QUARTERLY ACCOUNTS
FOR NINE MONTHS ENDED
MARCH 31, 2014
(UN-AUDITED)

Gulshan Spinning Mills Limited

Contents

Company Information

BOARD OF DIRECTORS	Mr. Sohail Maqsood (Chairman) Mr. Tanveer Ahmed (Chief Executive) Mr. Riaz Ahmed Mr. Muhammad Shafiq Mr. Iftikhar Ali Mr. Muhammad Yousaf Mr. Hussain Athar
AUDIT COMMITTEE	Mr. Hussain Athar (Chairman) Mr. Muhammad Shafiq Mr. Sohail Maqsood
HR & REMUNERATION COMMITTEE	Mr. Muhammad Shafiq (Chairman) Mr. Tanveer Ahmed Mr. Hussain Athar
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. 32411474, 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 nine months ended March 31, 2014.

Financial Results

Operating Indicators	Nine Months Ended March 31 , 2014 Rupees	Nine Months Ended March 31 , 2013 Rupees
Sales	**914,943,306**	1,019,114,253
Gross (loss)/Profit	**(261,225,300)**	(102,794,996)
Pre Tax (loss)/Profit	**(128,577,159)**	(207,953,559)
Provision for Taxation	**7,890,416**	27,721,447
Earnings/(loss) Per Share	**(6.14)**	(10.60)

The period under review has also been proved difficult period though financial position of the Company is gradually improving. Severe energy crises coupled with on-going financial impediments have obstructed the optimum utilization of production capacities. The main reason for this underutilization has been non-availability of working capital facilities and resultantly the Company could not efficiently purchase sufficient raw material to run the installed capacities at optimum level. We were bound to arrange third party processing in order to keep our production units operational.

The Company had to operate in an increasingly competitive global textile market when local cost of operations has continued to go up due to increased utility cost and inflationary pressures. Inflationary pressures burdened our cost of production despite Company's efforts to mitigate the effect by implementation of several cost cutting measures. Persistent and unprecedented energy crisis in the Country compelled the Company to generate required energy through higher cost substitutes.

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.

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 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

Future Outlook:

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.

LAHORE
April 25, 2014

Tanveer Ahmad
Chief Executive

Condensed interim Balance Sheet
As at March 31, 2014

	NOTE	March/14 (Un-Audited) Rupees	June/13 (Audited) Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	**3,734,390,786**	3,803,785,944
Long term investment	6	**95,114,802**	91,490,350
Long term deposits		**8,666,608**	8,666,608
		3,838,172,196	3,903,942,902
CURRENT ASSETS			
Stores, spares and loose tools		**35,344,164**	40,974,753
Stocks in trade		**724,719,603**	804,479,995
Trade debtors		**134,277,914**	371,254,332
Loans and advances		**46,605,170**	33,297,153
Deposit and prepayments		**6,243,382**	6,761,867
Short term investment		**9,615,136**	-
Accrued mark up / interest		**1,666,396**	1,550,427
Other Receivables		**11,824,479**	20,193,765
Cash and bank balances		**13,312,691**	17,491,049
		983,608,935	1,296,003,341
		4,821,781,131	5,199,946,243
EQUITY AND LIABILITIES			
Share capital		**222,250,380**	222,250,380
Reserves		**272,000,000**	272,000,000
Unappropriated profit		**(2,421,900,977)**	(2,303,748,350)
Shareholders' equity		**(1,927,650,597)**	(1,809,497,970)
SURPLUS ON REVALUATION OF LAND		**2,234,979,951**	2,439,343,504
SUBORDINATE LOAN		**250,000,000**	250,000,000
NON CURRENT LIABILITIES			
Long term loans	8	**-**	75,000,000
Long term finances	9	**-**	-
Liabilities against assets subject to finance lease	9	**-**	-
Staff retirement benefits		**53,322,388**	48,778,581
Deferred liabilities		**617,015,529**	609,125,113
		670,337,917	732,903,694
CURRENT LIABILITIES			
Trade and other payables	10	**606,368,802**	547,215,715
Current portion of non-current liabiities		**134,633,242**	135,216,093
Short term borrowings	11	**2,841,358,983**	2,891,340,222
Provision for taxation		**11,752,833**	13,424,985
		3,594,113,860	3,587,197,015
CONTINGENCIES AND COMMITMENTS	12	**-**	-
		4,821,781,131	5,199,946,243

