Gulistan Spinning Mills Limited

Annual Report 2014

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. Umer Hayat Gill
AUDIT COMMITTEE	Mr. Muhammad Shafiq (Chairman) Mr. Umer Hayat Gill Mr. Sohail Maqsood
HR & REMUNERATION COMMITTEE	Mr. Iftikhar Ali (Chairman) Mr. Tanveer Ahmed Mr. Sohail Maqsood
CHIEF FINANCIAL OFFICER	Mr. Salman Ali Riaz
COMPANY SECRETARY	Mr. Javaid Iqbal
AUDITORS	M/s. Mushtaq & Company Chartered Accountants Karachi.
LEGAL ADVISOR	Akhter Javed-Advocate
TAX CONSULTANT	M/s. Sharif & Company-Advocate
SHARE REGISTRAR OFFICE	M/s. Hameed Majeed Associates (Pvt) Ltd. Karachi Chamber Hasrat Mohani Road Karachi Ph. 32424826, 32412754, Fax. 32424835
REGISTERED OFFICE	2nd Floor, Finlay House, I.I. Chundrigar Road, Karachi.
REGIONAL OFFICE	2nd Floor, Garden Heights, 8Aibak Block, New Garden Town, Lahore.
MILLS	Jumber Khurd Tehsil Chunnian Dist. Kasur
WEB PRESENCE	http://www.gulshan.com.pk/corporate/gulistan.html

CORPORATE VISION / MISSION STATEMENT

Vision

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

Mission

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meetingof **Gulistan Spinning Mills Limited** (the "Company") will be held at Trading Hall, Karachi Cotton Association Building, I.I. Chundrigar Road, Karachi on **Friday, October 31, 2014 at 11:30 a.m.**, to transact the following business:

1. To confirm the minutes of the last Annual General Meeting of the Company.

2. To receive, consider and adopt the audited financial statements of the Company for the financial year ended on June 30, 2014 together with Director's and Auditor's Reports thereon.

3. To appoint Auditors of the Company for the next financial year 2014-15 and fix their remuneration. The retiring Auditors M/s Mushtaq & Co. Chartered Accountants, being eligible, have offered themselves for reappointment as Auditors of the Company.

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

Lahore:
Dated: October 10, 2014

By Order of the Board
Company Secretary

NOTES:

1. The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from **24th October, 2014 to 31th October, 2014 (both days inclusive).**

2. A member entitled to attend and vote at the general meeting may appoint any other member as proxy and vote on his/her behalf. Duly completed proxies must be deposited with the Company at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.

3. CDC account holders are requested to bring with them their CNIC alongwith participant ID & their account number at the time of meeting in order to facilitate identification. In case of a corporate entity, a certified copy of BOD resolution/valid power of attorney with specimen signatures of the nominee be produced at the time of meeting.

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

DIRECTOR'S REPORT TO SHAREHOLDERS

Director's Report to Shareholders

The Directors of your Company are pleased to place their report together with the Auditor's Report and audited Financial Statements of the Company for the year ended June 30, 2014 at the Annual General Meeting of Company.

Overview

The year under review has also been proved difficult period. Severe energy crises coupled with on-going financial impediments have obstructed the utilization of production capacities. The root cause for this underutilization had been non-availability of working capital facilities which were blocked by the banks/financial institutions unilaterally, and resultantly the Company could not efficiently purchase sufficient raw material to run the installed capacities at optimum level. This hindered the Company's plan to achieve the desired production targets which badly affected our sales turnover as well as profitability of the Company. In spite of the ongoing adverse eventualities the Management is making all possible efforts to keep the Mills of the Company operational.

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.

The Management is conscious of the issues that are affecting our operations and are committed to plans to turn Company into profitable entity by implementing the restructuring process for better financial position, strengthening our operations through proficient acumen, improving manufacturing processes and offering better service to our customers.

Operating & Financial Performance

Operating indicators	2014	2013
	(Rupees)	(Rupees)
Sales	316,169,386	603,481,851
Cost of goods sold	399,217,128	657,410,483
Financial cost	5,897,274	14,329,639
Pre tax Loss	110,351,599	116,337,870
Provision for taxation	13,058,558	13,147,379
Loss after taxation	97,293,041	103,190,491

Future Outlook

The Company's Management in order to offset the effect of increased power cost and Rupee devaluation is trying hard to utilize the production capacity to its optimum level.

The high cost of production resulting from higher cotton prices, rising energy costs, increasing prices of imported inputs due to depreciation of Pakistani rupee, double digit inflation, and prolonged power cuts are posing serious threats to textile sector. On these fronts the situation is expected to remain volatile in the future.

Going forward, the Company is focusing on strategy to consolidate its customer base, rationalize production volume and achieve pricing targets to increase profitability. Bottle neck in achieving these miles stones was non-availability of working capital lines. This impediment is expected to be over in near future as the restructuring process is expected to be completed soon and this would result in better utilization of production capacities. Once the ongoing reconciliation & restructuring process is completed, we would be in better position to embark upon timely better priced procurement of the required raw materials. To increase profitability and improve performance, wide ranging and significant measures are being implemented by the Company focusing on cost reduction and increase in margins.

Subsequent to the restructuring and other proposed measures mentioned above, the Management of your Company envisages for the continuing operations of the Company. With positive impact on finance costs, reduced costs, more effective management of resources and raw material procurement, the Company is expected to operate profitably, subject to impact, if any, of uncontrollable external circumstances including power crises and global market conditions.

Auditors' Observations

Auditors' Observation regarding going concern, the Management has approached the banks/financial institutions for speed up the process of negotiations and finalization of financial restructuring of its debts and is confident that outcome will be positive. It is worth noting that restructuring process is at advance stage and in this respect majority of the banks/financial institutions have agreed in principle to it. A Scheme of Arrangement by the Creditors is in process of finalization with the banks which is being drafted by the Transaction Lawyer and after its approval from Honourable Sindh High Court, a syndicated restructuring agreement is proposed to be executed between the Company and respective banks. According to restructuring terms all ongoing litigations by or against the Company will be withdrawn by the respective parties.

The Management is making utmost efforts to recover from the present financial crises and has made its best and maximum possible efforts to come out from the prevailing misfortunes. Reluctantly, the Management has to retrench most of their manpower strength and has taken steps towards resource conservations, effective utilizations of natural resources and raw materials. The Management therefore is of the view that after restructuring of debts going concern observation will be resolved.

DIRECTOR'S REPORT TO SHAREHOLDERS

Due to pending litigation in the High Court against the Company for recovery of amount, the Company has not provided accrued mark-up in these accounts. Consequently banks/financial institutions have not confirmed the amounts which are already disputed by the Company.

The Company is very hopeful that with reconciliation of amounts, release of security in post re-profiling scenario, the financial health of the Company will be improved which will enable the Company to purchase cost effective timely raw material, manage the resources properly, combat the pressures of local and global market and tackle with energy crises.

Corporate Governance

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

Board meetings and attendance

Four (4) meetings of the Board of Directors were held and attendance thereof by each director is as follows:

Name of Director	No of meeting attended
Mr. Tanveer Ahmed	4
Mr. Riaz Ahmed	4
Mr. Sohail Maqsood	4
Mr. Umer Hayat Gill	4
Mr. Iftikhar Ali	4
Mr. Muhammad Shafiq	2
Mr. Muhammad Yousaf	4

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

Audit Committee

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

HR & Remuneration Committee

The Board of Directors of the Company in compliance with the Code of Corporate Governance has also established HR & Remuneration Committee. The names of its members are given in the Company information.

Internal Audit Function

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

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

Corporate Governance & Financial Reporting Framework

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

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

DIRECTOR'S REPORT TO SHAREHOLDERS

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2014 except for those disclosed in the financial statements.
- No material changes and commitments affecting the financial position of your Company have occurred between the end of the financial year to which this Balance Sheet relates and the date of the Directors' Report, except for those disclosed in the financial statements.

Earnings/(Loss) Per Share

The loss per share of the Company for the period ended June 30, 2014 was Rs. (6.65) as compared to the previous year of Rs. (7.05)

Dividends

Due to circumstances discussed above, the Board of Directors does not recommend dividend for the year ended on June 30, 2014.

Corporate Social Responsibility

Your company is responsible corporate citizen and fully recognizes its responsibility towards community, employees and environment.

Web presence

Annual and periodical financial statements of the Company are also available on the Company website www.gulshan.com.pk for information of the shareholders and others.

Related Party Transactions

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

Trading in Company's Shares

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

Name	Opening Balance as on 01.07.2013	Purchases	Sales	Closing Balance as on 30.06.2014
NIL	NIL	NIL	NIL	NIL

Statement on Value of Staff Retirement Benefit

As on June 30, 2014 deferred liability for gratuity is Rs. 14,275,702.

Auditors

Messrs Mushtaq & Company, Chartered Accountants being eligible have offered themselves for re-appointment. The Audit Committee has also recommended their appointment as External Auditors of the Company for the next financial year 2014-2015.

Pattern of Shareholding

The pattern of shareholding as at June 30, 2014 including the information under the code of corporate of governance is annexed.

Acknowledgement

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

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

On behalf of the Board

Lahore:
October 09, 2014

TANVEER AHMED
CHIEF EXECUTIVE

STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 oflisting regulations of Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors: At present the Board of Directors includes five (5) non-executive directors.

Category	Names
Executive Directors	Mr. Tanveer Ahmed and Riaz Ahmed
Non-Executive Directors	Mr. Sohail Maqsood, Mr. Muhammad Shafiq, Mr. Umer Hayat Gill, and Mr. Muhammad Yousuf

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies occurring in the Board during the period under review
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a Vision / Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and term and conditions of employment of the chief executive officer and executive and non- executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Company has arranged so far directors training program for one director and Two (2) Directors of the Company are exempt from directors training program due to 14 years of education and approximately over 14 years of experience on the board of a listed company.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The director's report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises of three board members of whom two are non-executive directors and chairman of the committee is a non-executive director.

18. The board has set up an effective internal audit function who are considered suitably qualified and experience for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditor's have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

Lahore October 09, 2014

Tanveer Ahmed
Chief Executive

REVIEW REPORT TO THE MEMBERS
ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Gulistan Spinning Mills Limited** for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the company's personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal controls covers all the risks and control or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

The Code requires the company to place before the audit committee and upon recommendation of the audit committee, places before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code as applicable to the company for the year ended June 30, 2014.

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Abdul Qadoos, ACA

Lahore:
Dated: October 09, 2014

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance sheet of **Gulistan Spinning Mills Limited** as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verifications, we report that;

a) As described in note 1.3 to the financial statements, these financial statements have been prepared on going concern assumptions. The company has incurred a net loss after tax of Rs. 97.293 million for the year ended June 30, 2014 and as on the said date its current liabilities exceed its current assets by Rs. 1,469.099 million, its accumulated loss compute to Rs. 1,390.272 million and shareholders' equity is negative by Rs. 1,218.863 million. The company is facing several operational and financial constraints, further, the company is in litigation with several banking companies and financial institutions with claims pending adjudication against the company aggregate in excess of Rs. 1,750.851 million as mentioned in note 28.1.3 and 28.1.4, banking companies and financial institutions have blocked working capital lines and the production facilities have not been fully operational from the year end to date. The accompanying financial statements have been prepared on going concern basis on the assumption that the company will be able to restart its operations in near future and that the outcome of the pending litigation against the company will result in favorable decision, however certain key assumptions in the financial and operations plans are not ascertainable barring the credit lines being restructured and may only be evaluated upon ultimate outcome of pending litigation. These events indicate a material uncertainty that may cause significant doubt on the company's ability to continue as going concern and therefore, the company may not be able to realize its assets and discharge its liabilities in the normal course of business. In our opinion, the going concern assumption used in the preparation of these financial statements is inappropriate.

b) As fully explained in note 25.1 the company has not provided for the mark-up / interest to the extent of and approximate to Rs. 148,122,052 (June 30, 2013: Rs. 148,840,263), Rs. 38,734,620 (June 30, 2013: Rs. 19,541,603) and Rs. 88,931 (June 30, 2013: Rs. 404,412) on outstanding balances in respect of short term borrowings, long term financing and liabilities against assets subject to finance lease respectively after going into litigation with the banking companies and financial institutions. Had the company accounted for finance cost, the loss for the year would have been higher by Rupees 186,945,603 and consequently the aggregate amount of accrued markup (including previous unaccounted markup) would have been increased by Rs. 355,731,881 and aggregate accumulated loss would have been higher by the same amount.

c) As mentioned in note 7.3, 8.1, 16.2, 20.3, 22.3, 24.1, 24.2 and 26.3 we have not received reply of balance confirmation requests from banks in respect of defence saving certificates amounted to Rs. 10,719,750, lease deposits amounted to Rs. 3,324,012, cash with banks amounted to Rs. 5,038,756, long term loans from banking companies and financial institutions amounted to Rs. 150,000,000, liabilities against assets subject to finance lease amounted to Rs. 17,199,239, Local LCs payable amounted to Rs. 110,830,493, foreign bills payable amounted to Rs. 53,946,422 and short term borrowings amounting to Rs. 718,379,410 respectively.

d) in our opinion, except for the effects of matters referred in paragraph (a) to (c) proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

e) in our opinion;

   (i) the balance sheet and profit and loss account together with the notes thereon have not been drawn up in conformity with the Companies Ordinance, 1984. The balance sheet and profit and loss account are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied, except for the change in accounting policy as stated in note 5.1 and 5.2 to the accompanying financial statements with which we concur;

