Contents

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Sohail Maqsood	(Chairman)
Mr. Tanveer Ahmed	(Chief Executive)
Mr. Muhammad Yousaf	
Mr. Umer Hayat Gill	
Mr. Riaz Ahmed	
Mr. Muhammad Shafiq	
Mr. Iftikhar Ali	

AUDIT COMMITTEE

Mr. Muhammad Shafiq	(Chairman)
Mr. Umer Hayat Gill	
Mr. Sohail Maqsood	

HR & REMUNERATION COMMITTEE

Mr. Iftikhar Ali	(Chairman)
Mr. Tanveer Ahmed	
Mr. Sohail Maqsood	

CHIEF FINANCIAL OFFICER

Mr. Muhammad Shahid

COMPANY SECRETARY

Mr. Javaid Iqbal

AUDITORS

M/s. Hameed Chaudhri & Company
Chartered Accountants,
Karachi.

LEGAL ADVISOR

M/s. Akhter Javed-Advocate

TAX CONSULTANT

M/s. Sharif & Company - Advocate

SHARE REGISTRAR OFFICE

M/s. Hameed Majeed Associates (Pvt) Ltd.
Karachi Chamber,
Hasrat Mohani Road, Karachi.
Ph : 32424826, 32412754
Fax: 32424835

REGISTERED OFFICE

2nd Floor, Finlay House,
I.I. Chundrigar Road, Karachi.

REGIONAL OFFICE

2nd Floor, Garden Heights,
8 Aibak Block, New Garden Town, Lahore.

MILLS

Unit I Tibba Sultanpur Distt. Vihari.
Unit II Jumber Khurd Tehsil Chunnain Distt. Kasur.
Unit III Warburton Distt. Nankana Sahib.

Corporate Vision / Mission Statement

Vision

We aim at transforming GSML into a complete Textile unit to further explore international market of very high value products. Our emphasis would be on product and market diversifications, value addition and cost effectiveness. We intend to fully equip the Company to acquire pioneering role in the economic development of the Country.

Mission

The Company should secure and provide a rewarding return on investment to its shareholders and investors, quality products to its customers, a secured and environment friendly place of work to its employees and present itself as a reliable partner to all business associates.

Notice of Annual General Meeting

Notice is hereby given that Annual General Meeting of Gulshan Spinning Mills Limited (the "Company") will be held at Trading Hall, Karachi Cotton Association Building, I.I.Chundrigar Road, Karachi on Thursday, May 16, 2013 at 12:00 noon, to transact the following business:

1. To confirm the minutes of the last Annual General Meeting of the Company.
2. To receive, consider and adopt the audited financial statements of the Company for the financial year ended on June 30, 2012 together with Directors' and Auditors' Reports thereon.
3. To appoint Auditors of the Company for the next financial year 2012-13 and fix their remuneration. The retiring Auditors M/s Hameed Chaudhri & Co. Chartered Accountants, being eligible, have offered themselves for reappointment as Auditors of the Company.
4. To elect Seven (7) Directors as fixed by the Board of Directors in accordance with the provisions of section 178 of the Companies Ordinance, 1984 for the next term of three years. The retiring directors are:

1.	Mr. Tanveer Ahmed	2.	Mr. Riaz Ahmed
3.	Mr. Muhammad Shafiq	4.	Mr. Umer Hayat Gill
5.	Mr. Sohail Maqsood	6.	Mr. Iftikhar Ali
7.	Mr. Muhammad Yousaf		

All retiring Directors are eligible for re-election.

5. To transact any other business with the permission of the Chairman.

By Order of the Board

Lahore:
Dated: April 24, 2013

Company Secretary

NOTES:

1. The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from **9th May, 2013 to 16th May, 2013 (both days inclusive).**

2. Any person who seeks to contest the election of Directors shall file at the Registered Office of the Company, not later than 14 days before the day of meeting, notice of his /her intention to offer himself/herself for election of Directors in terms of Section 178 (3) of the Companies Ordinance, 1984.

3. A member entitled to attend and vote at the general meeting may appoint any other member as proxy in writing to attend the meeting and vote on his/her behalf.

4. Duly completed form(s) of proxy must be deposited with the Company at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.

5. CDC Account holders will further have to follow the under-mentioned guidelines as laid down in circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

For Attending the Meetings

In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per regulations, shall authenticate his/her original valid Computerized National Identity Card (CNIC) or original passport at the time of attending meeting.

In case of Corporate Entity, Board of Director's Resolution/Power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

For Appointment of Proxies:

i. In case of individuals, the account holder or sub-account holders whose registration details are uploaded as per regulations, shall submit the Proxy Form as per above requirement.

ii. Attested copy of CNIC or the passport of beneficial owners and proxy shall be furnished with the Proxy Form.

iii. The Proxy shall produce his CNIC or the passport at the time of meeting.

iv. In case of corporate entity, the Board of Director's Resolution/Power of attorney with specimen signature shall be submitted (unless provided earlier) along with Proxy Form.

v. The Proxy Form shall be witnessed by two persons whose name, CNIC No. and address shall be mentioned on Proxy Form.

6. Members are requested to notify immediately changes of their addresses (if any) to our Shares Registrar M/s Hameed Majeed Associates (Pvt) Limited, Karachi Chamber, Hasrat Mohani Road, Karachi.

Directors' Report to the Sharesholders

The Directors of your Company are pleased to place their report together with the Auditor's Report and audited Financial Statements of the Company for the year ended June 30, 2012 at the Annual General Meeting of company.

Overview

The year under review has been proved toughest period since inception of the Company. During the year under review highest levels of volatility in cotton and yarn prices were observed. Abnormal Gas and electricity load shedding further exacerbated the situation coupled with rising trends of energy costs; depreciating rupee against major currencies increased the cost of inputs day by day making it very difficult for local industries to remain competitive in international markets. The interest rate in Pakistan was highest in the region during the period under review and is badly hurting the profitability and competitiveness of our businesses.

The cotton prices remained volatile in this period with substantial fluctuations on month to month basis. Our credit lines where approved by financial instructions at the time when cotton price was around Rs. 3,000/- per maund. Due to volatility in cotton prices, the cotton price touched to Rs.13,000/- per maund, during the year under review, as a result of which the working capital requirement was increased. The company approached the financial institutions to approved the additional funding for the cotton purchase but instead of approving the additional funding, some of them abruptly curtailed the existing lines which created a disaster for the company as the production declined due to non procurement of cotton in time and we could not purchase cotton at cheaper rates. These adverse eventualities had a compounding effect on the company as the availability of working capital lines at the right time were not at our disposal. Due to the company's inability to purchase raw materials adequately it was unable to maximize production capacity which subsequently declined 62.70% of installed capacity. This hindered the Company's plan to achieve the desired production targets which badly affected our sales turnover as well as export orders.

In view of unilateral decision regarding blockage of working capital lines by the Financial institutions, adjustment of financial obligations from sale proceeds, delays in release of security, charging of high mark-up etc. forced the Company to file a suit before Honorable Lahore High Court jointly against financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for redemption / release of security, rendition of accounts, and recovery of damages, permanent injunction and ancillary reliefs. Since the matter is prejudice in the Honorable Lahore High Court, the company has not acknowledged its liability until the amount of principal and mark up is reconciled with the financial institutions in accordance with the above mentioned suit.

The debt amortization profile, higher interest cost and associated liquidity problems have forced the company to consider the restructuring of its debt obligations subject to reconciliation of financial obligations to ensure continued timely discharge of its commitments to its lenders. The company has initiated the debt restructuring process with the help of the key lending financial institutions. Once achieved, it would improve the company's financial health and liquidity of the Company.

Increasing global options available to long standing customers and competitive strategies adopted by other textile manufacturing countries in the region created further pressure on margins at a time when local cost of operations has continued to go up due to across the board increased utility cost and inflationary pressures. Inflationary pressures burdened our cost of production despite Company's efforts to implement cost cutting measures. Persistent and unprecedented energy crisis in the Country compelled the Company to generate required energy through higher cost substitutes. Increasing competition from local textile manufacturers also restricted our margins.

The company enjoyed very good reputation in the international as well as local market since its inception which is evident from its export turnover which was around 60% during the last three years.

We have been conscious of the issues that are affecting our profitability and are committed to plans to turn Company into profit by implementing the restructuring process for better financial position, strengthening our operations through proficient acumen, improving manufacturing processes and offering better service to our customers.

Operating & Financial Performance

Operating indicators	2012 Rupees	2011 Rupees
Sales	3,191,016,654	5,100,805,673
Gross (loss) / Profit	(1,445,806,268)	904,810,286
Financial cost	434,203,221	470,141,557
Pre tax (loss) / Profit	(2,560,205,624)	250,978,761
Provision for taxation	14,724,727	71,706,338
(Loss) / Profit after taxation	(2,574,930,351)	179,272,423

Future Prospects

Due to economic recession around the globe businesses conditions have been adversely affected in preceding three years. Though there have been some recovery of economies from the recession however, its effect is still far from over. In addition to global economic recession, serious internal issues also affected Pakistan's textile industry very significantly. The high cost of production resulting from higher cotton prices, rising energy costs, increasing prices of imported inputs due to depreciation of Pakistani rupee, double digit inflation, highest financial cost in the region and prolonged power cuts are posing serious threats to textile sector. On these fronts the situation is expected to remain volatile in the future.

Directors' Report to the Sharesholders

Going forward, the Company is focusing on strategy to consolidate its customer base, rationalize production volume and achieve pricing targets to increase profitability. Bottle neck in achieving these miles stones was non-availability of working capital lines. This impediment is expected to be over in near future as the restructuring process is expected to be completed soon and this would result in better financing opportunities vis-a-vis reduction in finance cost for the Company. Once the ongoing reconciliation & restructuring process is completed, we would be in better position to embark upon timely better priced procurement of the required raw materials, interest costs, energy prices and rising inflation.

To increase profitability and improve performance, wide ranging and significant measures are being implemented by the Company focusing on cost reduction and increase in margins.

Considering focus of stakeholders and support of management, challenges would be overcome and success would be achieved through consistent team effort. It is expected that the Company will emerge on stronger footings.

Auditors' observations

Due to pending litigation in the High Court against all banks/financial institutions for reconciliation of amounts and recovery of damages the company has not provided accrued markup in these accounts. Consequently banks/financial institutions have not confirmed the amounts which are already disputed by the company.

Regarding the auditor's observation for liquidity issues and its repercussions, the company is very hopeful that with reconciliation of amounts, release of security as per pending litigation with the Lahore High Court and in post re-profiling scenario, the financial health of the company will be improved which will enable the company to purchased cost effective timely raw material, manage the resources properly, combat the pressures of local and global market and tackle with energy crises.

Corporate Governance

Your Company has been complying with the rules & regulations of Securities and Exchange Commission of Pakistan and has implemented better internal control policies with more rigorous checks and balances.

Board meetings and attendance

Five (5) meetings of the Board of Directors were held during the period under review. Attendance by each director is as follows:

Name of Director	No of meeting attended
Mr. Tanveer Ahmed	5
Mr. Riaz Ahmed	5
Mr. Sohail Maqsood	4
Mr. Umer Hayat Gill	3
Mr. Aziz Hussain (NIT Nominee) (Resigned on 19-04-2013)	3
Mr. Iftikhar Ali (Appointed on 02-04-2012)	2
Mr. Muhammad Shafiq (Appointed on 26-12-2011)	2
Mr. Abdul Shakoor (Resigned on 26-12-2011)	2
Mr. Naseer Ahmed (Resigned on 02-04-2012)	3

Leaves of absence were granted to the members who could not attend the meetings.

Audit Committee

The Board of Directors of the Company in compliance with the Code of Corporate Governance has established an Audit Committee. The names of its members are given in the Company information.

Internal Audit Function

The Board has implemented a sound and effective internal control system including operational, financial and compliance controls to carry on the business of the Company in a controlled environment in an efficient manner to address the Company's basic objectives.

Internal audit findings are reviewed by the Audit Committee, where necessary, action taken on the basis of recommendations contained in the internal audit reports.

Corporate Governance & Financial Reporting Framework

As required by the code of corporate governance, directors are pleased to report that:

- The financial statements prepared by the management of the Company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound and has been effectively implemented and monitored.
- The Board is satisfied that Company is doing well and there is no concern as regard to going concern under the Code and as duly explained in note 1.3 of Financial Statements.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.

Directors' Report to the Sharesholders

- Key operating and financial data for the last six years is annexed.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2012 except for those disclosed in the financial statements.
- No material changes and commitments affecting the financial position of your Company have occurred between the end of the financial year to which this Balance Sheet relates and the date of the Directors' Report except for those disclosed in the Financial Statements.

Earning / (Loss) Per Share

The earning per share of the company for the period ended June 30, 2012 was Rs. (115.86) as compared to the previous year of Rs. 8.07

Dividends

Due to circumstances discussed above, the Board of Directors does not recommend dividend for the year ended on June 30, 2012.

Human Resource

The Company believes that highly skilled and motivated workforce is essential for success. It gives priority to Human Resource Development. An effective corporate strategy ensuring continuous investment, in order to maintain and build valuable resources, is being implemented. The Company continues to provide challenging opportunities for growth of over 1,500 employees. The Company has created a culture that promotes teamwork, collaboration, openness and transparency of all processes and builds trust by being just and transparent in granting rewards and recognition. Complying with our Human Resource Polices, the Company does not employ any child labour and is an equal opportunity employer. Moreover Company gives the opportunity to special persons to contribute to the economy with self respect, dignity and honour.

Safety, Health and Environment

Your Company complies with the standards and follows the safety rules and regulations. Company provides and maintains, so far as practicable equipment, systems and working conditions which are safe and without risk to the health and safety of our employees. The Board is pleased to inform that various sessions on safety awareness are held and by the grace of Almighty no major accident was reported during the year under review.

Management has maintained its strong commitment to a safe environment in all its operations throughout the year. Your Company actively strives to mitigate all adverse environmental impact arising out of our operations and strictly adheres to legal regulations.