The annexed notes 1 to 22 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 nine months ended March 31, 2014

	NOTE	Quarter ended		Nine months ended	
		March/14	March/13	**March/14**	March/13
		Rupees	Rupees	**Rupees**	Rupees
Sales		**255,217,481**	311,766,985	**914,943,306**	1,019,114,253
Cost of Sales	**13**	**330,847,424**	326,832,525	**1,176,168,606**	1,121,909,250
Gross (loss) / Profit		**(75,629,943)**	(15,065,540)	**(261,225,300)**	(102,794,997)
Distribution Cost		**2,954,745**	4,120,367	**7,976,677**	28,304,217
Administrative Expenses		**13,644,879**	23,479,091	**39,195,800**	54,058,596
Other Operating Expenses		**(3,027,264)**	-	**-**	2,290,216
Other Operating Income	**14**	**(1,253,245)**	(935,760)	**(183,697,947)**	(26,790,016)
		12,319,115	26,663,698	**(136,525,470)**	57,863,013
(Loss) / Profit from Operations		**(87,949,058)**	(41,729,238)	**(124,699,830)**	(160,658,010)
Finance Cost	**15**	**359,174**	1,879,690	**2,219,299**	25,280,651
Share of Loss of an associated Company/joint venture		**-**	4,642,176	**(1,658,029)**	(22,014,898)
(Loss) / profit before taxation		**(88,308,232)**	(38,966,752)	**(128,577,158)**	(207,953,559)
Taxation		**2,512,153**	6,056,157	**7,890,416**	27,721,447
(Loss) / profit after taxation		**(90,820,385)**	(45,022,909)	**(136,467,574)**	(235,675,006)
(Loss) earning per share		**(4.09)**	(2.03)	**(6.14)**	(10.60)

The annexed notes 1 to 22 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 nine months ended March 31, 2014

	Quarter ended		Nine months ended	
	March/14	March/13	**March/14**	March/13
	---------- Rupees	----------	----------	----------
(Loss)/Profit after taxation	**(90,820,385)**	(45,022,909)	**(136,467,574)**	(235,675,006)
Other comprehensive income	**-**	-	**-**	-
Total comprehensive (loss)/income for the period	**(90,820,385)**	(45,022,909)	**(136,467,574)**	(235,675,006)

The annexed notes 1 to 22 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 nine months ended March 31, 2014

	NOTE	March/14 Rupees	March/13 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES	12	64,698,601	123,669,559
Receipts/Payments for			
Interest received		394,867	652,669
Finance cost paid		(2,219,299)	(53,998,870)
Tax paid		(1,672,152)	(3,701,214)
Gratuity paid		(8,685,644)	(16,292,051)
Net cash generated from / (used) operating activities		52,516,373	50,330,093
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to operating fixed assets		(3,727,252)	(2,582,233)
Long term investment		(2,400,000)	-
Net cash used in investing activities:		(6,127,252)	(2,582,233)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - net		-	(7,142,857)
Payments made under finance lease		(582,851)	(1,328,660)
Short term borrowings		(49,981,239)	(33,515,682)
Dividend paid		(3,389)	(3,117,266)
Net cash from financing activities		(50,567,479)	(45,104,465)
Net increase in cash and Cash equivalents		(4,178,358)	2,643,395
Cash and cash equivalents at beginning of the year		17,491,049	22,551,549
Cash and cash equivalents at end of the year		13,312,691	25,194,944