   (ii) the expenditure incurred during the year was for the purpose of the company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

f) in our opinion and to the best of our information and according to the explanations given to us, due to the significance of the matters referred in paragraph (a) to (c) above, the financial statements do not present fairly the financial position of the company as at June 30, 2014 and of its financial performance and the cash flow for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and do not give the information required by the Companies Ordinance, 1984, and

g) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Abdul Qadoos, ACA

Lahore:
Dated: October 09, 2014

BALANCE SHEET
AS AT JUNE 30, 2014

	Note	2014	2013 (Restated)	2012 (Restated)
		---Rupees---		
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment	6	1,531,854,852	1,584,120,727	1,637,133,807
Long term investments	7	10,735,485	9,838,228	12,667,534
Long term deposits	8	2,780,500	1,273,000	2,008,468
CURRENT ASSETS				
Stores, spare parts and loose tools	9	11,666,336	15,353,284	28,408,507
Stock in trade	10	232,264,378	238,101,537	339,813,495
Trade debts	11	23,037,535	66,125,355	69,173,024
Loans and advances	12	5,989,346	2,654,801	2,818,536
Trade deposits and short term prepayments	13	12,081,245	10,573,840	12,154,318
Interest accrued	14	13,052,447	14,109,522	8,441,129
Tax refunds due from Government	15	13,575,158	15,342,839	14,512,386
Cash and bank balances	16	5,325,857	6,593,598	12,495,117
		316,992,301	368,854,776	487,816,512
		1,862,363,138	1,964,086,731	2,139,626,321
SHARE CAPITAL AND RESERVES				
Authorized capital				
15,000,000 (June 30, 2013: 15,000,000) ordinary shares of Rs. 10 each		150,000,000	150,000,000	150,000,000
Issued, subscribed and paid up capital	17	146,410,000	146,410,000	146,410,000
Reserves	18	24,998,903	25,000,000	25,000,000
Accumulated loss		(1,390,272,121)	(1,386,387,904)	(1,324,770,734)
		(1,218,863,218)	(1,214,977,904)	(1,153,360,734)
Surplus on revaluation of property, plant and equipment	19	777,043,007	857,978,501	1,039,008,931
NON CURRENT LIABILITIES				
Long term financing	20	-	-	-
Long term financing from related parties	21	177,818,341	103,000,000	103,000,000
Liabilities against assets subject to finance lease	22	-	-	-
Deferred liabilities	23	340,273,708	370,509,613	243,821,853
CURRENT LIABILITIES				
Trade and other payables	24	423,211,210	387,264,073	443,110,306
Accrued mark up / interest	25	16,841,346	12,444,332	10,412,613
Short term borrowings	26	1,147,576,253	1,247,190,971	1,241,786,407
Current portion of:				
Long term financing	20	171,428,572	171,428,572	180,000,000
Liabilities against assets subject to finance lease	22	17,199,239	17,595,397	18,969,781
Provision for taxation	27	9,834,681	11,653,176	12,877,164
		1,786,091,300	1,847,576,521	1,907,156,271
CONTINGENCIES AND COMMITMENTS	28			
		1,862,363,138	1,964,086,731	2,139,626,321

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

Tanveer Ahmed
Chief Executive

Sohail Maqsood
Director

PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013 (Restated)
		Rupees	
Sales - net	29	316,169,386	603,481,851
Cost of sales	30	(399,217,128)	(657,410,483)
Gross loss		(83,047,742)	(53,928,632)
Other income	31	6,058,009	9,190,855
		(76,989,733)	(44,737,777)
Distribution cost	32	320,478	9,300,972
Administrative expenses	33	26,927,179	40,414,405
Other operating expenses	34	187,208	4,197,703
Finance cost	35	5,897,274	14,329,639
		(33,332,139)	(68,242,719)
		(110,321,871)	(112,980,496)
Share of loss from associates		(29,728)	(3,357,374)
Loss before taxation		(110,351,599)	(116,337,870)
Taxation	36	13,058,558	13,147,379
Loss for the year		(97,293,041)	(103,190,491)
Loss per share - basic and diluted	37	(6.65)	(7.05)

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

Tanveer Ahmed
Chief Executive

Sohail Maqsood
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013 (Restated)
		Rupees	
Loss for the year		(97,293,041)	(103,190,491)
Other comprehensive income:			
Items that can be reclassified to profit or loss accounts			
Unrealized gain / (loss) available for Sale investment		(1,097)	-
Items that cannot be reclassified to profit or loss accounts			
Remeasurement recognized - gain / (losses)		2,606,594	(207,698)
Total comprehensive loss for the year		(94,687,545)	(103,398,189)

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

Tanveer Ahmed
Chief Executive

Sohail Maqsood
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013 (Restated)
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(110,351,599)	(116,337,870)
Adjustments for:			
Depreciation		54,558,555	57,621,896
Provision for staff retirement benefits - gratuity		5,756,520	7,947,203
Share of loss from associates		29,728	3,357,374
Finance cost		5,897,274	14,329,639
Gain on disposal of property, plant and equipment		(300,347)	(451,621)
Gain on sale of equity investment		-	(1,727,249)
Gain on ceasation of equity method on associates		(16,832)	-
Interest accrued		(1,340,705)	(1,359,777)
Cash flows before change in working capital		(45,767,406)	(36,620,405)
Changes in working capital	38	86,589,588	57,230,169
Cash generated from operations		40,822,182	20,609,764
Finance cost paid		(1,500,260)	(12,297,920)
Dividend paid		-	-
Staff retirement benefits - gratuity paid		(10,460,536)	(5,964,354)
Income taxes paid		(1,818,495)	(2,794,076)
		(13,779,292)	(21,056,350)
Net cash generated from / (used in) operating activities		27,042,890	(446,586)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,342,333)	(4,787,195)
Proceeds from sale of property, plant and equipment		350,000	630,000
Proceeds from sale of equity instrument			2,075,700
Defence saving certificates en-cashed		-	-
Long term deposits		(1,507,500)	735,468
Interest received		381,737	432,342
Dividend received		-	
Net cash used in investing activities		(3,118,096)	(913,685)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing paid		-	(8,571,428)
Proceeds form long term financing		-	
Repayment of liabilities against assets subject to finance lease		(396,158)	(1,374,384)
Short term borrowings - net		(98,614,538)	12,811,352
Net cash (used in) / generated from financing activities		(24,192,355)	2,865,540
Net (decrease) / increase in cash and cash equivalents		(267,561)	1,505,269
Cash and cash equivalents at the beginning of year		2,512,907	1,007,638
Cash and cash equivalents at the end of year	40	2,245,346	2,512,907

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

Tanveer Ahmed
Chief Executive

Sohail Maqsood
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Share capital	Reserves			Total
		Capital	Un realized gain / (loss) on remeasurement of available for sale investment	Revenue	
		Share premium		Accumulated profit / (loss)	
	Rupees				
Balance as at 01 July 2012 - as originally reported	146,410,000	25,000,000	-	(1,321,282,501)	(1,149,872,501)
Effect of retrospective application of change in an accounting policy referred in note 5.1	-	-	-	(2,905,560)	(2,905,560)
Effect of retrospective application of change in an accounting policy referred in note 5.2	-	-	-	(582,673)	(582,673)
Balance as at 01 July 2012 - restated	146,410,000	25,000,000	-	(1,324,770,734)	(1,153,360,734)
Transfer From Surplus on revaluation of Property Plant and equipment on account of incremental depreciation net of tax	-	-	-	27,332,440	27,332,440
Share from Associates of Incremental Depreciation	-	-	-	3,463,136	3,463,136
Share of revaluation of Property, Plant & Equipment realized on disposal of equity instrument	-	-	-	10,985,443	10,985,443
Total comprehensive (loss) for the year - restated	-	-	-	(103,398,189)	(103,398,189)
Balance as at June 30, 2013 - restated	146,410,000	25,000,000	-	(1,386,387,904)	(1,214,977,904)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	-	-	26,512,831	26,512,831
Share from associates of incremental depreciation - net of tax	-	-	-	23,541	23,541
Share of revaluation of property, plant and equipment realized on disposal of equity instruments	-	-	-	64,265,859	64,265,859
Unrealized gain on available for sale Investment	-	-	(1,097)	-	(1,097)
Total comprehensive (loss) for the year	-	-	-	(94,686,448)	(94,686,448)
Balance as at June 30, 2014	**146,410,000**	**25,000,000**	**(1,097)**	**(1,390,272,121)**	**(1,218,863,218)**

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

Tanveer Ahmed
Chief Executive

Sohail Maqsood
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1 Legal status and nature of business

1.1 The company is limited by shares, incorporated in Pakistan on February 25, 1987 under the Companies Ordinance, 1984 as a public limited company and is quoted on stock exchanges at Karachi and Lahore. The registered office of the company is situated at 2nd Floor, Finlay House, I.I. Chundrigar Road, Karachi in the province of Sindh, Pakistan.

1.2 The principal business of the company is to manufacture and sale of yarn. The manufacturing unit is located at District Kasur in the Province of Punjab.

1.3 Going concern assumption

During the year ended June 30, 2014 the company has incurred a net loss after tax of Rs. 97.293 million and as on the said date its current liabilities exceed its current assets by Rs. 1,469.099 million and its accumulated loss compute to Rs. 1,390.272 million. As fully explained in note 28 of these financial statement the company is in litigation with several banking companies and financial institutions, as a consequence these banking companies and financial institutions have blocked and curtailed the working capital lines of the company and froze the funds in bank accounts, rendering the company not being able to operate in its normal course due to the liquidity crisis and has resulted in losses. These conditions along with 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 and therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements, however, have been prepared under the going concern assumptions based on the following mitigating factors:

(a) the management of the company is negotiating an amicable settlement of the pending litigations with the banking companies and financial institutions. Series of meetings in this regards have also been held and the matter is being persuaded aggressively with the banks and financial institutions. The company has appointed leading financial institution for restructuring of financial debts of the company. As per the indicative term sheet the banking companies and financial institutions will release the blocked working capital lines and raw material in order to run the operations smoothly;

(b) the management have made arrangements whereby third party cotton is being processed against processing fee for utilization of unutilized capacity in spinning segment;

(c) 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 man 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.

(d) the management expects equity injection from the sponsoring directors and detailed plans about the timing and magnitude of the equity injection have been submitted to the banking companies and financial institutions. The management believes that this equity injection will help the company in overcoming the current working capital deficit and will assist in finalization of there structuring / rescheduling plans

The management anticipates that above steps will not only bring the Company out of the existing financial crisis but also contribute significantly towards the improvement of the Company Financial Position in the foreseeable future.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Functional and presentation currency

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

2.3 Standards, interpretations and amendments to published approved accounting standards

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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

Following are the amendments that are applicable for accounting periods beginning on or after January 1, 2013:

- IAS 19 Employee Benefits (amended 2011). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method. The change of accounting policy and its impact are further discussed in note 5.1 of the financial statements.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendment does not have any effect on the company.

- IFRIC 20 - Stripping cost in the production phase of a surface mining. The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company. The amendment does not have any effect on the company.

2.3.2 Standards, interpretations and amendments to existing standards that are applicable to the company but are not yet effective:

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after their respective effective dates:

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is notated to the effect clearing with a central counter party as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counter party with a new one). The amendments have no impact on financial statements of the Company.

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Interpretation has no impact on financial statements of the Company.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 01, 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2015). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2015). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2015. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IFRS 10, 'Consolidated Financial Statements', applicable from January 01, 2015, build on existing principles by identifying the concept of control as the determine factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- IFRS 11, 'Joint Arrangements', applicable from January 01, 2015, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement; joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- IFRS12, 'Disclosures of interests in other entities', applicable from January 01, 2015, this standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- IFRS 13, 'Fair value measurement', applicable from January 01, 2015, this standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after July 01, 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further, IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision-maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

- There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

2.3.3 Standards, interpretations issued by the IASB that are applicable to the company but are not yet notified by the SECP:

- IFRS 9, 'Financial Instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial Instruments' Recognition and measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect the financial institutions. There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the company does not have any such liabilities.

2.3.4 Standards, interpretations and amendments to published standards that are effective but not relevant to the company

- The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2013 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value, freehold land and property, plant and equipment at revalued amount and recognition of certain staff retirement benefits at present value.

The company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows.

3.1 Provision for taxation

The company takes into account the current income tax law and decisions taken by the appellate authorities. Instances where the company's view differs from the view taken by the income tax department at the assessment stage and where the company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3.2 Staff retirement benefits - gratuity

Certain actuarial assumptions have been adopted as disclosed in relevant note to the financial statements for valuation of present value of defined benefit obligation. Any changes in these assumptions in future year might affect the unrecognized gains and losses in those years.

3.3 Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on market conditions existing at balance sheet date.

3.4 Property, plant and equipment

The company reviews recoverable amount, useful life, depreciation method, residual value and possible impairment on an annual basis. Any changes, if material in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

3.5 Stocks in trade and stores, spares and loose tools

The company reviews the net realizable value of stock in trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock in trade and stores and spares with a corresponding affect on impairment. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated costs necessary to make the sale. Valuation of raw material, work in process and finished goods as on June 30, 2013 has been made using the following accounting estimates and judgments:

3.5.1 Valuation of raw material

Raw material have been valued at cost or net realizable value which ever is lower as defined in International Accounting Standards (IAS) 2 "Inventories".

3.5.2 Valuation of finished goods

Finished goods have been valued at lower of cost or net realizable value as defined in International Accounting Standards (IAS) 2 "Inventories".

3.5.3 Valuation of work in process

Work in process has been valued at value of cotton as determined above plus overhead cost.

3.5.4 Valuation of waste

Waste has been valued at net realizable value as defined in International Accounting Standards (IAS) 2

3.6 Other areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows.

3.6.1 Provision for doubtful debts
3.6.2 Computation of deferred taxation
3.6.3 Disclosure of contingencies

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Property, plant and equipment - owned

Recognition

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses with the exception of free hold land which is measured at revalued amount less accumulated impairment losses, buildings, power houses, electric installation, factory installation, factory equipment, air conditioner and lease hold power house which are measured at revalued amount less accumulated depreciation and accumulated impairment losses.