As a commitment to comply with international standards, the Company opted to adopt Social Accountability Standard SA-8000 and is now a certificated Company.

Energy Conservation

Energy conservation is one of our key focus areas of the Management. Your Company however is trying its level best for benchmarking energy consumption levels with accepatable industrial standards and consistently works towards improving efficiencies further. In this regard Energy Management System has been established at all units of the Company. Theoretical and practical training has been imparted to a team by PISD, GTZ, SMEDA and APTMA. These Organizations have also carried out the Energy Audit of different Spinning units and their recommendations have effectively been implemented. Above Organizations are regularly visiting the spinning units for follow up on energy conservation activities.

Corporate Social Responsibility

Investing in the communities where we operate is part of the Company's culture. Even in financial crunch the company continues to focus its Corporate Social Responsibility initiatives to address the most pressing needs in the communities. During 2011-12, the Company contributed Rs. 712,110 towards the above initiatives.

Information Technology

The Information Technology provides requisite leverage to the Company to boost its performance. We are fully focused to develop this key resource of the Company in line with the increasing requirements of the business. Our IT department spent significant time on introducing new IT systems in various processes as well as upgrading integration of running applications at various locations. Head Office, Registered Office and Mills sites are now connected through radio link over a High Speed Wide Area Network which has a high level of security through firewalls and state of the art technology. The centralized database is being managed at head office for easy access to MIS reports and information. E portal services are being introduced. Moreover different locations of the Company are now equipped with Video Conferencing facility and meetings of the Company are conducted more economically and efficiently.

To enhance efficiencies and as a part of business process re-engineering for continuous improvements, the Company is initiating implementation of Enterprise Resource Planning (ERP) system for its financial, supply chain, manufacturing, production and human resource management system. In order to support this ERP, state of the art servers are being selected.

Related Party Transactions

The transactions between the related parties were made at Arm's Length prices determined in accordance with the "comparable uncontrolled price method". The company has fully complied with the best practices on transfer pricing as contained in the listing regulations of stock exchanges in Pakistan.

Trading in Company's Shares

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

Opening Balance as on 01-07-2011	Purchases	Sale	Closing Balance as on 30-06-2012
		NIL	

Directors' Report to the Sharesholders

Statement on Value of Staff Retirement Benefit

As on June 30, 2012 deferred liability for gratuity is Rs. 30.64 Million.

Auditors

Messrs Hameed Chaudhri & Company, Chartered Accountants being eligible have offered themselves for re-appointment. The Audit Committee has also recommended their appointment as External Auditors of the Company for the next financial year 2012-2013.

Pattern of Shareholding

The pattern of shareholding as at June 30, 2012 including the information under the code of corporate governance is annexed.

Acknowledgement

Finally, the Board avail this opportunity to thank our valued customers and financial institutions whose faith and support over the years has fostered a mutually beneficial relationship which played a pivotal role in improving our products, services and contributions to the economy.

The Board also wishes to place on record its appreciation for the employees members of management team for their efforts, commitment and hard work and to the shareholders for the trust and confidence reposed in it.

On behalf of the board

TANVEER AHMED
Chief Executive

Lahore:
Dated: April 22, 2013

Review Report to the members
on statement of compliance with best practices of the 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 **Gulshan Spinning Mills Limited** to comply with the Listing Regulations of Karachi and Lahore 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's 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.

Based on our review, 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 June 30, 2012.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement partner: Abdul Hameed Chaudhri

KARACHI;

Statement of Compliance
with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange Limited 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 Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board of Directors includes Five (5) non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors are registered as taxpayers and none of them has defaulted in their personal capacity in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies occurring in the Board during the period under review.
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 business operations of the Company are carried out in accordance with the Company's Vision/Mission Statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the chief executive officer and executive and non-executive directors have been taken by the Board/shareholders.
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 atleast once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors on the Board are well conversant with their responsibilities as directors of corporate bodies as the company had arranged briefings for its directors to apprise them of their duties and responsibilities. Two (2) Directors of the Company are exempt from directors training programme due to 14 years of education and approximately over 14 years of experience on the board of a listed 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 CEO and CFO before approval of 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 three members, of whom two are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. After implementation of revised Code of Corporate Governance, 2012, the board has formed an HR and Remuneration Committee. It comprises of following three board members:

Name	Type of Directorship	Position
a) Mr. Iftikhar Ali	Non-Executive	Chairman
b) Mr. Tanveer Ahmed	Executive	Member
c) Mr. Sohail Maqsood	Non-Executive	Member

18. The board has set up an effective internal audit function who are considered suitably qualified and experience for the purpose and are conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied.

Lahore:
Dated: April 22, 2013

TANVEER AHMED
Chief Executive

Auditors' Report to the Members

We have audited the annexed balance sheet of GULSHAN SPINNING MILLS LIMITED (the Company) as at June 30, 2012 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, except for the matter stated in paragraph (b) below, 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) Mark-up / interest on the short term and long term borrowings aggregating Rs.141.021 million has not been accrued in these financial statements thereby reducing loss for the year, share holders' equity and current liabilities by the said amount as fully detailed in notes 24.1 and 27.1.1.

(b) Year-end confirmation certificates from all banks and financial institutions in respect of lease deposits (note 7), margins against letters of credit / guarantee (note 12), bank balances (note 14), long term finances (note 20), liabilities against assets subject to finance lease (note 21), payables against over due letters of credit (note 23.2), accrued mark-up / interest (note 24) and short term borrowings (note 25) have not been received due to pending litigations with these banks and financial institutions.

(c) Value of investments in Gujranwala Energy Limited (GEL) under equity method has been determined based on the un-audited financial statements of GEL. (note 6.2).

(d) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(e) 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;

(f) in our opinion and to the best of our information and according to the explanations given to us, except for the matters detailed in aforementioned paragraphs (a), (b) and (c) and the extent to which these may affect the annexed financial statements, 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 conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and, respectively give a true and fair view of the state of the Company's affairs as at June 30, 2012 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

(g) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

Without further qualifying our opinion we draw attention to note 1.3 to the financial statements, which indicates that the Company incurred net loss of Rs.2,574.930 million during the year ended June 30, 2012 and, as of that date, the Company's current liabilities exceeded its current assets by Rs.2,144.113 million. These conditions, along with other matters as set-forth in note 1.3, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements, however, have been prepared on the going concern basis on the assumptions as detailed in aforesaid note. Attention is also drawn to note 27.1.1 to the financial statements, which describes the uncertainty related to the outcome of the law suits filed by and against the Company. Since the matters are pending for adjudication before various courts, the ultimate outcome of these matters cannot presently be determined.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement partner: Abdul Hameed Chaudhri

KARACHI;

BALANCE SHEET AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	5	**3,895,756,389**	1,340,933,945
Long term investments	6	**102,027,608**	261,743,042
Long term deposits	7	**8,650,608**	10,496,976
		4,006,434,605	1,613,173,963
Current Assets			
Stores, spares and loose tools	8	**44,358,051**	138,311,710
Stock-in-trade	9	**838,903,499**	2,327,839,708
Trade debtors	10	**527,477,129**	594,738,683
Loans and advances	11	**68,062,431**	78,016,615
Deposits and prepayments	12	**7,382,386**	4,687,938
Accrued mark-up / interest		**1,081,782**	759,150
Other receivables	13	**23,242,734**	24,216,252
Cash and bank balances	14	**22,551,549**	67,150,496
		1,533,059,561	3,235,720,552
Total Assets		**5,539,494,166**	4,848,894,515
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital	15	**222,250,380**	222,250,380
Reserves	16	**272,000,000**	272,000,000
(Accumulated loss) / unappropriated profit		**(2,085,160,651)**	515,232,911
		(1,590,910,271)	1,009,483,291
Surplus on Revaluation of Operating Fixed Assets	17	**2,494,635,540**	251,172,431
Sub-ordinate Loan	18	**250,000,000**	250,000,000
Non Current Liabilities			
Loan from the Chief Executive	19	**75,000,000**	75,000,000
Long term finances	20	**-**	1,601,476
Liabilities against assets subject to finance lease	21	**-**	19,089,398
Deferred liabilities	22	**633,596,425**	113,152,369
		708,596,425	208,843,242
Current Liabilities			
Trade and other payables	23	**676,030,303**	187,092,640
Accrued mark-up / interest	24	**28,903,387**	111,201,946
Short term borrowings	25	**2,804,002,387**	2,765,743,371
Current portion of non-current liabilities	26	**150,941,854**	39,687,251
Taxation - net		**17,294,541**	25,670,343
		3,677,172,472	3,129,395,551
Contingencies and Commitments	27		
Total equity and liabilities		**5,539,494,166**	4,848,894,515

The annexed notes 1 to 44 form an integral part of these financial statements.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

PROFIT AND LOSS ACCOUNT
for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
Sales	28	**3,191,016,654**	5,100,805,673
Cost of Sales	29	**4,636,822,922**	4,195,995,387
Gross (loss) / profit		**(1,445,806,268)**	904,810,286
Distribution cost	30	**111,963,027**	130,385,320
Administrative expenses	31	**63,454,189**	53,631,353
Other operating expenses	32	**247,397,196**	14,660,795
Other operating income	33	**(2,727,537)**	(9,530,797)
		420,086,875	189,146,671
(Loss) / profit from Operations		**(1,865,893,143)**	715,663,615
Finance cost	34	**434,203,221**	470,141,557
		(2,300,096,364)	245,522,058
Share of (loss) / profit of an Associated Company		**(256,863,536)**	8,200,993
Share of loss from Joint Venture		**(3,245,724)**	(2,744,291)
		(260,109,260)	5,456,702
(Loss) / profit before taxation		**(2,560,205,624)**	250,978,761
Taxation	35	**14,724,727**	71,706,338
(Loss) / profit after taxation		**(2,574,930,351)**	179,272,423
(Loss) / earnings per share	36	**(115.86)**	8.07

The annexed notes 1 to 44 form an integral part of these financial statements.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

STATEMENT OF COMPREHENSIVE INCOME
for the year ended June 30, 2012

	2012 Rupees	2011 Rupees
(Loss) / profit after taxation	**(2,574,930,351)**	179,272,423
Other comprehensive income	**-**	-
Total comprehensive (loss) / income for the year	**(2,574,930,351)**	179,272,423

The annexed notes 1 to 44 form an integral part of these financial statements.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

CASH FLOW STATEMENT
for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	**393,589,285**	424,337,504
Interest received		**2,404,905**	1,604,083
Dividend received		**600,946**	600,946
Finance cost paid		**(515,915,932)**	(453,425,581)
Income tax paid		**(24,308,356)**	(17,155,187)
Workers' profit participation fund paid		**(13,594,941)**	(8,599,861)
Gratuity paid		**(13,751,480)**	(12,550,395)
Net cash used in operating activities		**(170,975,573)**	(65,188,491)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(21,863,868)**	(21,940,978)
Proceeds from sale of operating fixed assets		**-**	788,620
Long term deposits - net		**1,846,368**	2,769,842
Sale of long term investments		**39,580,993**	853,000
Purchase of long term investments		**-**	(17,000,000)
Deposited for right shares in Joint Venture		**-**	(1,500,000)
Net cash generated from / (used in) investing activities		**19,563,493**	(36,029,516)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - net		**116,741,896**	(104,372,039)
Loan from the Chief Executive		**-**	75,000,000
Repayment of lease finances		**(26,178,167)**	(34,663,845)
Short term borrowings - net		**38,259,016**	204,602,576
Dividend paid		**(22,009,612)**	(13,903,417)
Net cash generated from financing activities		**106,813,133**	126,663,275
Net (decrease) / increase in cash and cash equivalents		**(44,598,947)**	25,445,268
Cash and cash equivalents - at beginning of the year		**67,150,496**	41,705,228
Cash and cash equivalents - at end of the year		**22,551,549**	67,150,496

The annexed notes 1 to 44 form an integral part of these financial statements.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended June 30, 2012

	Share Capital	Reserves		Unappropriated profit / (Accumulated loss)	Total
		Share Premium	General Reserve		
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 1, 2010	**185,208,650**	**66,000,000**	**206,000,000**	**387,168,611**	**844,377,261**
Total comprehensive income for the year	-	-	-	179,272,423	179,272,423
Transactions with owners					
Cash dividend for the year ended June 30, 2010 at the rate of Re.1 per share - note 41.2	-	-	-	(14,166,393)	(14,166,393)
Bonus shares issued during the year in ratio of 4 shares for every 20 shares held	37,041,730	-	-	(37,041,730)	-
	37,041,730	-	-	(51,208,123)	(14,166,393)
Balance as at June 30, 2011	**222,250,380**	**66,000,000**	**206,000,000**	**515,232,911**	**1,009,483,291**
Total comprehensive loss for the year	-	-	-	(2,574,930,351)	(2,574,930,351)
Transaction with owners					
Cash dividend for the year ended June 30, 2011 at the rate of Rs.1.5 per share - note 41.2	-	-	-	(25,463,211)	(25,463,211)
Balance as at June 30, 2012	**222,250,380**	**66,000,000**	**206,000,000**	**(2,085,160,651)**	**(1,590,910,271)**

The annexed notes 1 to 44 form an integral part of these financial statements.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

1. THE COMPANY AND ITS OPERATIONS

1.1 Gulshan Spinning Mills Limited (the Company) was incorporated as a Public Limited Company in Pakistan under the Companies Ordinance, 1984. Its main business is manufacturing and sales of yarn. The shares of the Company are listed on Karachi and Lahore Stock Exchanges in Pakistan. The address of its registered office is 2nd Floor, Finlay House, I.I. Chundrigar Road, Karachi.

1.2 The Board of Directors of the Company in its meeting held on April 05, 2011 approved the scheme of merger by amalgamation of the Company and Gulistan Spinning Mills Limited with and into Paramount Spinning Mills Limited along with the approval of the share swap ratio in relation thereto. The Company on orders of Honourable Sindh High Court called Extra Ordinary General Meeting on August 1, 2011 in which the above said scheme was approved by the shareholders of the Company. The Company is in the process of obtaining No Objection Certificates from its creditors and lenders.

