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. Akhtar 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 Hieghts, 8 Aibak Block, New Garden Town, Lahore.
MILLS	Unit I Tibba Sultan Pur, Distt. Vehari Unit II Jumber Khurd Tehsil Chunian Distt, Kasur Unit III Warburton Distt. Nankana Sahib

Director's Report to Shareholders

The Directors of your Company are pleased to present unaudited financial statements of the Company for the half year ended December 31, 2012.

Financial Results

Operating Indicators	Half Year Ended December 31, 2012 Rupees	Half Year Ended December 31, 2011 Rupees
Sales	707,347,269	1,794,745,089
Gross (loss)/Profit	(87,729,456)	299,314,527
Pre Tax (loss)/Profit	(168,986,806)	653,447
Provision for Taxation	21,665,290	(8,116,541)
Earnings/(loss) Per Share	(8.58)	0.39

The period under review has also been proved difficult period. The severe gas and electricity load shedding and rising trends of energy costs has further aggravated the position. Moreover, the condition has worsened when financial institutions withdrew their working capital and export discounting lines unilaterally resulting in loss of export business. Due to withdrawal of working capital and export discounting lines, timely purchase of cotton at cheaper rates could not be materialized. Due to the company's inability to purchase raw materials adequately it was unable to maximize production capacity which resulted in loss. These all matters elevated the entire conflict which even caused litigation and the Company filed 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, ancillary reliefs. The banks in response also filed recovery suits before different Civil Courts, Banking Courts and High Courts. 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. Since the matter is prejudice in the Honorable Lahore High Court, the company has not therefore acknowledged its liability relating to mark up 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 initiate 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. In this regard leading law firm has been appointed as transaction lawyer and restructuring plan/terms are in process of finalization and majority of financial institutions has agreed in principle to the restructuring process. Once achieved it would improve the company's financial health and liquidity of the Company.

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 mark-up 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 pressure of local and global market and tackle with energy crises.

Future Outlook:

The management of your company has adopted various approaches to diminish the financial impact caused by banks / financial institutions by freezing our short term financing facilities and blocking the export lines unilaterally. In this regard we made third party arrangements, whereby the company will process the cotton on agreed prices managing the cash flows to the best possible options available at this point of time. 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 (which is at advance stage) for better financial position, strengthening our operations through proficient acumen, improving manufacturing processes and offering better service to our customers. Moreover, present trend of increase in inflation, unpredictable abnormal hike in power costs and load shedding are likely to continue. All these factors may affect the profitability for the next quarter. In spite of these circumstances, the Management would be putting its best efforts to ensure continued growth, operational efficiency and optimum results for the Company and its valued stakeholders

Acknowledgement:

We appreciate the efforts and with thanks place on record the continued support extended to us by our customers, suppliers and bankers. The valuable services rendered by our team of employees are gratefully acknowledged.

KARACHI
August 15,2013

Tanveer Ahmad
Chief Executive

Auditor's Report to the Members on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of GULSHAN SPINNING MILLS LIMITED (the Company) as at December 31, 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half-year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half-year ended December 31, 2012.

Scope of Review

Except for the matter stated in paragraph (b) below, we conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

(a) Mark-up / interest on long term finances, lease finances and short term borrowings to the extent of Rs. 324.625 million, including balance aggregating Rs. 183.604 millions for the current period ended December 31, 2012 (the period), has not been accrued in the condensed interim financial information; thereby reducing loss for the current period by Rs.183.604 million, shareholders' equity and current liabilities by Rs.324.625 million as fully detailed in notes 11 and 14.1.1.

(b) Period-end balance confirmation certificates from all banks and financial institutions in respect of lease deposits, margin against letters of credit / guarantee, bank balances (note 8), long term finances (note 9), liabilities against assets subject to finance lease (note 9), payables against overdue letters of credit (note 10), accrued mark-up / interest (note 11) and short term borrowings (note 12) were not available due to pending litigations with these banks and financial institutions. Further, period end bank statements from various banks and financial institutions in respect of bank balances and short term borrowings were also not available due to pending litigations.

(c) Value of investments in Gujranwala Energy Limited under equity method as at December 31, 2012 and June 30, 2012 was determined based on the un-reviewed financial information and un-audited financial statements respectively (note 6.2).