Cost of items of property, plant and equipment comprises purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation. Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the company and the cost of renewal or improvement can be measured reliably. The cost of day to day servicing of property, plant and equipment are recognized in profit and loss as incurred.

Surplus arising on revaluation of an item of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment, except to the extent that it reverses deficit on revaluation of the same assets previously recognized in profit and loss, in which case the surplus is credited to profit and loss to the extent of deficit previously charged to income. Deficit on revaluation of an item of property, plant and equipment is charged to profit and loss to the extent that it exceeds the balance, if any held in surplus on revaluation of property, plant and equipment relating to previous revaluation of that item. On subsequent sale or retirement of revalued item of property, plant and equipment, the attributable surplus net of deferred tax, if any, remaining in the surplus on revaluation of property, plant and equipment is transferred directly to unappropriated profit. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to unappropriated profit every year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Depreciation

Depreciation on all items of property, plant and equipment except for freehold land is charged to profit and loss applying the reducing balance method over the useful life of each item at the rates specified in the respective note. Depreciation on additions is charged from the day on which the asset is available for use, while on disposals depreciation is charged up to the date of disposal or when the item is classified as held for disposal.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with expected pattern of economic benefits from items of property, plant and equipment.

Derecognition

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the assets) is recognized in profit and loss in the year in which the asset is derecognized.

4.2 Accounting for leases and assets subject to finance lease

4.2.1 Finance lease

Recognition

Leases where the company has substantially all the risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are initially recognized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss. The related rental obligations, net off finance cost, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and non current depending upon the timing of payments.

Financial charges

Lease payments are allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to income over the lease term.

Depreciation

Assets acquired under a finance lease are depreciated in the same manner and at the same rates used for similar owned assets, so as to depreciate these assets over their estimated useful lives in view of certainty of ownership of these assets at the end of lease term. Depreciation of the leased assets is charged to income.

Deferred income

Income arising from sale and lease back transaction, if any, which results in finance lease, is deferred and amortized equally over the lease period.

4.2.2 Operating lease

Leases where significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income on a straight line basis over the period of lease.

4.3 Non - current assets classified as held for sale

Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and depreciation on such assets to cease. Assets classified as held for sale and liabilities directly associated with the assets classified as held for sale to be presented separately in the balance sheet. Any impairment loss on reclassification recognized in profit and loss account. Any gain or loss on disposal recognized also in profit and loss account.

4.4 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss. Transfers are made to relevant fixed assets category as and when assets are available for use.

4.5 Investments

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

4.5.1 Regular way purchase or sale of investments

All purchases and sales of investments are recognized using trade date accounting. Trade date is the date that the company commits to purchase or sell the investment.

4.5.2 Investments in equity instruments of associated companies

Associates are all entities over which the company has significant influence but not control, investments in these are accounted for using the equity method of accounting and are initially recognized at cost.

The company's share of its associates' post acquisition profits or losses is recognized in the profit and loss account, and its share of post acquisition movements in reserves is recognized in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Distribution received from an associate reduce the carrying amount of the investment.

After application of the equity method, including recognizing the associate's losses, the company applies the requirements of International accounting standard (IAS) 39, to determine whether it is necessary to recognize any additional impairment loss with respect to the net investment in associated undertakings.

The entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever application of the requirements in IAS 39 indicates that the investment may be impaired. The recoverable amount of an investment in an associate is assessed for each associate, unless the associate does not generate cash inflows from continuing use that are largely independent of those from other assets of the entity.

4.5.3 Available for sale investments

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealized gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

All purchases and sales are recognized on the trade date which is the date that the company commits to purchase or sell the investment, except for sale and purchase of securities in future market which are accounted for at settlement date. Cost of purchase includes transaction cost.

At each balance sheet date, the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. In respect of available for sale investments, cumulative impairment loss less any impairment loss previously recognized in profit and loss account, is removed from equity and recognized in the profit and loss accounts. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss accounts.

4.5.4 Other Investments

Other Investment like Defence saving certificate are held to maturity. Interest is accrued on these investments according to the rate provided by the issuer.

4.5.5 Derecognition

All investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

4.6 Long term deposits

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

4.7 Stores, spare parts and loose tools

These are valued at lower of cost and net realizable value. Cost is determined by moving average method. Items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

4.8 Stock in trade

These are valued at lower of cost and net realizable value except waste which is valued at net realizable value. Cost is determined as follows.

4.8.1 Raw material

In hand	Weighted average cost
In transit	Cost comprising invoice value plus other charges incurred thereon
4.8.2 Finished goods and work in process	Raw material cost plus appropriate
4.8.3 Waste	Net realizable value

Net realizable value signifies the estimated selling prices in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sales.

4.9 Trade debts and other receivables

Trade debts originated by the company are recognized and carried at original invoice value less any allowance for uncollectible amounts. An estimated provision for doubtful debts is made when there is objective evidence that collection of the full amount is no longer probable. The amount of provision is charged to income. Bad debts are written off as incurred. Other receivables are stated at amortized cost. Known impaired receivables are written off, while receivables considered doubtful are provided for.

4.10 Cash and cash equivalents

Cash in hand, cash at bank and short term deposits, which are held to maturity, are carried at cost. For the purpose of cash flow statements, cash and cash equivalent comprise cash in hand, with banks on current accounts & deposit certificates and temporary overdrafts.

4.11 Staff retirement benefits

Defined benefit plan

The company operates an unfunded gratuity scheme covering for all its permanent employees who have attained the minimum qualifying period for entitlement to the gratuity.

Provision is made annually to cover the obligation on the basis of actuarial valuation and charged to income currently. The most recent actuarial valuation was carried on June 30, 2014 using the Projected Unit Credit Method.

Expense comprising of current service cost and interest cost is recorded in profit and loss account, whereas any remeasurements due to actuarial assumptions are charged to other comprehensive income as and when they arise.

4.12 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in equity or below equity, in which case it is recognized in equity or below equity respectively.

4.12.1 Current

Provision for current taxation is based on taxability of certain income streams of the company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credit and tax rebates available, if any. The charge for current tax includes any adjustment to past years liabilities.

4.12.2 Deferred

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses and tax credits to the extent that it is probable that future taxable profits will be available against which deferred tax asset can be utilized, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability that, at the time of transaction, affects neither the accounting nor taxable profits.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4.13 Trade and other payables

Liabilities for trade and other payables are carried at cost which is fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

4.14 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event, and it is probable that an out flow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.15 Borrowings and borrowing costs

Borrowings are recorded at the proceeds received. Finance costs are accounted for on an accrual basis and are included in current liabilities to the extent of the amount remaining unpaid.

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commissioning.

4.16 Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and presents amount received or receivable for goods and services provided in the normal course of business.

Sale of goods are recognized when the goods are dispatched.

Dividend income on investment is recognized when the right to receive the dividend have been established.

Mark up on loans to related parties and profit on saving accounts is accrued on time basis, by reference to the principal outstanding and at the effective profit rate applicable.

4.17 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rate of exchange prevailing at the balance sheet date, except those covered by forward contracts, which are stated at contracted rates. Foreign currency transactions are translated into Pak Rupees at the rates prevailing at the date of transaction except for those covered by forward contracts, which are translated at contracted rates. Non monetary items are translated into Pak Rupee on the date of transaction or on the date when fair values are determined. Exchange differences are included in income currently.

4.18 Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument and derecognized when the company loses control of contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given, and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

4.19 Offsetting of financial assets and liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and the liabilities simultaneously.

4.20 Impairment

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

4.21 Related party transactions

All transactions with related parties are carried out by the company at arms' length price using the method prescribed under the Companies Ordinance, 1984 (comparable uncontrolled price method) with the exception of loan taken from related parties which is interest / mark up free.

4.22 Government grants

Government grants for meeting revenue expenses are set off from respective expenses in the year in which they become receivable.

4.23 Research and development cost

Research and development cost is charged to profit and loss account in the year in which it is incurred.

4.24 Dividend

The dividend distribution to the shareholders is recognized as a liability in the period in which it is approved by the shareholders.

5 CHANGE IN ACCOUNTING POLICIES

5.1 Staff retirement benefits

During the year, the company has adopted IAS 19, (Revised) 'Employee Benefits'. The amendments in the revised standard require the company to eliminate the corridor approach and recognize all actuarial gains and losses (now called 'remeasurements', that result from the remeasurement of defined benefits obligations and fair value of plan assets at the balance sheet date) in other comprehensive income as they occur, immediately recognize all past service costs and replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefits liability / asset.

This change in accounting policy has been accounted for retrospectively as required under International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative financial statements have been restated.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Effects of the change in the accounting policy have been summarized below:

	Note	2013 Rupees	2012 Rupees
Impact on Balance Sheet			
Increase in the retirement benefits obligation		3,016,660	2,905,560
Decrease in accumulated profits		3,016,660	2,905,560
Impact on Statement of changes in equity			
Impacts on brought forward balances - July 01,		(2,905,560)	
Increase / (decrease) in profit for the year - net of tax		(111,100)	-
Impacts on closing balances - June 30,		(3,016,660)	-
Impact on profit and loss account			
Increase in Cost of sales		67,366	-
Increase in Administrative expenses		29,232	-
Impact on statement of comprehensive Income			
Items that cannot be reclassified subsequently to profit and loss account - net of tax		207,698	-

5.2 Interest on overdue balance - associates

During the year, the company has adopted the policy of charging interest on outstanding balances of associated undertakings at the average rate of borrowings to the company. Previously these were termed as normal trade credits and no interest had been accrued on them. However as per the directives of the regulatory body received during the year, the company has charged and accrued interest on month end balances of the associated undertakings from financial year 2010 onwards. Simultaneously the associated undertakings have also charged interest on the company's balances with them from the said year.

The said change in accounting policy has been treated in accordance with the requirements of International Accounting Standard (IAS-8) - "Accounting Policies, Changes in Accounting Estimates and Errors" which requires the application of the said change retrospectively.

Effects of the change in the accounting policy have been summarized below:

	Note	2013 Rupees	2012 Rupees
Impact on Balance Sheet			
Increase in Interest accrued	14	13,807,246	8,155,038
Increase in Accrued Interest		12,444,332	8,737,711
Increase / (decrease) in accumulated profits		1,362,914	(582,673)
Impact on Statement of changes in equity			
Impacts on brought forward balances - July 01,		(582,673)	
Increase / (decrease) in profit for the year - net of tax		1,945,587	-
Impacts on closing balances - June 30,		1,362,914	-
Impact on profit and loss account			
Increase in other operating income		5,652,208	-
Increase in finance cost		3,706,621	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

6 PROPERTY, PLANT AND EQUIPMENT

	Note	2014 Rupees	2013 Rupees
Operating assets	6.1	**1,531,854,852**	1,584,120,727
		1,531,854,852	1,584,120,727

6.1 Operating assets

	Owned assets						
	Freehold land	**Building on freehold land**	**Plant and machinery**	**Power House**	**Electric installation**	**Factory equipment**	**Air conditioning plant**
Cost	**Rupees**	**Rupees**	**Rupees**	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Balance as at July 01, 2012	121,888,000	326,175,471	806,406,500	28,160,000	88,079,999	92,259,999	103,000,000
Additions during the year	-	-	358,030	-	4,416,165		-
Disposals	-	-	-	-	-	-	-
Transfer / adjustments / reclassification	-	-	-	-	-	-	-
Surplus on revaluation of property, plant & equipment	-	-	-	-	-	-	-
Revaluation adjustments	-						
Balance as at June 30, 2013	**121,888,000**	**326,175,471**	**806,764,530**	**28,160,000**	**92,496,164**	**92,259,999**	**103,000,000**
Balance as at July 01, 2013	121,888,000	326,175,471	806,764,530	28,160,000	92,496,164	92,259,999	103,000,000
Additions during the year	-	-	-	-	1,842,284	410,000	-
Disposals	-	-	-	-	-	-	-
Transfer / adjustments / reclassification	-	-	-	-	-	-	-
Surplus on revaluation of property, plant & equipment	-	-	-	-	-	-	-
Revaluation adjustments	-	-	-	-	-	-	-
Balance as at June 30, 2014	**121,888,000**	**326,175,471**	**806,764,530**	**28,160,000**	**94,338,448**	**92,669,999**	**103,000,000**
Depreciation							
Balance as at July 01, 2012	-	-	-	-	-	-	-
Charge for the year	-	8,154,387	20,163,939	1,126,400	4,411,954	9,226,000	10,300,000
Depreciation on disposals	-	-	-	-	-	-	-
Transfer / adjustments	-	-			-	-	-
Revaluation adjustments	-						
Balance as at June 30, 2013	-	**8,154,387**	**20,163,939**	**1,126,400**	**4,411,954**	**9,226,000**	**10,300,000**
Balance as at July 01, 2013	-	8,154,387	20,163,939	1,126,400	4,411,954	9,226,000	10,300,000
Charge for the year	-	7,950,527	19,665,015	1,081,344	4,466,740	8,341,367	9,270,000
Depreciation on disposals	-	-	-	-	-	-	-
Transfer / adjustments	-	-			-	-	-
Revaluation adjustments	-	-	-	-	-	-	-
Rate of depreciation	-	**2.5%**	**2.5%**	**4%**	**5%**	**10%**	**10%**
Balance as at June 30, 2013	-	16,104,914	39,828,954	2,207,744	8,878,694	17,567,367	19,570,000
Written down value as at June 30, 2013	121,888,000	318,021,084	786,600,591	27,033,600	88,084,210	83,033,999	92,700,000
Written down value as at June 30, 2014	**121,888,000**	**310,070,557**	**766,935,576**	**25,952,256**	**85,459,754**	**75,102,632**	**83,430,000**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