1.3 Going concern assumption

Due to worldwide recession, non-availability of sufficient working capital lines from financial institutions, country's internal situation which has turned from bad to worst like deteriorating law and order situation, non-availability of electricity and gas to the industry, high fuel and power cost, reduction in the Company's margin due to high production cost, devaluation of rupee against U.S Dollar, the Company could not sustain its operations in normal manners. All of these factors along with blockage and curtailment of working capital lines by the financial institutions have forced the Company to under-utilise its plant capacity which resulted in huge losses. The Company has incurred net loss of Rs.2,574.930 million during the year which resulted in accumulated loss of Rs.2,085.161 million and the equity has been eroded and stands at negative Rs.1,590.910 million. Further, the Company's current liabilities exceeded its current assets by Rs.2,144.113 million. These financial statements, however, have been prepared under the going concern assumptions due to following reasons:

(a) the management along with leading financial institutions are negotiating with banks and financial institutions for reconciliation of amounts, rescheduling of repayment terms and restructuring of the Company's liabilities. Series of meetings have been held in this connection and the matter is being persuaded very aggressively with the banks and financial institutions;

(b) the management is expecting equity injection from the Company's sponsor directors in the foreseeable future and detailed financial plans, regarding equity injection, are being submitted to banks and financial institutions. This will help in overcoming the working capital shortfall and finalisation of the restructuring of finance facilities;

(c) the management have made arrangements whereby third party cotton is being processed against processing fee for utilisation of unutilised capacity; and

(d) the management has also undertaken adequate steps towards the reduction of fixed cost and expenses which are at various stages of implementation. Such steps include, but not limited to, rightsizing of the men power, resource conservation, close monitoring of other fixed cost etc. The management is certain to generate sufficient savings as consequences of adapting all such measures.

The management anticipates that above steps will not only bring the Company out of the existing financial crisis but also contribute significantly towards the profitability of the Company in the foreseeable future. Therefore, these financial statements do not include any adjustment that might result, should the Company not be able to continue as a going concern.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as are notified by the provisions of and directives issued under the Ordinance. Wherever the requirements of the Ordinance or directives issued by the SECP differ from the requirements of the approved accounting standards, the Ordinance and the said directives have been followed.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

2.2 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All financial information presented in Pak Rupee has been rounded-off to the nearest Rupee except stated otherwise.

2.3 Standards, amendments to approved accounting standards and interpretations that are effective in the current year

There are certain new standards, amendments to approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1,2011,but are considered not to be relevant or did not have any significant impact on the Company's financial statements and are, therefore, not detailed in these financial statements.

2.4 Standards, amendments to approved accounting standards and interpretations that are published and considered relevant but not yet effective

Following new standards and amendments to existing standards have been published that are mandatory for accounting periods beginning on the dates mentioned below:

(a) IFRS 9,'Financial Instruments' (effective for the periods beginning on or after January 1,2015).This is the first standard issued as part of a wider project to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets at (a) amortised cost and (b) fair value. The basis of classification depends on entity's business model and the contractual cash flow characteristics of the financial asset. The Company is yet to assess the full impact of IFRS 9, however, initial indications are that it may not significantly affect the Company's financial assets.

(b) IAS 1(Amendments), 'Presentation of Financial Statements' (effective for the periods beginning on or after July 1, 2012).Themain change resulting from these amendments is a requirement for the entities to group items presented in 'other comprehensive income' on the basis of whether they can be potentially reclassified to profit and loss subsequently (reclassification adjustments). Since, the Company currently does not have any items of other comprehensive income, the amendments are not expected to have a significant impact on the Company's financial statements.

(c) IAS 19(Amendments), 'Employee Benefits' (effective for the periods beginning on or after January 1, 2013). The amendments (a) eliminate the 'corridor method' for recognising actuarial gains and losses and make it mandatory for all the actuarial gains and losses to be recognised immediately, (b) streamline the presentation of changes in assets and liabilities arising from defined benefit plans by reclassifying their presentation in other comprehensive income and (c) enhance disclosure requirements for providing better information about the characteristics of the defined benefit plans and the risks that entities are exposed to through participation in these plans. The Company is yet to assess the full impact of these amendments.

2.5 Standards, amendments to approved accounting standards and interpretations that are not yet effective and are not considered relevant

There are other new accounting standards, amendments to approved accounting standards and interpretations that are mandatory for future years. However these are not expected to affect materially the financial statements of the Company for accounting periods on the dates prescribed therein.

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention except that certain operating fixed assets have been included at the revalued amounts, certain financial assets are carried at fair values and staff retirement benefit is stated at present value.

3.2 The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates / judgements and associated assumptions are based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects the both current and future periods. The areas where various

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

assumptions and estimates are significant to the Company's financial statements or where judgements were exercised in application of accounting policies are:

- residual values and useful lives of operating fixed assets (note 4.1);

- net realizable values of stores, spares & loose tools and stock-in-trade (note 4.5);

- provision for impairment of trade debtors (note 4.6);

- staff retirement benefit (note 4.9 & 22.3); and

- provision for current and deferred taxation (note 4.11).

4. 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 the years presented, unless otherwise stated.

4.1 Property, plant and equipment

4.1.1 Owned

Property, plant and equipment except for freehold land, factory & residential buildings, plant & machinery, electric installations, gas power generators and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at revalued amount whereas factory & residential buildings, plant & machinery, electric installations and gas power generators are stated at revalued amounts less accumulated depreciation and impairment loss, if any. Capital work-in-progress is stated at cost less impairment loss, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to expenses as and when incurred.

Depreciation on assets is charged to income applying the reducing balance method at the rates stated in note 5.1after taking into account residual values, if any. Depreciation on additions is charged from the month in which the assets become available for use, while on disposals depreciation is charged up to the month of deletion.

The depreciation method and useful lives of items of operating fixed assets are reviewed at each reporting date and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future years.

Gains or losses on disposal or retirement of operating fixed assets are determined as the difference between the sale proceeds and the carrying amount of assets and are included in the profit and loss account.

Surplus arising on revaluation of operating fixed assets is credited to the surplus on revaluation account. Valuations are performed frequently enough to ensure that the fair values of the revalued assets do not differ materially from its carrying amounts. The surplus on revaluation shall be held on the balance sheet till realization in accordance with the requirements of section 235 of the Companies Ordinance, 1984.

The Company assesses at each reporting date whether there is any indication that operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount resulting impairment charge recognized in income.

4.1.2 Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets. The related obligation of leases is accounted for as liability. Finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

Depreciation is charged to income at the rates stated in note 5.1applying reducing balance method to write-off the carrying amount of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

Finance cost and depreciation on leased assets are charged to income currently.

4.2 Investments

4.2.1 Investments in an Associated Company

Investments in an Associated Company is accounted for by using equity basis of accounting, under which the investments in Associated Company is initially recognised at cost and the carrying amounts are increased or decreased to recognise the Company's share of profit or loss of the Associated Company after the date of acquisition. The Company's share of profit or loss of the Associated Company is recognised in the Company's profit or loss. Distributions received from the Associated Company reduce the carrying amount of investment. Adjustments to the carrying amount are also made for changes in the Company's proportionate interest in the Associated Company arising from changes in the Associated Company's equity that have not been recognised in the Associated Company's profit or loss. The Company's share of those changes is recognised directly in equity of the Company.

Where Company's share of losses of an Associated Company equals or exceeds its interest in the Associate, the Company discontinues recognising its share of further losses except to the extent that Company has incurred legal or constructive obligation or has made payment on behalf of the Associate. If the Associate subsequently reports profits, the Company resumes recognising its share of those profit only after its share of the profit equals the share of losses not recognised.

4.2.2 Held to maturity

Investment with fixed maturity that the management has positive intent and ability to hold to maturity are classified as 'Held to maturity' and are initially measured at cost and at subsequent reporting dates measured at amortized cost using the effective yield method.

4.2.3 Investment in joint venture

Joint venture are those entities over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Joint control entity is accounted for by using the equity method and is recognised initially at cost. The financial statements include the Company's shares of the income and the expenses and equity movements of equity accounted investees, after adjustment to align the accounting policies with those of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

4.3 Long term deposits

These are stated at cost which represents the fair value of the consideration given.

4.4 Stores, spares and loose tools

Stores, spares and loose tools are stated at lower of cost and net realizable value. The cost of inventory is based on weighted average cost less provision for obsolescence. Items in transit are stated at cost comprising invoice value plus other charges thereon accumulated up to the reporting date.

4.5 Stock-in-trade

Stock-in-trade is valued at lower of weighted average cost and net realisable value (NRV) except waste, which is valued at NRV.

Cost of raw materials, packing materials and components represent invoice values plus other charges paid thereon.

Cost in relation to work-in-process and finished goods represents direct cost of raw materials, wages and appropriate manufacturing overheads.

Goods in transit are valued at cost comprising of invoice value plus other charges accumulated up to the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

4.6 Trade debtors and other receivables

Trade debtors are initially recognised at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts. Carrying amounts of trade and other receivables are assessed at each reporting date and a provision is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

4.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and balances with banks.

4.8 Interest / mark-up bearing loans and borrowings

Interest / mark-up bearing loans and borrowings are recorded at the proceeds received. Finance charges are accounted for on accrual basis.

4.9 Staff retirement benefit - Gratuity

The Company operates an unfunded gratuity scheme covering all of its permanent employees who have completed qualification period of one year for entitlement to gratuity. Provision is made on the basis of actuarial valuation. The recent actuarial valuation was carried-out on June 30, 2012 using the "Projected Unit Credit Method".

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses.

Cumulative net unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the present value of the defined benefit obligation are amortized in the profit and loss account over the remaining average service life of the employees over which they are expected to receive benefits.

4.10 Trade and other payables

Trade and other payables are stated at their cost which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the Company.

4.11 Taxation

Income tax expense represents the sum of current tax payable, adjustments, if any, to provision for tax made in previous years arising from assessments framed during the year for such years and deferred tax.

Current

Provision for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax and the remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates, if any.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognised for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

4.12 Provisions, contingent assets and contingent liabilities

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

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognised and only disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

4.13 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for 'financial instruments at fair value through profit or loss' which are initially recognised at fair value.

Financial assets are derecognised when the Company loses control of contractual rights that comprise the financial assets and financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except for available for sale investments) and de-recognition is charged to profit or loss currently.

Financial instruments carried on the balance sheet include long term investments, long term & short term deposits, trade debtors, loans and advances, accrued mark-up / interest, other receivables, bank balances, loan from CEO, long term finances, liabilities against assets subject to finance lease, trade & other payables, accrued mark-up / interest and short term borrowings. The particular recognition and measurement methods adopted are disclosed in the individual policy statements associated with each item and in the accounting policy of investments.

4.14 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or to realize the asset and settle the liability simultaneously.

4.15 Impairment loss

The carrying amounts of the Company's assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

4.16 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the reporting date. All arising exchange gains and losses are recognised in the profit and loss account.

4.17 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- Local sales are recognised on dispatch of goods to customers and export sales are recognised on bill of lading date.

- Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

- Dividend income from investments is recognised when the Company's right to receive dividend has been established.

- Gain or loss on sale of investments are accounted for when the commitment (trade date) for sale is made.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

4.18 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which they are incurred.

4.19 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

4.20 Segment Reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information, as required by the approved accounting standards, is presented in note 42 to these financial statements.

4.21 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

	Note	2012 Rupees	2011 Rupees
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	**5.1**	**3,895,756,389**	1,339,944,440
Capital work-in-progress	**5.5**	**-**	989,505
		3,895,756,389	1,340,933,945

