

**HALF YEARLY ACCOUNTS
FOR SIX MONTHS ENDED
DECEMBER 31, 2017
(UN AUDITED)**

PARAMOUNT SPINNING MILLS LIMITED

PARAMOUNT SPINNING MILLS LIMITED



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**PARAMOUNT SPINNING MILLS LIMITED
COMPANY INFORMATION**

BOARD OF DIRECTORS

Mr. Muhammad Akhtar Mirza (Chairman)
Mr. Sohail Maqsood (Chief Executive)
Mr. Muhammad Ashraf Khan
Mr. Abid Sattar
Mr. Iftikhar Ali
Mr. Muhammad Maqbool Anjum
Mr. Hussain Ather

AUDIT COMMITTEE

Mr. Hussain Ather (Chairman)
Mr. Muhammad Maqbool Anjum
Mr. Muhammad Akhtar Mirza

**HUMAN RESOURCE & REMUNERATION
COMMITTEE**

Mr. Iftikhar Ali (Chairman)
Mr. Abid Sattar
Mr. Muhammad Akhtar Mirza

CHIEF FINANCIAL OFFICER

Mr. Nasir Mahmood

COMPANY SECRETARY

Mr. Muhammad Junaid Akhtar

AUDITORS

M/s Baker Tilly Mehmood Idrees Qamar - Chartered Accountants
198, D-1, Model Town Lahore

LEGAL ADVISOR

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 Heights, 8-Aibak Block,
New Garden Town, Lahore

MILLS

S.I.T.E. Kotri, Raiwind

WEB PRESENCE

<http://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, 2017.

Financial Results

Operating indicators	Half Year Ended December 31, 2017 (Rupees)	Half Year Ended December 31, 2016 (Rupees)
Sales	-----	-----
Gross profit / (loss)	(16,175,974)	(19,221,620)
Pre Tax profit / (loss)	(16,818,243)	(29,540,964)
Provision for Taxation	5,193,097	5,260,593
Earnings / (loss) Per Share	(0.67)	(1.40)

The period under review has also been proved difficult period. The on-going financial impediments have obstructed the operations of the company. The root cause for this obstruction had been non-availability of working capital facilities which were blocked by the banks/financial institutions unilaterally, and resultantly the Company could not purchase raw material to run the mills.

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 have 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 restructuring process is expected to be completed soon and this would result in better utilization of production capacities. Once the ongoing reconciliation & restructuring process is completed, we would be in better position to run the operations of the Company in a befitting manner.

Acknowledgement:

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

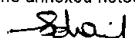
LAHORE


SOHAIL MAQSOOD
CHIEF EXECUTIVE

PARAMOUNT SPINNING MILLS LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2017

		Un-audited December 31, 2017	Audited June 30, 2017
ASSETS			
	Note	-----Rupees-----	
Non current assets			
Property, plant and equipment	5	1,643,551,334	1,659,648,417
Long term investments	6	-	-
Long term loans		-	-
Long term deposits		3,534,361	3,534,361
		<u>1,647,085,695</u>	<u>1,663,182,778</u>
Current assets			
Stores, spare parts and loose tools		8,390,921	8,390,921
Stock-in-trade	7	88,028,866	88,028,866
Trade debts		1,969,093	17,355,889
Loans and advances		14,563,744	14,090,609
Short term deposits		3,543,198	3,543,198
Short term investment	8	-	-
Accrued mark-up / interest		689,017	689,018
Other receivables		99,123,256	103,956,009
Cash and bank balances	9	7,968,896	9,434,041
		<u>224,276,992</u>	<u>245,488,552</u>
Total assets		<u>1,871,362,687</u>	<u>1,908,671,330</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
25,000,000 (June 30, 2017: 25,000,000) ordinary shares of Rs.10 each		250,000,000	250,000,000
Issued, subscribed and paid-up capital			
17,352,329 (June 30, 2017: 17,352,329) ordinary shares of Rs.10 each		173,523,290	173,523,290
Reserves			
Accumulated loss		(3,410,129,236)	(3,403,410,038)
		<u>(2,761,205,946)</u>	<u>(2,754,486,748)</u>
Surplus on revaluation of operating fixed assets		914,934,115	919,840,064
Sub-ordinate loan		175,000,000	175,000,000
Non current liabilities			
Long term finances	10	-	-
Liabilities against assets subject to finance lease	10	-	-
Staff retirement benefit		861,511	998,259
Deferred taxation		152,525,173	157,718,270
		<u>153,386,684</u>	<u>158,716,529</u>
Current liabilities			
Trade and other payables	11	812,538,429	820,342,658
Accrued mark-up / interest	12	35,730,501	36,302,787
Short term borrowings	13	2,146,064,089	2,157,391,227
Current portion of non-current liabilities	14	394,914,813	395,564,813
Taxation		-	-
		<u>3,389,247,833</u>	<u>3,409,601,485</u>
Contingencies and commitments	15		
Total equity and liabilities		<u>1,871,362,687</u>	<u>1,908,671,330</u>