					Leased assets		
Telephone installation	Office equipment	Furniture and fixtures	Arms and ammunitions	Vehicles	Power house	Vehicles	Total
Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
160,000	4,739,335	4,378,524	6,230	11,610,035	60,000,000	10,323,000	1,657,187,093
-	13,000		-		-	-	4,787,195
-	-	-	-	(665,000)	-	-	(665,000)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-		-	
160,000	4,752,335	4,378,524	6,230	10,945,035	60,000,000	10,323,000	1,661,309,288
160,000	4,752,335	4,378,524	6,230	10,945,035	60,000,000	10,323,000	1,661,309,288
-	90,049	-	-	-	-	-	2,342,333
-	-	-	-	(560,000)	-	-	(560,000)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
160,000	4,842,384	4,378,524	6,230	10,385,035	60,000,000	10,323,000	1,663,091,621
145,830	2,226,153	2,968,792	5,452	9,991,842	-	4,715,217	20,053,286
1,417	251,552	140,973	78	323,639	2,400,000	1,121,557	57,621,896
-	-	-	-	(486,621)	-	-	(486,621)
-	-	-	-				-
-	-	-	-	-		-	-
147,247	2,477,705	3,109,765	5,530	9,828,860	2,400,000	5,836,774	77,188,561
147,247	2,477,705	3,109,765	5,530	9,828,860	2,400,000	5,836,774	77,188,561
1,275	232,410	126,876	70	221,686	2,304,000	897,245	54,558,555
-	-	-	-	(510,347)	-	-	(510,347)
-	-	-	-		-	-	-
-	-	-	-	-	-	-	-
10%	10%	10%	10%	20%	4%	20%	
148,522	2,710,115	3,236,641	5,600	9,540,199	4,704,000	6,734,019	131,236,769
12,753	2,274,630	1,268,759	700	1,116,175	57,600,000	4,486,226	1,584,120,727
11,478	2,132,269	1,141,883	630	844,836	55,296,000	3,588,981	1,531,854,852

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

		Note	2014 Rupees	2013 Rupees
6.1.1	**Depreciation is allocated as follows:**			
	Cost of sales	30	**53,080,338**	55,784,175
	Administrative expenses	33	**1,478,217**	1,837,721
			54,558,555	57,621,896

6.2 Property, plant and equipment except telephone installation, office equipment, furniture and fixtures, arms and ammunition and vehicles were revalued as on June 30, 2012 by an independent valuer Messer Maricon Consultants (Private) Limited. Previously, the company had its freehold land revalued on December 31, 2008 and June 30, 2006 by an independent valuer Messer Consultancy Support and Services, Karachi. The revaluation as at June 30, 2012 resulted in surplus on revaluation of properly, plant and equipment amounting to Rs. 1,108,315,411 which was credited to surplus on revaluation of property, plant and equipment accounts to comply with the requirement of section 235 of Companies Ordinance 1984. The revaluation was based on fair value determined on present value basis. Accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

6.3 Had there been no revaluation the original cost and book value of revalued property, plant and equipment would have been as follows.

	2014 Rupees			2013 Rupees		
	Cost	Accumulated depreciation	Written down value	Cost	Accumulated depreciation	Written down value
Owned assets						
Free hold land	3,180,032	-	3,180,032	3,180,032	-	3,180,032
Buildings on free hold land	133,481,618	71,206,540	62,275,078	133,481,618	69,609,743	63,871,875
Plant and machinery	675,379,852	415,176,027	260,203,825	675,379,852	408,507,241	266,872,611
Power house	22,012,706	1,571,881	20,440,825	22,012,706	936,492	21,076,214
Electric Installation	56,867,057	22,608,438	34,258,619	55,024,773	20,836,495	34,188,278
Factory Equipment	34,668,665	20,579,102	14,089,563	34,258,665	19,016,965	15,241,700
Air Conditioning Plant	7,595,890	7,041,908	553,982	7,595,890	6,980,354	615,536
Leased assets						
Power houses	51,086,250	22,022,308	29,063,942	51,086,250	20,811,310	30,274,940
	984,272,070	**560,206,204**	**424,065,866**	**982,019,786**	**546,698,600**	**435,321,186**

6.4 Disposal of property, plant and equipment

Particular	Mode of disposal	Cost	Accumulated depreciation	Written down value	Sale proceed	Particulars of buyer
Vehicles						
Suzuki Cultus	Negotiation	560,000	510,347	49,653	350,000	Gulshan Spinning Mills Limited
		560,000	**510,347**	**49,653**	**350,000**	

		Note	2014 Rupees	2013 Rupees
7	**LONG TERM INVESTMENTS**			
	Investments in Associates - Under equity method	7.1	**-**	29,728
	Other Investments - Available for sale	7.2	**15,735**	-
	Defence saving certificates	7.3	**10,719,750**	9,808,500
			10,735,485	9,838,228

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
7.1 Investments in Associates - Under equity method			
Quoted companies			
Gulistan Textile Mills Limited	7.1.1	-	-
Gulshan Spinning Mills Limited	7.1.2	-	29,728
Unquoted companies			
Gulshan Weaving Mills Limited	7.1.3	-	-
		-	29,728

7.1.1 Gulistan Textile Mills Limited (GTML)

Ordinary shares of Rs. 10 each fully paid : 1,049 (June 30, 2013 : 1,049)
Equity held 0.0055% (June 30, 2013 : 0.0055%)

	Note	2014 Rupees	2013 Rupees
Cost		116,042	116,042
Accumulated share of post acquisition profit		(442,569)	(440,848)
Share of (loss) / profit for the year			(1,721)
Share of surplus on revaluation of property, plant and equipment		326,527	326,527
		(116,042)	(116,042)
		-	-
Fair value adjustment on ceaseation of equity method of investment		16,832	-
Transferred to 'Other Investments - Available for sale' (1,049 shares costing Rs.116,042, carrying value 16,832)	7.1.1.1	(16,832)	-
Carrying value of shares		-	-

7.1.1.1 During the year the companies seizes to be associated due to the elimination of cross equity ,direct and indirect, investment within the group of companies. The investment was previously accounted for under the equity method of accounting in line with the requirements of International Accounting Standard (IAS), 28 "Investment in Associates". After the elimination of cross equity, direct and indirect, investment the company ceases to have any significant influence over the investee and has categorized the remaining investment under "Other Investments - Available for sale".

7.1.2 Gulshan Spinning Mills Limited (GSML)

Ordinary shares of Rs. 10 each: 10,303 (June 30, 2013 : 10,303)
Equity held 0.046% (June 30, 2013 : 0.046%)

	Note	2014 Rupees	2013 Rupees
Cost		238,887	238,887
Accumulated share of post acquisition profit		(1,104,185)	(965,850)
Share of (loss) / profit for the year		(29,728)	(138,335)
Dividend for the year		-	-
Share of surplus on revaluation of property, plant and equipment		1,146,108	1,146,108
		12,195	41,923
		251,082	280,810
Impairment charged on investment			
Opening Balance	7.1.2.1	(251,082)	(251,082)
Charged / (adjusted) in the year		-	-
		(251,082)	(251,082)
Carrying value of shares		-	29,728

The market value of investment in Gulshan Spinning Mills Limited is Rs. 35,030 (June 30, 2013: Rs. 48,424/-).

NOTES TO THE FINANCIAL STATEMENTS
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7.1.2.1 The impairment charge represents the writing down of the carrying value of the investment to its recoverable amount in accordance with the International Accounting Standard (IAS) 36, "Impairment Of Assets". The recoverable amount is the higher of fair value less cost to sell or the value in use. The recoverable amount has been calculated as the value in use which equates to Rs.Nil (June 30, 2013 : Rs. 2.89) per share aggregating to Rs.Nil (June 30, 2013 : Rs. 29,728/-) after considering the company's share of present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment as opposed to the fair value less cost to sell. Principal assumptions and critical judgments regarding the valuation of the investment have been discussed in note 40 of the financial statements.

	Note	2014 Rupees	2013 Rupees
7.1.3 Gulshan Weaving Mills Limited (GWML)			
Ordinary shares of Rs. 10 each : 778,900 (June 30, 2013 : 778,900)			
Equity held 3.64% (June 30, 2013 : 3.64%)			
Cost		7,789,000	7,789,000
Accumulated share of post acquisition profit		(29,746,252)	(28,256,585)
Share of (loss) / profit for the year			(1,489,667)
Share of surplus on revaluation of property, plant and equipment		63,939,332	63,939,332
		34,193,080	34,193,080
		41,982,080	41,982,080
Impairment charged on investment			
Opening Balance	7.1.3.1	(41,982,080)	(41,982,080)
Charged / (adjusted) in the year		-	-
		(41,982,080)	(41,982,080)
Transferred to 'Other Investments - Available for sale' (778,900 shares costing Rs.7,789,000, carrying value Nil)		-	-
Carrying value of shares		-	-

As the equity of company is negative, the investment as at June 30, 2014 is being valued Nil (June 30, 2013: Rs. Nil)

7.1.3.1 The impairment charge represents the writing down of the carrying value of the investment to its recoverable amount in accordance with the International Accounting Standard (IAS) 36, "Impairment Of Assets". The recoverable amount is the higher of fair value less cost to sell or the value in use. The recoverable amount has been calculated as the value in use which equates to Rs. Nil (June 30, 2013 : Rs. Nil) per share aggregating to Rs. Nil- (June 30, 2013 : Rs. Nil/-) after considering the company's share of present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment as opposed to the fair value less cost to sell. Principal assumptions and critical judgments regarding the valuation of the investment have been discussed in note 40 of the financial statements.

7.1.3.2 During the period the companies seizes to be associated due to the elimination of cross equity, direct and indirect, investment within the group of companies. The investment was previously accounted for under the equity method of accounting in line with the requirements of International Accounting Standard (IAS), 28 "Investment in Associates". After the elimination of cross equity ,direct and indirect, investment the company ceases to have any significant influence over the investee and has categorized the remaining investment under "Other Investments - Available for sale".

7.1.4 Summarized financial information of the associated companies as at the year end are as follows

	2014		
	GTML	GSML	GWML
	Rupees		
Liabilities	N/A	4,570,101,986	N/A
Assets	N/A	4,750,438,756	N/A
Revenue	N/A	991,069,459	N/A
Profit / (loss) after tax	N/A	202,745,411	N/A

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	2013		
	GTML	GSML	GWML
	Rupees		
Liabilities	10,293,225,913	4,564,000,571	3,096,057,264
Assets	7,848,956,887	5,209,913,276	4,047,320,743
Revenue	2,678,373,714	1,319,221,190	3,955,042,780
Profit / (loss) after tax	(1,074,715,711)	(259,540,871)	(291,192,024)

7.1.5 Investments in these companies are accounted for under the equity method of accounting as required by International Accounting Standard (IAS) 28 "Investments in Associates".

	Note	2014 Rupees	2013 Rupees
7.2 Other Investments - Available for sale			
Gulistan Textile Mills Limited		15,735	-
Gulshan Weaving Mills Limited		-	-
		15,735	-
7.2.1 Gulistan Textile Mills Limited			
Opening Balance		-	-
Transferred from Investments in Associates - Under equity method (1,049 shares costing Rs.116,042, carrying value 16,832)	7.1.1.1	16,832	-
Fair Value adjustment		(1,097)	-
		15,735	-

The market value of investment in Gulistan Textile Mills Limited as at the year end is not available as trading in shares of the company has been suspended on the stock exchanges for the time being. The fair value adjustment is computed on the basis of latest available rates. Market value for investment as at June 30, 2013 was Rs 10,542.

	Note	2014 Rupees	2013 Rupees
7.2.2 Gulshan Weaving Mills Limited			
Opening Balance		-	-
Transferred from Investments in Associates - Under equity method (778,900 shares costing Rs.7,789,000, carrying value Nil)	7.1.3.2	-	-
Fair Value adjustment		-	-
		-	-

7.3 It represents investment in defence saving certificate purchased from the Government of Pakistan under 10 years maturity scheme. The certificates are encashable at par at any time. However, no profit is paid if encashment is made before completion of one year. It carries effective rate of return 12.15% percent per annum. The certificates of investments are under lien regarding guarantees provided by various financial institutions.

	Note	2014 Rupees	2013 Rupees
8 LONG TERM DEPOSITS			
Lease key money	8.1	3,324,012	3,324,012
Other security deposits	8.2	2,780,500	1,273,000
		6,104,512	4,597,012
Less: current portion shown in current assets	13	(3,324,012)	(3,324,012)
		2,780,500	1,273,000

NOTES TO THE FINANCIAL STATEMENTS
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8.1 These are interest free deposits given to various leasing companies, modarabas and banking companies. As explained in note of the financial statements the company is in litigation with several banking companies and financial institutions and due to the pending litigations, but without prejudice to the company's stance in the said litigations, the company's financial arrangements with the banking companies and financial institutions are disputed and in line with the provisions of International Accounting Standard on Presentation of financial statements (IAS - 1), all liabilities under these lease agreements have been classified as current liabilities. Based on the above mentioned fact, lease deposits amounted to Rs. 3,324,012/- relating to the lease liabilities have also been presented under the current assets. Due to on going litigations the confirmation from financial institutions have not been received.

8.2 These are interest free refundable deposits and are not receivable in the next year.

9 STORES, SPARE PARTS AND LOOSE TOOLS	Note	2014 Rupees	2013 Rupees
Stores		7,808,531	8,412,634
Spare parts		4,166,097	6,199,446
Loose tools		656,857	658,888
Stores in transit		328,599	1,376,065
		12,960,085	16,647,033
Less: Provision for slow moving stores		(1,293,749)	(1,293,749)
		11,666,336	15,353,284
10 STOCK IN TRADE			
Raw material		200,802,454	200,932,369
Finished goods		31,058,720	35,098,842
Waste		403,203	2,070,326
		232,264,378	238,101,537

10.1 Raw material stock costing Rs. 205,467,801 (June 30, 2013 : Rs. Nil/-) has been written down by Rs. 4,665,346 (June 30, 2013 : Rs. Nil) and finished goods costing Rs. 33,463,221 (June 30, 2013: Rs. Nil) has been written down by Rs. 2,404,501 (June 30, 2013: Rs. Nil) due to NRV adjustment. The amount charged to profit and loss in respect of stocks written down to their net realizable value is Rs. 7,069,847 (June 30, 2013 : Rs. Nil).