Qualified Conclusion

Based on our review, with the exception of the matters described in the preceding paragraphs (a) to (c) and the extent to which these may affect the annexed condensed interim financial information, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half-year ended December 31, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

Without further affecting the auditor's conclusion, we draw attention to note 1.3 to the condensed interim financial information, which indicates that the Company incurred net loss of Rs.190.652 million during the six months period ended December 31, 2012 and, as of that date, the Company's current liabilities exceeded its current assets by Rs.2.265 billion. 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. This condensed interim financial information, however, has been prepared on the going concern basis on the assumptions as detailed in aforesaid note. Attention is also drawn to note 14.1.1 to the condensed interim financial information, 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
August 15, 2013

Condensed Interim Balance Sheet as at December 31, 2012

	Note	December 31 2012 Rupees (Un-Audited)	June 30 2012 Rupees (Audited)
ASSETS			
Non Current Assets			
Property, plant and equipment	5	3,846,593,105	3,895,756,389
Long term investments	6	100,091,385	102,027,608
Long term deposits		8,650,608	8,650,608
		3,955,335,098	4,006,434,605
Current Assets			
Stores, spares and loose tools		46,536,665	44,358,051
Stock-in-trade	7	816,624,546	838,903,499
Trade debtors		437,514,216	527,477,129
Loans and advances		48,171,359	68,062,431
Deposits and prepayments		7,245,385	7,382,386
Accrued mark-up / interest		1,566,213	1,081,782
Other receivables		21,788,106	23,242,734
Cash and bank balances	8	62,226,531	22,551,549
		1,441,673,021	1,533,059,561
Total Assets		5,397,008,119	5,539,494,166
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital			
25,000,000 (June 30, 2012: 25,000,000) ordinary shares of Rs.10 each		250,000,000	250,000,000
Issued, subscribed and paid-up capital			
22,225,038 (June 30, 2012: 22,225,038) ordinary shares of Rs.10 each		222,250,380	222,250,380
Reserves		272,000,000	272,000,000
Accumulated loss		(2,249,373,238)	(2,085,160,651)
		(1,755,122,858)	(1,590,910,271)
Surplus on Revaluation of Operating Fixed Assets		2,468,196,031	2,494,635,540
Sub-ordinate Loan		250,000,000	250,000,000
Non Current Liabilities			
Loan from the Chief Executive		75,000,000	75,000,000
Long term finances	9	-	-
Liabilities against assets subject to finance lease	9	-	-
Deferred liabilities		652,113,447	633,596,425
		727,113,447	708,596,425
Current Liabilities			
Trade and other payables	10	736,043,720	676,030,303
Accrued mark-up / interest	11	24,075,043	28,903,387
Short term borrowings	12	2,787,883,785	2,804,002,387
Current portion of non-current liabilities	13	142,517,115	150,941,854
Taxation - net		16,301,836	17,294,541
		3,706,821,499	3,677,172,472
Contingencies and Commitments	14		
Total Equity and Liabilities		5,397,008,119	5,539,494,166

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Condensed Interim Profit and Loss Account (Un-audited)
for the quarter and half year ended December 31, 2012

		Quarter ended		Half year ended	
		December 31 2012	December 31 2011	**December 31 2012**	December 31 2011
	Note	**Rupees**	Rupees	**Rupees**	Rupees
Sales - net		**302,594,784**	850,237,365	**707,347,269**	1,794,745,089
Cost of sales	**15**	**332,886,849**	695,704,127	**795,076,725**	1,495,430,562
Gross (loss) / profit		**(30,292,065)**	154,533,238	**(87,729,456)**	299,314,527
Distribution cost		**7,965,094**	18,212,147	**24,183,850**	46,204,988
Administrative expenses		**16,221,282**	12,076,893	**30,579,505**	24,341,587
Other operating expenses		**2,290,216**	744,263	**2,290,216**	744,263
Other operating income		**(17,089,155)**	(391,516)	**(25,854,257)**	(748,731)
		9,387,437	30,641,787	**31,199,314**	70,542,107
(Loss) / profit from operations		**(39,679,502)**	123,891,451	**(118,928,770)**	228,772,420
Finance cost		**14,775,808**	110,312,633	**23,400,961**	225,747,272
		(54,455,310)	13,578,818	**(142,329,731)**	3,025,148
Share of loss of an Associated Company		**(17,728,772)**	(1,611,500)	**(26,129,723)**	(1,641,283)
Share of loss from Joint Venture		**(527,352)**	(44,345)	**(527,352)**	(730,418)
		(18,256,124)	(1,655,845)	**(26,657,075)**	(2,371,701)
(Loss) / profit before taxation		**(72,711,434)**	11,922,973	**(168,986,806)**	653,447
Taxation					
- current	**16**	**834,068**	11,820,996	**1,634,219**	20,474,222
- deferred		**20,031,071**	(10,466,197)	**20,031,071**	(28,590,763)
		20,865,139	1,354,799	**21,665,290**	(8,116,541)
(Loss) / profit after taxation		**(93,576,573)**	10,568,174	**(190,652,096)**	8,769,988
(Loss) / earnings per share					
- basic and diluted		-4.21	0.48	-8.58	0.39