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


SOHAIL MAQSOOD
CHIEF EXECUTIVE


M. AKHTAR MIRZA
DIRECTOR

PARAMOUNT SPINNING MILLS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017

	Note	Quarter ended		Half year ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
----- Rupees -----					
Sales - net		-	-	-	-
Cost of sales	16	8,089,209	9,648,583	16,175,974	19,221,620
Gross loss		(8,089,209)	(9,648,583)	(16,175,974)	(19,221,620)
Distribution cost		-	-	-	-
Administrative expenses		688,358	5,804,876	1,440,188	9,627,776
Other expenses		-	-	-	-
Other income		(648,769)	(13,775)	(835,763)	(26,962)
		39,589	5,791,101	604,426	9,600,814
Profit / (loss) from operations		(8,128,798)	(15,439,684)	(16,780,400)	(28,822,434)
Finance cost		16,662	194,167	37,844	718,530
Profit / (loss) before taxation		(8,145,460)	(15,633,851)	(16,818,243)	(29,540,964)
Taxation					
- current	17	-	-	-	-
- deferred		(1,011,755)	1,995,681	(5,193,097)	(5,260,593)
		(1,011,755)	1,995,681	(5,193,097)	(5,260,593)
Profit / (loss) after taxation		(7,133,705)	(17,629,532)	(11,625,146)	(24,280,371)
Earnings / (loss) per share					
- basic and diluted		(0.41)	(1.02)	(0.67)	(1.40)

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


SOHAIL MAQSOOD
CHIEF EXECUTIVE


M. AKHTAR MIRZA
DIRECTOR

PARAMOUNT SPINNING MILLS LIMITED
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017

	Quarter ended		Half year ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	----- Rupees -----			
Profit / (loss) after taxation	(7,133,705)	(17,629,532)	(11,625,146)	(24,280,371)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	(7,133,705)	(17,629,532)	(11,625,146)	(24,280,371)

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


 SOHAIL MANSOOR
 CHIEF EXECUTIVE


 M. AKHTAR MIRZA
 DIRECTOR

PARAMOUNT SPINNING MILLS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	Note	Half year ended	
		December 31, 2017	December 31, 2016
-----Rupees-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	18	10,599,665	(42,642,120)
Interest received		10,388	26,962
Interest paid		(610,129)	(110,362)
Income tax paid		(5,533)	(13,867)
Gratuity paid		(150,000)	(80,000)
Net cash used in operating activities		9,844,391	(42,819,387)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceed from disposal of operating fixed assets		667,602	-
Net cash used in investing activities		667,602	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - net		(650,000)	(130,000)
Short term borrowings - net		(11,327,138)	46,513,442
Net cash generated from financing activities		(11,977,138)	46,383,442
Net increase in cash and cash equivalents		(1,465,145)	3,564,055
Cash and cash equivalents - at beginning of the period		9,434,041	9,496,261
Cash and cash equivalents - at end of the period		7,968,896	13,060,316

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


SOHAIL MAQSOOD
CHIEF EXECUTIVE


M. AKHTAR MIRZA
DIRECTOR

PARAMOUNT SPINNING MILLS LIMITED
 CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
 FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	Issued, subscribed and paid-up capital	Reserves		Accumulated loss	Total
		Share premium	General reserve		
----- Rupees -----					
Balance as at July 1, 2016	173,523,290	15,400,000	460,000,000	(3,366,622,058)	(2,717,698,768)
Loss for the half year ended December 31, 2016	-	-	-	(24,280,371)	(24,280,371)
Other comprehensive income	-	-	-	-	-
Total comprehensive profit for the period	-	-	-	(24,280,371)	(24,280,371)
Surplus on revaluation of operating fixed assets realised during the period on account of incremental depreciation for the half year ended	-	-	-	4,960,873	4,960,873
Balance as at December 31, 2016	173,523,290	15,400,000	460,000,000	(3,385,941,556)	(2,737,018,266)
Balance as at July 1, 2017	173,523,290	15,400,000	460,000,000	(3,403,410,038)	(2,754,486,748)
Loss for the half year ended December 31, 2017	-	-	-	(11,625,146)	(11,625,146)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(11,625,146)	(11,625,146)
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	-	-	-	4,905,949	4,905,949
Balance as at December 31, 2017	173,523,290	15,400,000	460,000,000	(3,410,129,236)	(2,761,205,945)