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

5.1 Operating Fixed Assets

	OWNED										LEASED			
	Freehold land	Buildings Factory	Buildings Residential	Plant and machinery	Electric installations	Gas power generator	Mills equipment	Office equipment	Furniture and fixture	Vehicles	Plant and machinery	Electric installations	Vehicles	Total
	(Rupees)													
At July 1, 2010														
Revaluation / cost	242,419,050	228,758,755	137,432,425	1,582,908,979	114,776,347	102,489,515	99,270,017	17,738,444	21,671,790	25,792,674	137,457,161	1,207,138	26,117,743	2,738,040,038
Accumulated depreciation	-	117,370,211	61,810,293	933,903,331	68,264,746	25,526,218	61,508,123	11,350,930	12,430,205	20,475,814	30,488,487	415,136	9,550,121	1,353,093,615
Net book value	242,419,050	111,388,544	75,622,132	649,005,648	46,511,601	76,963,297	37,761,894	6,387,514	9,241,585	5,316,860	106,968,674	792,002	16,567,622	1,384,946,423
Year ended June 30, 2011														
Opening net book value	242,419,050	111,388,544	75,622,132	649,005,648	46,511,601	76,963,297	37,761,894	6,387,514	9,241,585	5,316,860	106,968,674	792,002	16,567,622	1,384,946,423
Additions	-	-	-	8,659,032	6,261,627	2,851,172	2,967,024	418,550	234,845	548,728	-	-	-	21,940,978
Disposals:														
- cost	-	-	-	-	-	-	-	-	-	387,470	-	-	878,947	1,266,417
- depreciation	-	-	-	-	-	-	-	-	-	(364,837)	-	-	(594,734)	(959,571)
	-	-	-	-	-	-	-	-	-	22,633	-	-	284,213	306,846
Transfer from / (to)														
- cost	-	-	-	28,096,586	1,207,138	-	-	-	-	572,000	(28,096,586)	(1,207,138)	(572,000)	-
- depreciation	-	-	-	(6,609,226)	(494,334)	-	-	-	-	(375,716)	6,609,226	494,334	375,716	-
	-	-	-	21,487,360	712,804	-	-	-	-	196,284	(21,487,360)	(712,804)	(196,284)	-
Depreciation charge for the year	-	5,569,428	3,781,107	33,427,169	5,800,180	3,419,853	3,946,533	682,348	937,111	1,818,125	4,567,915	79,198	2,607,148	66,636,115
Closing net book value	**242,419,050**	**105,819,116**	**71,841,025**	**645,724,871**	**47,685,852**	**76,394,616**	**36,782,385**	**6,123,716**	**8,539,319**	**4,221,114**	**80,913,399**	**-**	**13,479,977**	**1,339,944,440**
At June 30, 2011														
Revaluation / cost	242,419,050	228,758,755	137,432,425	1,619,664,597	122,245,112	105,340,687	102,237,041	18,156,994	21,906,635	26,525,932	109,360,575	-	24,666,796	2,758,714,599
Accumulated depreciation	-	122,939,639	65,591,400	973,939,726	74,559,260	28,946,071	65,454,656	12,033,278	13,367,316	22,304,818	28,447,176	-	11,186,819	1,418,770,159
Net book value	**242,419,050**	**105,819,116**	**71,841,025**	**645,724,871**	**47,685,852**	**76,394,616**	**36,782,385**	**6,123,716**	**8,539,319**	**4,221,114**	**80,913,399**	**-**	**13,479,977**	**1,339,944,440**
Year ended June 30, 2012														
Opening net book value	242,419,050	105,819,116	71,841,025	645,724,871	47,685,852	76,394,616	36,782,385	6,123,716	8,539,319	4,221,114	80,913,399	-	13,479,977	1,339,944,440
Additions	-	-	-	8,006,946	7,386,724	4,340,874	1,897,427	136,318	95,579	-	-	-	-	21,863,868
Transfer from / (to) - note 5.3														
- cost	-	-	-	-	-	-	-	-	-	2,628,631	-	-	(2,628,631)	-
- depreciation	-	-	-	-	-	-	-	-	-	(1,867,772)	-	-	1,867,772	-
	-	-	-	-	-	-	-	-	-	760,859	-	-	(760,859)	-
Revaluation adjustments														
- cost / revaluation	81,964,950	488,291,111	-	490,153,804	27,193,868	161,540,801	-	-	-	-	111,812,652	-	-	1,360,957,186
- depreciation	-	128,229,057	57,200,222	906,090,654	79,660,365	32,946,672	-	-	-	-	32,492,846	-	-	1,236,619,816
	81,964,950	616,520,168	57,200,222	1,396,244,458	106,854,233	194,487,473	-	-	-	-	144,305,498	-	-	2,597,577,002
Depreciation charge for the year	-	5,290,956	3,592,051	32,596,955	5,323,115	4,000,601	3,758,433	619,464	861,457	996,395	4,045,670	-	2,543,824	63,628,921
Closing net book value	**324,384,000**	**717,048,328**	**125,449,196**	**2,017,379,320**	**156,603,694**	**271,222,362**	**34,921,379**	**5,640,570**	**7,773,441**	**3,985,578**	**221,173,227**	**-**	**10,175,294**	**3,895,756,389**
At June 30, 2012														
Revaluation / cost	324,384,000	717,049,866	137,432,425	2,117,825,347	156,825,704	271,222,362	104,134,468	18,293,312	22,002,214	29,154,563	221,173,227	-	22,038,165	4,141,535,653
Accumulated depreciation	-	1,538	11,983,229	100,446,027	222,010	-	69,213,089	12,652,742	14,228,773	25,168,985	-	-	11,862,871	245,779,264
Net book value	**324,384,000**	**717,048,328**	**125,449,196**	**2,017,379,320**	**156,603,694**	**271,222,362**	**34,921,379**	**5,640,570**	**7,773,441**	**3,985,578**	**221,173,227**	**-**	**10,175,294**	**3,895,756,389**
Depreciation rate (%)	**-**	**5**	**5**	**5**	**10**	**5**	**10**	**10**	**10**	**20**	**5**	**-**	**20**	
					-	-	-	-	-					

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

		2012 Rupees	2011 Rupees
5.2	**Depreciation for the year has been apportioned as under:**		
	Cost of goods manufactured	**58,607,781**	60,591,381
	Distribution cost	**3,540,218**	4,425,273
	Administrative expenses	**1,480,922**	1,619,461
		63,628,921	66,636,115

5.3 Leased assets include plant & machinery and gas power generators at net book value of Rs.122.232 million and vehicles at net book value of Rs.0.461million which have not been transferred to owned assets due to non-availability of relevant documents. Lease liability in respect of these assets has been fully repaid but due to litigations with financial institutions as detailed in note 27.1.1 they have not issued relevant supporting documents for transfer of the ownership.

5.4 Had the operating fixed assets been recognised under the cost model, the carrying amounts of each revalued class of operating fixed assets for the year ended June 30, 2012 would have been as follows:

	Rupees
Owned	
Freehold land	**14,878,743**
Factory building	**100,528,160**
Residential building	**68,248,974**
Plant and machinery	**621,134,862**
Electric installations	**49,749,461**
Gas power generator	**76,734,889**
Leased	
Plant and machinery	**76,867,729**
	1,008,142,818

		Note	2012 Rupees	2011 Rupees
5.5	**Capital work-in-progress**			
	Advance for land		**989,505**	989,505
	Less: impairment allowance	32.	**(989,505)**	-
			-	989,505
6.	**LONG TERM INVESTMENTS**			
	In an Associate	6.1	**12,373,478**	129,262,195
	In Joint venture	6.2	**60,581,403**	63,827,127
	Others	6.3	**29,072,727**	68,653,720
			102,027,608	261,743,042
6.1	**Investments in an Associate** - under equity method			
	Gulistan Textile Mills Limited (GTML)			
	600,946 (2011: 600,946) fully paid ordinary shares of Rs.10 each Equity held : 3.17% (2011: 3.17%)	6.1.1	**12,373,478**	129,262,195

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

		2012 Rupees	2011 Rupees
6.1.1	**Reconciliation of investments in an Associate under equity method:**		
	Cost	**40,000,000**	40,000,000
	Share of post acquisition reserves:		
	As at July 01,	**65,630,071**	58,030,024
	Share of (loss) / profit for the year	**(256,863,536)**	8,200,993
	Dividend income received during the year	**(600,946)**	(600,946)
	As at June 30,	**(191,834,411)**	65,630,071
	Share of surplus on revaluation of fixed assets	**189,872,584**	23,632,124
		38,038,173	129,262,195
	Less: impairment loss recognised	**25,664,695**	-
		12,373,478	129,262,195

6.1.2 The above figures are based on the unaudited financial statements for the year ended June 30, 2012of the Associated Company.

6.1.3 GTML is an Associated Company based on the cross equity direct and indirect investments exceeding 20%.

6.1.4 Market value of investment in Associate is Rs.12.373 million (2011: Rs.11.178 million).

6.1.5 **Summarized financial information of the Associated Company is as follows:**

	2012 Rupees	2011 Rupees
Assets	**8,958,952,613**	11,274,382,605
Liabilities	**9,939,599,604**	8,289,314,334
(Accumulated loss) / unappropriated profit	**(7,750,993,980)**	1,700,674,551
Net sales	**5,689,048,838**	9,678,222,127
(Loss) / profit before taxation	**(9,558,832,940)**	340,829,602
(Loss) / profit after taxation	**(9,434,722,671)**	259,033,260

		2012 Rupees	2011 Rupees
6.2	**Investments in a Joint venture**		
	- under equity method		
	Gujranwala Energy Limited		
	7,500,000 (2011: 7,500,000) ordinary shares of Rs.10 each - **cost**	**75,000,000**	75,000,000
	Share of post acquisition losses:		
	As at July 01,	**(12,672,873)**	(9,928,582)
	Share of loss for the year	**(3,245,724)**	(2,744,291)
	As at June 30,	**(15,918,597)**	(12,672,873)
	Carrying value of investment as at June 30,	**59,081,403**	62,327,127
	Add: deposited for right shares	**1,500,000**	1,500,000
		60,581,403	63,827,127

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

6.2.1 This represent 50% interest in Gujranwala Energy Limited (GEL) a joint venture between the Company and Energy Infrastructure Holdings Limited for setting up 200 MW power project at Sungo-Wali Tehsil Wazirabad District Gujranwala. Un-audited financial statements for the year ended June 30, 2012 of GEL have been used the management to determine the value of its investments in joint venture under the equity method. Further, the annual financial statements for the year ended June 30, 2011 of GEL were initialled by a firm of Chartered Accountants but not yet been signed. Following disclosures are also based on the above-mentioned un-audited financial statements.

6.2.2 Arrangements for commercial operations date including the availability of finance and import of Engines is not finalised due to severe global and economical crises around the world. Even the largest bank of Pakistan, National Bank of Pakistan (the arranger), in spite of its best efforts could not arrange requisite finance within cut out date i.e. June 15, 2009. Faced with such circumstances, GEL proposed amendments in Implementation Act and Power Purchase Agreement and sought extension in financial close date in prevailing force majeure. Neither such amendments was addressed nor the date of financial close extended. Consequently on these grounds GEL filed a suit in the High Court of Sindh at Karachi for redressal of its grievances. The matter is pending adjudication before the Honourable Court which had granted stay against encashment of guarantees. The sponsors are hopeful that their bonafide grievances would be addressed and they would take up the project.

6.2.3 GEL in order to achieve the financial close, has mandated National Bank of Pakistan (NBP) to arrange Rs.14.135 million. The aforesaid mandate was executed on April 14,2008. However, due to deteriorating law and order situation, circular debt issue, etc., the financial close could not be achieved with in the envisaged time period. GEL, as a result thereof, approached Private Power & Infrastructure Board (PPIB) with the request to make certain amendments in the power purchase agreement to facilitate the financial close but PPIB did not respond positively towards the GEL's request and as a consequence thereof GEL has filed a petition in the Honourable High Court of Sindh to protect itself from the repercussions of non achieving the financial close with in stipulated time period including encashment of performance guarantee amounting to U.S. $ 1,000,000 extended to PPIB. The Honourable High Court has ordered the plaintiff (GEL) to keep alive guarantee and has restricted PPIB from en-cashing the guarantee till the adjudication of application filed by the GEL. The stay order is still in filed and the case is pending for adjudication. Accordingly, no related adjustment has been made in the financial statements of GEL.

6.2.4 With reference to note 6.2.2 and 6.2.3 GEL has also extended commitment bank guarantee amounting to 3,000,000 Euro in favour of Wartsila, Finland (supplier of engines). During the financial year ended June 30, 2010,GEL could not raise the requisite funds and deposit initial mobilization advance with Wartsila and accordingly, Wartsila had approached the concerned bank for encashment of guarantee. However, GEL filled a petition in Honourable Sindh High Court to protect encashment of such guarantee. The Honourable High Court has restricted Wartsila from en-cashing the guarantee till the adjudication of the application filed by GEL. The stay order is still in filed and the case is pending for adjudication. Accordingly, no related adjustment has been made in the financial statements of GEL.

6.2.5 The Joint Venture Partners of GEL (i.e. the Company and Energy Infrastructure Holdings Limited) are responsible to the extent of 50% each in respect of the liabilities and obligations of GEL, including any obligation under the guarantees mentioned under 6.2.3 and 6.2.4 above.

		Note	**2012**	2011
			Rupees	Rupees
6.3	**Others** - Held to Maturity			
	Defence Savings Certificates	**6.3.1**	**29,072,727**	68,653,720

6.3.1 This represents investment in Defence Savings Certificates, having aggregate face value of Rs.21 million (2011: Rs.59.853 million). These certificates are maturing on various dates by March 05, 2020. These carried mark-up at the effective rate of 18% per annum. Accrued mark-up aggregating Rs.8.072 million (2011: Rs.8.801 million) is included in the carrying value.

These are under lien with a bank against guarantee amounting Rs.19.504 million (2011: Rs.58 million).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

		Note	2012 Rupees	2011 Rupees
7.	**LONG TERM DEPOSITS**			
	Utilities		**8,231,998**	6,133,006
	Lease deposits		**3,993,360**	6,719,255
	Others		**418,610**	370,610
			12,643,968	13,222,871
	Less: transferred to current assets:			
	- deposits pertaining to lease liabilities to be paid-off within next twelve months		**3,341,360**	2,725,895
	- deposits pertaining to lease liabilities to be paid-off after June 30, 2013	**21.3**	**652,000**	-
			3,993,360	2,725,895
			8,650,608	10,496,976
8.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		**58,454,009**	80,180,828
	Spare parts		**10,271,215**	10,744,928
	Loose tools		**3,109,337**	3,360,328
	Packing material		**8,720,168**	9,674,891
	Items in transit		**-**	34,350,735
			80,554,729	138,311,710
	Less: provision for obsolete inventory	**32**	**36,196,678**	-
			44,358,051	138,311,710
9.	**STOCK-IN-TRADE**			
	Raw materials:			
	- at mills	**9.1**	**624,791,627**	1,315,499,026
	- in transit		**-**	22,074,033
			624,791,627	1,337,573,059
	Work in process		**38,410,597**	73,648,037
	Finished goods	**9.2**	**152,124,319**	905,119,202
	Waste		**23,576,956**	11,499,411
			838,903,499	2,327,839,708

9.1 Raw materials include items costing Rs.444.292 million (2011: Rs.1,410.059 million) stated at their replacement cost aggregating Rs.380.893 million (2011: Rs.1,315.499 million). The amount charged to the profit and loss account for the year in respect of raw materials written down to their replacement cost is Rs.63.399 million (2011: Rs.94.560 million).

9.2 Finished goods include items costing Rs.214.026 million (2011: Rs.955.027 million) stated at their net realisable values aggregating Rs.152.124 million (2011: Rs.905.119 million). The amount charged to the profit and loss account for the year in respect of finished goods written down to their net realisable values is Rs.61.902 million (2011: Rs.49.908 million).

