

Annual Report 2014



Paramount Spinning
Mills Limited

Contents

02	Company Information
03	Corporate Vision / Mission Statements
04	Notice of Annual General Meeting
05	Directors' Report
09	Statement of Compliance
10	Review Report
11	Auditors' Report
12	Balance Sheet
13	Profit & Loss Account
14	Statement of Comprehensive Income
15	Cash Flow Statement
16	Statement of Changes in Equity
17	Notes to the Financial Statements
57	Key Operating and Financial Results
58	Pattern of Share Holding
61	Form of Proxy

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 Maqbool Anjum
Mr. Muhammad Salman Hussain Chawala (NIT Nominee)

AUDIT COMMITTEE

Mr. Muhammad Maqbool Anjum (Chairman)
Mr. Muhammad Shafiq
Mr. Sohail Maqsood

HR & REMUNERATION COMMITTEE

Mr. Iftikhar Ali (Chairman)
Mr. Tanveer Ahmed
Mr. Sohail Maqsood

CHIEF FINANCIAL OFFICER

Mr. Nasir Mehmood

COMPANY SECRETARY

Mr. Javaid Iqbal

AUDITORS

M/s. Hameed Chaudhry & Company
Chartered Accountants
Karachi.

LEGAL ADVISOR

M/s. A.K. Brohi & Company-Advocate

TAX CONSULTANT

M/s. Sharif & Company-Advocate

SHARE REGISTRAR OFFICE

M/s. Hameed Majeed Associates (Pvt) Ltd.
Karachi Chamber
Hasrat Mohani Road Karachi
Ph. 32424826, 32412754, Fax. 32424835

REGISTERED OFFICE

2nd Floor, Finlay House,
I.I. Chundrigar Road,
Karachi.

REGIONAL OFFICE

2nd Floor, Garden Heights,
8Aibak Block, New Garden Town,
Lahore.

MILLS

S.I.T.E Kotri, Raiwind

WEB PRESENCE

<http://www.gulshan.com.pk/corporate/paramount.html>

Corporate Vision / Mission Statement

Vision

We aim at transforming PSML 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 Meeting of **Paramount 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 10:00 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 Directors' and Auditors' 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 Hameed Chaudhry & 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.

By Order of the Board

Javid Iqbal
Company Secretary

Lahore: October 10, 2014

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.

Directors' Report to the 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 Rupees	Re-stated 2013 Rupees
Sales	2,434,279,113	2,531,006,999
Cost of Sales	2,929,217,836	2,660,463,681
Financial cost	30,821,208	58,949,416
Pre tax Profit / (Loss)	90,514,651	(446,954,296)
Provision for taxation	19,628,835	44,673,497
Profit / (Loss) after taxation	70,885,816	(491,627,793)

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.

Directors' Report to the 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. Muhammad Shafiq	2
Mr. Muhammad Maqbool Anjum (appointed on 05-10-2013)	4
Mr. Muhammad Salman Hussain Chawala (appointed on-31-10-2013)	2
Mr. Ali Afzal (appointed on-23-01-2014)	0

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.
- 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 Profit / (loss) per share of the Company for the period ended June 30, 2014 was Rs. 4.09 as compared to the previous year of Rs. (28.33)

Dividends

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

Directors' Report to the Shareholders

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	Sale	Closing Balance as on 30-06-2014
Mr. Muhammad Maqbool Anjum	0	500	-	500

Statement on Value of Staff Retirement Benefit

As on June 30, 2014 deferred liability for gratuity is Rs. 32,319,898.

Auditors

Messrs Hameed Chaudhri & 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:
Dated: 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 of listing 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

Category	Names
Independent Director	Mr. Muhammad Maqbool Anjum
Executive Directors	Mr. Tanveer Ahmed and Riaz Ahmed
Non-Executive Directors	Mr. Sohail Maqsood, Mr. Muhammad Shafiq, Mr. Muhammad Maqbool Anjum, Mr. Ali Afzal Shaikh and Mr. Muhammad Salman Hussain Chawala (NIT Nominee)

The independent director meets the criteria of independence under clause i (b) of the CCG.

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 taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Three casual vacancies occurring in the Board during the period under review were filled statutory period given in the code
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 two directors on its board so far who have got certifications of director training program from SECP approved initiation 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 directors' 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. At present 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. At present 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 auditors 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:
Dated: October 09, 2014

TANVEER AHMED
Chief Executive

Review Report to the members on statement of compliance with the 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 **Paramount Spinning Mills Limited** for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code 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 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 a part of our audit of the 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 of Directors' statement on internal control covers all risks and controls 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, place 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 this requirement to the extent of the approval of the 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.

Following instances of non-compliance with the requirements of the Code were observed which are not stated in the Statement of Compliance:

- i. During the year, no director of the Company has obtained certification under any director training program as required by clause (xi) of the Code.
- ii. No mechanism for annual evaluation of the Board's own performance has been put in place as required by sub-clause (e) of clause (v) of the Code. Subsequent to the year end, the Board discussed and agreed on the process of evaluation based on which it's evaluation would be completed in the ensuing year.

Based on our review, except for the above instances of non-compliance, 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.

KARACHI:
Date : October 09, 2014

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement partner: Osman Hameed Chaudhri

Auditors' Report to the Members

have audited the annexed balance sheet of **PARAMOUNT SPINNING MILLS LIMITED** (the Company) 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, except for the matter stated in paragraph (c) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes 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 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 verification, we report that:

- (a) As described in note 1.3 to the financial statements, the financial statements have been prepared on going concern basis. The Company has accumulated loss of Rs.2,707.41 million as at June 30, 2014, shareholders' equity is negative by Rs. 2,058.49 million and as of that date the Company's current liabilities exceed its current assets by Rs.2,392.21 million. The Company is facing operational and financial problems. Further, various banks and financial institutions have filed recovery suits against the Company as detailed in note 30.1.1 to the financial statements and the ultimate outcome of these suits cannot presently be determined because these matters are pending before various Courts. These events indicate a material uncertainty that may cause significant doubt on the Company's ability to continue as a going concern and therefore the Company may not be able to realise 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) Mark-up / interest on long term finances, lease finances and short term borrowings to the extent of Rs.448.90 million, including balance aggregating Rs.205.78 million for the current year, has not been accrued in these financial statements; thereby increasing profit for the current year by Rs.205.78 million, and reducing shareholders' equity and current liabilities by Rs.448.90 million as fully detailed in note 27.3 to the financial statements.
- (c) We have not received year end confirmation certificates from banks and financial institutions in respect of bank balances aggregating Rs.6.40 million (note 17) and short term borrowings aggregating Rs.1,129.78 million (note 28). No confirmation certificates have been received in respect of lease deposits (note 9), long term finances from banking companies (notes 22 & 29), liabilities against assets subject to finance lease (note 23 & 29), payables against over due letters of credit (note 26.2), accrued mark-up / interest (notes 27 & 14). Further, year-end bank statements from various banks and financial institutions in respect of bank balances and short term borrowings were also not available.
- (d) in our opinion, except for the matters detailed in aforementioned paragraphs (a) and (c) proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (e) in our opinion:
 - (i) except for the matters detailed in aforementioned paragraphs (a) and (c) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 5 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, because of the significance of the matters discussed 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 its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan and requirements of the Companies Ordinance, 1984.
- (g) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KARACHI:
Date : October 09, 2014

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement partner: Osman Hameed Chaudhri

BALANCE SHEET AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
ASSETS			
Non current assets			
Property, plant and equipment	6	2,364,232,897	2,410,718,695
Long term investments	7	-	55,066,672
Long term loans	8	516,253	794,000
Long term deposits	9	3,484,406	3,938,190
		<u>2,368,233,556</u>	<u>2,470,517,557</u>
Current assets			
Stores, spare parts and loose tools	10	16,207,842	62,875,784
Stock-in-trade	11	375,656,141	685,540,359
Trade debts	12	63,553,396	163,189,475
Loans and advances	13	32,563,286	52,796,191
Short term deposits	9	3,856,903	4,373,703
Accrued mark-up / interest	14	549,488	748,260
Short term investment	15	24,731,100	-
Other receivables	16	148,658,936	155,860,702
Cash and bank balances	17	15,160,030	12,833,924
		<u>680,937,122</u>	<u>1,138,218,398</u>
Total assets		<u>3,049,170,678</u>	<u>3,608,735,955</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	18	173,523,290	173,523,290
Reserves	19	475,400,000	475,400,000
Accumulated loss		(2,707,407,801)	(2,798,842,238)
Total equity		<u>(2,058,484,511)</u>	<u>(2,149,918,948)</u>
Surplus on revaluation of operating fixed assets	20	1,533,531,265	2,309,615,641
Sub-ordinate loan	21	175,000,000	175,000,000
Non current liabilities			
Long term finances	22	142,235,639	-
Liabilities against assets subject to finance lease	23	-	-
Staff retirement benefit	24	32,319,898	58,119,074
Deferred taxation	25	151,420,533	137,549,385
		<u>325,976,070</u>	<u>195,668,459</u>
Current liabilities			
Trade and other payables	26	1,033,808,304	884,835,080
Accrued mark-up / interest	27	13,332,488	12,409,362
Short term borrowings	28	1,754,783,479	1,901,187,764
Current portion of non-current liabilities	29	259,065,242	261,257,004
Taxation		12,158,341	18,681,593
		<u>3,073,147,854</u>	<u>3,078,370,803</u>
Contingencies and commitments	30		
Total equity and liabilities		<u>3,049,170,678</u>	<u>3,608,735,955</u>

The annexed notes 1 to 48 form an integral part of these financial statements.

PROFIT AND LOSS ACCOUNT

for the year ended June 30, 2014

	Note	2014 Rupees	Re-stated 2013 Rupees
Sales	31	2,434,279,113	2,531,006,999
Cost of sales	32	2,929,217,836	2,660,463,681
Gross loss		(494,938,723)	(129,456,682)
Distribution cost	33	68,929,828	101,268,951
Administrative expenses	34	80,782,427	78,049,005
Other expenses	35	15,031,275	28,235,827
Other income	36	(795,804,466)	(129,285,204)
		(631,060,936)	78,268,579
Profit / (loss) from operations		136,122,213	(207,725,261)
Finance cost	37	30,821,208	58,949,416
		105,301,005	(266,674,677)
Share of loss of Associated Companies		(14,786,354)	(180,279,619)
Profit / (loss) before taxation		90,514,651	(446,954,296)
Taxation	38	19,628,835	44,673,497
Profit / (loss) after taxation		70,885,816	(491,627,793)
Basic and diluted earnings / (loss) per share	39	4.09	(28.33)

The annexed notes 1 to 48 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended June 30, 2014

	2014	Re-stated
	Rupees	2013
		Rupees
Profit / (loss) after taxation	70,885,816	(491,627,793)
Other comprehensive income		
Items that will not be reclassified to Profit or Loss:		
Loss on re-measurement of staff retirement benefit obligation	(19,553,158)	(8,260,026)
Impact of deferred tax	1,958,992	765,291
Share of re-measurement loss upon retirement benefit obligation of Associated Companies	36,581	-
	(17,557,585)	(7,494,735)
Total comprehensive income / (loss)	53,328,231	(499,122,528)

The annexed notes 1 to 48 form an integral part of these financial statements.

