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Company Information

BOARD OF DIRECTORS

Mr. Sohail Maqsood (Chairman)
Mr. Tanveer Ahmed (Chief Executive)
Mr. Riaz Ahmed
Mr. Muhammad Shafiq
Mrs. Rubina Rizvi (NIT Nominee)
Mr. Umer Hayat Gill
Mr. Iftikhar Ali

AUDIT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Umer Hayat Gill (Chairman)
Mr. Tanveer Ahmed
Mr. Muhammad Shafiq

CHIEF FINANCIAL OFFICER

Mr. Nasir Mahmood

COMPANY SECRETARY

Mr. Javaid Iqbal

AUDITORS

M/s.Hameed Chaudri & Co. Chartered Accountants Karachi

LEGAL ADVISOR

M/s. A.K. Brohi & Company-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, Lhr.

MILLS

S.I.T.E. Kotri , Raiwind

WEB PRESENCE

www.gulshan.com.pk/corporate/paramount.html

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	1,234,900,733	1,912,099,306
Gross (loss)/Profit	(134,722,181)	277,966,381
Pre Tax (loss)/Profit	(329,423,212)	37,630,781
Provision for Taxation	13,247,603	12,542,082
Earnings/(loss) Per Share	(19.75)	1.45

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

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.

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of PARAMOUNT 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 (herein-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.143.674 million, including balance aggregating Rs.90.178 million 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.90.178 million, shareholders' equity and current liabilities by Rs.143.674 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, 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.

Qualified Conclusion

Based on our review, with the exception of the matters described in the preceding paragraphs (a) to (b) 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 auditors' conclusion, we draw attention to note 1.3 to the condensed interim financial information, which indicates that the Company incurred net loss of Rs.342.671 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.1.986 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.

Condensed Interim Balance Sheet as at December 31, 2012

		December 31, 2012	June 30, 2012
	Note	Rupees Un-audited	Rupees Audited
ASSETS			
Non Current Assets			
Property, plant and equipment	5	2,526,583,162	2,559,079,303
Long term investments	6	427,097,769	485,877,044
Long term deposits		3,484,406	3,484,406
		<u>2,957,165,337</u>	<u>3,048,440,753</u>
Current Assets			
Stores, spare parts and loose tools		63,024,617	65,742,414
Stock-in-trade	7	747,783,669	827,462,371
Trade debts		177,144,411	280,097,890
Loans and advances		56,944,920	94,558,258
Deposits and prepayments		5,280,183	5,413,678
Accrued mark-up / interest		595,346	504,796
Other receivables		119,618,587	109,641,732
Cash and bank balances	8	25,757,013	15,212,504
		<u>1,196,148,746</u>	<u>1,398,633,643</u>
Total Assets		<u><u>4,153,314,083</u></u>	<u><u>4,447,074,396</u></u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital			
25,000,000 (June 30, 2012: 25,000,000) ordinary shares of Rs.10 each		<u>250,000,000</u>	<u>250,000,000</u>
Issued, subscribed and paid-up capital			
17,352,329 (June 30, 2012: 17,352,329) ordinary shares of Rs.10 each		173,523,290	173,523,290
Reserves		475,400,000	475,400,000
Accumulated loss		<u>(2,717,836,560)</u>	<u>(2,415,258,592)</u>
		<u>(2,068,913,270)</u>	<u>(1,766,335,302)</u>
Surplus on Revaluation of Operating Fixed Assets		2,816,184,437	2,856,277,285
Sub-ordinate Loan		175,000,000	175,000,000
Non Current Liabilities			
Long term finances	9	-	-
Liabilities against assets subject to finance lease	9	-	-
Deferred liabilities		48,971,018	51,323,641
		48,971,018	51,323,641
Current Liabilities			
Trade and other payables	10	1,227,314,655	1,217,043,972
Accrued mark-up / interest	11	6,631,095	17,780,853
Short term borrowings	12	1,669,481,611	1,585,836,630
Current portion of non-current liabilities	13	262,794,799	269,096,801
Taxation - net		15,849,738	41,050,516
		<u>3,182,071,898</u>	<u>3,130,808,772</u>
Contingencies and Commitments	14		
Total Equity and Liabilities		<u><u>4,153,314,083</u></u>	<u><u>4,447,074,396</u></u>