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Condensed Interim Statement of Comprehensive Income (Un-audited)
for the quarter and half year ended December 31, 2012

	Quarter ended		Half year ended	
	December 31 2012	December 31 2011	**December 31 2012**	December 31 2011
	Rupees	Rupees	**Rupees**	Rupees
(Loss) / profit after taxation	**(93,576,573)**	10,568,174	**(190,652,096)**	8,769,988
Other comprehensive income	**-**	-	-	-
Total comprehensive (loss) / income for the period	**(93,576,573)**	10,568,174	**(190,652,096)**	8,769,988

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Condensed Interim Cash Flow Statement (Un-audited)
for the half year ended December 31, 2012

	Note	Half year ended December 31 2012 Rupees	December 31 2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	**107,775,482**	241,809,872
Interest received		**648,974**	2,768,475
Finance cost paid		**(28,229,305)**	(232,677,108)
Income tax paid		**(2,626,924)**	(20,490,354)
Workers' profit participation fund paid		**-**	(13,594,941)
Gratuity paid		**(9,660,269)**	(6,413,340)
Net cash generated from / (used in) operating activities		**67,907,958**	(28,597,396)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(572,369)**	(16,296,219)
Long term deposits - net		**-**	(1,278,333)
Sale of long term investments		**-**	38,853,000
Net cash (used in) / generated from investing activities		**(572,369)**	21,278,448
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - net		**(7,142,857)**	43,813,792
Repayment of lease finances		**(1,281,882)**	(10,063,432)
Short term borrowings - net		**(16,118,602)**	(4,288,394)
Dividend paid		**(3,117,266)**	(11,199,054)
Net cash (used in) / generated from financing activities		**(27,660,607)**	18,262,912
Net increase in cash and cash equivalents		**39,674,982**	10,943,964
Cash and cash equivalents - at beginning of the period		**22,551,549**	67,150,496
Cash and cash equivalents - at end of the period		**62,226,531**	78,094,460

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Condensed Interim Statement of Changes in Equity (Un-audited)
for the half year ended December 31, 2012

	Issued, subscribed and paid-up capital	Reserves		Unappropri-ated profit / (accumulated loss)	Total
		Share premium	General reserve		
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2011	222,250,380	66,000,000	206,000,000	515,232,911	1,009,483,291
Transaction with owners					
Cash dividend for the year ended June 30, 2011 at the rate of Rs.1.5 per share	-	-	-	(25,463,211)	(25,463,211)
Total comprehensive income for the half year ended December 31, 2011	-	-	-	8,769,988	8,769,988
Balance as at December 31, 2011	**222,250,380**	**66,000,000**	**206,000,000**	**498,539,688**	**992,790,068**
Balance as at July 01, 2012	222250380	**66,000,000**	**206,000,000**	**(2,085,160,651)**	**(1,590,910,271)**
Total comprehensive loss for the half year ended December 31, 2012	-	-	-	(190,652,096)	(190,652,096)
Surplus on revaluation of operating fixed assets realised during the period on account of incremental depreciation for the half year ended - net of deferred taxation	-	-	-	23,992,469	23,992,469
Effect of item directly credited in equity by an Associated Company	-	-	-	2,447,040	2,447,040
Balance as at December 31, 2012	**222,250,380**	**66,000,000**	**206,000,000**	**(2,249,373,238)**	**(1,755,122,858)**