9.3 All of the current assets of the Company are under banks' charge as security of short term borrowings (note 25). The Company has filed a suit in the Lahore High Court against all banks / financial institutions under Section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs. The Lahore High Court vide its order dated October 25, 2012 has ordered not to disturb the present position of current assets and fixed assets of the Company.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

		Note	2012 Rupees	2011 Rupees
10.	**TRADE DEBTORS**			
	Considered good			
	Local - unsecured	10.1	527,389,375	587,552,438
	Export - secured		87,754	7,186,245
			527,477,129	594,738,683
	Considered doubtful		218,850,021	-
			746,327,150	594,738,683
	Less: provision for doubtful debts	32	218,850,021	-
			527,477,129	594,738,683
10.1	**These Include following amounts which pertain to related parties:**			
	Gulshan Weaving Mills Limited		5,571,230	77,841,823
	Gulistan Textile Mills Limited		73,496,388	22,290,017
	Gulistan Fibres Limited		11,756,973	-
	Gulistan Spinning Mills Limited		28,331,171	-
			119,155,762	100,131,840
11.	**LOANS AND ADVANCES** - Unsecured,			
	Considered good			
	Advances to:			
	- employees		1,448,258	1,703,373
	- suppliers		61,338,409	74,660,447
	- others		4,984,285	1,652,795
			67,770,952	78,016,615
	Letters of credit		291,479	-
			68,062,431	78,016,615
12.	**DEPOSITS AND PREPAYMENTS**			
	Current portion of lease deposits	7	3,993,360	2,725,895
	Margins against letters of credit and bank guarantees		2,229,030	29,030
	Prepayments		1,159,996	1,933,013
			7,382,386	4,687,938
13.	**OTHER RECEIVABLES** - Unsecured, Considered good			
	Sales tax adjustable		21,212,735	21,383,491
	Rebate receivable		1,734,093	2,832,761
	Others		295,906	-
			23,242,734	24,216,252
14.	**CASH AND BANK BALANCES**			
	Cash-in-hand		667,055	247,936
	Balances with banks on / in:			
	- current accounts	14.1 & 14.4	11,261,614	52,705,098
	- deposit accounts	14.2 & 14.4	106,533	3,750,309
	- term deposit receipts	14.3 & 14.4	10,516,347	10,447,153
			21,884,494	66,902,560
			22,551,549	67,150,496

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

14.1 These include foreign currency deposits amounting to US Dollars 2,357 (2011: US Dollars 1,167) equivalent to Rs.0.222 million (2011: Rs.0.100 million).

14.2 Deposits accounts carry mark-up at rates ranging from 4.96% to 8.30% (2011: 4.68% to 7.50%) per annum.

14.3 These carry mark-up at the rates ranging from 3.95% to 12.50% (2011: 3.95% to 12.50%) per annum. Term deposit receipts aggregating Rs.5.617 million are under banks' charge against guarantees aggregating Rs.55.024 million.

14.4 Majority of the Company's bank accounts operations have been blocked by the respective bank due to litigation with these banks as detailed in note 27.1.1. Balance confirmations from banks have not received due to ongoing litigation.

15. SHARE CAPITAL

2012 Numbers	2011 Numbers		2012 Rupees	2011 Rupees
		Authorized share capital		
25,000,000	25,000,000	Ordinary shares of Rs.10 each	**250,000,000**	250,000,000
		Issued, subscribed and paid-up capital		
9,300,000	9,300,000	Ordinary shares of Rs.10 each issued as fully paid in cash	**93,000,000**	93,000,000
12,925,038	12,925,038	Ordinary shares of Rs.10 each issued as fully paid bonus shares	**129,250,380**	129,250,380
22,225,038	22,225,038		**222,250,380**	222,250,380

15.1 Movement in issued, subscribed and paid-up capital during the year

2012 Numbers	2011 Numbers		2012 Rupees	2011 Rupees
22,225,038	18,520,865	Balance at beginning of the year	**222,250,380**	185,208,650
-	3,704,173	Bonus shares issued during the preceding year	**-**	37,041,730
22,225,038	22,225,038	Balance at end of the year	**222,250,380**	222,250,380

15.2 Ordinary shares held by the related parties at the year end:

	2012 Numbers	2011 Numbers
Gulistan Textile Mills Limited	**7,112,655**	7,112,655
Gulistan Spinning Mills Limited	**10,302**	10,302
	7,122,957	7,122,957

16. RESERVES

	2012 Rupees	2011 Rupees
Capital reserve		
Share premium	**66,000,000**	66,000,000
Revenue reserve		
General reserve	**206,000,000**	206,000,000
	272,000,000	272,000,000

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
17. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - Net			
Surplus on revaluation of the Company's operating fixed assets	**17.1**	**2,304,762,956**	227,540,307
Share of surplus on revaluation of fixed assets of an Associated Company	**6.1**	**189,872,584**	23,632,124
		2,494,635,540	251,172,431
17.1 Surplus on revaluation of the Company's assets			
Balance at beginning of the year	**17.1.1**	**227,540,307**	227,540,307
Add: surplus arisen on revaluation carried-out during the year	**17.1.2**	**2,597,577,002**	-
		2,825,117,309	227,540,307
Less: deferred tax on surplus on revaluation carried-out during the year		**(520,354,353)**	-
Balance at end of the year		**2,304,762,956**	227,540,307

17.1.1 The Company had revalued its freehold land on the basis of market value on February 03, 2009. Freehold land was revalued by an independent valuer - M/s. Consultancy Support and Services, Karachi and resulted in revaluation surplus of Rs.227.540 million.

17.1.2 The Company, as at June 30, 2012, has revalued its freehold land, factory building, residential building, leased and owned plant & machinery, electrical installations and gas power generator. The revaluation exercise has been carried-out by independent valuer - Maricon Consultants (Pvt.) Ltd., Engineers, Authorized Valuators of Pakistan Banking Association and Leasing Association of Pakistan, Beaumont Road, Karachi. Freehold land has been revalued on the basis of current market value whereas buildings, plant & machinery, electrical installations and gas power generator have been revalued on the basis of depreciated replacement values. The net appraisal surplus arisen on latest revaluation aggregating Rs.2,597.577 million has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984.

18. SUB-ORDINATE LOAN - Unsecured

This loan had been obtained from the Chief Executive and is sub-ordinated to the finances provided by secured creditors. This loan does not carry mark-up and shall not be repaid without obtaining consent from secured creditors.

19. LOAN FROM THE CHIEF EXECUTIVE - Unsecured

The Company, during the preceding financial year, has obtained another loan from its Chief Executive. This loan has been advanced for a period of three years which can only be curtailed by the borrowers alone. This loan will be repaid after three years from the date of disbursement i.e. June 27, 2011 and is mark-up free.

	Note	2012 Rupees	2011 Rupees
20. LONG TERM FINANCES - Secured			
Term finance - I	**20.1**	**-**	-
Term finance - II	**20.2**	**-**	-
Term finance - III	**20.3**	**-**	-
Long term arrangement - Export oriented project (LTF - EOP) loans	**20.4**	**-**	1,601,476
		-	1,601,476
20.1 Term finance - I			
Balance at beginning of the year		**1,472,319**	7,361,567
Payments made during the year		**(1,472,319)**	(5,889,248)
		-	1,472,319
Current maturity		**-**	1,472,319
Balance at end of the year		**-**	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

20.1.1 The Company had arranged term finance facility from Bank Alfalah Limited. This finance facility carried mark-up at the rate of 6 months KIBOR + 1.8% payable on quarterly basis and was repayable in 16 equal quarterly instalments with a grace period of one year. This finance has been fully repaid on September 05, 2011. The term finance was secured by way of 1st pari passu charge over fixed assets (land, building, plant and machinery) of the Company upto Rs.81 million.

	Note	2012 Rupees	2011 Rupees
20.2 Term finance - II			
Amount disbursed during the year		**50,000,000**	-
Less: current portion:			
- instalments due within next twelve months		**14,285,714**	-
- instalments due after June 30, 2013	**20.6**	**35,714,286**	-
		50,000,000	-
		-	-

20.2.1 The Company, during the current year, has entered into an agreement with Faysal Bank Limited of Rs.50 million to convert its short term debt into long term finance. This finance facility carried mark-up at the rate of 3 months KIBOR + 2.50% per annum. Originally the principal amount under this finance agreement was repayable in 7 equal half yearly instalments ending on August 06, 2015, however, due to factors stated in note 20.6 below the whole amount has been grouped in current liabilities. This term finance is secured by way of 1st pari passu equitable mortgage and hypothecation charge over fixed assets of the Company upto Rs.100 million.

	Note	2012 Rupees	2011 Rupees
20.3 Term finance - III			
Amount disbursed during the year		**75,000,000**	-
Less: current portion:			
- instalments due within next twelve months		**18,750,000**	-
- instalments due after June 30, 2013	**20.6**	**56,250,000**	-
		75,000,000	-
		-	-

20.3.1 The Company has availed a term finance of Rs.75 million from Standard Chartered Bank (Pakistan) Limited for balance sheet re-profiling of the Company by terming out short term borrowings. This finance carried mark-up at the rate of 3 months KIBOR + 0.75% payable on quarterly basis. Originally this term finance was repayable in 16 equal quarterly instalments ending on May 31, 2015, however, due to factors stated in note 20.6 below the whole amount has been grouped in current liabilities. This term finance is secured against 1st pari passu charge over plant & machinery, ranking charge over present & future current and fixed assets of the Company.

	Note	2012 Rupees	2011 Rupees
20.4 LTF - EOP loans			
Balance at beginning of the year		**10,458,262**	21,024,328
Less: Payments made during the year		**6,785,785**	10,566,066
		3,672,477	10,458,262
Less: current portion:	**20.6**		
- over due instalment		**2,071,001**	-
- instalment due within next twelve months		**1,601,476**	8,856,786
		3,672,477	8,856,786
Balance at end of the year		**-**	1,601,476

20.4.1 The Company being eligible for LTF - EOP promulgated by State Bank of Pakistan (SBP) applied to National bank of Pakistan, United Bank Limited and Bank Alfalah Limited for restructuring for their existing loans and after approval, the banks had transferred their liabilities to this new loan account. This re-financed facility enabled the banks to obtain funds from SBP under the scheme at the specified rates and passed on the benefits to the Company by way of

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rebated purchase price. Year-end balance represents payable to Bank Alfalah Ltd. and was repayable in 2 quarterly instalments ending on September 30, 2012.However, due to factors stated in note 20.6 below the whole amount has been grouped in current liabilities. This finance carries mark-up at the rate of 7% per annum. This loan is secured by way of 1st pari passu charge over fixed assets of the Company.

20.5 The Company has filed a suit in the Lahore High Court against all banks / financial institutions / under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs. Since the matter is prejudice in the Lahore High Court, the Company has not acknowledged its liability until the financial liabilities towards banks / financial institutions are reconciled in accordance with the above mentioned suit. The Lahore High Court vide its order dated October 25, 2012has ordered not to disturb the present position of current assets and fixed assets of the Company. Due to ongoing litigations, year-end confirmations from all of the abovementioned banks have not been received.

20.6 Due to the pending litigations, but without prejudice to the Company's stance in the said litigation, the Company's financial arrangements with the banking companies and financial institutions are disputed and the Company will only make payments / adjustments of these finances after the amounts are reconciled with banks and financial institutions in accordance with above mentioned suit. In terms of provisions of International Accounting Standard (IAS) 1 'Presentation of Financial Statements', all liabilities under these finance agreements should be classified as current liabilities. Based on the above, instalments due after the year ending June 30, 2013 have been grouped in current portion of non-current liabilities.

21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

	Note	2012 Rupees	2011 Rupees
Balance at beginning of the year		**48,447,544**	83,111,389
Payments made during the year		**(26,178,167)**	(34,663,845)
		22,269,377	48,447,544
Less: current portion:			
- over due instalments		**3,205,815**	-
- instalments due within next twelve months		**15,979,210**	29,358,146
- instalments due after June 30, 2013	**21.3**	**3,084,352**	-
		22,269,377	29,358,146
Balance at end of the year		**-**	19,089,398

21.1 The Company had acquired plant & machinery, electric installations and vehicles under finance lease arrangements from leasing companies / modarabas. These liabilities, during the year, were subject to finance cost at the rates ranging from 7% to 17.26% (2011: 7% to 18.15%) per annum. The Company intends to exercise its option to purchase the leased assets upon completion of the lease term. The lease finance facilities are secured against title of the leased assets in the name of lessors.

21.2 The Company has filed a suit in the Lahore High Court against all banks / financial institutions / under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs. Since the matter is prejudice in the Lahore High Court, the Company has not acknowledged its liability until the financial liabilities towards banks / financial institutions are reconciled in accordance with the above mentioned suit. The Lahore High Court vide its order dated October 25, 2012 has ordered not to disturb the present position of current assets and fixed assets of the Company. Due to ongoing litigations, year-end confirmations from all the lessors have not been received.

21.3 Due to the pending litigations, but without prejudice to the Company's stance in the said litigation, the Company's financial arrangements under lease finance agreements are disputed and the Company will only make payments / adjustments of these lease finances after the amounts are reconciled with banks and financial institutions in accordance with abovementioned suit. In terms of provisions of IAS - 1, these liabilities and respective deposits under lease finance arrangements are required to be classified as current liabilities and current assets. Based on the above, instalments due after the year ending June 30, 2013 and respective lease deposits of Rs.0.652 million have been grouped in the current portion of non-current liabilities and current assets.