CASH FLOW STATEMENT

for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	40	(14,958,483)	(338,754,179)
Interest paid		(29,898,082)	(64,320,907)
Interest received		582,222	367,525
Income tax paid		(12,079,423)	(17,748,502)
Gratuity paid		(10,072,054)	(20,525,180)
Long term loans - net		277,747	(794,000)
Long term deposits - net		453,784	(453,784)
Net cash used in operating activities		(65,694,289)	(442,229,027)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(6,510,409)	(2,600,986)
Proceeds from sale of operating fixed assets		3,558,000	90,750,000
Sale of investment in an Associated Company		-	46,533,043
Net cash (used in) / generated from investing activities		(2,952,409)	134,682,057
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - net		142,235,639	(4,809,091)
Lease finances repaid		(1,674,962)	(3,030,706)
Short term borrowings - net		(69,587,873)	315,351,134
Dividend paid		-	(2,342,947)
Net cash generated from financing activities		70,972,804	305,168,390
Net increase / (decrease) in cash and cash equivalents		2,326,106	(2,378,580)
Cash and cash equivalents - at beginning of the year		12,833,924	15,212,504
Cash and cash equivalents - at end of the year		15,160,030	12,833,924

The annexed notes 1 to 48 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended June 30, 2014

	Share capital	Reserves		Accumulated loss	Total
		Share premium	General reserve		
----- (Rupees) -----					
Balance as at July 1, 2012	173,523,290	15,400,000	460,000,000	(2,415,258,592)	(1,766,335,302)
Total comprehensive loss for the year ended June 30, 2013 (re-stated)					
Loss for the year	-	-	-	(491,627,793)	(491,627,793)
Other comprehensive loss	-	-	-	(7,494,735)	(7,494,735)
	-	-	-	(499,122,528)	(499,122,528)
Surplus on revaluation of operating fixed assets realised during the year:					
- on account of incremental depreciation for the year	-	-	-	32,080,094	32,080,094
- upon sale of revalued plant & machinery	-	-	-	40,854,518	40,854,518
Effect of item directly credited in equity by Associated Companies	-	-	-	42,604,270	42,604,270
Balance as at June 30, 2013	173,523,290	15,400,000	460,000,000	(2,798,842,238)	(2,149,918,948)
Total comprehensive income for the year ended June 30, 2014					
Profit for the year	-	-	-	70,885,816	70,885,816
Other comprehensive loss	-	-	-	(17,557,585)	(17,557,585)
	-	-	-	53,328,231	53,328,231
Surplus on revaluation of operating fixed assets realised during the year on account of incremental depreciation for the year	-	-	-	27,622,142	27,622,142
Effect of item directly credited in equity by Associated Companies	-	-	-	10,484,064	10,484,064
Balance as at June 30, 2014	173,523,290	15,400,000	460,000,000	(2,707,407,801)	(2,058,484,511)

The annexed notes 1 to 48 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Paramount Spinning Mills Limited (the Company) was incorporated as a public limited Company on August 22, 1981 and its shares are listed on Karachi and Lahore Stock Exchanges. The registered office is located at Finlay House, I.I. Chundrigar Road, Karachi. The manufacturing facilities of the Company are located at Kotri and Raiwind. The Company is principally engaged in progressive manufacture and sales of cotton yarn, garments and yarn dyeing.
- 1.2 The Board of Directors of the Company in its meeting held on April 05, 2011 approved the scheme of merger by amalgamation of Gulistan Spinning Mills Limited, Gulshan Spinning Mills Limited into Paramount Spinning Mills Limited along-with the approval of the share swap ratio in relation thereto. The Company on orders of Sindh High Court called Extra Ordinary General Meeting on August 1, 2011 in which the above said scheme was approved by the shareholders of the Company. No Objection Certificates from its creditors and lenders are pending for the said matter.
- 1.3 **Going concern assumption**

The Company has accumulated loss of Rs.2,707.41 million as at June 30, 2014 and as at that date its current liabilities exceeded its current assets by Rs.2,392.21 million. This is mainly due to under utilisation of capacity because of insufficiency of working capital lines. All the working capital lines and other finances have been blocked by respective banks and financial institutions due to litigations with these lenders as detailed in note 30.1.1 to the financial statements. These conditions along with other adverse key financial ratios and the pending litigations with the banking companies and financial institutions indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. These financial statements, however, have been prepared under the going concern assumption due to following reasons:

(i) Restructuring / rescheduling of existing debt / loan facilities availed by the Company

The Company alongwith its restructuring agent (a leading financial institutions) and all lending financial institutions & banks are in the process of finalising and approving the terms to restructure the outstanding debt obligations of the Company. An indicative term sheet of the restructuring terms is in the process of finalisation; immediately thereafter it will be signed by all parties and legal documentation will be executed to formalize the restructuring of outstanding debts of the Company. Salient features of this indicative term sheet are as follows:

- the existing facilities will be restructured and consolidated into a long term facility and aggregate principal outstanding will be repaid over 8 years. The sponsors will inject equity through sale of assets of the Company for approximately Rs.1,369 million. Balance of the outstanding facility amount will be repaid in instalments over a period of 8 years on quarterly basis as per the agreed repayment schedule;
 - Total accrued and outstanding mark-up due / payable till June 30, 2014 by the Company to its existing lenders will be repaid starting immediately after the expiry of 8 years time period of principal repayment on quarterly basis over a 2 years period (accrued mark-up period); and
 - Mark-up rate shall be 5.00% per annum for the first 2 years of repayment tenor, however, a mark-up of 0.50% per annum shall be paid by the Company during the first year and mark-up at the rate of 1.00% will be paid in second year of the repayment tenor. Whereas the remaining differential mark-up amount for these periods will be accumulated and repaid on quarterly basis starting from second-year of the accrued mark-up period. For the remaining 6 years of the restructured facility, mark-up shall be charged and repaid on quarterly basis at the rate of 5.00% per annum.
- (ii) the management has made arrangements whereby third party cotton is being processed against processing fee for utilisation of unutilised capacity.

The management anticipates that above steps will not only bring the Company out of the existing financial crisis but also contribute significantly towards the profitability of the Company in the foreseeable future. Therefore, these financial statements do not include any adjustment that might result, should the Company not be able to continue as a going concern.

- (iii) the management has also undertaking adequate steps to word the reduction of and expencies. Such step include but not limited, rightsizing of the man power, resource, consecration, close monitoring of other fixed cost ect.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain classes of property, plant and equipment which have been included at revalued amounts, certain financial assets which are carried at fair values and staff retirement benefit which has been recognised at present value as determined by the Actuary.

2.3 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.

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

2.4.1 Amendments to published standards effective in the current year

IAS 19, 'Employee benefits' was revised in June 2011. Revised standard eliminates the corridor approach, requires re-measurement to be recognised through other comprehensive income and calculates finance costs on a net funding basis. IAS 19 (Revised) amends the accounting for the Company's defined benefit plan. The Company has applied this standard retrospectively and its impact on the Company's financial statements has been explained in note 5.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the accounting periods beginning on July 1, 2013 are considered not to be relevant or to have any significant effect on the Company's financial reporting and are, therefore, not detailed in these financial statements.

2.4.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company

The following amendments to published standards are not effective (although available for early adoption) for the financial year beginning on July 1, 2013 and have not been early adopted by the Company:

- (a) These amendments include changes from the 2010-2012 cycle of annual improvements project that affect seven standards: IFRS 2, 'Share-based payment', IFRS 3, 'Business combinations', IFRS 8, 'Operating segments', IFRS 13, 'Fair value measurement', IAS 16, 'Property, plant and equipment', IAS 24, 'Related party disclosures' and IAS 38, 'Intangible assets'. The Company does not expect to have material impact on its financial statements due to application of these amendments.
- (b) Annual improvements 2013 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2011-2013 cycle of annual improvements project that affect four standards: IFRS 1, 'First time adoption of International Financial Reporting Standards', IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'. These amendments do not have any impact on Company financial statements.
- (c) IAS 32 (Amendment), 'Financial instruments: presentation', is applicable on accounting periods beginning on or after January 1, 2014. This amendment updates the application guidance in IAS 32, 'Financial instruments: presentations', to clarify some of the requirements for offsetting financial assets and financial liabilities on the reporting date. The Company shall apply this amendment from July 1, 2014 and does not expect to have a material impact on its financial statements.

- (d) IAS 36 (Amendment), 'Impairment of assets', is applicable on accounting periods beginning on or after January 1, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Company shall apply this amendment from July 1, 2014 and this will only affect the disclosures in the Company's financial statements in the event of impairment.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows:

- (i) Estimate of useful lives and residual values of property, plant and equipment (note 4.1)
- (ii) Net realisable values of stores, spares & loose tools and stock-in-trade (notes 4.4 and 4.5)
- (iii) Provision for impairment of trade debts (note 4.6)
- (iv) Provision for staff retirement benefit (note 4.10)
- (v) Provision for taxation (note 4.12)

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except as stated in note 5.

4.1 Property, plant and equipment

4.1.1 Owned

Property, plant and equipment except for freehold land, leasehold land, buildings on leasehold and freehold land, plant & machinery, electric installations, mills equipment and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at revalued amount whereas leasehold land, buildings on leasehold & freehold land, plant & machinery, electric installations and mills equipment are stated at revalued amounts less accumulated depreciation and impairment loss, if any. Capital work-in-progress is stated at cost less impairment loss, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to expenses as and when incurred.

Depreciation on assets is charged to income applying the reducing balance method at the rates stated in note 6. Depreciation on additions is charged from the day in which an asset becomes available for use, while on disposals depreciation is charged upto the day of disposal.

The depreciation method and useful lives of items of property, plant and equipment are reviewed at each reporting date and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future years.

Gains or losses on disposal or retirement of fixed assets are determined as the difference between the sale proceeds and the carrying amount of assets and are included in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

Surplus arising on revaluation of property, plant and equipment is credited to the surplus on revaluation account. Valuations are performed frequently enough to ensure that the fair values of the revalued assets do not differ materially from its carrying amounts. The surplus on revaluation shall be held on the balance sheet till realization in accordance with the requirements of section 235 of the Companies Ordinance, 1984.

The Company assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

4.1.2 Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets. The related obligation of leases is accounted for as liability. Finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Depreciation is charged to income at the rates stated in note 6 applying reducing balance method to write-off the carrying amount of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

Finance cost and depreciation on leased assets are charged to income currently.

4.2 Investments in Associated Companies

Investments in Associated Companies are accounted for by using equity basis of accounting, under which the investments in Associated Companies are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Company's share of profit or loss of the Associated Companies after the date of acquisition. The Company's share of profit or loss of the Associated Companies is recognised in the Company's profit or loss. Distributions received from the Associated Companies reduce the carrying amounts of investments. Adjustments to the carrying amounts are also made for changes in the Company's proportionate interest in the Associated Companies arising from changes in the Associated Companies equity that have not been recognised in the Associated Companies profit or loss. The Company's share of those changes is recognised directly in equity of the Company.

