank Limited	A1+	AA-	PACRA	1	1
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	16	163
Citibank N.A.	P-2	A3	Moody's	-	2
Dubai Islamic Bank Pakistan Limited	A-1	A	JCR-VIS	6	6
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	-	1
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	36	32
The Bank of Punjab	A1+	AA-	PACRA	4	51
Meezan Bank Limited	A-1+	AA	JCR-VIS	28	-
				<b>135</b>	<b>340</b>

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 2013, the Company had not any unavailed borrowing limits from financial institutions and Rupees 0.354 million (2012: Rupees 0.625 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 2013:

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	219,165	326,566	18,967	18,967	37,935	250,697
Long term loans	266,341	266,341	-	-	266,341	-
Trade and other payables	12,779	12,779	12,779	-	-	-
Accrued mark-up	8,989	8,989	8,989	-	-	-
Short term borrowings	16,026	16,026	-	16,026	-	-
	<b>523,300</b>	<b>630,701</b>	<b>40,735</b>	<b>34,993</b>	<b>304,276</b>	<b>250,697</b>

Contractual maturities of financial liabilities as at 30 June 2012:

**Non-derivative financial liabilities:**

Long term financing	206,303	247,694	247,694	-	-	-
Long term loans	136,547	136,547	136,547	-	-	-
Liabilities against assets subject to finance lease	16,657	16,657	16,657	-	-	-
Trade and other payables	18,277	18,277	18,277	-	-	-
Accrued mark-up	16,820	16,820	16,820	-	-	-
Short term borrowings	69,266	69,266	69,266	-	-	-
	<b>463,870</b>	<b>505,261</b>	<b>505,261</b>	<b>-</b>	<b>-</b>	<b>-</b>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in Note 4 to these financial statements.



## 25.2 Fair values of financial assets and liabilities

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

## 25.3 Financial instruments by categories

	2013 (RUPEES IN THOUSAND)	2012
<b>As at 30 June</b>		
<b>Assets as per balance sheet</b>		
Deposits	1,929	5,431
Cash and bank balances	354	625
	<u>2,283</u>	<u>6,056</u>
	<b>Financial liabilities at amortized cost</b>	
<b>Liabilities as per balance sheet</b>		
Long term financing	219,165	206,303
Long term loans	266,341	136,547
Liabilities against assets subject to finance lease	-	16,657
Accrued mark-up	8,989	16,820
Short term borrowings	16,026	69,266
Trade and other payables	12,779	18,277
	<u>523,300</u>	<u>463,870</u>

## 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. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 06 June 2014 by the Board of Directors of the Company.

**27. CORRESPONDING FIGURES**

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

**28. GENERAL**

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

**CHIEF EXECUTIVE OFFICER****DIRECTOR**



**FORM 34**

**PATTERN OF SHAREHOLDING**

1. Incorporation Number **0014146**
2. Name of the Company **Khurshid Spinning Mills Limited**
3. Pattern of holding of the shares held by the shareholders as at **30-06-2013**

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
468	1	100	46,800
1104	101	500	432,700
240	501	1000	219,200
189	1001	5000	491,600
41	5001	10000	289,100
17	10001	15000	230,200
11	15001	20000	195,700
2	20001	25000	45,000
2	25001	30000	59,900
4	30001	35000	131,900
3	35001	40000	112,900
1	40001	45000	41,800
1	45001	50000	50,000
1	50001	55000	50,500
3	60001	65000	186,700
2	75001	80000	156,900
1	80001	85000	82,900
2	85001	90000	173,900
3	95001	100000	293,600
1	100001	105000	101,900
1	120001	125000	121,900
1	185001	190000	190,000
1	195001	200000	197,000
1	205001	210000	209,000
1	220001	225000	220,500
1	250001	255000	251,300
1	915001	920000	916,700
1	1195001	1200000	1,196,300
1	1930001	1935000	1,932,000
1	2210001	2215000	2,211,500
1	2335001	2340000	2,335,400
2107			<b>13,174,800</b>



<b>5. Categories of shareholders</b>	<b>Share held</b>	<b>Percentage</b>
5.1 Directors, Chief Executive Officers, and their spouse and minor children	4,721,900	35.8404%
5.2 Associated Companies, undertakings and related parties.	-	0.0000%
5.3 NIT and ICP	1,247,200	9.4666%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	2,082,100	15.8037%
5.5 Insurance Companies	109,500	0.8311%
5.6 Modarabas and Mutual Funds	60,400	0.4585%
5.7 Share holders holding 10%	6,478,900	49.1765%
5.8 General Public		
a. Local	4,744,600	36.0127%
b. Foreign	-	0.0000%
5.9 Others (to be specified)		
Joint Stock Companies	209,100	1.5871%

6. Signature of  
Company Secretary

7. Name of Signatory

Muhammad Saqib Ehsan

8. Designation

Company Secretary

9. NIC Number

33100-8192659-7

10 Date

05	10	2013
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**NAMEWISE CATEGORIES OF SHAREHOLDERS  
AS ON 30 JUNE 2013**