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


 SOHAIL MAQSOOD
 CHIEF EXECUTIVE


 M. AKHTAR MIRZA
 DIRECTOR

PARAMOUNT SPINNING MILLS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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 (now Pakistan Stock Exchange Limited). The registered office is located at Finlay House, I.I. Chundrigar Road, Karachi. The manufacturing facilities of the Company are located at Kotri and Raiwind. The Company is principally engaged in progressive manufacture and sales of cotton yarn, garments and yarn dyeing.
- 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 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 filed an application for withdrawal of merger petition. The Honourable High Court of Sindh vide order dated December 21, 2017, dismissed the merger petition as withdrawn on the application filed by the Company.
- 1.3 **Going concern assumption**

The Company has accumulated loss of Rs.3,410.129 million as at December 31, 2017 and as at that date its current liabilities exceeded its current assets by Rs.3,164.971 million. This is mainly due to under utilisation of capacity because of insufficiency of working capital lines. All the working capital lines and other finances have been blocked by respective banks and financial institutions due to litigations with these lenders as detailed in note 15.1.1 to this condensed interim financial information. These Conditions along with other adverse key financial ratios and the pending litigations with the banking companies and financial institutions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. These financial statements, however, have 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 in the process of finalisation; immediately thereafter it will be signed by all parties and legal documentation will be executed to formalize the restructuring of outstanding debts of the Company. Salient features of this indicative term sheet are as follows:

- the existing facilities will be restructured and consolidated into a long term facility and aggregate principal outstanding will be repaid over 8 years. The sponsors will inject equity through sale of assets of the Company for approximately Rs.250 million. Balance of the outstanding facility amount will be repaid in instalments over a period of 8 years on quarterly basis as per the agreed repayment schedule;
- Total accrued and outstanding mark-up due / payable till December 31, 2017 by the Company to its existing lenders will be repaid starting immediately after the expiry of 8 years time period of principal repayment on quarterly basis over a 2 years period (accrued mark-up period); and
- Mark-up rate shall be 5.00% per annum for the first 2 years of repayment tenor, however, a mark-up of 0.50% per annum shall be paid by the Company during the first year and mark-up at the rate of 1.00% will be paid in second year of the repayment tenor. Whereas the remaining differential mark-up amount for these periods will be accumulated and repaid on quarterly basis starting from second-year of the accrued mark-up period. For the remaining 6 years of the restructured facility, mark-up shall be charged and repaid on quarterly basis at the rate of 5.00% per annum.

- (b) the management has made arrangements whereby third party cotton is being processed against processing fee for utilisation of unutilised capacity.
- (c) the management has also undertaken adequate steps towards the reduction of fixed cost and expenses. Such steps include, but not limited to, right sizing of the man power, resource conservation, close monitoring of other fixed cost ect.

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 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, 2017 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, 2017.

3. ACCOUNTING POLICIES

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, 2017.

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, 2017.

5. PROPERTY, PLANT AND EQUIPMENT

	Un-audited December 31, 2017	Audited June 30, 2017
Note	-----Rupees-----	
Net book value at beginning of the period / year	1,659,648,417	1,692,439,487
Net Book value of assets disposed-off	(95,226)	-
Depreciation charge for the period / year	(16,001,857)	(32,791,070)
Net book value at end of the period / year	<u>1,643,551,334</u>	<u>1,659,648,417</u>

- 5.1 Leased assets include plant and machinery at net book value of Rs.29.385 million (June 30, 2017: Rs.29.757 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 litigations with financial institutions as detailed in note 15.1.1 lessors have not issued relevant supporting documents for transfer of the ownership of these assets.