Where Company's share of losses of Associated Companies equals or exceeds its interest in the Associates, the Company discontinues recognising its share of further losses except to the extent that Company has incurred legal or constructive obligation or has made payment on behalf of the Associates. If the Associates subsequently reports profits, the Company resumes recognising its share of those profit only after its share of the profit equals the share of losses not recognised.

4.3 Long term deposits

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

4.4 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at lower of cost and net realisable value. The cost of inventory is based on weighted average cost less provision for obsolescence. Items in transit are stated at cost comprising invoice value plus other charges thereon accumulated upto the reporting date.

4.5 Stock-in-trade

Stock-in-trade is valued at lower of weighted average cost and net realisable value (NRV) except waste, which is valued at NRV.

Cost of raw materials, packing materials and components represent invoice values plus other charges paid thereon.

Cost in relation to work-in-process and finished goods represents direct cost of raw materials, wages and appropriate manufacturing overheads.

Goods in transit are valued at cost comprising of invoice value plus other charges accumulated upto the reporting date.

Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

4.6 Trade debts and other receivables

Trade debts are initially recognised at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts. Carrying amounts of trade and other receivables are assessed at each reporting date and a provision is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

4.7 Short term investment

Investments which are acquired principally for the purpose of selling in the near term exhibiting short term profit taking are classified as investments at fair value through profit or loss. All transaction costs are recognised directly in profit and loss account. These are stated at fair value with any resulting gains or losses recognised directly in the profit and loss account.

4.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and balances with banks.

4.9 Interest / mark-up bearing loans and borrowings

Interest / mark-up bearing loans and borrowings are recorded at the proceeds received. Finance charges are accounted for on accrual basis.

4.10 Staff retirement benefit - Gratuity

The Company operates an unfunded gratuity scheme covering all of its permanent employees who have completed minimum qualification period for entitlement to gratuity. Provision is made on the basis of actuarial valuation. The recent actuarial valuation was carried-out on June 30, 2014 using the "Projected Unit Credit Method".

The amount arising as a result of re-measurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur. Past-service cost, if any, are recognised immediately in the profit and loss account.

4.11 Trade and other payables

Trade and other payables are stated at their cost which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the Company.

4.12 Taxation

Income tax expense represents the sum of current tax payable, adjustments, if any, to provision for tax made in previous years arising from assessments framed during the year for such years and deferred tax.

Current

Provision for current year's taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under the presumptive tax regime.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognised for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

4.13 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognised and only disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

4.14 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the 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.

Financial instruments carried on the balance sheet includes deposits, trade debts, loans & advances, accrued mark-up / interest, short term investments, other receivables, cash & bank balances, long term finances, liabilities against assets subject to finance lease, trade and other payables, accrued mark-up / interest and short term borrowings. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.15 Off-setting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

4.16 Impairment loss

The carrying amounts of the Company's assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

4.17 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the reporting date. All arising exchange gains and losses are recognised in the profit and loss account.

4.18 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- Local sales are recognised on dispatch of goods to customers and export sales are recognised on bill of lading date.
- Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.
- Dividend income from investments is recognised when the Company's right to receive dividend has been established.
- Gain or loss on sale of investments are accounted for when the commitment (trade date) for sale is made.

4.19 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which they are incurred.

4.20 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

4.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

4.22 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

5. CHANGE IN ACCOUNTING POLICY

IAS 19 (Revised) - 'Employee benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for Company's defined benefit plans. The revised standard requires past service cost to be recognised immediately in the profit or loss and replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. Further, a new term "re-measurements" has been introduced which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires "re-measurements" to be recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

The application of IAS 19 (revised), in case of the Company, only effects the treatment of re-measurement (loss) / gain which had previously been recognised in profit and loss account and revised standard requires these to be recognised through other comprehensive income in the periods in which they occur.

Accordingly, the Company's policy for 'Staff retirement benefit - Gratuity' stands amended as follows:

The amount arising as a result of re-measurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur. Past-service cost, if any, are recognised immediately in the profit and loss account.

This change has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting policies, changes in accounting estimates and errors' and comparative figures have been restated. The effects have been summarised below:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

	For the year ended June 30, 2013
	Rupees
Impact on Profit and Loss Account	
Decrease in cost of sales	7,483,110
Decrease in administrative expenses	776,916
(Increase) in taxation	(765,291)
Decrease in loss after taxation	7,494,735
Other Comprehensive Income	
Increase in re-measurement loss of staff retirement benefit obligation	8,260,026
Impact of deferred tax	(765,291)
Increase in other comprehensive loss - net of tax	7,494,735
Effect on loss per share	
Decrease in loss per share	0.43

There is no effect of change in accounting policy, due to application of IAS 19 (Revised), on balance sheet, cash flow statement and statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

6.1 Depreciation charge has been allocated as follows:	Note	2014 Rupees	2013 Rupees
Cost of goods manufactured	32.1	48,996,168	52,471,535
Distribution cost	33	62,419	78,024
Administrative expenses	34	3,302,759	4,094,627
		52,361,346	56,644,186

6.2 The detail of operating fixed assets disposed-off is as follows:

Particular of assets	Cost	Accumulated depreciation	Net book value	Sale Proceeds	Gain / (loss)	Mode of Disposal	Particulars of purchasers
----- Rupees -----							
Vehicles							
Suzuki Baleno	769,000	681,632	87,368	400,000	312,632	Negotiation	Mr. Saleem Zia, Lahore
Toyota Corolla	908,320	730,457	177,863	800,000	622,137	Insurance claim	Pak Kuwait Takaful Co. Ltd., Karachi
Toyota Corolla	849,000	729,547	119,453	775,000	655,547	Negotiation	Mr. Muhammad Shafique, Lahore
Toyota Corolla	849,000	726,476	122,524	623,000	500,476	Negotiation	Mr. Arif Mahfooz, Karachi
Toyota Corolla	849,000	758,392	90,608	700,000	609,392	Negotiation	Mr. Rana Aslam, Lahore
Suzuki Cultus	555,000	517,955	37,045	260,000	222,955	Negotiation	Mr. Ayaz Ali, Karachi
June 30, 2014	4,779,320	4,144,459	634,861	3,558,000	2,923,139		
June 30, 2013	101,298,844	6,981,436	94,317,408	90,750,000	(3,567,408)		

6.3 Leased assets include plant and machinery at net book value of Rs.32.107 million (2013: Rs.32.930 million) and vehicles at net book value of Rs.4.080 million (2013: 2.231 million) which have not been transferred to owned assets due to non-availability of relevant documents. Lease liability in respect of these assets has been fully repaid but due to litigations with financial institutions as detailed in note 30.1.1 lessors have not issued relevant supporting documents for transfer of the ownership of these assets.

6.4 The Company has revalued its leasehold land, freehold land, buildings on leasehold & freehold land, plant & machinery, electric installations and mills equipment on June 30, 2012. Had the property, plant and equipment been recognised under the cost model, the carrying amount of each revalued class of property, plant and equipment would have been as follows:

	2014 Rupees	2013 Rupees
Owned		
Leasehold land	1,495,703	1,518,365
Buildings on leasehold land	33,580,941	34,441,991
Freehold land	32,683,561	32,683,561
Buildings on freehold land	99,884,012	99,723,094
Plant and machinery	424,619,035	434,522,101
Electric installations	27,239,324	25,267,542
Mills equipment	17,301,429	17,588,938
Leased		
Plant and machinery	76,511,780	78,473,620
Electric Installations	505,667	518,633
	713,821,452	724,737,845

7. LONG TERM INVESTMENTS

	Note	2014 Rupees	2013 Rupees
In Associated Companies			
Quoted			
Gulistan Textile Mills Limited	7.1	-	-
Gulistan Spinning Mills Limited	7.2	-	-
Unquoted			
Gulistan Fibers Limited	7.3	-	55,066,672
		<u>-</u>	<u>55,066,672</u>

- 7.1 Previously, Gulistan Textile Mills Limited (GTM) was associated company based on the cross equity direct and indirect investments of more than 20%. However, GTM, during the year has disposed of major portion of its investment in the Company's paid-up capital due to which GTM is no more associate of the Company. The Company has reclassified its investment in GTM as 'Investment at fair value through profit or loss' (note 15). This has resulted in gain of Rs.481.336 million which has been recognised in profit and loss account as per provisions of IAS 28 'Investment in Associates'.

	2014 Rupees	2013 Rupees
7.2 Gulistan Spinning Mills Limited (GTSM)		
202,777 (2013: 202,777) ordinary shares of Rs 10 each - cost	2,346,250	2,346,250
Equity held 1.39% (2013: 1.39%)		
Share of post acquisition losses	(14,452,640)	(15,180,533)
Share of item directly credited in the equity of Associated Company	374,407	426,519
Share of surplus on revaluation of fixed assets	11,731,983	12,407,764
	<u>-</u>	<u>-</u>

- 7.2.1 GTSM is an Associate of the Company based on common directorship.

- 7.2.2 Summarised financial information of the investee company as at June 30, 2014 based on unaudited financial statements is as follows:

	As on June 30, 2014	Re-stated As on June 30, 2013
	----- Rupees in '000 -----	
Total assets	1,862,363	1,964,086
Total liabilities	2,304,183	2,321,086
	For the year ended	
	June 30, 2014	June 30, 2013
	----- Rupees in '000 -----	
Revenues	316,169	603,482
Loss after taxation	97,293	103,190

- 7.2.3 The market value of investment as at June 30, 2014 was Rs.0.760 million (2013: Rs.0.953 million).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

7.3 Gulistan Fibers Limited	Note	2014 Rupees	2013 Rupees
741,185 ordinary shares of Rs 10 each - cost		5,530,760	5,530,760
Share of post acquisition losses		(254,010,741)	(226,989,252)
Share of item directly credited in the equity of Associated Company		14,134,893	9,746,460
Share of surplus on revaluation of fixed assets		248,538,281	266,778,704
		<u>14,193,193</u>	<u>55,066,672</u>
Less: Investment disposed during the year	7.3.1	<u>14,193,193</u>	-
		<u>-</u>	<u>55,066,672</u>

7.3.1

The management keeping in view the on-going financial crises has disposed-off its investments of 741,185 ordinary shares of Rs.10 each of Gulistan Fibres Limited to the relative of the Chief Executive (a related party) at the rate of Rs.103.64 per share. Sales proceed of Rs.76.816 million has been adjusted against interest free loan provided by this relative to the Company in preceding financial year (note 28.6). Difference between sales proceed and value based on equity method of this investment has been credited to 'Other Income' (note 36).

8. LONG TERM LOANS Secured	2014 Rupees	2013 Rupees
Due from:		
- Executives	1,170,114	589,000
- Non-executives	205,000	205,000
	<u>1,375,114</u>	<u>794,000</u>
Amounts recoverable within one year and grouped under current assets	(858,861)	-
	<u>516,253</u>	<u>794,000</u>

8.1

These interest free loans are provided to executives and other employees. These loans are recoverable through monthly instalments which varies from case to case and are secured against gratuity.