S. No.	NAME	HOLDING	% AGE
<b><u>DIRECTORS, CEO THEIR SPOUSES &amp; MINOR CHILDREN</u></b>			
1	KHAWAJA AMER KHURSHID	2,335,400	17.7263%
2	KHAWAJA ASEM KHURSHID	2,211,500	16.7858%
3	MR. MUHAMMAD FAHEEM	97,500	0.7400%
4	MR. MUHAMMAD IQBAL	24,400	0.1852%
5	MR. ZEE SHAN SAEED	20,600	0.1564%
6	MR. FASEEH UZAMAN	13,500	0.1025%
7	MR. MUHAMMAD SHAHBAZ ALI	13,500	0.1025%
8	MRS. SHARMEEN ASIM W/O ASEM KHURSHID	5,500	0.0417%
		<u>4,721,900</u>	<u>35.8404%</u>
<b><u>ASSOCIATED COMPANIES</u></b>			
		<u>0</u>	<u>0.0000%</u>
<b><u>NIT &amp; ICP</u></b>			
1	NATIONAL BANK OF PAKISTAN	79,200	0.6011%
2	NATIONAL BANK OF PAKISTAN	916,700	6.9580%
3	INVESTMENT CORPORATION OF PAKISTAN	251,300	1.9074%
		<u>1,247,200</u>	<u>9.4666%</u>
<b><u>FINANCIAL INSTITUTION</u></b>			
1	BANKERS EQUITY LIMITED	1,932,000	14.6644%
2	THE BANK OF PUNJAB	7,400	0.0562%
3	UNION BANK LIMITED	1,200	0.0091%
4	UNITED BANK LIMITED	41,800	0.3173%
5	HABIB BANK LIMITED	60,600	0.4600%
6	ASIAN DEVELOPMENT EQUITY LIMITED	39,100	0.2968%
		<u>2,082,100</u>	<u>15.8037%</u>
<b><u>INSURANCE COMPANIES</u></b>			
1	STATE LIFE INSURANCE COMPANY LIMITED	101,900	0.7734%
2	PAKISTAN REINSURANCE COMPANY LIMITED	7,600	0.0577%
		<u>109,500</u>	<u>0.8311%</u>
<b><u>MODARABA AND MUTUAL FUND</u></b>			
1	FIRST PREMIER MODARABA	1,200	0.0091%
2	TRUST MODARABA	14,300	0.1085%
3	SECOND PRUDENTIAL MODARABA	7,500	0.0569%
4	THIRD PRUDENTIAL MODARABA	29,900	0.2269%
5	MODARABA AL-MALI	7,500	0.0569%
		<u>60,400</u>	<u>0.4585%</u>
<b><u>JOINT STOCK COMPANIES</u></b>			
1	PYRAMID INVESTMENT (PVT) LTD.	4,600	0.0349%
2	ALI HUSAIN RAJABALI LIMITED	7,500	0.0569%
3	ASEM AGENCIES (PVT) LTD.	197,000	1.4953%
		<u>209,100</u>	<u>1.5871%</u>





**SHARES HELD BY THE GENERAL PUBLIC**

	4,744,600	36.0127%
<b>TOTAL:</b>	<b>13,174,800</b>	<b>100.0000%</b>

**SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL**

S. No.	NAME	HOLDING	%AGE
1	KHAWAJA AMER KHURSHID	2,335,400	17.7263%
2	KHAWAJA ASEM KHURSHID	2,211,500	16.7858%
3	BANKERS EQUITY LTD	1,932,000	14.6644%
		<u>6,478,900</u>	<u>49.1765%</u>

**SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL**

S. No.	NAME	HOLDING	%AGE
1	KHAWAJA AMER KHURSHID	2,335,400	17.7263%
2	KHAWAJA ASEM KHURSHID	2,211,500	16.7858%
3	BANKERS EQUITY LTD	1,932,000	14.6644%
4	KHAWAJA KHURSHID ANWAR	1,196,300	9.0802%
5	NATIONAL BANK OF PAKISTAN	995,900	7.5591%
		<u>8,671,100</u>	<u>65.8158%</u>

During the financial year no trading in the shares of the company was carried out by its Directors, CEO, CFO, Company Secretary and their spouses and minor children except for the below mentioned shares purchased by the new Directors:

S. No.	NAME	Holding
1	MR. MUHAMMAD IQBAL	24,400
2	MR. ZEE SHAN SAEED	20,600
3	MR. FASEEH UZAMAN	13,500
4	MR. MUHAMMAD SHAHBAZ ALI	13,500



## KHURSHID SPINNING MILLS LIMITED PROXY FORM

I/We.....  
of.....  
In the district of.....being a member/members of  
**Khurshid Spinning Mills Limited** holding.....Ordinary Shares  
of Rs. 10/-each hereby appoint Mr./Ms.....  
of.....a member of  
or falling him/her Mr./Ms. ....  
of.....who is also a member of the Company,  
vide Registered Folio No. .... as my/our proxy  
to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of  
the Company to be held on Saturday, 28 June 2014 at 09:00 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.....2014

1. Witness.....

2. Witness.....

Date.....

Place.....

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

Signature should  
Agree with the  
Signature registered  
With the Company

### IMPORTANT

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





## **Khurshid Spinning Mills Limited**

133-134, Regency the Mall, Faisalabad

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