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

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

	Note	Quarter ended		Half year ended	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
		Rupees	Rupees	Rupees	Rupees
Sales - net		573,294,756	981,969,006	1,234,900,733	1,912,099,306
Cost of sales	15	585,921,214	827,847,079	1,369,622,914	1,634,132,925
Gross (loss) / profit		(12,626,458)	154,121,927	(134,722,181)	277,966,381
Distribution cost		27,262,161	22,939,062	52,679,758	63,201,186
Administrative expenses		19,907,764	17,251,069	41,048,102	34,093,567
Other operating expenses		-	1,614,074	17,555,474	1,631,061
Other operating income		(62,549,823)	(137,409)	(63,159,392)	(202,632)
		(15,379,898)	41,666,796	48,123,942	98,723,182
Profit / (loss) from operations		2,753,440	112,455,131	(182,846,123)	179,243,199
Finance cost		10,701,225	69,695,464	25,334,978	136,160,765
		(7,947,785)	42,759,667	(208,181,101)	43,082,434
Share of loss of Associated Companies		(85,419,585)	(6,018,750)	(121,242,111)	(5,451,653)
(Loss) / profit before taxation		(93,367,370)	36,740,917	(329,423,212)	37,630,781
Taxation					
- current	16	6,975,120	9,412,594	13,247,603	18,180,631
- prior period		-	19,234,609	-	19,234,609
- deferred		-	(4,919,633)	-	(24,873,158)
		6,975,120	23,727,570	13,247,603	12,542,082
(Loss) / profit after taxation		(100,342,490)	13,013,347	(342,670,815)	25,088,699
(Loss) / earnings per share					
- basic and diluted		-5.78	0.75	-19.75	1.45

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

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	(100,342,490)	13,013,347	(342,670,815)	25,088,699
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income for the period	(100,342,490)	13,013,347	(342,670,815)	25,088,699

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

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

	Note	Half year ended	
		December 31, 2012	December 31, 2011
		Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	20,765,421	30,085,424
Interest received		96,603	307,528
Interest paid		(36,484,736)	(126,423,889)
Income tax paid		(38,448,381)	(12,961,670)
Workers' welfare fund paid		-	(428,321)
Gratuity paid		(11,882,916)	(5,997,954)
Net cash used in operating activities		(65,954,009)	(115,418,882)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(942,309)	(28,323,644)
Proceed from disposal of a vehicle		750,000	-
Long term deposits - net		-	(634,955)
Net cash used in from investing activities		(192,309)	(28,958,599)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - net		(2,940,851)	(29,142,630)
Lease finances - net		(3,361,151)	(10,224,310)
Short term borrowings - net		83,644,981	171,111,736
Dividend paid		(652,152)	(8,282,286)
Net cash generated from financing activities		76,690,827	123,462,510
Net increase / (decrease) in cash and cash equivalents		10,544,509	(20,914,971)
Cash and cash equivalents - at beginning of the period		15,212,504	68,219,592
Cash and cash equivalents - at end of the period		25,757,013	47,304,620