8.2 Reconciliation of carrying amount of loans and advances to executives	2014 Rupees	2013 Rupees
Balance at beginning of the year	589,000	-
Add: disbursements	1,012,370	589,000
	<u>1,601,370</u>	<u>589,000</u>
Less: repayments	431,256	-
Balance at end of the year	<u>1,170,114</u>	<u>589,000</u>

8.3 The maximum amount outstanding at the end of any month during the year ended June 30, 2014 from executives aggregated to Rs.1.565 million (2013: Rs.0.589 million).

9. LONG TERM DEPOSITS	Note	2014 Rupees	2013 Rupees
Security deposits		3,484,406	3,938,190
Lease deposits		3,856,903	4,373,703
		7,341,309	8,311,893
Less: transferred to current assets:			
- deposits pertaining to over due portion of lease liabilities		1,886,163	1,750,548
- deposits pertaining to lease liabilities to be paid-off within next twelve months		1,199,685	652,415
- deposits pertaining to lease liabilities to be paid-off after June 30, 2015 / June 30, 2014	23.3	771,055	1,970,740
		3,856,903	4,373,703
		3,484,406	3,938,190
10. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		3,106,651	16,022,555
Spare parts		12,928,056	40,459,920
Loose tools		173,135	6,393,309
		16,207,842	62,875,784
11. STOCK-IN-TRADE			
Raw materials	11.1	251,339,020	350,200,653
Packing material		3,517,491	59,509,815
Work in process		19,794,740	32,436,817
Finished goods	11.2	121,346,383	256,915,738
Waste		13,306,107	20,124,936
		409,303,741	719,187,959
Less: provision for slow moving stocks		33,647,600	33,647,600
		375,656,141	685,540,359

11.1 Raw materials include items costing Rs.31.765 million stated at their replacement cost aggregating Rs.25.109 million. The amount charged to the profit and loss account for the year in respect of raw materials written down to their replacement cost is Rs.6.656 million.

11.2 Finished goods include items costing Rs.114.911 million stated at their net realisable values aggregating Rs.103.124 million. The amount charged to the profit and loss account for the year in respect of stocks written down to their net realisable values was Rs.11.787 million.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

11.3 All of the current assets of the Company are under banks' charge as security of short term borrowings (note 28). The Company filed a suit in the Lahore High Court against all banks / financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001. Further various banks and financial institutions have also filed suits before Banking Court, Sindh High Court and Lahore High Court for recovery of their financial liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties as fully explained in note 30.1.1.

12. TRADE DEBTS	Note	2014 Rupees	2013 Rupees
Considered good			
Local - unsecured	12.1	32,303,154	55,592,302
Export - secured		31,250,242	107,597,173
		<u>63,553,396</u>	<u>163,189,475</u>
Considered doubtful			
		9,729,251	9,729,251
		<u>73,282,647</u>	<u>172,918,726</u>
Less: provision for doubtful debts	12.3	9,729,251	9,729,251
		<u>63,553,396</u>	<u>163,189,475</u>

12.1 This Includes Rs.4.717 million (2013: Rs.12.278 million) which pertains to Gulshan Weaving Mills Limited, an Associate Company.

12.2 The ageing of trade debts pertaining to related parties is as follows:	2014 Rupees	2013 Rupees
Past due 1-60 days	-	1,108,657
Past due 61-150 days	-	5,930,171
Past due 151-365 days	3,196,992	5,239,640
More than one year	1,519,659	-
	<u>4,716,651</u>	<u>12,278,468</u>

12.3 Provision for doubtful debts	2014 Rupees	2013 Rupees
Balance at beginning of the year	9,729,251	16,661,903
Less: provision reversed during the year	-	6,932,652
Balance at end of the year	<u>9,729,251</u>	<u>9,729,251</u>

13. LOANS AND ADVANCES Unsecured, Considered good	Note	2014 Rupees	2013 Rupees
Current portion of long term loans	8	858,861	-
Advances to / against:			
- executive staff		-	198,431
- non-executive staff		2,184,395	2,456,066
- suppliers		6,286,245	18,427,082
- expenses		678,843	2,122,096
		9,149,483	23,203,675
Advance income tax		22,554,942	29,157,112
Letters of credit		-	435,404
		32,563,286	52,796,191
14. ACCRUED MARK-UP / INTEREST			
Mark-up / interest accrued on deposit accounts		271,598	470,370
Receivable from banks		277,890	277,890
		549,488	748,260
15. SHORT TERM INVESTMENT			
- At fair value through profit or loss			
Gulistan Textile Mills Limited- related party			
1,648,740 ordinary shares of Rs.10 each	15.1	24,731,100	-
Equity held 8.68%			
15.1 Refer contents of note 7.1 to the financial statements			
15.2 The market value of investment in Gulistan Textile Mills Limited as at the year end is not available as trading in shares of the investee company has been suspended on the stock exchanges for the time being. Fair value of this investment is computed on the basis of latest available rate i.e. Rs.15 per share.			
16. OTHER RECEIVABLES Unsecured, Considered good	Note	2014 Rupees	2013 Rupees
Federal excise duty		1,049,974	1,049,974
Rebate on research expenses on garments		-	851,817
Export rebate		50,718,113	48,056,352
SBP refundable		-	5,605,131
Duty drawback		41,734,276	45,575,686
Insurance claims receivable		800,000	303,210
Sales tax		54,356,573	54,418,532
		148,658,936	155,860,702

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
17. CASH AND BANK BALANCES			
Cash-in-hand		4,187,069	3,259,968
Balances with banks in:			
- current accounts	17.1	7,914,289	5,049,454
- deposit accounts	17.1 & 17.2	109,207	62,608
- term deposit receipts	17.1 & 17.3	2,949,465	4,461,894
		10,972,961	9,573,956
		15,160,030	12,833,924

17.1 Majority of the Company's bank accounts operations have been blocked by the respective bank due to on-going litigations with these banks as detailed in note 30.1.1 to the financial statements. Further, due to the litigation and blockage of bank accounts, bank statements for the year ended June 30, 2014 from various banks having balances aggregating to Rs.6.131 million were not available to ensure balances held with these banks. Further, year end balance confirmation of banks having balances aggregating to Rs.6.399 million have also not been received due to litigation.

17.2 Deposit accounts carry mark-up at rates ranged from 2.00% to 5.00% (2013: 2.00% to 5.00%) per annum.

17.3 Term deposit receipts (TDRs) carry mark-up at the rates ranging from 3.87% to 12.25% (2013: 5.00% to 12.25%) per annum. One of the TDRs is under lien with a bank against guarantee amounting Rs.0.068 million (2013: Rs.0.068 million).

18. SHARE CAPITAL

2014	2013		2014	2013
----- Numbers -----			Rupees	Rupees
		Authorized capital		
<u>25,000,000</u>	<u>25,000,000</u>	Ordinary shares of Rs.10 each	<u>250,000,000</u>	<u>250,000,000</u>
		Issued, subscribed and paid-up capital		
<u>2,700,000</u>	<u>2,700,000</u>	Ordinary shares of Rs.10 each issued as fully paid in cash	<u>27,000,000</u>	27,000,000
<u>14,652,329</u>	<u>14,652,329</u>	Ordinary shares of Rs.10 each issued as fully paid bonus shares	<u>146,523,290</u>	146,523,290
<u>17,352,329</u>	<u>17,352,329</u>		<u>173,523,290</u>	<u>173,523,290</u>

2014	2013
----- Numbers -----	
18.1 Ordinary shares held by the related parties at the year end:	
Gulistan Textile Mills Limited	1,347,907
Gulistan Fibers Limited	1,499,776
Premier (Private) Limited	22
	2,847,705
	4,347,705

19. RESERVES		2014	2013
	Note	Rupees	Rupees
Capital reserve			
Share premium	19.1	15,400,000	15,400,000
Revenue reserve			
General reserve		460,000,000	460,000,000
		<u>475,400,000</u>	<u>475,400,000</u>
19.1 This represents excess of consideration received on issue of ordinary shares over face value on ordinary shares issued.			
20. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS			
	Note	2014 Rupees	2013 Rupees
Surplus on revaluation of Company's fixed assets	20.1	1,521,799,282	1,557,781,070
Share of surplus on revaluation of fixed assets of Associated Companies	7	11,731,983	751,834,571
		<u>1,533,531,265</u>	<u>2,309,615,641</u>
20.1 Surplus on revaluation of Company's assets			
Balance at beginning of the year		1,663,164,559	1,736,099,171
Less: transferred to accumulated loss on account of:			
- incremental depreciation for the year		30,256,729	32,080,094
- upon sale of revalued plant and machinery		-	40,854,518
		<u>30,256,729</u>	<u>72,934,612</u>
		1,632,907,830	1,663,164,559
Less: related deferred tax of:			
- balance at beginning of the year		105,383,489	-
- deferred tax recognised		-	105,383,489
- incremental depreciation for the year		(2,634,587)	-
- effect of change in tax rate		8,359,646	-
- balance at end of the year		111,108,548	105,383,489
Balance at end of the year		<u>1,521,799,282</u>	<u>1,557,781,070</u>
20.2 The Company had revalued its freehold land, leasehold land, buildings on leasehold & freehold land, plant & machinery, electric installations and mills equipment as on June 30, 2012. The revaluation exercise was carried-out by independent valuer - Maricon Consultants (Pvt.) Ltd., Engineers, Authorized Valuers of Pakistan Banking Association and Leasing Association of Pakistan, Beaumont Road, Karachi. Land has been revalued on the basis of current market value whereas buildings, plant & machinery, electrical installations and mills equipment have been revalued on the basis of depreciated replacement values. The net appraisal surplus arisen on this revaluation aggregating Rs.1,736.099 million has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984.			
21. SUB-ORDINATE LOAN Unsecured			
The Company has obtained loan from the Chief Executive and an Ex-Director. This loan is sub-ordinated to the finances provided by secured creditors and does not carry mark-up. The loan shall not be repaid without obtaining consent from the secured creditors.			

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

22. LONG TERM FINANCES	Note	2014 Rupees	2013 Rupees
From banking companies- Secured			
- NIB Bank Limited	22.1	-	-
- United Bank Limited	22.2	-	-
- The Bank of Punjab	22.3	-	-
From an Associated company- Unsecured			
- Gulistan Fibres Limited	22.6	142,235,639	-
		142,235,639	-
22.1 NIB Bank Limited			
Balance at beginning of the year		26,958,913	28,019,452
Payments made during the year		-	(1,060,539)
		26,958,913	26,958,913
Less: current portion:			
- over due instalments		26,958,913	21,796,036
- instalments due within next twelve months		-	5,162,877
		26,958,913	26,958,913
Balance at end of the year		-	-

22.1.1 The facility sanctioned was Rs.110 million. This finance was obtained to establish a stitching unit. It is secured against first pari passu charge by way of mortgage of title deeds of immovable properties of the Company. This finance was obtained under State Bank of Pakistan's (SBP) Long Term Export Refinance Scheme and carried a fixed rate of mark-up at SBP's defined rate plus 1.1% per annum. Originally this term finance was repayable in 12 half yearly instalments after one and half year from the date of disbursement i.e. February 15, 2005, however, due to litigations stated in note 22.4, the Company is not making payments. This finance is also secured against personal guarantees of Ex-directors and Chief Executive.