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Notes to the Condensed Interim Financial Information (Un-audited)
for the half year ended December 31, 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. 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

The Company during the period of six months ended December 31, 2012 incurred loss after taxation of Rs.190.652 million. As of that date it has accumulated losses of Rs.2.250 billion which has resulted in negative equity of Rs.1.756 billion and its current liabilities exceeded its current assets by Rs.2.265 billion. Due to blockage and curtailment of working capital lines by the banks & financial institutions and load shedding on regular bases, the Company could not run its operations in normal manners which resulted in huge losses. The Company is in litigation with the banks and financial institutions for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs. Further, the management alongwith a leading financial institutions is also negotiating with banks and financial institutions for reconciliation of amounts, rescheduling of repayment terms and restructuring of the Company's liabilities. This condensed interim financial information has been prepared under the going concern assumption as the management feels that aforesaid situation is temporary not permanent and would reverse in near future. Following steps have also been taken by the management in order to turn around the Company:

(a) a term sheet for restructuring / rescheduling of the finance facilities of the Company has been agreed with majority of banks / financial institutions / lenders. The management is hopeful that soon all the banks will sign this term sheet and its financial liabilities will be restructured / rescheduled.

(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 has 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, this condensed interim financial information does not include any adjustment that might result, should the Company not be able to continue as a going concern.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984. It has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The figures for the half year ended December 31, 2012 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2012.

3. ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are same as those applied in the preparation of preceding audited annual financial statements of the Company for the year ended June 30, 2012.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates.

Estimation and judgements made by the management in the preparation of this condensed interim financial information were the same as those that were applied to the audited annual financial statements for the year ended June 30, 2012 except for the following:

4.1 Change in estimates

The management, during the current period, has engaged M/s Maricon Consultants (Pvt.) Ltd., Engineers, Authorized Valuators of Pakistan Banking Association and Leasing Association of Pakistan to ascertain the useful life and assess the remaining useful life of following depreciable assets. Keeping in consideration the assessed useful life of these assets, the depreciation rates of depreciable assets were found excessive and consequently depreciation rates have been reduced as follows:

Asset category	Depreciation rates (%)	
	Revised	Previous
Factory buildings	**2.5**	5
Residential buildings	**2.5**	5
Plant and machinery - leased and owned	**2.5**	5
Electric Installations	**2.5**	10
Gas power generators	**4**	5

The change in accounting estimate has been accounted for prospectively in accordance with the requirements of International Accounting Standard 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors' by adjusting the depreciation charge for current period. The change in accounting estimate has resulted in decrease in depreciation charge for the period by Rs.45.757 million with corresponding increase in carrying value of operating fixed assets and decrease in current year's loss before taxation by the same amount.

	Note	**December 31 2012**	June 30 2012
		Rupees	Rupees
		Un-audited	Audited
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	**5.1**	**3,846,593,105**	3,895,756,389
Capital work-in-progress			
- advance for land		**989,505**	989,505
- impairment allowance		**(989,505)**	(989,505)
		3,846,593,105	3,895,756,389

	Note	December 31 2012 Rupees Un-audited	June 30 2012 Rupees Audited
5.1 Operating fixed assets			
Book value at beginning of the period / year		**3,895,756,389**	1,339,944,440
Additions during the period / year	**5.1.1**	**572,369**	21,863,868
Transfer in from leased vehicles to owned vehicles - at book value		**-**	760,859
Transfer out from leased vehicles to owned vehicles - at book value		**-**	(760,859)
Surplus on revaluation carried-out during the preceding year		**-**	2,597,577,002
Depreciation charge for the period / year		**(49,735,653)**	(63,628,921)
Book value at end of the period / year		**3,846,593,105**	3,895,756,389
5.1.1 Additions during the period / year:			
Plant and machinery		**-**	8,006,946
Electric Installations		**425,209**	7,386,724
Gas power generators		**-**	4,340,874
Mills equipment		**114,100**	1,897,427
Office equipment		**20,100**	136,318
Furniture and fixture		**12,960**	95,579
		572,369	21,863,868

5.2 There has been no change in the status of matter as detailed in note 5.3 to the Company's published annual financial statements for the year ended June 30, 2012.