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

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

	Issued, subscribed and paid-up capital Rupees	Reserves		Unappropriated profit / (accumulated loss) Rupees	Total Rupees
		Share premium Rupees	General reserve Rupees		
Balance as at July 1, 2011	173,523,290	15,400,000	460,000,000	332,300,942	981,224,232
Transaction with owners					
Cash dividend for the year ended June 30, 2011 at the rate of Rs.1.5 per share	-	-	-	(16,787,204)	(16,787,204)
Total comprehensive income for the half year ended December 31, 2011	-	-	-	25,088,699	25,088,699
Balance as at December 31, 2011	<u>173,523,290</u>	<u>15,400,000</u>	<u>460,000,000</u>	<u>340,602,437</u>	<u>989,525,727</u>
Balance as at July 1, 2012	173,523,290	15,400,000	460,000,000	(2,415,258,592)	(1,766,335,302)
Total comprehensive loss for the half year ended December 31, 2012	-	-	-	(342,670,815)	(342,670,815)
Surplus on revaluation of operating fixed assets realised during the period on account of incremental depreciation for the half year ended	-	-	-	19,374,751	19,374,751
Effect of item directly credited in equity by Associated Companies	-	-	-	20,718,096	20,718,096
Balance as at December 31, 2012	<u>173,523,290</u>	<u>15,400,000</u>	<u>460,000,000</u>	<u>(2,717,836,560)</u>	<u>(2,068,913,270)</u>

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

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 Paramount Spinning Mills Limited (the Company) was incorporated as a public limited Company on August 22, 1981 and its shares are listed on Karachi and Lahore Stock Exchanges. The registered office is located at Finlay House, I.I. Chundrigar Road, Karachi. The manufacturing facilities of the Company are located at Kotri, Ferozewattwan and Raiwind. The Company is principally engaged in progressive manufacture and sales of cotton yarn, fabric, yarn dyeing and garments.
- 1.2 The Board of Directors of the Company in its meeting held April 5, 2011 approved the scheme of merger by amalgamation of Gulistan Spinning Mills Limited, Gulshan Spinning Mills Limited into Paramount Spinning Mills Limited along with the approval of the share swap ratio in relation thereto. The Company on orders of 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.342.671 million. As of that date it has accumulated losses of Rs.2.718 billion which has resulted in negative equity of Rs.2.069 billion and its current liabilities exceeded its current assets by Rs.1.986 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 specially its spinning segment 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 along with a leading financial institution 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 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;
- 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;
- the management has made arrangements whereby third party cotton is being processed against processing fee for utilisation of unutilised capacity; and
- 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
Buildings on leasehold land	2.5	5
Buildings on freehold land	2.5	5
Plant and machinery - leased and owned	2.5	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.23.876 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,	June 30,
		2012	2012
		Rupees	Rupees
		Un-audited	Audited
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	2,525,398,248	2,557,894,389
Capital work-in-progress			
- civil works		118,4914	1,184,914
		2,526,583,162	2,559,079,303
5.1 Operating fixed assets			
Book value at beginning of the period / year		2,557,894,389	830,911,170
Additions during the period / year	5.1.1	942,309	37,227,298
Book value of vehicle disposed-off during the period		(240,598)	-
Transfer in from leased vehicles to owned vehicles - at book value		-	838,166
Transfer out from leased vehicles to owned vehicles - at book value		-	(838,166)
Surplus on revaluation carried-out during the preceding year		-	1,736,099,171
Depreciation charge for the period / year		(33,197,852)	(46,343,250)
Book value at end of the period / year		2,525,398,248	2,557,894,389

	December 31, 2012	June 30, 2012
	Rupees	Rupees
	Un-audited	Audited
5.1.1 Additions during the period / year:		
Owned		
Buildings on leasehold land	-	2,139,780
Buildings on freehold land	-	5,655,776
Plant and machinery	524,134	21,979,393
Electric Installations	228,158	2,551,268
Mills equipment	42,273	1,047,541
Furniture and fixtures	2,100	326,420
Office equipment	145,644	335,020
Leased		
Plant and machinery	-	2,161,100
Vehicles	-	1,031,000
	942,309	37,227,298

5.2 The Company has given power looms and related equipment & accessories having aggregate net book value of Rs.124.842 million (June 30, 2012: Rs.126.478 million) to Gulshan Weaving Mills Limited (a related party) for production of cloths. These looms are installed at the premises of the related party.

5.3 Leased assets include plant & machinery at net book value of Rs.32.853 million and vehicles at net book value of Rs.2.768 million 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 litigation with the financial institutions as detailed in note 14.1.1 they have not issued relevant supporting documents for transfer of ownership.