22.2 United Bank Limited	Note	2014 Rupees	2013 Rupees
Balance as at June 30,		150,000,000	150,000,000
Less: current portion:			
- over due instalments		80,000,000	40,000,000
- instalments due within next twelve months		40,000,000	40,000,000
- instalments due after June 30, 2015 / June 30, 2014	22.5	30,000,000	70,000,000
		150,000,000	150,000,000
Balance at end of the year		-	-

22.2.1 The Company had obtained Non Interest Demand Finance (NIDF) from United Bank Limited amounting to Rs.200 million under mark-up arrangement. It is secured against mortgage charge of Rs.102 million and ranking charge of Rs.178 million over land, building and plant & machinery of the Company situated at Kotri. This finance carried mark-up at the rate of 3 months KIBOR plus 2.00% per annum. Originally this finance was repayable in twenty equal quarterly instalments commenced from May 3, 2011, however, due to factors stated in note 22.5 below the whole amount has been grouped in current liabilities.

22.3 The Bank of Punjab	Note	2014 Rupees	2013 Rupees
Balance at beginning of the year		56,236,305	59,984,857
Less: payments made during the year		-	3,748,552
		56,236,305	56,236,305
Less: current portion:			
- over due instalments		22,945,755	8,819,461
- instalments due within next twelve months		15,743,873	14,126,294
- instalments due after June 30, 2015 / June 30, 2014	22.5	17,546,677	33,290,550
		56,236,305	56,236,305
Balance at end of the year		-	-

22.3.1 The Company had arranged loan for expansion of stitching unit from the Bank of Punjab. This finance carried mark-up at SBP refinance rate plus 2.5% per annum and is secured by way of specific charge of Rs.80 million over plant and machinery imported through this finance. Originally this finance was repayable within five years from the date of disbursement in 16 quarterly instalments commenced from September 29, 2012, however, due to factors stated in note 22.5 below the whole amount has been grouped in current liabilities.

22.4 The Company filed a suit in the Lahore High Court against all banks / financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 and lending banks have also filed suits before different High Courts for recovery of their long term and short term liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties as fully disclosed in note 30.1.1. Due to these litigations, year-end confirmations from all lenders have not been received.

22.5 Due to the abovementioned litigations the Company's financial arrangements with these banking companies are disputed and these liabilities have become payable on demand so instalments due after the year ending June 30, 2015 have been grouped in current portion of non-current liabilities in accordance with the requirements of International Accounting Standard (IAS) 1 'Financial Statement Presentation'.

22.6 Loan from Gulistan Fibres Limited	Note	2014 Rupees	2013 Rupees
Loan created during the year	22.6.1	150,000,000	-
Less: payments on behalf of the lending company		7,764,361	-
		142,235,639	-

22.6.1 This loan has been created in accordance with the settlement agreement and agreement to sell dated December 30, 2013 executed between Silk Bank Limited (the Lender), Gulshan Spinning Mills Limited (an Associated Company), Gulistan Spinning Mills Limited (an Associate Company), Gulistan Fibres Limited (an Associated Company) and the Company. As per these agreements short term borrowings and outstanding bills payables aggregating Rs.150.000 million of the Company have been adjusted by the Lender against mortgaged property of the Gulistan Fibres Limited under the debt-property swap arrangement. Accordingly, the Company has booked this loan as payable to Gulistan Fibres Limited by adjusting its short term borrowings (note 28) and bills payable (note 26).

This loan is unsecured and repayable within period of two years from the date of creation i.e. April 18, 2014. This loan carries mark-up at the half percent above the borrowing cost of the lending company and effective rate charged during the year is 12.66% per annum.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

23. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE ^{Secured}	Note	2014 Rupees	2013 Rupees
Balance at beginning of the year		28,061,786	31,092,492
Less: payments made during the year		2,191,762	3,030,706
		25,870,024	28,061,786
Less: current portion:			
- over due instalments		19,024,007	13,873,815
- instalments due within next twelve months		6,222,699	7,341,954
- instalments due after June 30, 2015 / June 30, 2014	23.3	623,318	6,846,017
		25,870,024	28,061,786
Balance at end of the year		-	-

23.1 The Company had acquired plant & machinery, electric installations and vehicles under finance lease arrangements from leasing companies, modaraba and banks. These liabilities, during the year, were subject to finance cost at the rates ranging from 11.99% to 15.75% (2013: 12.90% to 18.00%) per annum. The Company intends to exercise its option to purchase the leased assets upon completion of the lease term. The lease finance facilities are secured against title of the leased assets in the name of lessors.

23.2 The Company filed a suit in the Lahore High Court against all banks / financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001. Further various lessors have also filed suits before banking court and Sindh High Court for recovery of their lease finance through attachment and sale of charged properties as fully disclosed in note 30.1.1. Due to these litigations, year-end confirmations from all lessors have not been received.

23.3 Due to the abovementioned litigations the Company's lease finance arrangements with lessors are disputed and these liabilities have become payable on demand so instalments due after the year ending June 30, 2015 have been grouped in current portion of non-current liabilities in accordance with the requirements of IAS 1.

23.4 Due to the facts explained in notes 23.2 and 23.3 above the entire amounts of the lease finances have become payable on demand therefore, the amount of future finance cost are not ascertainable as at June 30, 2014 and June 30, 2013. The disclosure of future minimum lease payments is prepared according to existing repayment schedules and provided only to comply with the disclosure requirements of IAS - 17, 'Leases'. According to the existing repayment schedules the future minimum lease payments under these finance lease agreements are due as follows:

	June 30, 2014			June 30, 2013		
	Minimum lease payments	Finance cost	Present value of minimum lease payments	Minimum lease payments	Finance cost	Present value of minimum lease payments
	----- Rupees -----					
Over due portion	22,173,202	3,149,195	19,024,007	16,146,142	2,272,327	13,873,815
Not later than one year	6,622,928	400,229	6,222,699	8,616,622	1,274,668	7,341,954
Later than one year but not later than five years	666,823	43,505	623,318	7,284,932	438,915	6,846,017
Minimum lease payments	29,462,953	3,592,929	25,870,024	32,047,696	3,985,910	28,061,786

24. STAFF RETIREMENT BENEFIT - Gratuity

The Company's obligation as per the latest actuarial valuation in respect of defined benefit gratuity plan is as follows:

	2014	Re-stated 2013
	Rupees	Rupees
24.1 Amount recognised in the balance sheet		
Net liability at beginning of the year	58,119,074	51,323,641
Charge to profit and loss account	25,871,976	19,060,587
Re-measurement recognised in other comprehensive income	19,553,158	8,260,026
Benefits due but not paid	(61,152,256)	-
Payments made during the year	(10,072,054)	(20,525,180)
Net liability at end of the year	<u>32,319,898</u>	<u>58,119,074</u>
24.2 Movement in the present value of defined benefit obligation		
Balance at beginning of the year	58,119,074	51,323,641
Current service cost	14,747,355	12,388,514
Past service cost	8,761,395	-
Interest cost	2,363,226	6,672,073
Benefits due but not paid	(61,152,256)	-
Benefits paid	(10,072,054)	(20,525,180)
Re-measurement on obligation	19,553,158	8,260,026
Balance at end of the year	<u>32,319,898</u>	<u>58,119,074</u>
24.3 Expense recognised in profit and loss account		
Current service cost	14,747,355	12,388,514
Past service cost	8,761,395	-
Interest cost	2,363,226	6,672,073
	<u>25,871,976</u>	<u>19,060,587</u>
24.4 Re-measurement recognised in other comprehensive income		
Experience adjustments	<u>19,553,158</u>	<u>8,260,026</u>
24.5 Actuarial assumptions used	2014	2013
Discount rate	13.25%	10.50%
Expected rate of growth per annum in future salaries	12.25%	9.50%
Average expected remaining working life time of employees	6 years	13 years
Mortality rates (for death in service)	SLIC 2001-2005	EFU 61-66

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

24.6 Sensitivity analysis for actuarial assumptions

The calculation of defined benefit obligation is sensitive to assumptions set-out above. The following table summarises how the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of change in respective assumptions.

	Change in assum- ption	Increase in assumption ----- Rupees -----	Decrease in assumption -----
Discount rate	1.00%	<u>30,407,170</u>	<u>34,494,434</u>
Increase in future salaries	1.00%	<u>34,572,711</u>	<u>30,302,179</u>

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied as when calculating the gratuity liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

24.7 Based on actuary's advice, the expected charge for the year ending June 30, 2015 amounts to Rs.11.013 million.

24.8 The weighted average duration of the scheme is 6 years.

24.9 Expected maturity analysis of undiscounted retirement benefit plan

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	----- Rupees -----				
As at June 30, 2014	<u>7,679,037</u>	<u>5,401,885</u>	<u>24,640,651</u>	<u>452,251,543</u>	<u>489,973,116</u>

24.10 Historical information

	2014	2013	2012	2011	2010
	----- Rupees in '000 -----				
Present value of defined benefit obligation	<u>32,320</u>	<u>58,119</u>	<u>51,324</u>	<u>47,614</u>	<u>38,869</u>
Experience adjustment	<u>19,553</u>	<u>8,260</u>	<u>(3,078)</u>	<u>201</u>	<u>2,952</u>

25. DEFERRED TAXATION Net	2014 Rupees	2013 Rupees
The liability for deferred taxation comprises of temporary differences relating to:		
- accelerated tax depreciation allowance	48,581,913	38,521,484
- surplus on revaluation of operating fixed assets	111,108,548	105,383,489
- lease finances	5,440,700	5,454,539
- staff retirement benefits	(9,364,788)	(5,384,732)
- provision for slow moving stocks	(3,371,086)	(3,117,450)
- provision for doubtful debts	(974,754)	(3,307,945)
	151,420,533	137,549,385

25.1 Deferred tax asset in respect of the unused tax losses amounting Rs.167.899 million has not been recognised in these financial statements being prudent. Management is of the view that recognition of deferred tax assets will be re-assessed as at June 30, 2015.