10.2 The entire stocks except stock in transit are under charge with banks. Stocks were charged with financial institutions along with all other securities as explained at note 26.1. Further as explained fully in note 28.1.4. of the financial statements several banking companies and financial institutions have filed recovery suits against the company. These banking companies and financial institutions, amongst other pleas, have pleaded that the charged stock be disposed and the financial arrangements with the said banking companies and financial institutions be settled by the proceeds as such realized. The ownership of the charged stock is disputed and will only be ascertained upon decision of the Honorable Courts. The legal counsel of the company is of the opinion that the case pending adjudication are being contested on merits as well as various cognent factual and legal grounds. An amicable settlement of the case with the banking companies and financial institutions is also being pursued, without prejudice to the respective contentions. The management of the company is pressing the said banking companies and financial institutions for the restructuring / rescheduling of credit facilities and expects the same to be restructured / rescheduled in due course.

11 TRADE DEBTS	Note	2014 Rupees	2013 Rupees
Unsecured - Considered good			
Related parties - Gulistan Fibers Limited		-	18,600,280
Paramount Spinning Mills Limited		-	7,492,236
Gulshan Weaving Mills Limited		11,859,249	18,095,259
		11,859,249	44,187,775
Others - Yarn debtors		11,178,286	21,937,580
		11,178,286	21,937,580
		23,037,535	66,125,355

NOTES TO THE FINANCIAL STATEMENTS
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		Note	2014 Rupees	2013 Rupees
12	**LOANS AND ADVANCES**			
	Unsecured - considered good			
	Advances to;			
	Suppliers		5,114,703	1,873,154
	Staff		874,643	781,647
			5,989,346	2,654,801
13	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Short term prepayments		8,157,233	6,594,841
	Current portion of long term deposits	8.1	3,324,012	3,324,012
	Other receivables	13.1	600,000	654,987
			12,081,245	10,573,840

13.1 This includes an amount of Rs. 600,000 (June 30, 2013: Rs. 600,000/-) receivable from Gulistan Textile Mills Limited, an associated company, on account of sale of fixed assets.

		Note	2014	2013 (Restated)
			Rupees	
14	**INTEREST ACCRUED**			
	Interest accrued on			
	PLS term deposits	14.1	349,994	302,276
	Receivables from Associated undertakings	14.2	12,702,453	13,807,246
			13,052,447	14,109,522

14.1 It carries interest rate ranging from 3.13% to 12% (June 30, 2013: 3.13 % to 12 %).

14.2 These carry interest rate ranging from 11.29% to 12.77% (June 30, 2013: 11.53 % to 14.23 %). Refer to note 5.2

		Note	2014 Rupees	2013 Rupees
15	**TAX REFUNDS DUE FROM GOVERNMENT**			
	Export rebate receivable		596,330	596,330
	Advance income tax	15.1	-	-
	Sales tax refundable		12,978,828	14,746,509
			13,575,158	15,342,839
15.1	**Advance Income tax**			
	Opening balance		-	-
	Deducted during the year		1,818,495	-
			1,818,495	-
	Adjusted against provision for taxation	27	(1,818,495)	-
	Closing balance		-	-
16	**CASH AND BANK BALANCES**			
	Cash in hand		42,034	69,783
	Cash with banks			
	Current accounts		868,409	2,110,023
	Saving accounts	16.1	53,044	51,422
	Certificates of deposit	16.1	4,362,370	4,362,370
			5,325,857	6,593,598

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

16.1 These are under lien regarding guarantees provided by various financial institutions and carry mark up ranging from 5.6% to 10.50% (June 30, 2013 : 5.6% to 10.50%) per annum.

16.2 As explained fully in note 28.1.4 the banking companies and financial institutions were not available for confirmation of the year end balances amounting to Rs. 5,038,756 (June 30, 2013: Rs. 1,636,142)

17 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2014 Numbers	2013 Numbers		Note	2014 Rupees	2013 Rupees
6,838,330	6,838,330	Ordinary shares of Rs. 10 each allotted for consideration paid in cash		**68,383,300**	68,383,300
7,802,670	7,802,670	Ordinary shares of Rs. 10 each allotted as bonus shares		**78,026,700**	78,026,700
14,641,000	14,641,000			**146,410,000**	146,410,000

17.1 Following shares were held by associates of the company as at balance sheet date.

	Note	2014	2013
Gulistan Textile Mills Limited	17.2	-	4,162,251
Paramount Spinning Mills Limited		**202,777**	202,777
		202,777	4,365,028

17.2 During the year the company has ceased to be an associated company as provided in the Companies Ordinance 1984, due to the elimination of cross equity, direct and indirect, investment within the group of companies.

17.3 The shareholder's are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the company. All shares carry "one vote" per share without restriction.

18 RESERVES	Note	2014 Rupees	2013 Rupees
Un realized gain on remeasurement of available for sale investment		**(1,097)**	-
Capital reserve	18.1	**25,000,000**	25,000,000
		24,998,903	25,000,000

18.1 This represents share premium received on 5,000,000 ordinary shares of Rs. 10 each issued in 1994 at a premium of Rs. 5 per share.

19 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	Note	2014 Rupees	2013 Rupees
Surplus on revaluation of property, plant and equipment	19.1	**779,383,576**	796,029,670
Share of surplus on revaluationof property, plant and equipment of associates	19.2	**(2,340,569)**	61,948,831
		777,043,007	857,978,501

	Note	2014	2013
19.1 Balance at the beginning of the year	19.1.1	**1,144,952,972**	1,187,002,879
Transfer to unappropriated profit in respect of:			
Incremental depreciation on revalued assets		**26,512,831**	27,332,440
Related deferred tax liability		**13,058,558**	14,717,467
		39,571,389	42,049,907
Surplus on revaluation at the end of the year - gross		**1,105,381,583**	1,144,952,972
Related deferred tax liabilities on:			
Revaluation at the beginning of the year		**348,923,302**	224,426,089
Effect of changes of rates enacted		**(9,866,736)**	139,214,680
Incremental depreciation on revalued assets		**(13,058,558)**	(14,717,467)
		325,998,007	348,923,302
Surplus on revaluation at the end of the year - net of tax		**779,383,576**	796,029,670

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19.1.1 This represents surplus over book values resulting from the revaluation of property, plant and equipment (free hold land) carried out on December 31, 2008, June 30, 2006 and February 03, 2009 by an independent valuer "Consultancy Support and Services". Further the company has incorporated a surplus on revaluation amounting to Rs. 1,108,315,411/- on freehold land, building on freehold land, plant and machinery and power house, electric installation, factory equipment, air conditioner and leased hold power house based on valuation report by an independent valuer "Maricon Consultants (Pvt.) Limited" in the year ended June 30, 2012. The valuation was based on fair value. Fair value of free hold and lease hold land is determined on present market value basis while buildings on free hold and lease hold land, plant and machinery and power houses are determined on depreciated replacement cost. Surplus has been credited to surplus on revaluation of fixed assets account to comply with the requirement of Section 235 of Companies Ordinance, 1984.

		Note	2014 Rupees	2013 Rupees
19.2	Balance at the beginning of the year		**61,948,831**	76,432,141
	Surplus / adjustment arised during the year		**-**	(34,731)
	Share from associates of incremental depreciation-net of tax transferred to equity		**(23,541)**	(3,463,136)
	Surplus realized during the year		**(64,265,859)**	(10,985,443)
			(2,340,569)	61,948,831
			(2,340,569)	61,948,831

		Note	2014 Rupees	2013 Rupees
20	**LONG TERM FINANCING**			
	Secured from banking company :			
	Faysal Bank Limited			
	Opening Balance	20.1	**21,428,572**	30,000,000
	Paid during the year		**-**	8,571,428
			21,428,572	21,428,572
	Secured from financial institution company :			
	PAIR Investment company limited			
	Opening Balance	20.2	**150,000,000**	150,000,000
			150,000,000	150,000,000
	Less : Current portion			
	Overdue Installments		**55,446,428**	9,375,000
	Amount payable within twelve month		**46,071,428**	46,071,428
	Amount payable after 30 June 2015	20.4	**69,910,716**	115,982,144
		20.3	**(171,428,572)**	(171,428,572)
			-	-

20.1 The company had got its short term borrowings converted into long term finance loan of Rs. 30 million from Faysal Bank Limited in the year 2012. It is repayable in 4 years in 7 equal semi annual installments including the grace period of six month commencing from July 30, 2012. It is secured by way of demand promissory note of Rs. 48,757,339, first pari passu equitable mortgage and hypothecation charge on fixed asset (Land, Plant & Machinery) of company and memorandum of constructive deposit of title deeds amounting to Rs.100 Million. As an additional security measure the Sponsors' / Directors loans shall be subordinated via formal subordination agreement. The loan carries mark up 3 month Kibor plus 2.5% per annum payable quarterly. The charge is commonly shared for short term borrowing also as explained in note 25.1.

20.2 In the year 2012 the company has obtained long term facility of Rs. 150 million from PAIR investment company Limited (formerly Pak Iran Joint Investment Company Limited) for the debt swap and balancing, modernizing and replacement (BMR). It is repayable in 5 year in 16 equal quarterly installment including the grace period of 12 months commencing from June 30, 2013. The long term facility carries mark up rate of 3 month Kibor plus 350 bps.

The loan is secured by way of Letter of hypothecation of Rs 467 million inclusive of margin of 25% over fixed asset of the company and a Letter of hypothecation of Rs. 267 million over current assets of the company in favor of PAIR. These charges shall be subordinate to the existing charges created in favor of the existing creditors. The charge over the fixed assets shall be upgraded to pari passu charge ranking pari passu with the charges created in favor of the existing creditor within 90 day of the date of first draw down.

NOTES TO THE FINANCIAL STATEMENTS
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20.3 As fully explained in note 28.1.4 several banking companies and financial institutions have filed recovery suits against the company for the outstanding balances as presented in notes 20.1 and 20.2. The legal counsel of the company is of the opinion that the case pending adjudication are being contested on merits as well as various cogent factual and legal grounds, however the liability in respect of principal outstanding is fully provided. An amicable settlement of the case with the banking companies and financial institutions is also being pursued, without prejudice to the respective contentions. The management of the company is pressing the said banking companies and financial institutions for the restructuring / rescheduling of these loans and expects the loans to be restructured / rescheduled in due course. However as at the year end banking companies and financial institutions have not provided confirmations amounting to Rs. 150,000,000 (June 30, 2013: Rs. Nil) for reconciliations of the outstanding balances.

20.4 Due to the pending litigations, but without prejudice to the Company's stance in the said litigation, the Company's financial arrangements with the banking companies and financial institutions are disputed and the Company will only make payments / adjustments of these finances after the amounts are reconciled with banks and financial institutions in accordance with above mentioned suit. In terms of provisions of International Accounting Standard (IAS) 1 'Presentation of Financial Statements', all liabilities under these finance agreements should be classified as current liabilities. Based on the above, installments due after the year ending June 30, 2015 have been grouped in current portion of non-current liabilities.

21 LONG TERM FINANCING FROM RELATED PARTIES	Note	2014 Rupees	2013 Rupees
Unsecured			
Director	21.1	**103,000,000**	103,000,000
Associated undertaking	21.2	**74,818,341**	-
		177,818,341	103,000,000

21.1 This is interest free, unsecured loan and not repayable within next twelve months. The loan is subordinated to banks' loans.

21.2 This loan is obtained from Gulistan Fibres Limited and carries markup at the rate of 6 months KIBOR plus 50 bps, is unsecured and not repayable within next twelve months.

22 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	Note	2014 Rupees	2013 Rupees
Opening balance		**17,595,397**	18,969,781
Less: Repaid during the year		**(396,158)**	(1,374,384)
		17,199,239	17,595,397
Current portion			
Current maturity		**724,927**	1,743,814
Overdue installment	22.2	**15,975,103**	14,627,448
Due after June 30, 2015	22.2	**499,209**	1,224,135
		17,199,239	17,595,397
		-	-

22.1 These represent machinery and vehicles acquired under finance lease arrangements from various leasing, modaraba and banking companies. The financing rate used as discounting factor ranges from 7.00% to 16.77% (June 30, 2013 : 7.00% to 16.77%) percent per annum. The rentals are payable in equal monthly and quarterly installments expiring on various dates by November 2015. Purchase options are available to the company after payment of last installment and on surrender of deposit at the end of lease period. The company intends to exercise its option to purchase the leased assets at its salvage value upon the completion of respective lease period. Taxes, replacement and insurance costs are borne by the company.

22.2 As explained fully in note 28.1.4 of the financial statements the company is in litigation with several banking companies and financial institutions. These banking companies and financial institutions have filed recovery suits against the company on grounds that the company could not make certain principal installments on their due dates. As the company's financial arrangements with the banking companies and financial institutions are disputed and in line with the provisions of International Accounting Standard on Presentation of financial statements (IAS - 1), all liabilities under these lease agreements have been classified as current liabilities. Based on the above, lease installments due as per terms with the banking companies and financial institutions after the period ended June 30, 2015 amounted to Rs. 499,209 (June 30, 2013: Rs. 1,224,135) have been presented under the current portion of long term loans.