	Note	December 31 2012 Rupees Un-audited	June 30 2012 Rupees Audited
6. LONG TERM INVESTMENTS			
In an Associate	**6.1**	**9,014,190**	12,373,478
In Joint venture	**6.2**	**60,054,051**	60,581,403
Others	**6.3**	**31,023,144**	29,072,727
		100,091,385	102,027,608

	Note	December 31 2012 Rupees Un-audited	June 30 2012 Rupees Audited
6.1 Investments in an Associate			
- under equity method			
Gulistan Textile Mills Limited (GTML)			
600,946 (June 30, 2012: 600,946) fully paid ordinary shares of Rs.10 each			
Equity held:3.17% (June 30, 2012: 3.17%)	**6.1.1**	**9,014,190**	12,373,478
6.1.1 Reconciliation of investments in an Associate under equity method:			
Cost		**40,000,000**	40,000,000
Share of post acquisition reserves:			
Balance at beginning of the period / year		**(191,834,411)**	65,630,071
Share of loss for the period / year		**(26,129,723)**	(256,863,536)
Dividend income received during the preceding year		**-**	(600,946)
Balance at end of the period / year		**(217,964,134)**	(191,834,411)
Share of item directly credited in the equity of Associated Company		**2,447,040**	-
Share of surplus on revaluation of fixed assets		**187,425,544**	189,872,584
		11,908,450	38,038,173
Less: impairment loss		**2,894,260**	25,664,695
		9,014,190	12,373,478

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

6.1.3 Market values of the Company's investment in an Associate as at December 31, 2012 were Rs.9.014 million (June 30, 2012: Rs.12.373 million).

	Note	December 31 2012 Rupees Un-audited	June 30 2012 Rupees Audited
6.2 Investments in a Joint venture			
- under equity method			
Gujranwala Energy Limited			
7,500,000 (June 30, 2012: 7,500,000) ordinary shares of Rs.10 each - **cost**		**75,000,000**	75,000,000
Share of post acquisition losses:			
Balance at beginning of the period / year		**(15,918,597)**	(12,672,873)
Share of loss for the period / year		**(527,352)**	(3,245,724)
Balance at beginning of the period / year		**(16,445,949)**	(15,918,597)
Carrying value of investment as at,		**58,554,051**	59,081,403
Add: deposited for right shares		**1,500,000**	1,500,000
		60,054,051	60,581,403

6.2.1 This represents 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. Due to non-availability of audited and reviewed financial statements of GEL for the year ended June 30, 2012 and period of six month ended December 31, 2012, the management has used un-audited financial statements for application of the equity method. Further, the annual financial statements for the year ended June 30, 2011 of GEL were only initialled by a firm of Chartered Accountants but not yet been signed. Information contained in notes 6.2.2, 6.2.3 and 6.2.4 are based on these un-audited and un-reviewed financial statements of GEL.

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 notes 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 notes 6.2.3 and 6.2.4.

	Note	**December 31 2012**	June 30 2012
		Rupees	Rupees
		Un-audited	Audited
6.3 Others - Held to Maturity			
Defence Savings Certificates			
- cost		**21,000,000**	21,000,000
- accrued mark-up		**10,023,144**	8,072,727
		31,023,144	29,072,727

6.3.1 These are under lien with a bank against guarantee amounting Rs.19.504 million (June 30, 2012: Rs.19.504 million).

7. STOCK-IN-TRADE

All of the current assets of the Company are under banks' charge as security of short term borrowings. 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 and fixed assets of the Company.

8. CASH AND BANK BALANCES

Majority of the Company's bank accounts operations have been blocked by the respective bank due to on-going litigations with these banks as detailed in note 14.1.1 to this condensed interim financial information. Further, due to the litigation and blockage of bank accounts, bank statements for the current period of six months ended December 31, 2012 from these banks were not available to ensure balance held with these banks.

9. LONG TERM FINANCES AND LIABILITIES AGAINST ASSETS SUBJECT TOFINANCE LEASE - Secured

Due to the pending litigations as detailed in note 14.1.1 to this condensed interim financial information, the Company's financial arrangements with the banking companies and financial institutions have been disputed and the Company will only make payments / adjustments of all the finances after the amounts are reconciled with these banks and financial institutions in accordance with the abovementioned suit. In terms of provisions of International Accounting Standard 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 twelve months period ending December 31, 2013 under long term finance agreements and lease finance agreements have been grouped under current portion of non-current liabilities (note 13).