26. TRADE AND OTHER PAYABLES	Note	2014 Rupees	2013 Rupees
Creditors for supplies	26.1	309,780,308	259,008,635
Creditors for expenses		22,339,704	22,570,251
Bills payable / letters of credit payable	26.2	621,254,827	579,180,276
Staff retirement benefits due but not paid		61,152,256	-
Accrued expenses		17,899,414	22,477,926
Income tax payable		262,959	479,156
Unclaimed dividend		1,118,836	1,118,836
		1,033,808,304	884,835,080

26.1 These include following amounts which pertain to related parties:

Gulistan Textile Mills Limited	-	6,068,807
Gulistan Spinning Mills Limited	-	7,492,236
Gulistan Fibres Limited	-	173,428
Gulistan Power Generation Limited		37,673,363
		37,673,363
		29,747,581

26.2 This represents overdue bills payable / letters of credit payable to various financial institutions in respect of letters of credit (LCs) issued by the financial institutions in favour of various local and imported raw material suppliers. The Company is in litigation with banks and financial institutions as detailed in note 30.1.1 so current status and balance confirmation of these bills payable could not be ascertained due to non-availability of relevant documents. Further, no provision of any further commission / interest / mark-up or penalty in respect of overdue LCs has been made in the financial statements. Amount of the un-provided commission / interest / mark-up or penalty is impracticable to determine as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

27. ACCRUED MARK-UP / INTEREST	Note	2014 Rupees	2013 Rupees
Mark-up / interest accrued on:			
- long term finances	27.1	1,825,370	-
- short term borrowings		-	5,246,733
- finance lease		9,419	-
- loan from a related party		9,223,482	7,162,629
- over due payable of an Associated Company	27.2	2,274,217	-
		13,332,488	12,409,362

27.1 Represents mark-up payable to Gulistan Fibres Limited (an Associated Company) on long term loan - note 22.6.

27.2 This represents mark-up accrued on overdue payable balance of Gulistan Spinning Mills Limited (an Associated Company) as per the directives of the regulatory body received by Associated Company during the year. The Associated Company has charged interest on the balances of Company outstanding at each month-end starting from financial year ended June 30, 2012 to the reporting date. This amount includes mark-up amounting to Rs.0.945 million and Rs.1.183 million, pertaining to financial year ended June 30, 2012 and June 30, 2013 respectively. The Company has charged these prior year mark-up in the current year instead of restating the prior year balances as these amounts are immaterial in the overall context of financial statements of the Company for that years.

27.3 During the year ended June 30, 2014, the Company has not provided mark-up / interest on its long term finances, lease finances and short term borrowings to the extent of Rs.25.237 million , Rs.2.521 million and Rs.178.022 respectively due to pending litigations with the financial institutions. Further, as detailed in note 1.3, the management is in the process of finalisation of restructuring of its debts and as per indicative restructuring term sheet total accrued and outstanding mark-up due / payable till June 30, 2014 will be repaid on quarterly basis over a period of 2 years immediately after the completion of repayment term of principal i.e. 8 years. Un-provided mark-up / interest upto the balance sheet date aggregated Rs.448.896 million. This non-provisioning is in contravention with the requirements of IAS23 - Borrowing Costs. The exact amount of un-provided mark-up / interest could not be ascertained because of non-availability of relevant information and documents due to on-going litigations with banks and financial institutions.

27.4 Confirmations in respect of mark-up / interest accrued on long term finances, lease finances and short term borrowings have not been received due to pending litigations with the financial institutions / lenders.

28. SHORT TERM BORROWINGS	Note	2014 Rupees	2013 Rupees
Short term finances - secured	28.1 & 28.3	1,175,729,007	1,329,340,007
Running finances - secured	28.2 & 28.3	315,343,108	315,180,324
Loan from a related party - unsecured	28.5	21,662,236	21,762,236
Interest free loans from related parties - unsecured	28.6	221,052,642	222,282,061
Temporary bank overdraft - unsecured	28.7	20,996,486	12,623,136
		1,754,783,479	1,901,187,764

28.1 This represents aggregate amount of the short term finances under mark-up arrangements availed against expired facilities from various banks / financial institutions. These finances are secured by way of ranking / hypothecation / floating charge over present & future current assets, pari passu charge over present & future fixed assets, charge over raw cotton & cotton yarn, lien on export letters of credit / sales contracts / documents, trust receipt and personal guarantees of sponsor directors.

28.2 This represents aggregate amount of running finances / working capital finances obtained from various banks / financial institutions against expired facilities. These finance facilities are secured by way of ranking / hypothecation / floating charge over present & future current assets, pari passu charge over present & future fixed assets, charge over raw cotton & cotton yarn, lien on export letters of credit / sales contracts / documents, trust receipt and personal guarantees of sponsor directors.

28.3 The abovementioned balances are against expired finance facilities and have not been renewed by the respective banks / financial institutions. These banks & financial institutions have filed suits before different Civil Courts, Banking Courts and High Courts for recovery of their financial liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The Company had also filed a suit in the Lahore High Court for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs as more fully detailed in note 30.1.1.

28.4 Year end balance confirmations aggregating Rs.1,129.775 million of the lending banks / financial institutions have not been received due to abovementioned litigation with them. Further, due to these litigations, bank statements for current financial year from all banks / financial institutions were also not available to ensure year end balances of these finance facilities.

28.5 The Company has arranged a short term finance facility to the limit of Rs.100 million from a related party - Premier (Private) Limited to finance working capital requirements of the Company. This loan is unsecured and carried mark-up at the rate of 9.5% (2013: 9.5%) per annum.

28.6 Interest free loans from related parties - unsecured	2014	2013
	Rupees	Rupees
Balance at beginning of the year	222,282,061	-
Add: funds received during the year	75,636,994	278,172,840
Less: adjustments / repayments made during the year	76,866,413	55,890,779
Balance at end of the year	221,052,642	222,282,061

28.6.1 These loans were advanced by Spouse of the Chief Executive and other relatives (related parties) in order to meet working capital shortage. Repayment terms of the year end payable balance were in process of finalization.

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

29. CURRENT PORTION OF NON-CURRENT LIABILITIES	Note	2014	2013
		Rupees	Rupees
Long term finances:			
- NIB Bank Limited	22.1	26,958,913	26,958,913
- United Bank Limited	22.2	150,000,000	150,000,000
- The Bank of Punjab	22.3	56,236,305	56,236,305
		233,195,218	233,195,218
Liabilities against assets subject to finance lease	23	25,870,024	28,061,786
		259,065,242	261,257,004

29.1 Refer contents of notes 22.4, 22.5, 23.2 and 23.3.

30. CONTINGENCIES AND COMMITMENTS

30.1 Contingencies

30.1.1 Liabilities towards banks and financial institutions disclosed in note 22, 23, 26.2, 27, 28 and 29

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

- (a) Various banks and financial institutions have filed recovery suits before Banking Court - Karachi, Sindh High Court and Lahore High Court for recovery of their long term and short term liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The aggregate amount of these claims is Rs.2,332.365 million (2013: Rs.2,113.550 million).

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

- (b) The Company filed a global suit in the Lahore High Court (LHC) against all banks / financial institutions under Section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 (the Ordinance) for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs. The LHC vide its interim order dated October 25, 2012 ordered not to disturb the present position of current assets and fixed assets of the Company and no coercive action shall be taken against the Company. The LHC through its order dated September 11, 2013 dismissed the case on legal grounds. The Company filed appeal before Divisional Bench of the LHC against the abovementioned order. The Divisional Bench passed the order, dated November 27, 2013, that respondent banks will not liquidate the Company's assets and operation of impugned judgement and decree dated September 11, 2013 will remain suspended meanwhile.

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

- 30.1.2 The Company has not provided for Rs.3 million in respect of infrastructure cess levied by the Government of Sindh. The case was decided against the Company by a single judge of High Court of Sindh. The decision was challenged before a bench of same High Court and stay for collection of cess was allowed.

The High Court of Sindh decided the case by declaring that the levy and collection of infrastructure fee prior to December 28, 2006 was illegal and ultra vires and after that it was legal. The Company filed an appeal in the Supreme Court against the abovementioned judgement of the High Court. Further, the Government of Sindh also filed appeal against part of judgement decided against them.

The above appeals were disposed-off in May 2011 with a joint statement of the parties that, during the pendency of the appeals, another law come into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from the High Court before approaching the Supreme Court with the right to appeal. Accordingly, the petition was filed in the High Court in respect of the above view. During the pendency of this appeal an interim arrangement was agreed whereby bank guarantees furnished for consignments cleared upto December 27, 2006 were returned and bank guarantees were furnished for 50% of the levy for consignment released subsequent to December 27, 2006 while payment was made against the balance amount.

As at June 30, 2014, the Company has provided bank guarantees aggregating Rs.7.216 million (2013: Rs.7.216 million) in favour of Excise and Taxation Department.

- 30.1.3 The Deputy Collector of Customs, in pursuance of judgement of Supreme Court of Pakistan (the Court) dated August 29, 2012, has raised the demand of Rs.134.197 million in respect of customs duty along with penalty thereon for installing textile machinery in terms of section 83A read with 202A of the Custom Act, 1969.

The Company has strong reservations on the calculation of abovementioned amount and is of the view that this amount has not been calculated in light of aforementioned judgement. Therefore, the Company approached the Deputy Collector of Customs, Additional Collector of Customs, Collector of Customs and Chief Collector of Customs. The Company has a stance that total demand as per the aforementioned judgement works out to Rs.17.555 million and the same has been paid by the Company to Deputy Collector of Customs during the preceding year.

The management filed a civil review petition against the above mentioned judgement of the Court and a bench of three judges of the Court has issued notices to the respondents. In the mean time it was also ordered that no coercive measure may be taken against the petitioners. This review petition is pending for hearing.

30.1.4 Counter guarantees of Rs.9.067 million (2013: Rs.9.067 million) were given by the Company to various banks / financial institutions as at June 30, 2014 in respect of guarantees issued in favour of various Government Departments / Institutions.

30.2 Commitments

There was no capital commitment as at June 30, 2014 and June 30, 2013.

31. SALES - Net	Note	2014 Rupees	2013 Rupees
Export sales	31.1	1,139,487,119	1,778,405,363
Local sales	31.2	1,294,791,994	752,601,636
		2,434,279,113	2,531,006,999

31.1 This includes Rs.0.508 million (2013: Rs.0.380 million) in respect of exchange gain on realization of export proceeds.

31.2 Local sales - net	Note	2014 Rupees	2013 Rupees
Sales	31.3	1,214,141,518	557,780,933
Processing income		106,910,749	200,975,304
		1,321,052,267	758,756,237
Less:			
- quality claims		332,940	37,427
- sales tax		25,927,333	6,117,174
		26,260,273	6,154,601
		1,294,791,994	752,601,636

31.3 Local sales include waste sales and cotton sales of Rs.42.449 million (2013: Rs.61.141 million) and Rs.10.811 million (2013: Rs.Nil) respectively.