		December 31, 2012	June 30, 2012
	Note	Rupees	Rupees
		Un-audited	Audited
6. LONG TERM INVESTMENTS			
In Associated Companies			
Quoted			
Gulistan Textile Mills Limited	6.1	24,731,100	33,947,557
Gulistan Spinning Mills Limited	6.2	10,24,024	42,768
Unquoted			
Gulistan Fibres Limited	6.3	160,577,366	196,001,042
Gulistan Power Generations Limited	6.4	240,765,279	255,885,677
		427,097,769	485,877,044

6.1 Gulistan Textile Mills Limited (GTML)

1,648,740 (June 30, 2012:1,648,740) ordinary shares of Rs.10 each - cost	108,659,040	108,659,040
Equity held 8.68% (June 30, 2012: 8.68%) Market value Rs.24.731 million (June 30, 2012: Rs.33.948 million)		
Share of post acquisition losses	(601,942,530)	(528,614,496)
Share of item directly credited in the equity of Associated Company	6,712,743	-
Share of surplus on revaluation of fixed assets	514,147,457	520,860,200
Dividend received during the year	-	(1,648,740)
	27,576,710	99,256,004
Less: impairment loss recognised	2,845,610	65,308,447
	24,731,100	33,947,557

	December 31, 2012	June 30, 2012
	Rupees Un-audited	Rupees Audited
6.2 Gulistan Spinning Mills Limited (GTSM)		
202,777 (June 30, 2012: 202,777) ordinary shares of Rs 10 each - cost	2,346,250	2,346,250
Equity held 1.39% (June 30, 2012: 1.39%) Market value Rs.1.024 million (June 30, 2012: Rs.0.842 million)		
Share of post acquisition losses	(15,712,500)	(16,490,979)
Share of item directly credited in the equity of Associated Company	216,781	-
Share of surplus on revaluation of fixed assets	14,173,493	14,390,274
Dividend received during the year	-	(202,777)
	1,024,024	42,768
6.3 Gulistan Fibres Limited		
741,185 (June 30, 2012: 741,185) ordinary shares of Rs 10 each - cost	5,530,760	5,530,760
Equity held 37.30% (June 30, 2012: 37.30%) Break-up value Rs.180.54 (June 30, 2012: Rs.230.14) per share		
Share of post acquisition losses	(183,627,670)	(148,203,994)
Share of item directly credited in the equity of Associated Company	4,190,967	-
Share of surplus on revaluation of fixed assets	334,483,309	33,8674,276
	160,577,366	196,001,042
6.4 Gulistan Power Generations Limited		
2,465,980 (June 30, 2012: 2,465,980) ordinary shares of Rs 10 each - cost	22,418,000	22,418,000
Equity held 33.76% (June 30, 2012: 33.76%) Break-up value Rs.112.60 (June 30, 2012: Rs.118.73) per share		
Share of post acquisition losses	(27,906,084)	(12,785,687)
Share of item directly credited in the equity of Associated Company	9,597,605	0
Share of surplus on revaluation of fixed assets	236,655,758	246,253,364
	240,765,279	255,885,677

6.5 GTSM is Associate of the Company based on common directorship. However, GTML is Associated based on the cross equity direct and indirect investments.

7. STOCK-IN-TRADE

All 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 assets 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 balances held with these banks.

9. LONG TERM FINANCES AND LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE 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.528.296 million (June 30, 2012: Rs.555.613 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.10.952 million, Rs.0.108 million and Rs.79.118 million respectively due to pending litigations with the financial institutions. Un-provided mark-up / interest upto the balance sheet date aggregated Rs.143.674 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,	June 30,
		2012	2012
		Rupees	Rupees
		Un-audited	Audited
12. SHORT TERM BORROWINGS - Secured			
Short term finances - secured	12.1	1,316,765,588	1,223,971,091
Running finances - secured	12.1	315,924,079	313,857,878
Loan from a related party - unsecured		21,762,236	21,762,236
Temporary bank overdraft - unsecured		15,029,708	26,245,425
		<u>1,669,481,611</u>	<u>1,585,836,630</u>

- 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.