10. TRADE AND OTHER PAYABLES

Trade and other payables include bills payable / letters of credit payable of Rs.619.962 million (June 30, 2012: Rs.548.744 million), which represent 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 14.1.1 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 this condensed interim financial information. Amount of the un-provided commission / interest / mark-up or penalty is impracticable to determine as at the reporting date.

11. ACCRUED MARK-UP / INTEREST

During the period of six months ended December 31, 2012, the Company has not provided mark-up / interest on its long term finances, lease finances and short term borrowings to the extent of Rs.4.154 million, Rs.0.490 million and Rs.178.960 million respectively due to pending litigations with the financial institutions. Un-provided mark-up / interest upto the balance sheet date aggregated Rs.324.625 million. This non-provisioning is in contravention with the requirements of IAS 23 - Borrowing Costs. The exact amount of un-provided mark-up / interest could not be ascertained because of non-availability of relevant information and documents due to on-going litigations with banks and financial institutions.

	Note	December 31 2012 Rupees Un-audited	June 30 2012 Rupees Audited
12. SHORT TERM BORROWINGS - Secured			
Short term finances - secured	**12.1**	**1,927,270,983**	1,928,328,404
Running finances - secured	**12.1**	**855,227,649**	869,077,766
Temporary bank overdraft - unsecured		**5,385,153**	6,596,217
		2,787,883,785	2,804,002,387

12.1 The abovementioned balances are against various finance facilities, which had expired during the preceding financial year and were not renewed by the respective banks / financial institutions as at the reporting date. 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. Further, due to these litigations, bank statements for the current period of six months ended December 31, 2012 from majority of these banks / financial institutions were not available to ensure period end balances of these finance facilities.

	Note	December 31 2012 Rupees Un-audited	June 30 2012 Rupees Audited
13 CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term financing:			
- overdue instalments		**13,047,477**	2,071,001
- instalments due within next twelve months		**33,035,714**	34,637,190
- instalments due after December 31, 2013 / June 30, 2013	13.1	**75,446,429**	91,964,286
		121,529,620	128,672,477
Liabilities against assets subject to finance lease			
- overdue instalments		**10,193,189**	3,205,815
- instalments due within next twelve months		**9,500,666**	15,979,210
- instalments due after December 31, 2013 / June 30, 2013	13.1	**1,293,640**	3,084,352
		20,987,495	22,269,377
		142,517,115	150,941,854

13.1 Refer contents of note 9 to this condensed interim financial information.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 Liabilities towards banks and financial institutions

(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.2,958.844 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 has been accounted for to the full extent where as mark-up / interest to the extent of Rs.324.625 million has not been accounted upto to the reporting date.

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.

14.1.2 There has been no change in the matter as detailed in note 27.1.2 to the Company's published annual financial statements for the year ended June 30, 2012.

14.1.3 Refer contents of note 6.2.5.

14.1.4 Counter guarantees aggregating Rs.78.518 million (June 30, 2012: Rs.78.518 million) given by the Company to various banks outstanding as at December 31, 2012 in respect of guarantees issued in favour of various Government Departments / Institutions and Sui Northern Gas Pipelines Limited.

14.2 Commitments

14.2.1 Commitment against confirmed letters of credit outstanding at the period end was for Rs.Nil (June 30, 2012: Rs.36.741 million).

15. COST OF SALES

		Un-audited			
		Quarter ended		**Half year ended**	
		December 31 2012	December 31 2011	**December 31 2012**	December 31 2011
	Note	**Rupees**	Rupees	**Rupees**	Rupees
Stocks - opening		**176,739,913**	957,075,861	**175,701,275**	916,618,612
Cost of goods manufactured	**15.1**	**316,845,118**	662,924,362	**744,641,113**	1,461,016,046
Purchase of finished goods		**15,054,000**	-	**50,486,519**	42,092,000
		331,899,118	662,924,362	**795,127,632**	1,503,108,046
		508,639,031	1,620,000,223	**970,828,907**	2,419,726,658
Stocks - closing		**(175,752,182)**	(924,296,096)	**(175,752,182)**	(924,296,096)
		332,886,849	695,704,127	**795,076,725**	1,495,430,562