32. COST OF SALES

	Note	2014 Rupees	Re-stated 2013 Rupees
Stocks at beginning of the year (finished goods & waste)		277,040,674	233,808,882
Cost of goods manufactured	32.1	2,776,323,652	2,683,055,155
Purchases of finished products		10,506,000	20,640,318
		2,786,829,652	2,703,695,473
		3,063,870,326	2,937,504,355
Stocks at end of the year (finished goods & waste)	11	(134,652,490)	(277,040,674)
		2,929,217,836	2,660,463,681

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

	Note	2014 Rupees	Re-stated 2013 Rupees
32.1 Cost of goods manufactured			
Opening work in process		32,436,817	85,268,559
Raw materials consumed	32.2	1,909,205,959	1,743,091,070
Stores consumed		57,021,944	41,378,367
Packing materials consumed		25,731,978	25,577,131
Salaries and other benefits	32.3	416,761,688	433,894,577
Fuel and power		255,805,677	266,150,147
Repair and maintenance		2,240,174	3,001,703
Insurance		4,088,535	7,172,342
Depreciation	6.1	48,996,168	52,471,535
Processing / dyeing charges		3,676,763	8,157,375
Conveyance, travelling and entertainment expenses		1,167,413	2,272,126
Vehicle running and maintenance		34,503,617	42,157,485
Postage and telephone		969,915	1,128,397
Rent, rates and taxes		666,466	440,847
Other manufacturing expenses		2,845,278	3,330,311
		2,796,118,392	2,715,491,972
Closing work in process	11	(19,794,740)	(32,436,817)
		2,776,323,652	2,683,055,155
32.2 Raw materials consumed	Note	2014 Rupees	2013 Rupees
Stocks at beginning of the year		350,200,653	432,589,114
Purchases - net	32.2.1	1,810,344,326	1,660,702,609
		2,160,544,979	2,093,291,723
Stocks at end of the year		(251,339,020)	(350,200,653)
		1,909,205,959	1,743,091,070

32.2.1 Purchases include government rebates netted-off aggregating to Rs.12.106 million (2013: Rs.21.208 million).

32.3 Salaries and other benefits include Rs.20.219 million (2013: Rs.17.268 million) in respect of staff retirement benefit - gratuity.

33. DISTRIBUTION COST

	Note	2014 Rupees	2013 Rupees
Salaries and other benefits		28,025,620	32,866,568
Freight and forwarding			
- local		459,650	-
- export		25,843,606	38,633,468
		26,303,256	38,633,468
Direct selling expenses		5,926,418	9,600,923
Depreciation	6.1	62,419	78,024
Commission on:			
- local sales		1,262,965	864,419
- export sales		7,349,150	19,225,549
		8,612,115	20,089,968
		68,929,828	101,268,951

34. ADMINISTRATIVE EXPENSES

		2014 Rupees	Re-stated 2013 Rupees
Director's meeting fee		90,000	10,000
Salaries and other benefits	34.1	48,445,725	44,277,456
Fees and subscription		326,361	1,313,300
Conveyance, travelling and entertainment expenses		5,901,833	4,212,169
Vehicle running and maintenance		3,209,890	2,744,397
Repair and maintenance		772,003	1,401,246
Rent, rates and taxes		2,961,596	3,219,597
Printing and stationery		1,870,022	1,332,963
Auditors' remuneration	34.2	1,145,000	1,145,000
Charity and donations	34.3	-	1,021,630
Postage, telegram and telephone		1,580,238	1,613,120
Legal and professional expenses		11,177,000	11,663,500
Depreciation	6.1	3,302,759	4,094,627
		80,782,427	78,049,005

34.1 Salaries and other benefits include Rs.5.653 million (2013: Rs.1.793 million) in respect of staff retirement benefit - gratuity.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

		2014	2013
		Rupees	Rupees
34.2	Auditors' remuneration		
	Audit fee	825,000	825,000
	Half yearly review	200,000	200,000
	Compliance report of Code of Corporate Governance	55,000	55,000
	Other services	50,000	50,000
	Out of pocket expenses	15,000	15,000
		1,145,000	1,145,000
34.3	Rs.1.022 million charged in preceding year's financial statements was paid to Haji Jamaluddin Trust, B-57, KDA Scheme No. 1, Karachi, Mr. Tanveer Ahmad, Chief Executive of the Company is trustee of the Trust.		
35.	OTHER EXPENSES		
		2014	2013
		Rupees	Rupees
	Net exchange loss including loss on forward contracts	91,722	7,112,945
	Custom duty paid	-	17,555,474
	Loss on disposal of property, plant and equipment	-	3,567,408
	Balances written-off	6,760,158	-
	Loss on re-measurement of investment at fair value through profit or loss	1,648,740	-
	Obsolete inventory written-off	6,530,655	-
		15,031,275	28,235,827
36.	OTHER INCOME		
	Income from financial assets		
	Interest on:		
	- deposit accounts	188,175	299,380
	- term deposit receipts	195,275	311,609
	Gain on discontinuation of equity method on investment in an Associated Company	481,336,377	-
	Gain on disposal of investments in an Associated Company	311,161,500	56,433,116
	Reversal of impairment loss on equity investments	-	65,308,447
	Income from non-financial assets		
	Gain on disposal of property, plant and equipment	2,923,139	-
	Reversal of provision for doubtful debts	-	6,932,652
		795,804,466	129,285,204

	Note	2014 Rupees	Re-stated 2013 Rupees
37. FINANCE COST			
Mark-up / interest on :			
- long term finances		3,666,091	4,105,984
- lease finances		314,443	831,039
- short term borrowings		19,437,831	47,455,831
- over due payable balance of an Associated Company	27.2	2,274,217	-
Bank charges		5,128,626	6,556,562
	37.1	<u>30,821,208</u>	<u>58,949,416</u>

37.1 During the year ended June 30, 2014, the Company has not provided mark-up / interest aggregating Rs.25.237 million (2013: Rs.22.306 million), Rs.2.521 million (2013: Rs.2.782 million), Rs.178.022 million (2013: Rs.164.532 million) on its long term finances, lease finances and short term borrowings.

	Note	2014 Rupees	Re-stated 2013 Rupees
38. TAXATION			
Current year	38.1	12,158,341	18,681,593
Adjustments of prior years		-	(6,939,283)
Deferred			
- origination and reversal of temporary differences		4,487,052	32,931,187
- impact of change in tax rate		2,983,442	-
		<u>7,470,494</u>	<u>32,931,187</u>
		<u>19,628,835</u>	<u>44,673,497</u>

38.1 Provision for the current year represents taxes paid under section 154 of the Income Tax Ordinance, 2001 (the Ordinance). No provision from minimum tax due under section 113 of the Ordinance is incorporated as the Company has suffered gross loss before depreciation and other inadmissible expenses. Numeric tax rate reconciliation is also not required.

	2014 Rupees	Re-stated 2013 Rupees
39. EARNINGS / (LOSS) PER SHARE		
Net profit / (loss) for the year	70,885,816	(491,627,793)
	----- Number of shares -----	
Weighted average ordinary shares outstanding for the year	17,352,329	17,352,329
	----- Rupees -----	
Basic earnings / (loss) per share	4.09	(28.33)

39.1 There is no dilutive effect on the basic earnings / (loss) per share of the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

40. CASH USED IN OPERATIONS

	Note	2014 Rupees	Re-stated 2013 Rupees
Profit / (loss) before taxation		90,514,651	(446,954,296)
Adjustments for non-cash charges and other items:			
Depreciation		52,361,346	56,644,186
Provision of gratuity		25,871,976	19,060,587
Finance cost		30,821,208	58,949,416
Share of loss from Associated Companies		14,786,354	180,279,619
Loss on re-measurement of investment at fair value through profit or loss		1,648,740	-
Net exchange loss on foreign currency		91,722	7,112,945
Interest income		(383,450)	(610,989)
Reversal for provision for doubtful debts		-	(6,932,652)
Reversal of impairment loss recognised on equity investments		-	(65,308,447)
Gain on discontinuation of equity method on investment in an Associated Company		(481,336,377)	-
Gain on disposal of investments in an Associated Company		(311,161,500)	(56,433,116)
(Gain) / loss on disposal of property, plant and equipment		(2,923,139)	3,567,408
Balances written-off		6,760,158	-
Obsolete inventory written-off		6,530,655	-
Working capital changes	40.1	551,459,173	(88,128,840)
		(14,958,483)	(338,754,179)

		2014 Rupees	2013 Rupees
40.1 Working capital changes			
Decrease / (increase) in current assets:			
Stores, spare parts and loose tools		40,137,287	2,866,630
Stock-in-trade		309,884,218	141,922,012
Trade debts		99,636,079	123,841,067
Loan and advances		13,630,735	25,399,336
Short term deposits		-	1,039,975
Other receivables		441,608	(46,218,970)
		463,729,927	248,850,050
Increase / (decrease) in trade and other payables		87,729,246	(336,978,890)
		551,459,173	(88,128,840)

41. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Executives	
	2014	2013	2014	2013
	----- Rupees -----			
Managerial remuneration	-	-	5,242,216	13,906,946
Perquisites	-	-	3,482,844	7,765,706
Retirement benefits	-	-	742,255	1,439,387
	-	-	9,467,315	23,112,039
No. of persons	1	1	7	19

41.1 The Chief Executive and executives have been provided with the Company maintained cars. The Chief Executive is also provided with telephone at residence.

41.2 Meeting fees of Rs.90,000 (2013: Rs.10,000) were also paid to a Non Executive Director during the year.

42. CAPACITY AND PRODUCTION

2014 2013

42.1 Spinning unit- note 42.1.1

Number of spindles installed		25,920	25,920
Number of spindles worked		24,379	24,533
Number of shifts worked per day		3	3
Total number of days worked		319	317
Installed capacity after conversion into 20's count	Kg.	8,841,118	8,841,118
Actual production after conversion into 20's count	Kg.	5,665,800	4,404,178

42.1.1 Financial institutions and banks have curtailed and blocked the short term limits, froze the funds in current accounts to clear mark-up & other dues and attempted to realize their securities. These factors created liquidity crises due to which the Company could not run its operations at normal capacity.

42.2 Yarn dyeing unit- note 42.4

2014 2013

Total number of machines installed		7	7
Total number of days worked		90	270
Installed capacity	Kg.	2,065,170	2,065,170
Actual production	Kg.	349,629	1,464,807

42.3 Stitching unit- note 42.4

Total number of machines installed		832	832
Total number of days worked		234	294
Installed capacity	Pcs.	3,211,652	3,211,652
Actual production	Pcs.	1,707,395	2,667,530

42.4 Due to non-availability of working capital lines and shortage of funds, the Company has temporarily closed its Yarn dyeing unit and Stitching unit from May 31, 2014.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

43. FINANCIAL RISK MANAGEMENT

The Company has exposures to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board of Directors is also responsible for developing and monitoring the Company's risk management policies.

43.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted / fail to discharge an obligation / commitment that it has entered into with the Company.

Credit risk mainly arises from deposits, trade debts, loans & advances, accrued mark-up / interest, short term investments, other receivables and balances with banks. The carrying amounts of financial assets that represent Company's maximum credit exposure as at the reporting date are as follows:

	2014	2013
	Rupees	Rupees
Long term loans	516,253	794,000
Deposits	7,341,309	8,311,893
Trade debts	63,553,396	163,189,475
Loans and advances	3,043,256	2,654,497
Accrued mark-up / interest	549,488	748,260
Short term investment	24,731,100	-
Other receivables	800,000	303,210
Bank balances	10,972,961	9,573,956
	111,507,763	185,575,291

The maximum exposure to credit risk for trade debts at the reporting date by geographic region is as follows:

	2014	2013
	Rupees	Rupees
Domestic	32,303,154	55,592,302
Export	31,250,242	107,597,173
	63,553,396	163,189,475

The majority of export debts of the Company are situated in Europe.