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21.4 Due the facts explained in notes 21.2 and 21.3 above the entire amounts of the lease finances have become payable on demand therefore, the amount of future finance cost are not ascertainable as at June 30, 2012. The disclosure of future minimum lease payments is prepared according to existing repayment schedules and provided only to comply with the disclosure requirements of IAS - 17, 'Leases'. According to the existing repayment schedules the future minimum lease payments under these finance lease agreements are due as follows:

	2012			2011		
	Minimum lease payments	**Finance cost**	**Present value of minimum lease payments**	Minimum lease payments	Finance cost	Present value of minimum lease payments
	---------------------- Rupees --------------------			---------------------- Rupees --------------------		
Not later than one year	**20,314,489**	**1,129,463**	**19,185,026**	32,813,717	3,455,571	29,358,146
Later than one year but not later than five years	**3,307,874**	**223,523**	**3,084,351**	20,357,352	1,267,954	19,089,398
Minimum lease payments	**23,622,363**	**1,352,986**	**22,269,377**	53,171,069	4,723,525	48,447,544

		Note	**2012**	2011
22.	**DEFERRED LIABILITIES**		**Rupees**	Rupees
	Deferred taxation	**22.1**	**602,958,138**	83,677,672
	Staff retirement benefit	**22.3**	**30,638,287**	29,474,697
			633,596,425	113,152,369

22.1 **Deferred taxation** - net

	2012	2011
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	**128,265,393**	87,595,028
- surplus on revaluation of operating fixed assets	**520,354,353**	-
- lease finances	**13,432,332**	-
	662,052,078	87,595,028
Deductible temporary difference arising in respect of:		
- staff retirement benefit	**(6,337,530)**	(3,917,356)
- provision for obsolete stores	**(7,487,283)**	-
- provision for doubtful debts	**(45,269,127)**	-
	(59,093,940)	(3,917,356)
	602,958,138	83,677,672

22.2 Deferred tax asset in respect of the unused tax losses amounting Rs.1,589.342 million has not been recognised in these financial statements being prudent. Management is of the view that recognition of deferred tax assets will be re-assessed as at June 30, 2013.

22.3 **Staff retirement benefit** - Gratuity

Projected unit credit method, based on the following significant assumptions, is used for valuation of gratuity:

	2012	2011
- discount rate	**13%**	14%
- expected rate of growth per annum in future salaries	**12%**	13%
- average expected remaining working life time of employees	**7 years**	8 years

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for the year ended June 30, 2012

		2012 Rupees	2011 Rupees
22.3.1	**The amount recognised in the balance sheet is as follows:**		
	Present value of defined benefit obligation	**35,524,191**	33,217,522
	Unrecognised actuarial losses	**(4,885,904)**	(3,742,825)
	Net liability at end of the year	**30,638,287**	29,474,697
22.3.2	**Movement in the liability:**		
	Net liability at beginning of the year	**29,474,697**	26,116,371
	Add: Charge to profit and loss account	**14,915,070**	15,908,721
	Less: Benefits paid	**(13,751,480)**	(12,550,395)
	Net liability at end of the year	**30,638,287**	29,474,697
22.3.3	**The movement in the present value of defined benefit obligation is as follows:**		
	Balance at beginning of the year	**33,217,522**	28,230,995
	Current service cost	**10,211,983**	9,147,401
	Interest cost	**4,650,453**	3,387,719
	Past service cost	**-**	3,373,601
	Benefits paid	**(13,751,480)**	(12,550,395)
	Actuarial loss	**1,195,713**	1,628,201
	Balance at end of the year	**35,524,191**	33,217,522
22.3.4	**Expense recognised in profit and loss account is as follows:**		
	Cost of sales	**8,486,116**	10,284,249
	Distribution cost	**397,765**	349,196
	Administrative expenses	**6,031,189**	5,275,276
		14,915,070	15,908,721

22.3.5 Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2012	2011	2010	2009	2008
	-------------------------		**Rupees in '000**		-------------------------
Present value of defined benefit obligation	**35,524**	33,218	28,231	25,141	32,754
Experience adjustment on obligation	**1,196**	1,628	1,898	271	1,168

22.3.6 The expected gratuity expense for the year ending June 30, 2013 works out to Rs.16.292 million.

		Note	2012 Rupees	2011 Rupees
23.	**TRADE AND OTHER PAYABLES**			
	Creditors	**23.1**	**64,015,182**	19,334,376
	Bills payables / letters of credit payable	**23.2**	**548,744,056**	65,992,448
	Accrued expenses		**48,155,916**	76,179,444
	Security deposits		**9,721,716**	6,633,773
	Withholding taxes payable		**1,235,674**	320,697
	Workers' profit participation fund	**23.3**	**-**	13,009,093
	Workers' welfare fund	**23.4**	**-**	4,918,649
	Unclaimed dividend		**4,157,759**	704,160
			676,030,303	187,092,640

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		2012 Rupees	2011 Rupees
23.1	**These include following amounts which pertain to related parties:**		
	Gulistan Spinning Mills Limited	**-**	2,733,966
	Gulistan Fibres Limited	**-**	947,281
	Paramount Spinning Mills Limited	**27,539,661**	7,343,484
		27,539,661	11,024,731

23.2 This represents payable to various financial institutions in respect of letters of credit (LCs) issued by the financial institutions in favour of various local and imported raw material suppliers. The Company is in litigation with banks and financial institutions as detailed in note 27.1.1 and payments / adjustments will be made upon the outcome of final decision of the litigation. Further, no provision of any further commission / interest / mark-up or penalty in respect of these LCs has been made in these financial statements. Amount of the non-provided for commission / interest / mark-up or penalty is impracticable to quantify as at the reporting date.

		2012 Rupees	2011 Rupees
23.3	**Workers' profit participation fund**		
	Balance at beginning of the year	**13,009,093**	8,599,861
	Add: Interest on funds utilised in the Company's business	**585,848**	460,604
		13,594,941	9,060,465
	Less: Payments made during the year	**13,594,941**	9,060,465
		-	-
	Add: Allocation for the year	**-**	13,009,093
	Balance at end of the year	**-**	13,009,093
			-
23.4	**Workers' welfare fund**		
	Balance at beginning of the year	**4,918,649**	3,267,947
	Add: Charge for the year	**-**	1,688,190
	Adjustment for prior year	**133,940**	(37,488)
		133,940	1,650,702
		5,052,589	4,918,649
	Less: Payments / adjustments made during the year	**5,052,589**	-
	Balance at end of the year	**-**	4,918,649
24.	**ACCRUED MARK-UP / INTEREST**		
	Mark-up / interest accrued on:		
	- long term finances	**-**	310,708
	- term finance loan from related party	**22,759,774**	22,759,774
	- lease finances	**-**	24,053
	- short term borrowings	**6,143,613**	88,107,411
		28,903,387	111,201,946

24.1 During the year ended June 30, 2012, the Company has not provided for the mark-up / interest on its long term finances, lease finances and short term borrowings to the extent of Rs.4.937 million, Rs.0.334 million and Rs.135.750 million respectively due to pending litigations with the financial institutions as detailed note 27.1.1. The said non-provisioning is in contravention with the requirements of IAS 23 - Borrowing Costs.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

24.2 Confirmations in respect of mark-up / interest accrued on long term finances, lease finances and short term borrowings have not been received due to pending litigations with the financial institutions / lenders.

		Note	2012 Rupees	2011 Rupees
25.	**SHORT TERM BORROWINGS**			
	Short term finances - secured	**25.1**	**1,928,328,404**	1,892,560,150
	Running finances - secured	**25.2**	**869,077,766**	865,001,249
	Temporary bank overdraft - unsecured	**25.5**	**6,596,217**	8,181,972
			2,804,002,387	2,765,743,371

25.1 This represents aggregate amount of the short term finances under mark-up arrangements obtained from various banks / financial institutions. These finances, during the current financial year, carried mark-up at the rates ranged from 3.19% to 17.77% (2011: 14.17% to 18%) per annum and are secured by way of ranking / hypothecation / floating charge over present & future current assets, pari passu charge over present & future fixed assets, charge over raw cotton & cotton yarn, lien on export letters of credit / sales contracts / documents, trust receipt and personal guarantees of sponsor directors

25.2 This represents aggregate amount of running finances / working capital finances obtained from various banks / financial institutions. These finance facilities, during the current financial year, carried mark-up at the rates ranged from 12.91% to 15.49% (2011: 6.00% to 15.89%) per annum and are secured by way of ranking / hypothecation / floating charge over present & future current assets, pari passu charge over present & future fixed assets, charge over raw cotton & cotton yarn, lien on export letters of credit / sales contracts / documents, trust receipt and personal guarantees of sponsor directors

25.3 The abovementioned balances are against finance facilities which were expired during the year and have not been renewed by the respective banks / financial institutions. The Company has not acknowledged the abovementioned financial liabilities and filed a suit in the Lahore High Court for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs (refer contents of note 27.1.1)

25.4 Confirmations from all of the financial institutions / lenders have not been received due to abovementioned litigation with them.

25.5 These have arisen due to issuance of cheques in excess of balance at bank accounts.

26. **CURRENT PORTION OF NON-CURRENT LIABILITIES**

	Note	2012 Rupees	2011 Rupees
Long term finances:			
- Term finance - I	**20.1**	**-**	1,472,319
- Term finance - II	**20.2**	**50,000,000**	-
- Term finance - III	**20.3**	**75,000,000**	-
- LTF - EOP loans	**20.4**	**3,672,477**	8,856,786
		128,672,477	10,329,105
Liabilities against assets subject to finance lease	**21**	**22,269,377**	29,358,146
		150,941,854	39,687,251

26.1 Refer contents of notes 20.5, 20.6, 21.2 and 21.3.

27. **CONTINGENCIES AND COMMITMENTS**

27.1 **Contingencies**

27.1.1 **Liabilities towards banks and financial institutions disclosed in notes 20, 21, 23.2, 24, 25 and 26.**

NOTES TO THE FINANCIAL STATEMENTS
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(a) The Company has filed a global suit in the Lahore High Court against all banks / financial institutions under Section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs. The Lahore High Court vide its order dated October 25, 2012 has ordered not to disturb the present position of current assets and fixed assets of the Company and no coercive action shall be taken against the Company.

(b) Various Banks and Financial Institutions have also filed suits before different Civil Courts, Banking Courts and High Courts for recovery of their long term and short term liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The aggregate amount of these claims is Rs.1,334.867 million.

Since the matters are pending before various courts, the Company has not acknowledged its financial liabilities towards these banks / financial institutions until the amounts of principal and mark-up / interest are reconciled with these financial institutions in accordance with the abovementioned suits. However, the liability in respect of principal outstanding is fully provided for where as mark-up / interest to the extent of Rs.141.021 million has not been accounted for in these financial statements. Further, year end balance confirmations from them have also not been received.

The management is strongly contesting the abovementioned cases and is hopeful for a favourable decision. Since all the cases are pending before various Courts therefore the ultimate outcome can not be established.

27.1.2 The Company has not provided for Rs.12.519 million (2011: Rs.12.519 million) infrastructure cess levied by Government of Sindh. The case was decided against the Company by a single judge of High Court of Sindh. The decision was challenged before a bench of same High Court and stay for collection of cess was allowed.

The High Court of Sindh decided the case by declaring that the levy and collection of infrastructure fee prior to December 27, 2006 was illegal and ultra vires and after that it was legal. The Company filed an appeal in the Supreme Court against the abovementioned judgement of the High Court. Further, the Government of Sindh also filed appeal against part of judgement decided against them.

This appeal was disposed off in May 2011 with a joint statement of the parties that, during the pendency of the appeal, another law come into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from the High Court before approaching the Supreme Court with the right to appeal. Accordingly, the petition was filed in the High Court in respect of the above view. During the pendency of this appeal an interim arrangement was agreed whereby bank guarantees furnished for consignments cleared upto December 27, 2006 were returned and guarantees were furnished for 50% of the levy for consignment released subsequent to December 27, 2006 while payment was made against the balance 50% amount. Similar arrangement continued for the consignments released during the current year.

As at June 30, 2012, the Company has provided bank guarantees aggregating Rs.19.504 million (2011: Rs.58 million) in favour of Excise and Taxation Department.

27.1.3 Refer contents of note 6.2.5.

27.1.4 Counter guarantees aggregating Rs.78.518 million (2011: Rs.114.814 million) given by the Company to various banks outstanding as at June 30, 2012 in respect of guarantees issued in favour of various Government Departments / Institutions and Sui Northern Gas Pipelines Limited.

27.2 Commitments

		2012	2011
		Rupees	Rupees
27.2.1	Commitments against confirmed letters of credit outstanding at the year end were for:		
	- stores and spare parts	**3,780,842**	4,883,137
	- raw materials	**32,959,700**	121,027,214
		36,740,542	125,910,351

27.2.2 Export bills discounted at the year end amounting to Rs.Nil.

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		Note	2012 Rupees	2011 Rupees
28.	**SALES**			
	Yarn:			
	- Export	28.1	**1,348,862,404**	3,187,355,309
	- Local		**1,842,154,250**	1,913,450,364
			3,191,016,654	5,100,805,673

28.1 This includes Rs.39.867 million (2011: Rs.69.388 million) in respect of exchange gain on realization of export proceeds. This also includes sales of Rs.Nil (2011: Rs.585.14 million) made to direct exporters against special purchase orders.