6. LONG TERM INVESTMENTS

		Un-audited December 31, 2017	Audited June 30, 2017
	Note	-----Rupees-----	
In Associated Companies			
Quoted			
Gulistan Spinning Mills Limited	6.1	-	-
<hr/>			
6.1 Gulistan Spinning Mills Limited			
202,777 (June 30, 2017: 202,777) ordinary shares of Rs.10 each - cost	6.2.1	2,346,250	2,346,250
Equity held 1.39% (June 30, 2017: 1.39%)			
Share of post acquisition losses		(14,452,640)	(14,452,640)
Share of item directly credited in the equity of Associated Company		374,407	374,407
Share of surplus on revaluation of fixed assets		11,731,983	11,731,983
<hr/>			
-			

6.2.1 Gulistan Spinning Mills Limited is an Associated Company based on common directorship.

7. STOCK-IN-TRADE

All of the current assets of the Company are under banks' charge as security of short term borrowings (note 13). 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. Further various banks and financial institutions have also filed suits before Banking Court, Sindh High Court and Lahore High Court for recovery of their financial liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties as fully explained in note 15.1.1.

8. SHORT TERM INVESTMENT

- At fair value through profit or loss

		Un-audited December 31, 2017	Audited June 30, 2017
	Note	-----Rupees-----	
Gulistan Textile Mills Limited			
1,648,740 (June 30, 2017: 1,648,740) ordinary shares of Rs.10 each			
Equity held 8.68% (June 30, 2017: 8.68%)			
<hr/>			
-			

The market value of investment in Gulistan Textile Mills Limited as at the period end is not available as trading in shares of the investee company has been suspended on the stock exchanges for the time being. The management has charged impairment on the said investment due to operational and financial difficulties.

9. 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 15.1.1 to this condensed interim financial information. Further, due to the litigation and blockage of bank accounts, complete bank statements for the current period of six months ended December 31, 2017 and preceding financial year ended June 30, 2017 of banks were not available to ensure balances held with these banks.

10. 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 have also filed suits before different High 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 15.1.1.

Due to the abovementioned litigations the Company's financial arrangements with banking companies and lessors are disputed and these liabilities have become payable on demand so

instalments due after the period ending December 31, 2017 have been grouped in current portion of non-current liabilities in accordance with the requirements of International Accounting Standard (IAS) 1 'Financial Statements Presentation'.

11. TRADE AND OTHER PAYABLES

This represents overdue bills payable / letters of credit 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 30.1.1 so current status and balance confirmation of these bills payable could not be ascertained due to non-availability of relevant documents. Further, no provision of any further commission / interest / mark-up or penalty in respect of overdue LCs has been made in the financial statements. Amount of the un-provided commission / interest / mark-up or penalty is impracticable to determine as at the reporting date.

12. ACCRUED MARK-UP / INTEREST

During the period of six months ended December 31, 2017, the Company has not provided mark-up / interest on its long term finances, lease finances and short term borrowings to the extent of Rs.10.065 million, Rs.1.021 million and Rs.64.067 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 December 31, 2017 will be repaid after the completion of repayment term of principal i.e. 8 years. Un-provided mark-up / interest upto the balance sheet date aggregated Rs.1,025.486 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.

13. SHORT TERM BORROWINGS

		Un-audited December 31, 2017	Audited June 30, 2017
	Note	-----Rupees-----	
Short term finances - secured	13.1	1,411,965,394	1,411,965,394
Running finances - secured	13.1	315,343,108	315,343,108
Loan - unsecured		662,236	662,236
Interest free loans from other parties - unsecured	13.2	413,614,824	423,907,026
Temporary bank overdraft - unsecured	13.3	4,478,527	5,513,463
		<u>2,146,064,089</u>	<u>2,157,391,227</u>

- 13.1 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 15.1.1.

Further, due to these litigations, complete bank statements for the current period ended December 31, 2017 and preceding financial year ended June 30, 2017 of all banks / financial institutions were also not available to ensure period end balances of these finance facilities.

		Un-audited December 31, 2017	Audited June 30, 2017
		-----Rupees-----	
13.2 Interest free loans from other parties - unsecured			
Balance at beginning of the period / year		423,907,026	349,725,446
Add: funds received during the period / year		1,930,120	86,499,953
Less: repayments / adjustment made during the period / year		<u>(12,222,322)</u>	<u>(12,318,373)</u>
Balance at end of the year / period		<u>413,614,824</u>	<u>423,907,026</u>

- 13.2.1 These loans were advanced by Spouse of the ex-Chief Executive and other relatives in order to meet working capital shortage.
- 13.3 These have arisen due to issuance of cheques in excess of balance at bank accounts.

14. CURRENT PORTION OF NON-CURRENT LIABILITIES

	Un-audited December 31, 2017	Audited June 30, 2017
Note	-----Rupees-----	
Long term finances:		
- overdue instalments	371,435,857	372,085,857
- instalments due within next twelve months	-	-
	371,435,857	372,085,857
Liabilities against assets subject to finance lease		
- overdue instalments	23,478,956	23,478,956
	23,478,956	23,478,956
	394,914,813	395,564,813

- 14.1 Refer contents of note 10 to this condensed interim financial information.