NOTES TO THE FINANCIAL STATEMENTS
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22.3 As fully explained in note 28.1.4 several banking companies and financial institutions have filed recovery suits against the company for the outstanding balances. The legal counsel of the company is of the opinion that the case pending adjudication are being contested on merits as well as various cognent factual and legal grounds, however the liability in respect of principal outstanding is fully provided. An amicable settlement of the case with the banking companies and financial institutions is also being pursued, without prejudice to the respective contentions. The management of the company is pressing the said banking companies and financial institutions for the restructuring / rescheduling of the lease liabilities and expects the loans to be restructured / rescheduled in due course. However as at the year end several banking companies and financial institutions have not provided confirmations of Rs. 17,199,239/- for reconciliations of the outstanding balances despite of repeated requests. Due to the facts explained above and in note 22.2 above the entire amount of the lease has become payable on demand, therefore, the amount of future finance charges are not ascertainable as at June 30, 2014. The disclosure of future lease payments is prepared according to existing repayment schedules and provided only to comply with the disclosure requirements of International Accounting Standard (IAS) 17, "Leases". According to the existing repayment schedule the future lease payments to which the company is committed under lease agreements are given below. Due to on going litigations the confirmation from financial institutions have not been received.

	2014			2013		
	Minimum lease payments	Finance charges for future periods	Present value of minimum lease payments	Minimum lease payments	Finance charges for future periods	Present value of minimum lease payments
	Rupees			Rupees		
Payable within one year	**17,589,376**	**889,346**	**16,700,030**	17,308,872	937,610	16,371,262
Payable after one year but not later than five years	**521,958**	**22,749**	**499,209**	1,375,469	151,334	1,224,135
	18,111,334	**912,095**	**17,199,239**	18,684,341	1,088,944	17,595,397

23 DEFERRED LIABILITIES

	Note	2014	2013 (Restated)
		Rupees	
Staff retirement benefits - gratuity	23.1	**14,275,702**	21,586,311
Deferred taxation	23.2	**325,998,007**	348,923,302
		340,273,708	370,509,613

23.1 Staff retirement benefits - gratuity

23.1.1 Movement in the net liability recognized in the balance sheet

	Note	2014	2013
Opening net liability		**21,586,311**	19,395,764
Expense for the year	23.1.3	**5,756,520**	7,947,203
Remeasurements - (gains) / losses		**(2,606,594)**	207,698
Benefits paid during the year		**(10,460,536)**	(5,964,354)
Closing net liability		**14,275,702**	21,586,311

23.1.2 Movement in present value of defined benefit obligation

	2014	2013
Present value of defined benefit obligation - opening	**21,586,311**	19,395,764
Current service cost for the year	**4,251,166**	5,425,754
Interest cost for the year	**1,505,354**	2,521,449
Remeasurements - (gains) / losses	**(2,606,594)**	207,698
Benefits paid	**(10,460,536)**	(5,964,354)
Present value of defined benefit obligation - closing	**14,275,702**	21,586,311

NOTES TO THE FINANCIAL STATEMENTS
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	Note	2014	2013 (Restated)
23.1.3 Expense recognized in the profit and loss account		**Rupees**	
Current service cost		**4,251,166**	5,425,754
Interest cost		**1,505,354**	2,521,449
Net amount recognized in profit and loss account		**5,756,520**	7,947,203
23.1.4 Expense is allocated as follows			
Cost of sales		**3,840,174**	5,542,235
Admin Expenses		**1,916,346**	2,404,968
Net amount recognized in profit and loss account		**5,756,520**	7,947,203

23.1.5 Actuarial valuation has been carried out as at June 30, 2014 using the "Projected Unit Credit Method" assuming a discount rate of 13.25% (June 30, 2013: 10.5%) per annum, expected rate of increase in salaries at 12.25% (June 30, 2013: 9.5%) per annum and average expected remaining working life time of employees is 6 (June 30, 2013: 10) years

23.1.6 Expected gratuity expense for the year ending June 30, 2015 computed to Rs. 2,241,293/-.

23.1.7 Historical information	2014	2013	2012	2011	2010
	Rupees' 000				
Present value of defined benefit obligation	14,276	21,586	19,396	17,925	13,617
Experience adjustments on plan liabilities (gains) / losses	(2,607)	208	1,990	2,135	(2,500)

23.2 Deferred taxation	Note	2014 Rupees	2013 Rupees
The net liability for deferred taxation comprises timing differences relating to			
Taxable temporary differences (deferred tax liabilities)			
Accelerated tax depreciation - owned assets		**96,715,717**	3,074,209
Surplus on property, plant and equipment		**325,998,007**	348,923,301
Deductible temporary differences (deferred tax assets)			
Staff retirement benefits - gratuity		**(5,571,157)**	(4,953,929)
Provisions and allowances		**(902,610)**	(3,479,930)
Brought forward tax losses		**(522,515,187)**	(539,709,992)
		(106,275,230)	(196,146,341)
Opening balance		**348,923,302**	224,426,089
Charged / adjusted during the year			
Reversed during the year		**(13,058,558)**	(14,717,467)
Charged on surplus on revaluation of property, plant and equipment		**-**	-
Effect of changes of rates enacted		**(9,866,736)**	139,214,680
Closing balance		**325,998,007**	348,923,302

23.2.1 During the year net deferred tax assets for the unused tax losses and other deductible differences amounting to Rs. 106,251,074/- has arised. Components of deferred tax liability relating to timing differences on surplus on revaluation of property, plant and equipment have not been adjusted for the increased deferred tax assets arising during the year. Amount of deferred tax asset has not recognized because it is not probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

24 TRADE AND OTHER PAYABLES	Note	2014 Rupees	2013 Rupees
Creditors	24.1	**162,871,651**	150,364,584
Foreign bills payable	24.2	**53,946,422**	53,973,737
Gulshan Spinning Mills Limited - related party		**5,910,478**	26,870,519
Advance from related parties		**151,958,163**	105,183,955
Advance from processing party		**11,879,727**	2,687,088
Accrued liabilities	24.3 & 24.4	**35,983,956**	47,493,149
Unclaimed dividend	24.7	**619,529**	619,660
Tax deducted at source		**41,284**	71,381
		423,211,210	387,264,073

24.1 Creditors include Rs. 110,830,493 (June 30, 2013 : Rs. 107,629,451) against local LC payable. These amounts are overdue and under litigation with banking companies / financial institutions as disclosed in note 28.1.4. Financial institutions have not provided the confirmation despite of repeated requests.

24.2 The amount is denominated in US dollar. The outstanding amount as at June 30, 2014 is US $ 546,293 (June 2013: US $ 546,293) aggregating to PKR. 53,946,422 (June 30, 2013: PKR. 53,973,737). These amounts are overdue and under litigation with banking companies / financial institutions as disclosed in note no 28.1.4. Financial institutions have not provided the confirmation despite of repeated requests.

24.3 Accrued liabilities includes the amount of Electric duty payable amounting to Rs. 1,906,625/- (June 30, 2013: Rs. 1,441,434/-). The company has obtained stay order from Lahore High Court against the payment of electric duty to LESCO as explained in note no 28.1.2

24.4 Accrued liabilities includes the amount of fuel price adjustment amounting to Rs. Nil/- (June 30, 2013: Rs. 11,888,438/-). The company has file a suit as explained in note no 28.1.3.

25 ACCRUED MARK UP / INTEREST	Note	2014	2013 (Restated)
		Rupees	
Mark up / interest accrued on :			
Long term financing from banking Companies	25.1	-	-
Long term financing from associated Undertaking	25.3	**2,002,625**	-
Liabilities against assets subject to finance lease	25.1	-	-
Short term borrowings	25.1	-	-
Payables to associated undertaking	25.2	**14,838,721**	12,444,332
		16,841,346	12,444,332

25.1 As explained in note 28.1.4 several banking companies and financial institutions have filed recovery suits against the company. Since the financial arrangements of the company with these banking companies and financial institutions are disputed, the company has not provided for the mark-up / interest on short term borrowings, long term financing and liabilities against assets subject to finance lease to the extent of and approximate to Rs. 148,122,052 (June 30, 2013: Rs. 148,840,263), Rs. 38,734,620 (June 30, 2013: Rs. 19,541,603) and Rs. 88,931 (June 30, 2013: Rs. 404,412) on outstanding balances in respect of short term borrowings, long term financing and liabilities against assets subject to finance lease respectively. The exact amount of un accounted markup cannot be ascertained as the due to the ongoing litigation, several banking companies and financial institutions have not provided the relevant information / documents furthermore the banking companies and financial institutions were not available for confirmation of these balances.

25.2 This represents amount of markup payable to associated undertakings on balances due over the normal credit terms. The markup is charged on the basis of average borrowing rate of the lender, effective rate of 13.11% (June 30, 2013: from 12.98% to 14.96%). Refer note 5.2.

25.3 This represents amount of markup payable to Gulistan Fibres Limited on loan obtained during the period. The markup is charged on 6 month Kibor plus 50 bps.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

26 SHORT TERM BORROWINGS	Note	2014 Rupees	2013 Rupees
Secured - from banking companies and other financial institutions			
Short term borrowings	26.1	**1,144,495,742**	1,243,110,280
Book overdraft	26.2	**3,080,511**	4,080,691
		1,147,576,253	1,247,190,971

26.1 The company had aggregate borrowing facilities of Rs. 1,307 million (June 30, 2013 : Rs. 1,407 million). Short term borrowing are secured against charge of stocks with a margin of 10% to 25%, hypothecation of fixed assets, moveable & trade debts, work-in-process, stores, lien on export bills receivable, charge against fixed assets, current assets of the company and personal guarantees of some of the directors. These carried mark up at the rate of 11.29% to 12.40% (June 30, 2013 : 10.52% to 20.03%) percent per annum payable quarterly.

26.2 This represents cheques issued by the company in excess of balance with banks which would have been presented for payments in subsequent period.

26.3 As explained fully in note 28.1.4 of the financial statements the company is in litigation with several banking companies and financial institutions. These financial institutions have filed recovery suits against the company for the repayment of principal along with markup and other charges. As at the year end the various finance facilities available to the company have expired and may only be re negotiated in line with the on going restructuring / rescheduling with the banking companies and financial institution and the decision of the Honorable courts. However as at the year end banking companies and financial institutions have not provided confirmations amounting to Rs. 718,379,410 (June 30, 2013: Rs. 326,095,900) for reconciliations of the outstanding balances.

27 PROVISION FOR TAXATION	Note	2014 Rupees	2013 Rupees
Opening balance		**11,653,176**	12,877,164
Provided during the year		**-**	1,570,088
		11,653,176	14,447,252
Tax adjusted		**(1,818,495)**	(2,794,076)
Closing balance		**9,834,681**	11,653,176

28 CONTINGENCIES AND COMMITMENTS

28.1 Contingencies

28.1.1 Company has filed a suit against levy of Infrastructure fee, decision of the Honorable Sindh High Court dated September 17, 2008 in which the imposition of levy of infrastructure cess before December 28, 2006 has been declared as void and invalid. However, the Excise and Taxation Department has filed an appeal before the Honorable Supreme Court of Pakistan against the order of the Honorable Sindh High Court. During the current year, the Honorable Supreme Court of Pakistan has disposed off the appeal with a joint statement of the parties that during the pendency of the appeal, another law i.e. fifth version came into existence which was not the subject matter of in the appeal hence the case was referred back to High Court of Sindh with right to appeal to Supreme Court. On May 31, 2011, the High Court of Sindh has granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignment released up to December 27, 2006 and any bank guarantee / security furnished on consignment released after December 27, 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of fifth version of the law and its retrospective application the authorities are entitled to claim the amounts due under the said law with the right to appeal available to petitioner. In the light of interim relief, subsequent to the year end company has paid Rs. 6,832,472 (50 percent of the of the total payable amount)of Infrastructure cess payable from December 27, 2006 to May 31, 2011. Subsequent imports of the company be released against 50 percent payment of Infrastructure cess to Excise and Taxation Department and furnishing of bank guarantee of balance amount. However the full amount of Infrastructure Cess form component of cost of imported items and provision recorded in books. Bank guarantees amounting to Rs. 8,957,572/- (June 30, 2013 : Rs. 8,957,572/-) have been provided to the department.

28.1.2 The company has obtained stay order from honorable Lahore High Court against the payment of electric duty to LESCO . An amount of Rs. 1,441,434/- has been provided in the accounts on account of electric duty.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

28.1.3 Banking companies and financial institutions including Silk Bank Limited, MCB Bank Limited, Habib Bank Limited, KASB Bank Limited, United Bank Limited, Bank of Punjab, Askari Bank Limited, National Bank of Pakistan, Bank Alfalah, Burj Bank, Pair Investment, Faysal Bank Limited, Al-Baraka Bank Limited and First Trust Modaraba have filed suits for recovery, sale of stocks under charge and injunction against the company in different Banking Courts, Civil Courts and High Courts. The aggregate amount claimed in the suits against the company is Rs. 1,750,851,496/- (June 30, 2013: Rs. 781,480,685/-) and permanent injunction. The company is strongly contesting its case before various courts. As per Legal Opinion, all the above matters are being contested by the Company on merits as well as various cogent factual and legal grounds available to the Company under law as reflected in the respective pleadings. However, the liability in respect of principal outstanding is fully provided where as the mark up amounting to Rs. 413,441,112/- (June 30, 2013: Rs. 226,495,509) is not provided in these financial statements due to the above stated reason.

28.1.4 The company has filed a suit in Honorable Lahore High Court jointly against several banking companies and 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 Honorable Lahore High Court vide its order sheet, reference C.M No. 1-C of 2013, dated November 27, 2013 has ordered not to disturb the present position of current assets and fixed assets of the company.

	Note	2014 Rupees	2013 Rupees
28.1.5 Bank guarantees issued on behalf of the company			
Sui Northern Gas Pipelines Limited		20,362,200	20,362,200
Director of Excise and Taxation		8,957,572	8,957,572
		29,319,772	29,319,772

28.2 Commitments

Commitments amount to Rs. Nil as at June 30, 2014 (Rs. Nil: June 30, 2013).