The annexed notes 1 to 22 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 nine months ended March 31, 2014

	Share Capital Issued, subscribed and paid-up	Reserves		Unappropriated Profit	Total
		Share Premium	General Reserve		
	-----------------------------Rupees-----------------------------				
Balance as at July 1, 2012	222,250,380	66,000,000	206,000,000	(2,085,160,651)	(1,590,910,271)
Total comprehensive loss for the period	-	-	-	(235,411,330)	(235,411,330)
Surplus on revaluation of fixed assets realised during the year (net of deferred taxation) on account of incremental depreciation.				35,176,846	35,176,846
Effect of item directly credited in the equity by an Associated Company				2,447,040	2,447,040
BALANCE AS AT MARCH 31, 2013	**222,250,380**	**66,000,000**	**206,000,000**	**(2,282,948,095)**	**(1,788,697,715)**
Balance as at July 1, 2013	222,250,380	66,000,000	206,000,000	(2,303,748,350)	(1,809,497,970)
Effect of change in accounting policy due to application of IAS 19 (Revised) - note 3.2.1 (net of tax)				(15,992,171)	(15,992,171)
	222,250,380	66,000,000	206,000,000	(2,319,740,521)	(1,825,490,141)
Total comprehensive loss for the year	-	-	-	(136,467,574)	(136,467,574)
Surplus on revaluation of fixed assets realised during the year (net of deferred taxation) on account of incremental depreciation.				32,066,041	32,066,041
Effect of item directly credited in the equity by an Associated Company				2,241,077	2,241,077
Reversal of share of post acquisition reserves of Associatd Companies				-	-
BALANCE AS AT MARCH 31 , 2014	**222,250,380**	**66,000,000**	**206,000,000**	**(2,421,900,977)**	**(1,927,650,597)**

The annexed notes 1 to 22 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 nine months ended March 31, 2014

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 5, 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. No Objection Certificates from its creditors and lenders are pending for the said matter.

1.3 Going concern assumption

The Company, during the current period, has incurred loss before taxation amounting Rs.98.6 million and has accumulated loss of Rs.2.392 billion as at March 31, 2014. Further, the Company's current liabilities exceeded its current assets by Rs.2.581 billion. Loss for the period is mainly due to under utilisation of capacity because of insufficiency of working capital lines, high fuel and power cost and reduction in the Company's margin due to high production cost . All the working capital lines and other finances have been curtailed and blocked by respective banks and financial institutions due to litigations with these lenders as detailed in note 12.1.1 to this condensed interim financial information rendering the Company unable to operate its manufacturing facilities in normal manners. This condensed interim financial information, however, has been prepared under the going concern assumption due to following reasons:

(a) **Restructuring / rescheduling of existing debt / loan facilities**

The Company alongwith its restructuring agent (a leading financial institutions) and all lending financial institutions & banks are in the process of finalising and approving the terms to restructure the outstanding debt obligations of the Company. An indicative term sheet of the restructuring terms is being signed; immediately thereafter legal documentation will be executed to formalize the restructuring of outstanding debts of the Company. As per this indicative restructuring term sheet, the aggregate amount of principal outstanding will be repaid in instalments over a period of 9 years and mark-up will be charged at a reduced rate. Total accrued and outstanding mark-up till June 30, 2013 payable by the Company to its lenders will be repaid after the completion of repayment term of principal i.e. 9 years. After the formalization of this restructuring agreement, working capital lines and raw materials inventory will be released to the Company in order to run its operations normally. The management and its restructuring agent expects that entire process will be completed in due course of time and the Company will come out of liquidity crunch;

(b) the management is expecting equity injection from the Company's sponsor directors in the foreseeable future. This will help in overcoming the working capital shortfall and finalisation of the restructuring of finance facilities; and

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

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. 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, 2013.

3 ACCOUNTING POLICIES

3.1 The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding audited annual published financial statements of the Company for the year ended June 30, 2013 except for the adoption of a new accounting policy as detailed in note 3.2.1.