		December 31, 2012	June 30, 2012
	Note	Rupees Un-audited	Rupees Audited
13 CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term finances:			
- overdue instalments		36,757,255	4,571,315
- instalments due within next twelve months		67,462,488	70,616,250
- instalments due after December 31, 2013 / June 30, 2013	13.1	130,843,715	162,816,744
		<u>235,063,458</u>	<u>238,004,309</u>
Liabilities against assets subject to finance lease			
- overdue instalments		5,357,275	488,013
- instalments due within next twelve months		10,378,562	14,493,133
- instalments due after December 31, 2013 / June 30, 2013	13.1	11,995,504	16,111,346
		<u>27,731,341</u>	<u>31,092,492</u>
		<u>262,794,799</u>	<u>269,096,801</u>

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.2.113 billion.

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.143.674 million has not been accounted for 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 matters as detailed in notes 27.1.2 and 27.1.3 to the Company's published annual financial statements for the year ended June 30, 2012.

14.1.3 Counter guarantees aggregating Rs.9.067 million (June 30, 2012: Rs.9.067 million) were 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.

14.2 Commitments

14.2.1 Commitment against confirmed letters of credit outstanding at the period end was for Rs.37.001 million (June 30, 2012: Rs.36.276 million).

14.2.2 Export bills discounted at the period end aggregate to Rs. 20.744 million (June 30, 2012: Rs. 16.053 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	166,974,559	558,709,707	233,808,882	642,402,327
	Cost of goods manufactured	575,904,350	982,914,674	1,290,351,917	16,904,539,00
	Purchase of finished goods	-	25,610,000	2,419,810	40,664,000
		575,904,350	1,008,524,674	1,292,771,727	1,731,117,900
		742,878,909	1,567,234,381	1,526,580,609	2,373,520,227
	Stocks - closing	(156,957,695)	(739,387,302)	(156,957,695)	(739,387,302)
		<u>585,921,214</u>	<u>827,847,079</u>	<u>1,369,622,914</u>	<u>1,634,132,925</u>

15.1 Cost of goods manufactured

	Opening work-in-process	47,795,240	106,583,215	85,268,559	71,725,307
	Raw materials consumed	361,912,603	761,328,487	804,091,435	1,281,916,612
	Direct labour and overheads	207,051,429	197,747,049	441,846,845	419,556,058
		568,964,032	959,075,536	1,245,938,280	1,701,472,670
		616,759,272	1,065,658,751	1,331,206,839	1,773,197,977
	Closing work-in-process	(40,854,922)	(82,744,077)	(40,854,922)	(82,744,077)
		<u>575,904,350</u>	<u>982,914,674</u>	<u>1,290,351,917</u>	<u>1,690,453,900</u>

16. TAXATION

Provision for current period represents tax paid under section 154 and minimum tax due under section 113 of the Income Tax Ordinance, 2001.

	Note	(Un-audited)	
		Half year ended	
		December 31, 2012	December 31, 2011
		Rupees	Rupees
17. CASH GENERATED FROM OPERATIONS			
(Loss) / profit before taxation		(329,423,212)	37,630,781
Adjustments for non-cash charges and other items:			
Depreciation of operating fixed assets		33,197,852	22,854,124
Provision of gratuity		9,530,293	6,080,795
Finance cost		25,334,978	136,160,765
Workers' profit participation fund		-	2,235,674
Workers' welfare fund		-	444,688
Share of loss of Associated Companies		121,242,111	5,451,653
Deferred income		-	(11,593)
Interest income		(187,153)	(191,038)
Gain on disposal of a vehicle		(509,402)	0
Reversal of impairment loss on equity investments		(62,462,837)	0
Working capital changes	17.1	224,042,791	(180,570,425)
		<u>20,765,421</u>	<u>30,085,424</u>
17.1 Movement in working capital			
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		2,717,797	1,886,336
Stock-in-trade		79,678,702	(45,473,184)
Trade debts		102,953,479	(97,050,676)
Loans and advances		37,613,338	(5,314,779)
Deposits and prepayments		133,495	31,040
Other receivables		(9,976,855)	(6,786,276)
		<u>213,119,956</u>	<u>(152,707,539)</u>
Increase / (decrease) in trade and other payables		10,922,835	(27,862,886)
		<u>224,042,791</u>	<u>(180,570,425)</u>
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 statements 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:**