	Note	2014 Rupees	2013 Rupees
29 SALES - NET			
Export Sales	29.1	-	148,370,000
Add : Export rebates		-	5,848
		-	148,375,848
Local Sales - Yarn		152,487,917	248,353,325
- Waste		12,392,549	34,020,406
- Cotton / Fabric		16,291,103	7,579,137
- Processing		141,487,716	171,263,934
		322,659,285	461,216,802
Sales return		-	(3,133,720)
		322,659,285	458,083,082
Sales tax		(6,489,899)	(2,977,079)
		316,169,386	603,481,851

29.1 Export sales includes exchange gain amounting to Rs. Nil/- (June 30, 2013 : Rs. 43,824/-).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

30	COST OF SALES	Note	2014	2013 (Restated)
			Rupees	
	Raw material consumed	30.1	115,121,624	259,676,381
	Raw material sold		15,660,005	7,447,440
	Packing material consumed		7,689,617	13,311,667
	Stores and spare parts consumed	30.2	19,385,666	21,510,544
	Fuel and power consumed		103,368,209	117,160,080
	Yarn processing charges		-	801,236
	Salaries, wages and benefits	30.3	74,829,219	104,741,684
	Insurance expense		94,816	1,666,400
	Repair and maintenance		2,832,780	4,799,741
	Depreciation	6.1.1	53,080,338	55,784,175
	Others		1,447,609	1,670,717
			393,509,883	588,570,065
	Work in process			
	Opening stock		-	16,263,789
	Closing stock		-	-
			-	16,263,789
	Cost of goods manufactured		393,509,883	604,833,854
	Finished stocks			
	Opening stock		37,169,168	74,685,867
	Finished goods purchased		-	15,059,930
	Closing stock		(31,461,923)	(37,169,168)
			5,707,245	52,576,629
			399,217,128	657,410,483

30.1	Raw material consumed	2014	2013
	Opening stock	200,932,369	216,503,026
	Purchases	130,651,714	251,553,164
		331,584,083	468,056,190
	Raw material sold	(15,660,005)	(7,447,440)
	Closing stock	(200,802,454)	(200,932,369)
		115,121,624	259,676,381

30.2 Store and spare parts consumed includes the provision for slow moving items amounting to Rs. Nil (June 30, 2013 : Rs. Nil-).

30.3 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 3,840,174/- (June 30, 2013 : Rs. 5,542,235/-).

31	OTHER INCOME	Note	2014	2013 (Restated)
			Rupees	
	Income from financial assets			
	Profit on saving accounts		1,340,705	1,359,777
	Foreign exchange gain		98,414	-
	Interest on Receivables from Associated undertakings		4,301,711	5,652,208
	Income from other than financial assets			
	Gain on disposal of equity instruments		-	1,727,249
	Gain on ceasation of equity method on associates		16,832	-
	Gain on sale of property, plant and equipment		300,347	451,621
			6,058,009	9,190,855

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

32 DISTRIBUTION COST	Note	2014 Rupees	2013 Rupees
Postage and telephone		-	44,800
Commission on export sales		-	2,669,443
Commission on local sales		71,478	1,543,203
Foreign currency charges on export		-	1,721,416
Freight and handling - export		249,000	2,906,928
Export development surcharge		-	375,338
Others		-	39,844
		320,478	9,300,972

33 ADMINISTRATIVE EXPENSES	Note	2014	2013 (Restated)
		Rupees	
Director's benefits	33.1	156,969	220,446
Staff salaries and benefits	33.2	14,141,513	16,607,726
Rent, rates and taxes		1,243,692	44,160
Printing and stationery		534,203	571,424
Postage and telephone		278,481	309,653
Electricity, gas and water		140,352	476,575
Repair and maintenance		154,235	487,152
Vehicles running and maintenance		1,504,014	1,744,489
Advertising		78,700	32,000
Traveling and conveyance		992,361	1,081,672
Legal and professional		4,482,500	14,708,642
Auditor's remuneration	33.3	1,042,100	968,900
Fee and subscription		219,534	279,241
Insurance		183,821	268,260
Depreciation	6.1.1	1,478,217	1,837,721
Others		296,487	776,344
		26,927,179	40,414,405

33.1 This represents traveling expenses paid to one of the directors of the company.

33.2 Staff salaries and benefits include staff retirement benefits amounting to Rs. 1,916,346/- (June 30, 2013 : Rs. 2,404,968/-).

33.3 Auditor's remuneration	Note	2014 Rupees	2013 Rupees
Annual audit		805,200	732,000
Half yearly review		137,000	137,000
Review report on code of corporate governance		99,900	99,900
		1,042,100	968,900

34 OTHER OPERATING EXPENSES	Note	2014 Rupees	2013 Rupees
Donations	34.1	-	486,420
Foreign exchange loss		-	2,512,948
Debit balances written off		187,208	1,198,335
		187,208	4,197,703

34.1 This amount represents donations made to Haji Jamal ud Din charitable trust (unrecognized trust) in which the Chef Executive/Director of the company, Mr. Tanveer Ahmed, are one of the trustees of the trust. Besides this, none of the directors and their spouses had any interest in donee institutions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

		Note	2014	2013 (Restated)
			Rupees	
35	**FINANCE COST**			
	Mark up			
	Long term financing		2,002,625	3,065,317
	Liabilities against assets subject to finance lease		176,854	378,168
	Short term borrowings		1,885	5,916,544
	Mark-up on outstanding balances of Associated undertaking		2,394,389	3,706,621
	Bank charges		1,321,522	1,262,989
			5,897,274	14,329,639

		Note	2014 Rupees	2013 Rupees
36	**TAXATION**			
	Current	36.1	-	1,570,088
	Prior		-	-
			-	1,570,088
	Deferred		(13,058,558)	(14,717,467)
		36.2	(13,058,558)	(13,147,379)

36.1 Current taxation charge has been worked out in accordance with the provisions of the Income Tax Ordinance, 2001. During the year company has declared gross loss before set off of depreciation and other inadmissible expenses under the Income Tax Ordinance, 2001.

36.2 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total taxable income of the company attracts final tax under Income Tax Ordinance, 2001.

		Note	2014	2013 (Restated)
			Rupees	
37	**LOSS PER SHARE - BASIC AND DILUTED**			
	Loss			
	Profit / (loss) for the purpose of basic earnings per share Loss for the year		(97,293,041)	(103,190,491)
	Number of shares			
	Weighted average number of ordinary shares outstanding during the period		14,641,000	14,641,000
	Loss per share - basic and diluted (Rupees per share)		(6.65)	(7.05)

		Note	2014	2013 (Restated)
			Rupees	
38	**CHANGES IN WORKING CAPITAL**			
	(Increase) / decrease in stores, spare parts and loose tools		3,686,948	13,055,223
	(Increase) / decrease in stock in trade		5,837,159	101,711,958
	(Increase) / decrease in trade debts		43,087,820	3,047,669
	(Increase) / decrease in loans and advances		(3,334,545)	163,735
	(Increase) / decrease in trade deposits and short term prepayments		(1,507,405)	1,580,478
	(Increase) / decrease in Interest Accrued		1,104,793	(5,652,208)
	(Increase) / decrease in sales tax refundable		1,767,681	(830,453)
	(Decrease) / increase in trade and other payables		35,947,137	(55,846,233)
			86,589,588	57,230,169

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

39 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

No remuneration was paid to chief executive officer and directors. However, the monetary value of the benefit given to director is Rs. 156,969 (June 30, 2013 : Rs. 220,446). The remuneration paid to executives are as follows.

	Note	2014 Rupees	2013 Rupees
Remuneration		2,502,941	3,144,568
House rent allowance		876,029	1,100,599
Conveyance allowance		741,292	737,340
Medical allowance		250,294	314,457
Utilities allowance		125,147	157,228
		4,495,703	5,454,192
Number of persons		6	6

Non executive directors are not given any remuneration and benefits.

40 CASH AND CASH EQUIVALENTS

	2014	2013
Cash in hand	42,034	69,783
Cash with banks		
Current accounts	868,409	2,110,023
Saving accounts	53,044	51,422
Certificates of deposit	4,362,370	4,362,370
	5,283,823	6,523,815
Book overdraft	(3,080,511)	(4,080,691)
	2,245,346	2,512,907

41 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

41.1 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or liability be settled between knowledgeable willing parties in an arm's length transaction. As at the reporting date, fair values of all financial instruments are considered to approximate their carrying amounts.

41.2 Methods of determining fair values

Fair values of financial instruments, with the exception of investment in associates, for which prices are available from the active market are measured by reference to those market prices. Fair values of financial assets and liabilities with no active market and those of investments in subsidiaries are determined in accordance with generally accepted pricing models based on discounted cash flow analysis based on inputs from other than observable market.

41.3 Discount / interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

41.4 Significant assumptions used in determining fair values

Fair values of financial asset and liabilities that are measured at fair value subsequent to initial recognition are determined by using discounted cash flow analysis. This analysis requires management to make significant assumptions and estimates which may cause material adjustments to the carrying amounts of financial assets and financial liabilities in future periods. These assumptions are not fully supportable by observable market prices or rates. Significant assumptions used by the Company in determining fair value of financial assets and liabilities and information about other estimation uncertainties are as follows:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Investments in associates

In determining the fair values of investments in associates, a risk-adjusted discount factor of Nil (June 30, 2013: Nil) has been used. If discount factor was 1% higher or lower, the carrying amount of investment would decrease or increase by Rs. Nil or Rs. Nil (June 30, 2013: Rs. Nil or Rs. Nil) respectively. The management also makes various other assumptions based on historical trends and future plans of the management. There are normal risks associated with these assumptions and may include effects of regulatory and legislative changes, increased competition, technological changes, pricing pressures, changes in labor and material costs and the prevalent general business and economic conditions. However, there are no other sources of estimation uncertainty that may have a significant risk of causing any material adjustment to the carrying amounts of investments.

41.5 Significance of fair value accounting estimates to the Company's financial position and performance

The Company uses fair value accounting for its financial instruments in determining its overall financial position and in making decisions about individual financial instruments. This approach reflects the judgment of the Company about the present value of expected future cash flows relating to an instrument. The management believes that fair value information is relevant to many decisions made by users of financial statements as it permits comparison of financial instruments having substantially the same economic characteristics and provides neutral basis for assessing the management's stewardship by indicating effects of its decisions to acquire, sell or hold financial assets and to incur, maintain or discharge financial liabilities.

42 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The company has exposure to the following risk from its use of financial statements.

42.1 Credit risk
42.2 Liquidity risk
42.3 Market risk

The board of directors has overall responsibility for the establishment and oversight of company's risk management framework. The board is also responsible for developing and monitoring the company's risk management policies.

42.1 Credit risk

42.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits, short term prepayment and other receivable, accrued markup and cash and bank balances. Out of total financial assets of Rs. 61.232 million (June 30, 2013: 92.080 million), financial asset which are subject to credit risk aggregate to Rs. 55.847 million (June 30, 2013: 85.487 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2014 Rupees	2013 Rupees
Long term deposits	2,780,500	1,273,000
Trade debts	23,037,535	66,125,355
Trade deposits, prepayments and other receivables	3,924,012	3,978,999
Accrued mark up	26,104,894	14,109,522
Cash and bank balances	5,325,857	6,593,598
	61,172,798	92,080,474

42.1.2 Concentration of Risk - Geographical dispersion

Local debtors	23,037,535	66,125,355
	23,037,535	66,125,355

42.1.3 Concentration of Risk - Type of customer

Yarn	23,037,535	66,125,355
	23,037,535	66,125,355

NOTES TO THE FINANCIAL STATEMENTS
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42.1.4 The aging of trade debtors at the balance sheet is as follows.

	2014 Rupees	2013 Rupees
Not past due	1,751,266	571,065
Past due 0 - 90 days	206,742	13,735,672
Past due 91 - 180 days	12,148,930	5,838,657
Past due 181 days - 1 year	775,650	14,045,908
More than one year	8,215,006	32,534,053
	23,097,594	66,725,355

42.2 Liquidity risk

Liquidity risk is the risk the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without insuring unacceptable losses or risking damages to the company reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements. As fully explained in note no. 27 the company has filed a suit in 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, recovery of damages, permanent injunction and ancillary reliefs. Since the matter is prejudice in the Honorable Lahore High Court, the company has not acknowledged its liability until the amount of principal and mark up is reconciled with the financial institutions in accordance with the above mentioned suit. Disclosure below is presented only to comply the requirement of international Financial Reporting Standards (IFRS) and in accordance with the existing repayment term.

	2014					
	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees					
Non - derivative Financial liabilities						
Long term financing	171,428,572	221,130,239	117,070,163	27,827,096	76,232,980	-
Long term financing from director	177,818,341	177,818,341	-	-	177,818,341	-
Liabilities against asset subject to finance lease	17,199,239	18,111,334	17,207,368	382,008	521,958	-
Trade and other payables	423,169,926	423,169,926	423,169,926	-	-	-
Accrued mark up / interest	16,841,346	16,841,346	16,841,346	-	-	-
Short term borrowings	1,144,495,742	1,491,669,387	1,491,669,387	-	-	-
	1,950,953,165	2,348,740,572	2,065,958,189	28,209,104	254,573,279	-

	2013					
	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees					
Non - derivative Financial liabilities						
Long term financing	171,428,572	221,130,239	64,925,389	31,117,816	125,087,033	-
Long term financing from director	103,000,000	103,000,000	-	-	103,000,000	-
Liabilities against asset subject to finance lease	17,595,397	18,684,341	16,761,594	547,278	1,375,469	-
Trade and other payables	387,192,692	387,192,692	387,192,692	-	-	-
Accrued mark up / interest	12,444,332	12,444,332	12,444,332	-	-	-
Short term borrowings	1,243,110,280	1,442,161,873	1,442,161,873	-	-	-
	1,934,771,273	2,184,613,477	1,923,485,881	31,665,094	229,462,502	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

42.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark up rates effective as at June 30. The rates of mark up have been disclosed relevant notes to these financial statements.

42.3 Market risk

Market risk is the risk that the value of the financial instruments may fluctuate as a result of changes market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities , supply and demand of securities and liquidity in the market. The company is exposed to currency risk and interest rate risk only.