3.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates.

3.2.1 Amendments to published standards effective in current year

Certain standards, amendments and an interpretation to accounting standards are effective for accounting period beginning on July 1, 2013 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore not detailed in this condensed interim financial information except for IAS 19 - 'Employee Benefits' (revised in June 2011) as detailed below.

IAS 19 (Revised) requires past service cost to be recognised immediately in the profit or loss and replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. Further, a new term "re-measurements" has been introduced which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires to recognise all re-measurement gain or loss / actuarial gain or loss in the other comprehensive income immediately as they occur.

The Company has applied IAS 19 retrospectively in accordance with the transitional provisions as set out in this standard and consequently the earliest period presented in condensed interim balance sheet and condensed interim statement of changes in equity has been restated. The impacts of retrospective application are as follows:

	Accumulated loss	Staff retirement benefits	Deffered taxation
		------------ Rupees ------------	
Balance as at June 30, 2012			
- as previously reported	2,085,160,651	30,638,287	602,958,138
Restatement - recognition of re-measurment loss	3,459,924	4,885,904	(1,425,980)
Balance as at June 30, 2012 - as restated	2,088,620,575	35,524,191	601,532,158
Balance as at June 30, 2013			
- as previously reported	2,287,756,179	26,195,363	615,716,160
Restatement - recognition of re-measurment loss			
- For the year 2012	3,459,924	4,885,904	(1,425,980)
- For the year 2013	12,532,247	17,697,314	(5,165,067)
Balance as at June 30, 2013 - as restated	2,303,748,350	48,778,581	609,125,113

The Company follows a consistent practice to conduct actuarial valuations annually at the year end. Hence, the impact on this and comparative condensed interim profit and loss account and condensed interim statement of comprehensive income are not quantifiable and are also considered immaterial.

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.

During the preparation of this condensed interim financial information, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the audited annual financial statements for the year ended June 30, 2013.

	Note	Un-audited March 31, 2014	Audited June 30, 2013
		------------ Rupees ------------	
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	**3,734,390,786**	3,803,785,944
Capital work-in-progress			
- advance for land		**989,505**	989,505
- impairment allowance		**(989,505)**	(989,505)
		-	-
		3,734,390,786	3,803,785,944

5.1 Operating fixed assets

	Note	Un-audited March 31, 2014	Audited June 30, 2013
Net book value at beginning of the period / year		**3,803,785,944**	3,895,756,389
Additions during the period / year	5.1.1	**3,727,252**	7,986,495
Disposals, costing Rs.Nil (June 30, 2013: Rs.2,197,000) - at net book value		**-**	(357,817)
Depreciation charge for the period / year		**(73,122,410)**	(99,599,123)
Net book value at end of the period / year		**3,734,390,786**	3,803,785,944

5.1.1 Additions during the period / year:

	Un-audited March 31, 2014	Audited June 30, 2013
Plant and machinery	**628,249**	4,416,610
Electric Installations	**2,318,003**	2,373,235
Mills equipment	**748,000**	953,600
Office equipment	**33,000**	230,090
Furniture and fixture	**-**	12,960
	3,727,252	7,986,495

5.2 There has been no change in the status of matter as detailed in note 5.4 to the Company's published annual financial statements for the year ended June 30, 2013.

	Note	Un-audited March 31, 2014	Audited June 30, 2013
		------------ Rupees ------------	
6 LONG TERM INVESTMENTS			
In an Associate			
- Gulistan Textile Mills Limited	6.1	**-**	-
- In Joint venture	6.2	**59,379,574**	58,637,603
- Others - Defence Saving Certificates	6.3	**35,735,228**	32,852,747
		95,114,802	91,490,350

6.1 Previously, Gulistan Textile Mills Limited (GTM) was Associated Company based on the equity investment by GTM of more than 20% in paid-up capital of the Company, However, GTM, during the current period has disposed of its investment in the Company's paid-up capital due to which GTM is no more associate of the Company. The Company has reclassified its investment in GTM as 'Investment at fair value through profit or loss' (note 8). This has resulted in gain of Rs.179.672 million which has been recognised in profit and loss account as per provisions of IAS 28 'Investment in Associates'.