		Note	2012 Rupees	2011 Rupees
29.	**COST OF SALES**			
	Stocks at beginning of the year (finished goods & waste)		**916,618,613**	655,474,890
	Cost of goods manufactured	29.1	**3,789,722,736**	4,332,104,150
	Yarn purchased		**106,182,848**	125,034,960
			3,895,905,584	4,457,139,110
			4,812,524,197	5,112,614,000
	Stocks at end of the year (finished goods & waste)		**(175,701,275)**	(916,618,613)
			4,636,822,922	4,195,995,387
29.1	**Cost of goods manufactured**			
	Raw materials consumed	29.2	**2,935,446,758**	3,608,517,279
	Processing charges		**77,742,433**	51,098,082
	Stores consumed		**70,153,958**	50,656,357
	Packing materials consumed		**47,808,516**	54,683,765
	Salaries and other benefits		**180,511,750**	180,616,472
	Gratuity	22.3.4	**8,486,116**	10,284,249
	Fuel and power		**297,923,770**	315,776,452
	Repair and maintenance		**13,078,263**	7,531,294
	Communication		**382,239**	437,876
	Travelling and conveyance		**8,906,158**	5,118,276
	Insurance		**16,258,037**	12,907,702
	Depreciation	5.2	**58,607,781**	60,591,381
	Yarn doubling charges		**762,115**	1,395,443
	Other manufacturing expenses		**2,220,724**	4,070,651
	Provision for obsolete stores	8	**36,196,678**	-
			3,754,485,296	4,363,685,279
	Work-in-process adjustment:			
	- opening		**73,648,037**	42,066,908
	- closing		**(38,410,597)**	(73,648,037)
			35,237,440	(31,581,129)
			3,789,722,736	4,332,104,150
29.2	**Raw materials consumed**			
	Stocks at beginning of the year		**1,315,499,026**	1,243,626,083
	Purchases - net		**2,244,739,359**	3,680,390,222
			3,560,238,385	4,924,016,305
	Stocks at end of the year		**(624,791,627)**	(1,315,499,026)
			2,935,446,758	3,608,517,279

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for the year ended June 30, 2012

		Note	2012 Rupees	2011 Rupees
30.	**DISTRIBUTION COST**			
	Salaries and other benefits		**1,659,723**	1,864,599
	Gratuity	**22.3.4**	**397,765**	349,196
	Sales promotion expenses		**146,872**	242,468
	Other selling expenses		**628,686**	429,277
	Depreciation	**5.2**	**3,540,218**	4,425,273
	Freight and handling:			
	- Local		**2,154,147**	1,544,671
	- Export		**48,035,354**	45,525,921
			50,189,501	47,070,592
	Export development surcharge		**5,826,814**	10,197,676
	Commission:			
	- Local		**16,445,022**	17,356,465
	- Export		**33,128,426**	48,449,774
			49,573,448	65,806,239
			111,963,027	130,385,320

		Note	2012 Rupees	2011 Rupees
31.	**ADMINISTRATIVE EXPENSES**			
	Salaries and other benefits		**25,818,881**	23,834,381
	Gratuity	**22.3.4**	**6,031,189**	5,275,276
	Rent, rates and taxes		**2,599,384**	1,994,475
	Gas and electricity		**265,663**	138,459
	Fee and subscriptions		**2,546,342**	2,777,343
	Travelling and conveyance		**10,535,277**	6,888,006
	Printing and stationery		**1,261,322**	863,137
	Auditors' remuneration	**31.1**	**1,070,000**	900,000
	Donations	**31.2**	**712,110**	1,074,546
	Repair and maintenance		**1,045,378**	549,650
	Entertainment		**970,678**	723,417
	Insurance		**906,776**	969,644
	Communication		**1,549,909**	1,356,021
	Legal and professional		**3,829,704**	1,918,430
	Computer expenses		**885,024**	440,494
	Advertisement		**120,050**	90,000
	Depreciation	**5.2**	**1,480,922**	1,619,461
	Other administrative expenses		**1,825,580**	2,218,613
			63,454,189	53,631,353

		2012 Rupees	2011 Rupees
31.1	**Auditors' remuneration**		
	Audit fee	**750,000**	608,750
	Half yearly review	**200,000**	151,250
	Compliance report of Code of Corporate Governance	**55,000**	55,000
	Other services	**50,000**	50,000
	Certification	**15,000**	35,000
		1,070,000	900,000

31.2 It includes Rs.0.367 million (2011: Rs.0.789 million) paid to Haji Jamaluddin Trust, B-57, KDA Scheme No. 1, Karachi, Mr. Tanveer Ahmad, Chief Executive of the Company is trustee of the Trust.

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		Note	2012 Rupees	2011 Rupees
32.	**OTHER OPERATING EXPENSES**			
	Workers' profit participation fund	23.3	-	13,009,093
	Workers' welfare fund			
	- current		-	1,688,190
	- prior year		133,940	(37,488)
		23.4	133,940	1,650,702
	Impairment allowance	5.5	989,505	-
	Loss on sale of long term investment		-	1,000
	Impairment loss on equity investments	6.1.2	25,664,695	-
	Exchange loss - net		1,759,035	-
	Provision for doubtful debts	10	218,850,021	-
			247,397,196	14,660,795
33.	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Interest on			
	- term deposit receipts		1,025,406	1,421,367
	- deposit accounts		129,884	495,429
	- defence saving certificates		1,572,247	6,735,731
	Exchange gain - net		-	138,838
			2,727,537	8,791,365
	Income from non-financial assets			
	Gain on sale of operating fixed assets		-	481,774
	Deferred income amortized		-	257,658
			-	739,432
			2,727,537	9,530,797
34.	**FINANCE COST**			
	Mark-up / interest on :			
	- long term finances		3,935,821	1,445,470
	- lease finances		3,810,400	7,378,471
	- short term borrowings		405,216,899	431,839,210
	- term finance from related party		-	11,116,500
		34.1	412,963,120	451,779,651
	Interest on workers' profit participation fund	23.3	585,848	460,604
	Bank charges		20,654,253	17,901,301
			434,203,221	470,141,557

34.1 During the year ended June 30, 2012, the Company has not provided for the mark-up on long term finances, lease finances and short term borrowings aggregating Rs.141.021 million due to pending litigation with financial institutions detailed in note 27.1.1.

		Note	2012 Rupees	2011 Rupees
35.	**TAXATION**			
	Current year	35.1	13,559,608	51,334,894
	Adjustments of prior years		2,239,006	(1,268,419)
	Deferred		(1,073,887)	21,639,863
			14,724,727	71,706,338

35.1 Current year provision represents taxes paid under section 154 of the Income Tax Ordinance, 2001 (the Ordinance). No provision from minimum tax due under section 113 of the Ordinance is incorporated as the Company has suffered gross loss before depreciation and other inadmissible expenses. Numeric tax rate reconciliation is also not required.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

35.2 Tax assessments of the Company have been completed upto Tax Year 2011.

		2012 Rupees	2011 Rupees
36.	**(LOSS) / EARNINGS PER SHARE**		
	There is no dilutive effect on earnings per share of the Company, which is based on:		
	(Loss) / profit after taxation	**(2,574,930,351)**	179,272,423
		----- Number of shares -----	
	Weighted average number of ordinary shares outstanding during the year	**22,225,038**	22,225,038
		------------ Rupees ------------	
	(Loss) / earnings per share - basic and diluted	**(115.86)**	8.07

		Note	2012 Rupees	2011 Rupees
37.	**CASH GENERATED FROM OPERATIONS**			
	(Loss) / profit before taxation		**(2,560,205,624)**	250,978,761
	Adjustments for non-cash charges and other items:			
	Depreciation of operating fixed assets		**63,628,921**	66,636,115
	Provision of gratuity		**14,915,070**	15,908,721
	Finance cost		**433,617,373**	469,680,953
	Worker's profit participation fund		**-**	13,469,697
	Worker's welfare fund		**133,940**	1,650,702
	Gain on sale of operating fixed assets		**-**	(481,774)
	Deferred income		**-**	(257,658)
	Loss on sale of investments		**-**	1,000
	Share of loss / (profit) from associate		**256,863,536**	(8,200,993)
	Share of loss from joint venture		**3,245,724**	2,744,291
	Net exchange loss / (gain)		**1,759,035**	(138,838)
	Interest income		**(2,727,537)**	(8,652,527)
	Provision for obsolete inventory		**36,196,678**	-
	Provision for doubtful debts		**218,850,021**	-
	Impairment allowance		**989,505**	-
	Impairment loss on equity investments		**25,664,695**	-
	Working capital changes	**37.1**	**1,900,657,948**	(379,000,946)
			393,589,285	424,337,504
37.1	**Working capital changes**			
	Decrease / (increase) in current assets:			
	Stores, spares and loose tools		**57,756,981**	(21,263,936)
	Stock-in-trade		**1,488,936,209**	(369,270,353)
	Trade debts		**(151,588,467)**	58,830,365
	Loans and advances		**9,954,184**	8,341,457
	Deposits and prepayments		**(2,694,448)**	1,459,287
	Other receivables		**973,518**	10,264,757
			1,403,337,977	(311,638,424)
	Increase / (decrease) in trade and other payables		**497,319,971**	(67,362,522)
			1,900,657,948	(379,000,946)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2012	2011	**2012**	2011	**2012**	2011
	---------- Rupees ----------					
Managerial remuneration and other benefits	**-**	-	**2,245,595**	1,440,000	**6,052,150**	6,581,340
Bonus	**-**	-	**-**	178,035	**-**	930,198
Gratuity	**-**	-	**288,865**	120,000	**478,950**	548,445
	-	-	**2,534,460**	1,738,035	**6,531,100**	8,059,983
No. of persons	**1**	1	**4**	1	**7**	7

38.1 Chief executive, directors and executives are also provided with free use of Company maintained vehicles in accordance with Company's policy.

38.2 Meeting fees of Rs.30,000 (2011: Rs.60,000) was also paid to 1 (2011: 1) director during the year.

39. CAPACITY AND PRODUCTION

		2012	2011
Numbers of spindles installed		**44,784**	44,784
Average number of spindles worked		**31,126**	40,373
Numbers of rotors installed		**1,440**	1,440
Average numbers of rotors worked		**1,428**	1,428
Number of shifts worked		**874**	1,023
Installed capacity after conversion into 20's count	**Kg.**	**18,140,662**	18,140,662
Actual production after conversion into 20's count	**Kg.**	**11,373,290**	15,161,179

39.1 Severe energy crisis in the form of unscheduled and unprecedented gas and electricity load shedding catastrophically impaired the production of the Company resulting in huge production short fall as compared to the last year. Financial institutions also curtailed the short term limits, froze the funds in current accounts to clear the mark-up and other dues and attempted to realise their securities. These all factors caused production short fall.

40. FINANCIAL RISK MANAGEMENT

The Company has exposures to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board of Directors is also responsible for developing and monitoring the Company's risk management policies.

40.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted / fail to discharge an obligation / commitment that it has entered into with the Company.

Credit risk mainly arises from deposits, trade debtors, accrued mark-up / interest, other receivables and balances with banks. The carrying amounts of financial assets that represent Company's maximum credit exposure as at the reporting date are as follows:

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

	2012 Rupees	2011 Rupees
Deposits	**14,872,998**	13,251,901
Trade debtors	**527,477,129**	594,738,683
Accrued mark-up / interest	**1,081,782**	759,150
Other receivables	**295,906**	-
Bank balances	**21,884,494**	66,902,560
	565,612,309	675,652,294

The maximum exposure to credit risk for trade debtors at the reporting date by geographic region is as follows:

	2012 Rupees	2011 Rupees
Domestic	**527,389,375**	587,552,438
Export	**87,754**	7,186,245
	527,477,129	594,738,683

The export debtors of the Company are situated in Asia.

The ageing of trade debtors at the reporting date is as follows:

Not past due	**152,569,599**	184,819,324
Past due 1-90 days	**157,705,063**	242,288,273
Past due 91-180 days	**124,894,515**	104,738,764
Past due 181-365 days	**92,307,952**	62,892,322
	527,477,129	594,738,683

Based on past experience and keeping in view subsequent realisations, impairment allowance amounting Rs.218.850 million has been provided for in respect of doubtful trade debtors as at June 30, 2012 and for other debtors there are reasonable grounds to believe that the amounts will be realised in short course of time.

The credit risk on liquid funds and deposits maintained with banks is limited as such banks enjoy reasonably high credit rating. Accordingly, management does not expect any counter party to fail in meeting their obligations.

40.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The Company is facing difficulty in maintaining sufficient level of liquidity due to financial problems as all the banks and financial institutions have blocked / ceased their finance facilities due to suit filed by the Company against them.

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
	Rupees	Rupees	Rupees	Rupees
2012				
Loan from Chief Executive	**75,000,000**	**75,000,000**	**-**	**75,000,000**
Long term finances	**128,672,477**	**128,672,477**	**128,672,477**	**-**
Liabilities against assets subject to finance lease	**22,269,377**	**22,269,377**	**22,269,377**	**-**
Trade and other payables	**674,794,629**	**674,794,629**	**674,794,629**	**-**
Accrued mark-up / interest	**28,903,387**	**28,903,387**	**28,903,387**	
Short term borrowings	**2,797,406,170**	**2,797,406,170**	**2,797,406,170**	**-**
	3,727,046,040	**3,727,046,040**	**3,652,046,040**	**75,000,000**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
	Rupees	Rupees	Rupees	Rupees
2011				
Loan from Chief Executive	75,000,000	75,000,000	-	75,000,000
Long term finances	11,930,581	11,930,581	10,329,105	1,601,476
Liabilities against assets subject to finance lease	48,447,544	48,447,544	29,358,146	19,089,398
Trade and other payables	168,844,201	168,844,201	168,844,201	-
Accrued mark-up / interest	111,201,946	111,201,946	111,201,946	-
Short term borrowings	2,757,561,399	2,757,561,399	2,757,561,399	-
	3,172,985,671	3,172,985,671	3,077,294,797	95,690,874

The Company has not acknowledged the financial liabilities towards banks / financial institutions and filed a suit against them as detailed in note 27.1.1. The contractual cash flows relating to the above financial liabilities do not include amount of mark-up / interest on these finances as the Company is not providing for mark-up / interest on these financial liabilities.

In order to manage liquidity risk, the management along with leading financial institutions are negotiating with banks / financial institutions for reconciliation of principal & mark-up and rescheduling of repayment terms as well as restructuring of the Company's liabilities. With this proposed restructuring / rescheduling and other matters as set out in note 1.3 to these financial statements the management envisages that sufficient financial resources will be available to manage the liquidity risk.

40.3 Market Risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

(a) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk on import of raw materials, stores & spare parts, plant & machinery, export of goods and foreign currency bank accounts mainly denominated in U.S. Dollars. The Company's exposure to foreign currency risk for U.S. Dollars is as follows:

	Rupees	U.S.$
2012		
Bills payable / letters of credit payable	**44,779,570**	**475,366**
Trade debtors	**(87,754)**	**(932)**
Banks balances	**(221,545)**	**(2,357)**
Net balance sheet exposure	**44,470,271**	**472,077**

	Rupees	U.S.$
2011		
Bills payable / letters of credit payable	65,992,448	768,695
Trade debtors	(7,186,245)	(83,707)
Banks balances	(100,108)	(1,166)
Net balance sheet exposure	58,706,095	683,822

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

	Average rate		Reporting date rate	
	2012	2011	**2012**	2011
U.S.$ to Rupee	**89.15**	84.77	**94.20 / 94.00**	86.05 / 85.85

Sensitivity analysis

At the reporting date, if Rupee had strengthened by 10%against U.S. Dollar with all other variables held constant, loss for the year would have been (decreased) / increased by the amount shown below mainly as a result of net foreign exchange gain / (loss) on translation of financial assets and liabilities.