42.3.1 Currency risk

Exposure to currency risk

The company is exposed to currency risk on trade debts, borrowing and import of raw material and stores that are denominated in currency other than the respective functional currency of the company, primarily in US$. The currencies in which these transaction primarily denominated in US$ and Euro. The company's exposure to foreign currency is as follows.

	US$	Others	Rupees
Trade debts 2014	-	-	-
Trade debts 2013	-	-	-

The following significant exchange rates applied during the year.

	2014	2013	2014	2013
	Average Rates		Reporting date rates	
US$ to Rupee	98.68	89.93	98.75	98.60

Sensitivity analysis

5% strengthening of Pak Rupee against the following currencies at June 30, would have increased / (decreased) equity and profit and loss by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. 5% weakening of Rupee against the above currencies at period ends would have had the opposite effects on the above currencies to the shown below on the basis that all other variables remain constant.

	2014 Rupees	2013 Rupees
US Dollar	-	-

The sensitivity analysis prepared is not necessarily indicative of the effects on the profit for the year and liabilities of the company.

42.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. Majority of the interest rate exposure arises from short and long term borrowing from banks and term deposits in PLS saving accounts with banks. At the balance sheet date the interest rate profile of company's interest bearing financial instrument is as follows.

	2014 Rupees	2013 Rupees
Fixed rate instruments		
Financial assets	10,719,750	9,808,500
Financial liabilities	-	-
Variable rate instruments		
Financial assets	4,415,414	4,413,792
Financial liabilities	1,161,694,981	1,260,705,677

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Fair value sensitivity for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not effect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant. The analysis is performed on the same basis for June 30,2013.

	Profit and Loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	Rupees			
Cash flow sensitivity - variable rate instruments 2014	(11,616,950)	11,616,950	-	-
Cash flow sensitivity - variable rate instruments 2013	(12,607,057)	12,607,057	-	-

42.4 Fair value of financial assets and liabilities

The carrying value of all financial instruments reflected in the financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

42.5 Off balance sheet items	2014 Rupees	2013 Rupees
Bill discounted with recourse	-	-
Bank guarantees issued in ordinary course of business	29,469,772	29,469,772

42.6 The effective rate of interest / mark up for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

43 CAPITAL RISK MANAGEMENT

The company's prime object when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as total borrowing divided by the total capital employed borrowing represent long term financing, long term financing from directors and short term borrowing. The capital employed includes total equity as shown in balance sheet plus borrowing.

	2014	2013 (Restated)
	Rupees	
Borrowings	1,496,823,166	1,521,619,543
Total equity	(1,218,863,218)	(1,214,977,904)
Total capital employed	277,959,948	306,641,639
Gearing ratio	538.50%	496.22%

44 RELATED PARTY TRANSACTIONS

The related parties comprise holding company, subsidiaries and associated undertakings, companies with common directorship, other related group companies, directors of the company, key management personnel and post employment benefit plans.

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Nature of relationship		2014 Rupees	2013 Rupees
Related parties due to significant influence			
Purchases		**881,959**	13,689,000
Sales		**31,203,405**	79,463,347
Processing charges		**-**	801,236
Accrued interest - expense		**2,394,389**	3,706,621
Interest accrued - Income		**4,301,711**	5,652,208
Others - Sale of non current assets		**560,000**	600,000

All material transactions with related parties are at arm's length.

Compensation of key management personnel	Remuneration and other benefits	**4,495,703**	5,454,192
	Post employment benefits	**4,601,027**	3,401,102

The related party status of outstanding receivable / payable, and investments as at June 30, 2014 is disclosed in the respective notes to the financial statements.

Transactions with related parties essentially entail sale and purchase of goods and / or services. All transactions are carried out on commercial basis.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The company considers all members of their management team, including the chief executive officer and directors to be its key management personnel.

There are no transactions with key management personnel other than under their terms of employments / entitlements. Balance outstanding from related parties are unsecured and repayable on demand or as contracted. Amounts due to related parties are shown in the relevant notes to the financial statements.

45 PLANT CAPACITY AND ACTUAL PRODUCTION

	2014	2013
Number of spindles installed	**24,096**	24,096
Number of spindles on the basis of shifts worked	**12,640,903**	16,734,898
Number of shifts worked	**2 to 3**	2 to 3
Installed capacity in kilograms after conversion into 20/s counts	**8,029,854**	8,029,854
Actual production of yarn in kilograms after conversion into 20/s counts	**2,040,769**	3,953,027
All counts production	**2,150,938**	3,995,603

45.1 It is difficult to precisely describe production capacity and the resultant production in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw material used, spindle speed, twist etc.

45.2 Severe energy crisis in the form of unscheduled and unprecedented gas and electricity load shedding catastrophically impaired the production of the company resulting in a major production short fall as compared to the last year. Financial institutions have also curtailed the short term limits and froze the funds in current accounts to clear the mark up and other dues. These all factors caused production short fall.

46 NUMBER OF EMPLOYEES

	2014		2013	
Number of employees as at	At year end	Average	At year end	Average
- Permanent	45	466	679	719
- Contractual	-	-	40	38

47 CORRESPONDING FIGURES

47.1 Comparative information has been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. Minor reclassifications were made in cash flow statement for better presentation and understanding.

48 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on October 09, 2014 by the board of directors of the company.

Tanveer Ahmed Chief Executive	Sohail Maqsood Director

KEY OPERATING & FINANCIAL DATA
FOR THE LAST SIX YEAR

	2014 RUPEES	2013 RUPEES	2012 RUPEES	2011 RUPEES	2010 RUPEES	2009 RUPEES
		Restated	Restated			
OPERATING RESULTS						
Total number of Spindles installed	24,096	24,096	24,096	24,096	24,096	24,096
Total number of Spindles shifts worked	12,640,903	16,734,898	18,213,477	26,168,256	26,168,256	26,168,256
Instal capacity 20's Count	8,029,854	8,029,854	8,029,854	8,029,854	8,029,854	8,029,854
Production converted into 20's Count	2,040,769	3,953,027	4,926,814	6,033,322	7,161,957	7,416,142
Number of shifts worked	906	695	756	1,086	1,086	1,086
Turnover	316,169,386	603,481,851	1,602,248,153	2,662,982,274	1,851,263,217	1,371,413,538
Gross Profit	(83,047,742)	(53,995,998)	(1,237,300,539)	324,019,193	313,955,988	235,285,080
Operating Expenses	27,434,865	53,913,080	133,884,763	89,410,804	7,169,136	4,235,862
Operating Profit	(110,482,606)	(107,841,712)	(1,371,185,302)	234,608,390	235,587,283	137,789,603
Other Income	6,058,009	9,190,855	130,156	25,699,752	4,168,914	6,847,152
Financial & Other Charges	5,897,274	14,329,639	122,764,187	174,466,762	150,046,753	156,384,519
Profit for the year before taxation	(110,351,599)	(116,337,870)	(1,542,028,549)	85,841,380	92,727,621	20,710,522
PROVISION FOR TAXATION						
Current year	-	1,570,088	6,921,780	25,114,497	13,636,360	8,015,293
Proir year	457,564	-	(1,275,722)	-	-	-
taxation	(13,058,558)	(13,147,379)	(22,114,252)	33,446,243	26,206,489	7,380,510
Profit for the year after taxation	97,293,041	(103,190,491)	(1,519,914,297)	52,395,137	66,536,132	13,330,012
Unappropraited Profit brought forward	(1,386,387,904)	(1,324,770,734)	207,423,976	155,028,839	97,287,923	109,367,911
Profit available for appropriation	(1,390,272,121)	(1,386,387,904)	(1,324,770,734)	207,423,976	163,824,055	122,697,923
APPROPRIATION						
Proposed Dividend	Nill	Nill	Nill	10% Cash Dividend	10% Cash Dividend	10% Bonus
Unappropriated Profit Carried Forward	(1,390,272,121)	(1,386,387,904)	(1,324,770,734)	207,423,976	163,824,055	122,697,923
FINANCIAL POSITION						
Paid up Capital	146,410,000	146,410,000	146,410,000	146,410,000	146,410,000	133,100,000
Share Holder Equity	(1,218,863,218)	(1,214,977,904)	(1,153,360,734)	378,833,975	333,234,055	268,592,848
Long Term Loans	177,818,341	171,428,572	180,000,000	0	66,600,500	111,135,000
Obligation under Finance Leases	17,199,239	17,595,397	18,969,781	39,178,099	72,926,223	72,068,118
Deferred Liabilities	340,273,708	370,509,613	243,821,853	47,321,392	36,817,074	21,636,578
Current Liabilities	1,786,091,300	1,847,576,521	1,907,156,271	1,368,311,524	1,151,971,782	1,092,807,302
Fixed Assets	1,531,854,852	1,584,120,727	1,637,133,807	539,604,656	545,896,931	557,588,264
Long term Investments	10,735,485	9,838,228	12,667,534	58,913,782	40,853,618	27,160,724
Long term Deposit	2,780,500	1,273,000	2,008,468	5,332,480	74,423,030	991,235
Current Assets	316,992,301	368,854,776	487,816,512	1,397,975,329	1,173,633,329	1,073,758,099

PATTERN OF SHAREHOLDING
AS JUNE 30, 2014

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
995	1	100	14,739	0.10
268	101	500	58,561	0.40
255	501	1,000	195,070	1.33
136	1,001	5,000	349,164	2.38
46	5,001	10,000	346,292	2.37
7	10,001	15,000	88,253	0.60
6	15,001	20,000	106,439	0.73
1	20,001	25,000	21,961	0.15
6	25,001	30,000	161,456	1.10
1	30,001	35,000	31,376	0.21
2	35,001	40,000	74,879	0.51
3	40,001	45,000	128,139	0.88
2	45,001	50,000	96,609	0.66
2	50,001	55,000	103,091	0.70
1	55,001	60,000	60,000	0.41
1	65,001	70,000	67,618	0.46
2	70,001	75,000	146,500	1.00
1	75,001	80,000	76,859	0.52
1	80,001	85,000	81,625	0.56
1	85,001	90,000	89,395	0.61
1	90,001	95,000	92,082	0.63
2	145,001	150,000	298,828	2.04
1	165,001	170,000	169,103	1.15
1	200,001	205,000	202,777	1.38
1	205,001	255,000	254,500	1.74
1	275,001	280,000	277,500	1.90
1	615,001	620,000	619,543	4.23
1	680,001	685,000	680,806	4.65
1	1,110,001	1,115,000	1,114,689	7.61
1	1,160,001	1,165,000	1,162,251	7.94
1	1,350,001	1,355,000	1,350,655	9.23
1	1,365,001	1,370,000	1,366,910	9.34
1	1,395,001	1,400,000	1,400,000	9.56
1	1,445,001	1,450,000	1,450,000	9.90
1	1,900,001	1,905,000	1,903,330	13.00
1,753			14,641,000	100.00

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

CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2014

Particulars	No. of Share Holders	No. of Shares Held	Percentage
Directors, Chief Executive Officer, Their Spouses and Minor Children	9	3,955,635	27.02
Associated Companies, Undertakings and Related Parties	1	202,777	1.38
NIT & ICP	2	964	0.01
Banks, Development Finance Institutions, Non- Banking Financial Institutions	3	426,492	2.91
Joint Stock Companies	5	78,550	0.54
General Public (Local)	1,726	5,747,676	39.26
Other Companies	7	4,228,906	28.88
	1,753	14,641,000	100.00

CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2014

		SHARES
A)	**ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES**	
	Paramount Spinning Mills Limited	202,777
B)	**NIT & ICP**	
	IDBL (ICP UNIT)	464
	Investment Corporation of Pakistan	500
C)	**DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN**	
	DIRECTORS	
	Mr. Tanveer Ahmed	2,584,136
	Mr. Riaz Ahmed	1,986
	Mr. Muhammad Shafiq	500
	Mr. Sohail Maqsood	550
	Mr.Umer Hayat Gill	500
	Mr. Iftikhar Ali	500
	Mr. Muhammad Yousuf	553
	SPOUSES	
	Mrs. Naureen Tanveer	1,366,910
D)	**BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS**	
	BANKS	
	National Bank of Pakistan	148,992
	The Bank of Punjab, Treasury Division	277,500
E)	**OTHER COMPANIES**	4,228,906
F)	**JOINT STOCK COMPANIES**	78,550
G)	**GENERAL PUBLIC (LOCAL)**	5,747,676
		14,641,000

H)	**SHAREHOLDERS HOLDING 05% OR MORE**	
	Mr. Tanveer Ahmed	2,584,136
	BLESSED CORPORATION (PVT.) LTD.	1,450,000
	OPAL (SMC-PRIVATE) LIMITED	1,400,000
	Mrs. Naureen Tanveer	1,366,910
	Peridot Products (Pvt) Limited	1,350,655
	Ibrahim Shakoor	1,312,251
	Mr. Mustafa Shaikh	1,114,689
I)	**TRADING IN THE SHARES OF COMPANY DURING THE YEAR BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN**	**NIL**

FORM OF PROXY

I/We ______________________________ being member of **Gulistan Spinning Mills Limited** holder of ____________ ordinary shares as per share register Folio No. ______________ and/or CRC Participant I.D. No. ________________ Account No. ______________ hereby appoint Mr. ____________________________ who is also member of **Gulistan Spinning Mills Limited** vide Folio No. ________ or CDC Participant ID No. _________ Account No. __________ or failing him/her of ____________________ of Mr. ______________________ who is also member of **Gulistan Spinning Mills Limited** vide folio No. _________ or CDC Participant I.D. No. __________ Account No. ____________ as my/or proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on **October 31, 2014 at 11:30 a.m** and at any adjournment thereof.

As witness my hand this ____________________ day of _______ 2014

Signed by the said ____

In the presence of ____

Appropriate Revenue Stamp

Notes:

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

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