		Note	Un-audited March 31, 2014	Audited June 30, 2013
			------------ Rupees ------------	
6.2	Investments in a Joint venture - under equity method			
	Gujranwala Energy Limited			
	7,500,000 (June 30, 2013: 7,500,000) ordinary shares of Rs.10 each - **cost**	6.2.1	**75,000,000**	75,000,000
	Share of post acquisition losses:			
	Balance at beginning of the period / year		**(17,862,397)**	(15,918,597)
	Share of loss for the period / year		**(1,658,029)**	(1,943,800)
	Balance at end of the period / year		**(19,520,426)**	(17,862,397)
	Carrying value of investment as at,		**55,479,574**	57,137,603
	Add: deposited for right shares		**3,900,000**	1,500,000
			59,379,574	58,637,603

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. Due to non-availability of audited and reviewed financial statements of GEL for the year ended June 30, 2013 and period of six months ended December 31, 2013, the management has used un-audited financial statements for the application of the equity method. Further, the audited financial statements for the years ended June 30, 2012 and June 30, 2011 of GEL were also not available and value of this investment of that years are based on un-audited financial statements. Following disclosures are also based on the abovementioned un-audited financial statements and financial information.

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), inspite 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 within 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 approached the concerned bank for encashment of guarantee. However, GEL filed 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 in note 6.2.3 and 6.2.4 above.

6.3 This represents investment in Defence Savings Certificates, having aggregate face value of Rs.21 million (June 30, 2013: Rs.21 million). These certificates are maturing on various dates by March 5, 2020. These carry mark-up at the effective rate of 18% per annum. Accrued mark-up aggregating Rs.14.735 million (June 30, 2013: Rs.11.852 million) is included in the carrying value.

These are under lien with a bank against guarantee amounting Rs.19.504 million (June 30, 2013: Rs.19.504 million).

		Note	**Un-audited March 31, 2014**	Audited June 30, 2013
			-----------Rupees-----------	
7	**SHORT TERM INVESTMENT** - At fair value through profit or loss			
	Gulistan Textile Mills Limited - Quoted			
	600,946 ordinary shares of Rs.10 each	7.1	**9,615,136**	-
	Equity held 3.17%			

7.1 Refer contents of note 6.1 to the condensed interim financial information.

8 LOAN FROM CHIEF EXECUTIVE

The Company, its Chief Executive and Gulistan Textile Mills Limited (GTM) [a related party] entered into an agreement dated December 15, 2013 in order to adjust / extinguish liabilities and receivables amongst all three parties to the agreement. The Company, during the year ended June 30, 2011, obtained a loan of Rs.75 million from its Chief Executive, whereas, GTM has overdue balance of Rs.84.713 million as on the date of the agreement towards the Company against processing charges. Through execution of this agreement, GTM has agreed to transfer its equity investments valuing Rs.74.495 million to the Chief Executive against adjustment of its receivable balance of GTM in the books of the Company against payable balance of the Chief Executive on account of 'interest free loan of Rs.75 million'. Remaining balance of Rs.0.505 million has been repaid by the Company on December 31, 2013.

9 LONG TERM FINANCES AND LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

The Company 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 and lending banks & financial institutions have also filed suits before different Courts for recovery of their long term & short term liabilities and lease finances through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties as fully disclosed in note 12.1.1.

Due to the abovementioned litigations the Company's financial arrangements with these banking companies / financial institutions and lessors are disputed and these liabilities have become payable on demand so instalments due after the year ending March 31, 2015 have been grouped in current portion of non-current liabilities in accordance with the requirements of International Accounting Standard (IAS) 1 'Financial Statements Presentation'.