	Nature of transactions	Nature of relationship	(Un-audited)	
			Half year ended	
			December 31, 2012	December 31, 2011
			Rupees	Rupees
	Purchases	Associated Companies	77,283,101	124,970,036
	Processing charges	Associated Companies	2,522,542	-
	Sales	Associated Companies	31,616,653	67,187,171
	Processing income	Associated Companies	11,485,832	29,792,274
	Mark-up accrued	Associated Company	1,535,877	2,128,288
	Remuneration and other benefits	Key management personnel	6,483,029	7,629,240
			December 31, 2012	June 30, 2012
			Rupees	Rupees
			Un-audited	Audited

19.2 Period / year end balances are as follows:

Receivables from related parties				
Long term investments			427,097,769	485,877,044
Trade debts			32,731,852	49,154,206
Deposits and prepayment			452,696	108,485
Payable to related parties				
Trade and other payables			27,415,720	21,589,747
Accrued mark-up / interest			6,631,094	5,095,217
Short term borrowings			21,762,236	21,762,236

20 SEGMENT INFORMATION**20.1** The Company's reportable segments are as follows:

- spinning;
- dying;
- garments; and - weaving.

Information regarding the Company's reportable segments is presented below.

20.2 Segment revenues and results

	For the half year ended December 31, 2012				
	Spinning Rupees	Dying Rupees	Garments Rupees	Weaving Rupees	Total Rupees
Sales	356,775,592	153,668,286	724,456,855	-	1,234,900,733
Cost of sales	430,119,984	167,197,206	770,670,250	1,635,474	1,369,622,914
Gross loss	<u>(73,344,392)</u>	<u>(13,528,920)</u>	<u>(46,213,395)</u>	<u>(1,635,474)</u>	<u>(134,722,181)</u>
Distribution cost					52,679,758
Administrative expenses					41,048,102
Other operating expenses					17,555,474
Other operating income					(63,159,392)
Finance cost					25,334,978
Share of loss of Associated Companies					<u>(121,242,111)</u>
Loss before taxation					<u>(329,423,212)</u>
Taxation					13,247,603
Loss after taxation					<u><u>(342,670,815)</u></u>
	For the half year ended December 31, 2011				
	Spinning Rupees	Dying Rupees	Garments Rupees	Weaving Rupees	Total Rupees
Sales	727,429,994	243,445,667	933,358,443	7,865,202	1,912,099,306
Cost of sales	589,487,938	212,741,578	829,298,505	2,604,904	1,634,132,925
Gross profit	<u>137,942,056</u>	<u>30,704,089</u>	<u>104,059,938</u>	<u>5,260,298</u>	<u>277,966,381</u>
Distribution cost					63,201,186
Administrative expenses					34,093,567
Other operating expenses					1,631,061
Other operating income					(202,632)
Finance cost					136,160,765
Share of loss of Associated Companies					<u>(5,451,653)</u>
Profit before taxation					37,630,781
Taxation					12,542,082
Profit after taxation					<u><u>25,088,699</u></u>

20.3 Segment revenue reported above are revenue generated from external customers. There were no inter-segment sales during the year.

20.4 73.06% (December 31 2011: 84.39%) of sales of the Company are made to customers located outside Pakistan.

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

20.6 The Company has earned revenue from one (December 31, 2011: two) customer amounting Rs.360.209 million (December 31, 2011: Rs.505.064 million) during the period which constituted 29.17% (December 31, 2011: 26.41%).

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 27, 2013.