	2012	2011
	Rupees	Rupees
Effect on loss for the year		
U.S. $ to Rupee	**4,446,965**	5,884,288

The weakened of the Rupee against U.S Dollars would have had an equal but opposite impact on loss for the year. The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Company.

(b) Interest rate risk

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

Majority of the interest rate risk of the Company arises from short & long term borrowings from banks and deposits with banks. However, the Company is not providing for mark-up / interest on its long term finances, lease finances and short term borrowings due to litigation with Banks and Financial Institutions as detailed in note 27.1.1. At the reporting date the profile of the Company's interest bearing financial instruments is as follows:

	2012	2011
	Rupees	Rupees
Fixed rate instruments		
Financial assets	**39,695,607**	82,851,182
Financial liabilities	**3,672,477**	10,458,262
Variable rate instruments		
Financial liabilities	**2,944,675,547**	2,807,481,262

The rates of mark-up / interest have been disclosed in the respective notes to these financial statements.

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 reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

Cash flow sensitivity analysis for variable rate instruments is not presented as the Company is not providing for mark-up due to litigation with banks and financial institutions.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

40.4 Fair value of financial instruments and hierarchy

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between carrying values and the fair value estimates.

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values except for investments in Defence Saving Certificates that are stated at amortised cost.

40.5 Capital risk management

The Company's prime objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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 adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change in the Company's approach to capital management during the year. Further, the Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance which the Company could not comply as at the reporting date.

41. RELATED PARTY TRANSACTIONS

41.1 Related parties comprise of Associated Companies, directors of the Company, key management personnel, companies in which directors, key management personnel and close members of the families of the directors and key management personnel are interested. The Company in the normal course of business carries out transactions with various related parties. Remuneration of the key management personnel is disclosed in note 38. Amounts due from and to related parties are shown under receivables and payables. Other significant transactions with related parties are as follows:

	2012	2011
	Rupees	Rupees
Nature of Transactions		
Purchase of yarn	**103,138,530**	118,442,400
Processing charges	**77,947,965**	51,220,719
Purchase of store items	**6,369,976**	524,005
Purchase of electricity	**-**	45,381,152
Purchase of polyester	**3,343,560**	1,787,445
Purchase of cotton	**288,374,813**	121,163,352
Purchase of waste	**27,896,820**	52,725,080
Sale of yarn	**168,308,798**	330,092,161
Amount received against factoring	**110,000,000**	-
Sale of store items	**560,600**	343,918
Sale of lycra / viscose	**-**	77,000
Sale of waste	**8,329,600**	8,882,192
Processing charges	**139,177,314**	168,395,813
Sale of cotton	**442,598**	220,419,832
Sale of polyester	**2,122,468**	735,840
Factoring charges	**110,000**	-
Doubling / dyeing charges	**813,858**	3,936,605
Sale of machinery	**-**	182,954
Interest expense	**-**	11,116,500
Dividend paid	**10,684,436**	5,935,798
Dividend received	**600,946**	600,946

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

	2012	2011
	No. of shares	No. of shares
Bonus shares issued	**-**	1,187,159

41.2 Sponsor Directors, their spouses and family members have waived-off their right to receive dividend amounting to Rs.7.874 million (2011: Rs.4.354 million).

42. OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segment.

(a) 42% (2011: 51%) of sales of the Company are made to customers located outside Pakistan.

(b) All non-current assets of the Company at June 30, 2012 and June 30, 2011 are located in Pakistan.

(c) There is no customer of Company to whom 10% or more sale is made during the current and preceding year.

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 22, 2013 by the Board of Directors of the Company.

44. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and / or re-classified for the purpose of better presentation.

Re-classification from component:	**Re-classification to component:**	**Note**	**Rupees**
Balance sheet			
Current maturity of long term financing	Current portion of non current liabilities	**26**	**39,687,251**
Current maturity of liabilities against assets subject to finance lease			

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

KEY OPERATING AND FINANCIAL DATA
for last six years

	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees
OPERATING RESULTS						
Total number of spindle installed	44,784	44,784	44,784	44,784	44,784	44,784
Average number of spindles worked	31,126	40,373	43,396	42,190	42,678	43,811
Total number of rotors installed	1,440	1,440	1,440	1,440	1,440	1,440
Average number of rotors worked	1,428	1,428	1,428	1,428	1,428	1,428
Installed capcity after conversion into 20's	18,140,662	18,140,662	18,140,662	18,140,662	18,090,962	18,090,962
Actual production after conversion into 20's	11,373,290	15,161,179	17,402,720	17,666,666	17,674,774	16,843,647
Sales	3,191,016,654	5,100,805,673	3,757,221,328	2,613,487,435	2,187,166,571	2,003,866,053
Gross (loss)/profit	(1,445,806,268)	904,810,286	770,535,473	540,122,238	405,858,029	350,489,852
Operating (loss)/profit	(1,865,893,143)	715,663,615	612,702,162	404,497,540	308,592,717	255,542,530
Financial Expenses	434,203,221	470,141,557	459,220,193	383,369,919	253,700,918	229,425,933
(Loss)/Profit before tax	(2,560,205,624)	250,978,761	161,522,955	38,477,931	62,389,835	28,858,392
(Loss)/Profit for the year after taxation	(2,574,930,351)	179,272,423	128,567,407	22,907,631	47,635,916	43,017,983
Unappropreated profit carried forward	(2,085,160,651)	515,232,911	362,780,303	251,050,046	243,448,915	209,727,999
FINANCIAL POSITION						
Paid up capital	222,250,380	222,250,380	185,208,650	168,371,500	153,065,000	139,150,000
Share holder's equity	(1,590,910,271)	1,009,483,291	844,377,261	742,578,951	738,183,244	690,547,328
Long term loans	128,672,477	1,601,476	86,141,504	114,821,311	449,978,002	495,214,098
Obligation under finance lease	22,269,377	48,447,544	83,111,389	104,476,003	92,617,663	110,932,231
Deffered Liabilities	633,596,425	113,152,369	88,411,838	60,707,955	49,795,339	48,080,733
Current Liabilities	3,677,172,472	3,129,395,551	2,968,813,483	2,801,110,857	2,043,394,291	1,818,844,351
Fixed Assets	3,895,756,389	1,340,933,945	1,385,935,928	1,418,761,669	1,443,232,196	1,464,101,544
Long term investment	102,027,608	261,743,042	225,069,210	178,714,674	107,493,459	106,003,037
Long term deposits	8,650,608	10,496,976	13,266,818	13,874,538	13,626,774	9,609,315
Current Assets	1,533,059,561	3,235,720,552	2,905,886,858	2,678,802,143	2,036,876,682	1,810,865,417

PATTERN OF SHAREHOLDING
as at June 30, 2012

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
2,454	1	100	34,893	0.16
691	101	500	152,965	0.69
130	501	1,000	101,221	0.46
151	1,001	5,000	361,557	1.63
36	5,001	10,000	265,213	1.19
20	10,001	15,000	237,742	1.07
6	15,001	20,000	110,136	0.50
1	20,001	25,000	22,776	0.10
2	25,001	30,000	56,231	0.25
3	30,001	35,000	97,337	0.44
4	35,001	40,000	150,837	0.68
6	40,001	45,000	254,999	1.15
1	55,001	60,000	60,000	0.27
2	60,001	65,000	123,283	0.55
1	65,001	70,000	65,691	0.30
1	70,001	75,000	73,790	0.33
1	75,001	80,000	79,183	0.36
1	85,001	90,000	85,400	0.38
1	90,001	95,000	94,400	0.42
2	95,001	100,000	195,480	0.88
3	100,001	105,000	311,203	1.40
1	105,001	110,000	105,111	0.47
1	110,001	115,000	114,546	0.52
2	125,001	130,000	258,743	1.16
2	135,001	140,000	274,214	1.23
1	145,001	150,000	150,000	0.67
1	215,001	220,000	216,131	0.97
2	260,001	265,000	527,959	2.38
1	290,001	295,000	291,344	1.31
1	300,001	305,000	302,596	1.36
1	310,001	315,000	313,190	1.41
1	360,001	365,000	364,230	1.64
1	470,001	475,000	471,732	2.12
1	475,001	480,000	477,410	2.15
1	490,001	495,000	494,885	2.23
1	495,001	500,000	500,000	2.25
1	1,200,001	1,205,000	1,203,474	5.41
1	1,945,001	1,950,000	1,949,040	8.77
1	2,065,001	2,070,000	2,065,470	9.29
1	2,095,001	2,100,000	2,098,071	9.44
1	7,110,001	7,115,000	7,112,655	32.00
3,540			**22,225,138**	**100.00**

* Note: There is no shareholding in the slab not mentioned

CATEGORIES OF SHAREHOLDERS
as at June 30, 2012

Category	No. of Shares Holders	No. of Shares Held	Percentage
Directors, Chief Executive Officer and their spouse and minor children	7	699,498	3.15
Associated Companies, Undertakings and Related Parties	2	7,122,957	32.05
NIT & ICP	4	1,235,117	5.56
Banks, Development Finance Institutions, Non- Banking Financial Institutions	5	456,627	2.05
Insurance Companies	2	271,678	1.22
General Public (Local)	3,495	8,350,422	37.57
Others	25	4,088,839	18.40
	3,540	**22,225,138**	**100.00**

INFORMATION AS REQUIRED UNDER CLAUSE XIX(i)
of the Code of Corporate Governance as at June 30, 2012

		SHARES
A)	**ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES**	
	Gulistan Spinning Mills Limited	10,302
	Gulistan Textile Mills Limited	7,112,655
B)	**NIT & ICP**	
	IDBP (ICP UNIT)	106
	National Investment Trust Limited	30,987
	National Bank of Pakistan Trustee Department	1,204,024
C)	**DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN**	
	DIRECTORS	
	Mr. Tanveer Ahmed	128,939
	Mr. Riaz Ahmed	1,110
	Mr. Muhammad Shafiq	500
	Mr. Sohail Maqsood	650
	Mr. Umer Hayat Gill	570
	Mr. Iftikhar Ali	500
	SPOUSES	
	Mrs. Naureen Tanveer	567,229
D)	**BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS**	
	BANKS	
	Islamic Investment Bank Limited	9,345
	NIB Bank Limited	19,496
	Al-Faysal Investment Bank Limited	50
	National Bank of Pakistan	427,736
	INSURANCE	
	State Life Insurance Corporation of Pakistan	263,326
	The Crescent Star Insurance Company Limited	8,352
E)	**OTHERS**	
	ACE Securities (Pvt.) Limited	2
	AWJ Securities (SMC-Pvt.) Limited	181
	Dalal Securities (Pvt.) Limited	2,949
	Darson Securities (Pvt.) Limited	1
	Fairtrade Capital Securities (Pvt.) Limited	1,756
	H M Investment (Pvt.) Limited	525

INFORMATION AS REQUIRED UNDER CLAUSE XIX(i)
of the Code of Corporate Governance as at June 30, 2012

		SHARES
	Invest & Finance Securities Limited	6,000
	Ismail Abdul Shakoor Securities	177
	JS Global Capital Limited	13,000
	Lakhani Securities (Pvt.) Limited	500,000
	Mumtaz Enterprises (Pvt.) Limited	483,151
	NH Securities (Pvt.) Limited	216
	Pearl Capital Management (Pvt.) Limited	877
	Rahat Securities (Pvt.) Limited	238
	Sapphire Textile Mills Limited	972,295
	Sherman Securities Pvt.) Limited	41,908
	The Karachi Stock Exchange (G) Limited	93
	Peridot Products (Pvt) Ltd.	2,065,470
F)	**General Public (Local)**	8,350,422
		22,225,138
G)	**SHAREHOLDERS HOLDING 5% OR MORE**	
	Gulistan Textile Mills Limited	7,112,655
	Peridot Products (Pvt.) Limited	2,065,470
	National Bank of Pakistan Trustee Department	1,203,474
	Mr. Ali Afzal Sheikh	2,098,071
	Mrs. Sana Kashif	1,949,040
	TRADING IN THE SHARES OF COMPANY DURING THE YEAR BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN	NIL

Form of Proxy
Gulshan Spinning Mills Limited

I/We ________________________________ being member of **Gulshan Spinning Mills Limited** holder of _______________ ordinary shares as per Share Register Filio No. _____________ and/or CRC participant I.D. No. ________________________ Account No _____________ hereby appoint Mr. _________________________________ who is also member of **Gulshan Spinning Mills Limited** vide Filio No. ______ or CDC participant I.D. No. __________ Account No. _________ or failing him/her of _____________________ of Mr.________________________ who is also member of **Gulshan Spinning Mills Limited** vide Filio No. ______________ or CDC participant I.D. No. _________ Account No. _______________ as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 16 May 2013 at 12:00 noon and at any adjournment thereof.

As witness my/our hand this ____________ day of ____________ 2013

Signed by the said ____

In the presence of ____

Appropriate Revenue Stamp

Notes:

1. The Proxy in order to be valid must be duly stamped, signed and witnessed and be deposited with the Company not later than 48 hours before the time of holding of Meeting
2. The proxy must be a member of the Company.
3. Signature should agree with the specimen signature, registered with the Company.
4. CDC Shareholders, entitled to attend and vote at this meeting, must bring with them their National Identity Card/Passport in original to prove his/her identity, and in case of Proxy must enclose an attested copy of his/her NIC or passport.
5. Representative of corporate members should bring the usual documents required for such purpose.