10 TRADE AND OTHER PAYABLES

Trade and other payables include bills payable / letters of credit payable, 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 12.1.1 and payments / adjustments will be made upon the outcome of final decision of the litigation.

		Note	**Un-audited March 31, 2014**	Audited June 30, 2013
			-----------Rupees-----------	
11	**SHORT TERM BORROWINGS - Secured**			
	Short term finances - secured	11.1	**1,969,302,312**	2,028,942,312
	Running finances - secured	11.1	**855,246,649**	855,246,649
	Temporary bank overdraft - unsecured	11.2	**16,810,022**	7,151,261
			2,841,358,983	2,891,340,222

11.1 The abovementioned balances are against expired finance facilities and have not been renewed by the respective banks / financial institutions. These banks & financial institutions have filed suits before different Civil Courts, Banking Courts and High Courts for recovery of their financial liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The Company had also filed a suit in the Lahore High Court for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs as more fully detailed in note 12.1.1.

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

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 Liabilities towards banks and financial institutions

(a) Various banks and financial Institutions have filed suits before Civil Court, Lahore, Sindh High Court and Lahore High Court 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 (June 30, 2013: Rs.2,958.844 million).

The management is strongly contesting the above mentioned suits on the merits as well as cogent factual and legal grounds available to the Company under the law. Since all the cases are pending before various Courts therefore the ultimate outcome these cases can not be established.

(b) The Company filed a global suit in the Lahore High Court (LHC) against all banks / financial institutions under Section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 (the Ordinance) for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs. The LHC vide its order dated October 25, 2012 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. The LHC through its order dated September 11, 2013 dismissed the case on legal grounds. The Company filed appeal before Divisional Bench of the LHC against the abovementioned order. The Divisional Bench passed order, dated November 27, 2013, that respondent bank will not liquidate the Company's assets and operation of impugned judgement and decree dated September 11, 2013 will remain suspended meanwhile.

However, the Company alongwith its restructuring agent and all lending financial institutions & banks are in the process of finalising and approving the terms to restructure the outstanding debt obligations of the Company. An indicative term sheet of the restructuring terms is being signed; immediately thereafter legal documentation will be executed to formalize the restructuring of outstanding debts of the Company. The management expects that entire process will be completed in due course of time and these recovery suits will be settled accordingly.

12.1.2 There has been no change in the matter as detailed in note 28.1.2 to the Company's published annual financial statements for the year ended June 30, 2013.

12.1.3 Refer contents of note 6.2.5 to this condensed interim financial information.

12.1.4 Counter guarantees aggregating Rs.78.518 million (June 30, 2013: Rs.78.518 million) given by the Company to various banks outstanding as at March 31, 2014 in respect of guarantees issued in favour of various Government Departments / Institutions and Sui Northern Gas Pipelines Limited.

12.2 Commitments

There has been no commitment as at March 31, 2014 and June 30, 2013.

13 COST OF SALES

		(Un-audited)			
		Quarter ended		Nine months ended	
		March 31, 2014	March 31, 2013	**March 31, 2014**	March 31, 2013
	Note	(Rupees)			
Stocks - opening		**174,540,443**	175,752,182	**200,457,886**	175,701,275
Cost of goods manufactured		**340,479,612**	316,072,181	**1,159,883,351**	1,060,713,294
Purchase of finished goods		**-**	11,154,000	**-**	61,640,519
		340,479,612	327,226,181	**1,159,883,351**	1,122,353,813
		515,020,055	502,978,363	**1,360,341,237**	1,298,055,088
Stocks - closing		**(184,172,631)**	(176,145,838)	**(184,172,631)**	(176,145,838)
		330,847,424	326,832,525	**1,176,168,606**	1,121,909,250

14 OTHER INCOME

Includes gain of Rs.179.672 million arisen upon reclassification of investment in an Associate to 'Investment at fair value through profit or loss'. Refer contents of note 6.1 to this condensed interim financial information.