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

15.1.1 Liabilities towards banks and financial institutions

- (a) Various banks and financial Institutions have filed recovery suits before Banking Court - Karachi, 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.3,004.96 million (June 30, 2017: Rs.3,004.96 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 interim 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 the 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.

- 15.1.2 There has been no change in the matters as detailed in notes 30.1.2 and 30.1.3 to the Company's published annual financial statements for the year ended June 30, 2017.
- 15.1.3 Counter guarantees aggregating Rs.9.067 million (June 30, 2017: Rs.9.067 million) were given by the Company to various banks outstanding as at December 31, 2017 in respect of guarantees issued in favour of various Government Departments / Institutions.

15.2 Commitments

There has been no commitment as at December 31, 2017 and June 30, 2017.

16. COST OF SALES

(Un-audited)

Note	Quarter ended		Half year ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Rupees)			
Stocks - opening	20,580,108	25,508,479	20,580,108	25,508,479
Cost of goods manufactured	8,089,209	9,648,583	16,175,974	19,221,620
Purchase of finished goods	-	-	-	-
	8,089,209	9,648,583	16,175,974	19,221,620
	28,669,317	35,157,062	36,756,082	44,730,099
Stocks - closing	(20,580,108)	(25,508,479)	(20,580,108)	(25,508,479)
	8,089,209	9,648,583	16,175,974	19,221,620

16.1 Cost of goods manufactured

Opening work-in-process	-	-	-	-
Raw materials consumed	-	-	-	-
Direct labour and overheads	8,089,209	9,648,583	16,175,974	19,221,620
	8,089,209	9,648,583	16,175,974	19,221,620
	8,089,209	9,648,583	16,175,974	19,221,620
Closing work-in-process	-	-	-	-
	8,089,209	9,648,583	16,175,974	19,221,620

17. TAXATION

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.

18. CASH GENERATED FROM OPERATIONS

(Un-audited)

Half year ended

Note	December 31, 2017	December 31, 2016
	(Rupees)	
Profit / (loss) before taxation	(16,818,243)	(29,540,964)
Adjustments for non-cash and other items:		
Depreciation of operating fixed assets	16,001,857	16,395,535
Provision of gratuity	13,252	49,980
Finance cost	37,844	718,530
Interest income	(10,387)	(26,962)
Gain on disposal of operating fixed assets	(572,376)	-
Reversal of prov for doubtful debts	(253,000)	-
Working capital changes	18.1 12,200,718	(30,238,238)
	10,599,665	(42,642,120)

18.1 Working capital changes

(Increase) / decrease in current assets:

Trade debts	15,639,796	-
Loans and advances	(467,602)	(10,000)
Other receivables	4,832,753	1,071,909
	20,004,947	1,061,909
Increase in trade and other payables	(7,804,229)	(31,300,147)
	12,200,718	(30,238,238)

19. 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, 2017.

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

20. RELATED PARTY TRANSACTIONS

20.1 Significant transactions with related parties are as follows:

Nature of transactions	(Un-audited) Half year ended	
	December 31, 2017	December 31, 2016
	-----Rupees-----	
Repayment of advance - net	1,784,196	406,041
	Un-audited	Audited
	December 31, 2017	June 30, 2017
	-----Rupees-----	

20.2 Period / year end balances are as follows:

Payable to related parties		
Trade and other payables	35,324,842	36,459,038
Accrued mark-up / interest	31,868,798	31,868,798

21. SEGMENT INFORMATION

	For the half year ended 31 December 2017				Total
	Spinning Segment	Dying Segment	Garments Segment	Weaving Segment	
	-----Rupees-----				
Sales	-	-	-	-	-
Cost of sales	-	-	-	-	16,175,974
Gross loss	-	-	-	-	(16,175,974)
	For the half year ended 31 December 2016				Total
	Spinning Segment	Dying Segment	Garments Segment	Weaving Segment	
	-----Rupees-----				
Sales	-	-	-	-	-
Cost of sales	-	-	-	-	19,221,620
Gross loss	-	-	-	-	(19,221,620)

22. GENERAL

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

22.2 This condensed interim financial information has been authorized for issue by the Board of Directors of the Company on


SOHAIL MAQSOOD
CHIEF EXECUTIVE


M.AKHITAR MIRZA
DIRECTOR