15.1 Cost of goods manufactured

Opening work-in-process	**20,635,874**	61,602,169	**38,410,597**	73,648,037
Raw materials consumed	**169,508,143**	491,434,867	**448,054,359**	1,105,380,036
Direct labour and overheads	**141,343,074**	180,701,440	**272,818,130**	352,802,087
	310,851,217	672,136,307	**720,872,489**	1,458,182,123
	331,487,091	733,738,476	**759,283,086**	1,531,830,160
Closing work-in-process	**(14,641,973)**	(70,814,114)	**(14,641,973)**	(70,814,114)
	316,845,118	662,924,362	**744,641,113**	1,461,016,046

16. TAXATION

Provision for current period represents tax 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.

		Un-audited	
		Half year ended	
		December 31 2012	December 31 2011
	Note	**Rupees**	Rupees
17. CASH GENERATED FROM OPERATIONS			
(Loss) / profit before taxation		**(168,986,806)**	653,447
Adjustments for non-cash charges and other items:			
Depreciation of operating fixed assets		**49,735,653**	31,853,842
Provision of gratuity		**8,146,220**	4,958,496
Finance cost		**23,400,961**	225,747,272
Worker's profit participation fund		**-**	188,471
Worker's welfare fund		**-**	555,792
Share of loss from an associate		**26,129,723**	1,641,283
Share of loss from joint venture		**527,352**	730,418
Interest income		**(3,083,822)**	(537,640)
Reversal of impairment loss on equity investments		**(22,770,435)**	-
Working capital changes	**17.1**	**194,676,636**	(23,981,509)
		107,775,482	241,809,872

17.1 Movement in working capital

(Increase) / decrease in current assets:		
Stores, spares and loose tools	**(2,178,614)**	(19,052,005)
Stock-in-trade	**22,278,953**	99,800,358
Trade debts	**89,962,913**	532,066
Loans and advances	**19,891,072**	(15,421,129)
Deposits and prepayments	**137,001**	(9,980,310)
Other receivables	**1,454,628**	2,261,071
	131,545,953	58,140,051
Increase / (decrease) in trade and other payables	**63,130,683**	(82,121,560)
	194,676,636	(23,981,509)

18. FINANCIAL RISK MANAGEMENT

This condensed interim financial information does not include all the financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited financial statement of the Company for the year ended June 30, 2012. The Company's activities expose it to a variety of financial risks, which are credit risk, liquidity risk and market risk (including currency risk, interest risk and other price risk). There has been no change in the Company's sensitivity to these risks since June 30, 2012. There have been no changes in risk management objectives and policies of the Company during the period.

19 RELATED PARTY TRANSACTIONS

19.1 Significant transactions with related parties are as follows:

		Un-audited	
		Half year ended	
		December 31 2012	December 31 2011
		Rupees	Rupees
Nature of transactions	**Nature of relationship**		
Purchases	Associated Companies	**55,204,574**	79,877,035
Doubling / dyeing charges	Associated Companies	**3,171,475**	40,641,956
Sales	Associated Companies	**48,974,186**	150,622,084
Processing income	Associated Companies	**66,504,114**	72,727,865
Remuneration and other benefits	Key management personnel	**4,532,780**	3,650,670

19.2 Period / year end balances are follows:

	December 31 2012	June 30 2012
	Rupees	Rupees
	Un-audited	**Audited**
Receivables from related parties		
Long term investments	**69,068,241**	72,954,881
Trade debtors	**143,962,609**	119,155,762
Payable to related parties		
Trade and other payables	**-**	27,539,661
Accrued mark-up / interest	**22,759,774**	22,759,774

20 OPERATING SEGMENT

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

(a) 24% (December 31 2011: 47%) of sales of the Company are made to customers located outside Pakistan.

(b) All non-current assets of the Company at December 31, 2012 and December 31, 2011 are located in Pakistan.

(c) The Company has earned revenues from four (December 31, 2011: one) customers aggregating Rs.103.985 million (December 31, 2011: Rs.231.578 million) during the period which constituted 14.70% (December 31, 2011: 12.90%).

21. GENERAL

21.1 Figures have been rounded off to the nearest rupee except stated otherwise.

21.2 This condensed interim financial information has been authorized for issue by the Board of Directors of the Company on August 15, 2013.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director