15 FINANCE COST

During the period of nine months ended March 31, 2014, the Company has not provided mark-up / interest on its long term finances, lease finances and short term borrowings to the extent of Rs.9.177 million, Rs.0.150 million and Rs.257.491 million respectively due to pending litigations with the financial institutions. Further, as detailed in note 1.3, the management is in the process of finalisation of restructuring of its debts and as per indicative restructuring term sheet total accrued and outstanding mark-up till June 30, 2013 will be repaid after the completion of repayment term of principal i.e. 9 years. Un-provided mark-up / interest upto the balance sheet date aggregated Rs.660.365 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.

16 TAXATION

No provision from minimum tax due under section 113 of the Income Tax Ordinance, 2001 is incorporated as the Company has suffered gross loss before depreciation and other inadmissible expenses.

	Note	(Un-audited) Nine months ended March 31, 2014	March 31, 2013
		------------ Rupees ------------	
17 CASH GENERATED FROM OPERATIONS			
Loss before taxation		**(128,577,158)**	(207,953,559)
- Adjustments for non-cash and other items:			
- Depreciation of operating fixed assets		**73,122,410**	74,631,995
- Provision of gratuity		**13,229,451**	12,652,051
- Finance cost		**2,219,299**	25,280,651
- Share of loss from an associate		**-**	21,223,872
- Share of loss from joint venture		**1,658,029**	791,026
- Interest income		**(3,393,317)**	(4,019,581)
- Reversal of impairment loss on equity investments			(22,770,435)
- Gain on reclassification of investment in an Associated Company to investment at fair value through profit or loss		**(179,671,571)**	-
- Working capital changes	17.1	**286,111,458**	223,833,539
		64,698,601	123,669,559

17.1 Movement in working capital

Decrease / (increase) in current assets:		
Stores, spares and loose tools	**5,630,589**	(576,749)
Stock-in-trade	**79,760,392**	20,356,751
Trade debts	**161,976,418**	180,063,228
Loans and advances	**(13,308,017)**	24,776,196
Deposits and prepayments	**518,485**	(51,066)
Other receivables	**8,369,286**	2,959,838
	242,947,153	227,528,198
(Decrease) / increase in trade and other payables	**43,164,305**	(3,694,659)
	286,111,458	223,833,539

18 FINANCIAL RISK MANAGEMENT

- The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.
- The condensed interim financial information does not include all financial risk management information and disclosures required in the audited annual financial statements and should be read in conjunction with the Company's audited annual financial statement as at June 30, 2013.

There have been no changes in the risk management policies since the year end.

19 RELATED PARTY TRANSACTIONS

19.1 Significant transactions with related parties are as follows:

	(Un-audited) Nine months ended	
	March 31, 2014	March 31, 2013
	------------ **Rupees** ------------	
Nature of transactions		
Purchases	**10,822,995**	62,056,824
Doubling / dyeing charges	**-**	3,172,850
Sales	**7,121,959**	48,974,186
Processing income	**70,157,234**	88,142,715
Remuneration and other benefits of Key management personnel	**13,229,451**	12,852,051

20 OPERATING SEGMENT

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

(a) There is no sales to customer located outside Pakistan (March 31, 2013: 20% of sales were made to customers located outside Pakistan).

(b) All non-current assets of the Company at Marchr 31, 2014 and March 31, 2013 are located in Pakistan.

(c) The Company has earned revenues from three customers aggregating Rs.358.110 million during the period which constituted 39.14%

21 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information has been authorized for issue by the Board of Directors of the Company on April 25, 2014.

22 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of audited annual financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. For the purpose of implementation of IAS 19 - 'Employee Benefits', certain corresponding figures have been restated in condensed interim balance sheet and condensed interim statement of changes in equity to reflect the retrospective changes required under the standard, as summarised in note 3.2.1.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

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