	2014 Rupees	2013 Rupees
The ageing of trade debts at the reporting date is as follows:		
Not past due	-	107,597,173
Past due 1-60 days	6,026,281	26,895,759
Past due 61-150 days	37,716,943	6,971,191
Past due 151-365 days	17,805,918	16,932,038
More than one year	2,004,254	4,793,314
	63,553,396	163,189,475

Based on past experience and keeping in view subsequent realisations, provision for doubtful debts aggregating Rs.9.729 million (2013: Rs.9.729 million) has been kept as at the reporting date and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

The credit risk on deposits maintained with banks is limited as such banks enjoy reasonably high credit rating. Accordingly, management does not expect any counter party to fail in meeting their obligations.

43.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The Company is facing difficulty in maintaining sufficient level of liquidity due to financial problems as all the banks and financial institutions have blocked / ceased their finance facilities and filed suits for recovery of these finances.

	June 30, 2014			June 30, 2013	
	Carrying amount	Due within one year	Due after one year	Carrying amount	Due within one year
	----- Rupees -----			----- Rupees -----	
Long term finances	375,430,857	233,195,218	142,235,639	233,195,218	233,195,218
Liabilities against assets subject to finance lease	25,870,024	25,870,024	-	28,061,786	28,061,786
Trade and other payables	1,033,545,345	1,033,545,345	-	884,355,924	884,355,924
Accrued mark-up / interest	13,332,488	13,332,488	-	12,409,362	12,409,362
Short term borrowings	1,733,786,993	1,733,786,993	-	1,888,564,628	1,888,564,628
	3,181,965,707	3,039,730,068	142,235,639	3,046,586,918	3,046,586,918

In order to manage liquidity risk, the management alongwith leading financial institutions are negotiating with banks / financial institutions for restructuring of principal & mark-up / interest and rescheduling of repayment terms as detailed in note 1.3 to the financial statements and the management envisages that sufficient financial resources will be available to manage the liquidity risk.

43.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

(a) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk on import of raw materials, stores & spare parts, plant & machinery, export of goods and foreign currency bank accounts mainly denominated in U.S. Dollars (U.S.\$). The Company's exposure to foreign currency risk is as follows:

	June 30, 2014		June 30, 2013		
	Rupees	U.S.\$	Rupees	U.S.\$	Euro
Trade and other payables	77,919,158	785,216	84,541,200	847,617	-
Trade debts	(31,250,242)	(371,101)	(107,597,173)	(672,838)	(320,181)
Bank balance	(63,466)	(644)	(63,542)	(644)	-
	(31,313,708)	(371,745)	(107,660,715)	(673,482)	(320,181)
Net balance sheet exposure	46,605,450	413,471	(23,119,515)	174,135	(320,181)

The following significant exchange rate applied during the year:

	Average rate		Reporting date rate	
	2014	2013	2014	2013
U.S. Dollar to Rupee	103.96	96.21	98.75 / 98.55	98.80 / 98.60
Euro to Rupee	-	125.52	-	128.85

Sensitivity analysis

At the reporting date, if Rupee had strengthened by 10% against U.S. Dollar with all other variables held constant, profit for the year would have been increased / (decreased) by the amounts shown below mainly as a result of net foreign exchange gain / (loss) on translation of financial assets and liabilities.

Effect on profit for the year:	2014	2013
	Rupees	Rupees
U.S. Dollar to Rupee	4,083,026	1,716,971
Euro to Rupee	-	(4,125,532)
	4,083,026	(2,408,561)

The weakened of the Rupee against U.S Dollar would have had an equal but opposite impact on profit for the year. The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

(b) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Majority of the interest rate risk of the Company arises from short & long term borrowings from banks and deposits with banks. However, the Company is not providing for mark-up / interest on its long term finances, liabilities against assets subject to finance lease and short term borrowings due to litigation with Banks and Financial Institutions as detailed in note 30.1.1. At the reporting date the profile of the Company's interest bearing financial instruments is as follows:

	2014	2013
	---- Carrying amount ----	
	Rupees	Rupees
Fixed rate instruments		
Financial assets	<u>3,058,672</u>	<u>4,524,502</u>
Financial liabilities	<u>26,958,913</u>	<u>26,958,913</u>
Variable rate instruments		
Financial liabilities	<u>2,135,087,874</u>	<u>1,900,580,658</u>

The rates of mark-up / interest have been disclosed in the respective notes to the financial statements.

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

Cash flow sensitivity analysis for variable rate instruments is not presented as the Company is not providing for mark-up / interest due to litigation with banks and financial institutions.

43.4 Fair value of financial instruments

As at June 30, 2014 the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except investment in an Associated Company which is valued under equity method of accounting. Further, staff loans which are valued at their original cost less repayments.

43.5 Capital risk management

The Company's prime objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no changes in the Company's approach to capital management during the year. Further, the Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance which the Company could not comply as at the reporting date.

44. RELATED PARTY TRANSACTIONS

Related parties comprise of Associated Companies, directors of the Company, key management personnel, companies in which directors, key management personnel and close members of the families of the directors and key management personnel are interested. The Company in the normal course of business carries-out transactions with various related parties. Remuneration of the key management personnel is disclosed in note 41. Amounts due from and to related parties are shown under receivables and payables. Other significant transactions with related parties are as follows:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

Nature of transactions	2014 Rupees	2013 Rupees
Sales	34,235,055	42,770,653
Dyeing / processing income	3,339,414	18,471,327
Purchases	175,523,692	152,517,854
Processing charges	-	2,522,542
Sale of operating fixed assets	-	90,000,000
Sale of investment in an Associated Company	76,816,413	46,533,043
Long term loan created	150,000,000	-
Long term loan adjusted	7,764,361	-
Interest free loans received	75,636,994	278,172,840
Interest free loans repaid / adjusted	76,866,413	55,890,779
Interest expense	7,977,538	-

45. SEGMENT INFORMATION

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Chief Operating Decision Maker for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Company is organised into following four operating segments:

- spinning; - dyeing; - garments; and - weaving.

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

45.1 Segment revenues and results

	Spinning	Dyeing	Garments	Total
	----- Rupees -----			
For the year ended June 30, 2014				
Sales	1,218,696,419	83,958,995	1,131,623,699	2,434,279,113
Cost of sales	1,318,291,428	136,362,389	1,474,564,018	2,929,217,836
Gross loss	(99,595,010)	(52,403,394)	(342,940,319)	(494,938,723)
Distribution cost	1,467,998	1,752,585	65,709,245	68,929,828
Administrative expenses	47,148,746	2,455,219	31,178,462	80,782,427
Other expenses	1,140,993	2,632,044	11,258,238	15,031,275
Other income	(795,804,466)	-	-	(795,804,466)
	(746,046,729)	6,839,848	108,145,945	(631,060,936)
Profit / (loss) from operations	646,451,720	(59,243,243)	(451,086,264)	136,122,213
Finance cost	16,967,187	2,157,088	11,696,933	30,821,208
Share of loss from Associated Companies	14,786,354	-	-	14,786,354
Profit / (loss) before taxation	614,698,179	(61,400,331)	(462,783,197)	90,514,651
Taxation				19,628,835
Profit after taxation				70,885,816

	Spinning	Dyeing	Garments	Weaving - note 45.2	Total
----- Rupees -----					
For the period ended					
June 30, 2013 (re-stated)					
Sales	705,935,175	300,998,049	1,524,073,775	-	2,531,006,999
Cost of sales	799,783,390	320,778,810	1,536,739,862	3,161,619	2,660,463,681
Gross loss	(93,848,215)	(19,780,761)	(12,666,087)	(3,161,619)	(129,456,682)
Distribution cost	8,367,838	11,426,985	81,474,128	-	101,268,951
Administrative expenses	41,214,953	4,856,947	31,975,750	1,355	78,049,005
Other expenses	21,375,537	636,000	2,147,417	4,076,873	28,235,827
Other income	(129,285,204)	-	-	-	(129,285,204)
	(58,326,876)	16,919,932	115,597,295	4,078,228	78,268,578
Loss from operations	(35,521,339)	(36,700,693)	(128,263,382)	(7,239,847)	(207,725,260)
Finance cost	34,403,559	282,619	24,263,237	-	58,949,416
Share of loss from Associated Companies	180,279,619	-	-	-	180,279,619
Loss before taxation	(250,204,517)	(36,983,312)	(152,526,619)	(7,239,847)	(446,954,296)
Taxation					44,673,497
Loss after taxation					(491,627,793)

45.2 The management during the preceding financial year, keeping in view the on-going financial crises, has sold looms to Gulshan Weaving Mills Limited.

45.3 Geographical information	2014	2013
	Rupees	Rupees
The Company's revenue from external customers by geographical location is detailed below:		
Pakistan	1,294,791,994	752,601,636
Asia (excluding Pakistan)	14,650,231	176,246,959
Europe	917,354,609	1,512,229,932
Africa	5,437,012	-
North America	202,045,267	81,103,887
South America	-	8,824,585
	2,434,279,113	2,531,006,999

45.4 Segment assets and liabilities

	Spinning	Dying	Garments	Weaving	Total
----- Rupees -----					
As at June 30, 2013					
Segments assets	2,672,586,912	438,054,716	664,592,903	63,762,485	3,838,997,015
Inter segment assets					(789,826,337)
					3,049,170,678
As at June 30, 2012					
Segments Assets	2,713,470,577	521,431,214	1,134,021,910	68,207,480	4,437,131,181
Inter segment assets					(828,395,226)
					3,608,735,955

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

45.5 All non-current assets of the Company as at June 30, 2014 and June 30, 2013 were located and operating in Pakistan.

45.6 The Company has earned revenues from three (2013: two) customers aggregating Rs.1,496.509 million (2013: Rs.1,071.490 million) during the year ended June 30, 2014 which constituted 61% (2013: 42%) of the total revenues.

46. NUMBER OF EMPLOYEES	2014	2013
Number of employees as at June 30,		
- Permanent	524	1,572
- Contractual	382	1,514
Average number of employees during the year		
- Permanent	1,588	1,569
- Contractual	753	1,534

47. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 09, 2014 by the Board of Directors of the Company.

48. CORRESPONDING FIGURES

Prior year's figures have been restated consequent to the retrospective application of IAS 19 (Revised), as more fully explained in note 5. Other corresponding figures have been rearranged and reclassified for better presentation wherever considered necessary, the effect of which is not material.

KEY OPERATING AND FINANCIAL DATA for last six years

	2014 RUPEES	2013 RUPEES	2012 RUPEES	2011 RUPEES	2010 RUPEES	2009 RUPEES
OPERATING RESULTS						
Total number of spindles installed	25,920	25,920	25,920	25,920	25,920	25,920
Total spindles worked	24,379	18,559	15,327	23,287	25,649	24,930
Number of shifts worked per day	3	3	3	3	3	3
Installed capacity after conversion into 20's	8,841,118	8,841,118	8,841,118	8,841,118	8,841,118	8,841,118
Actual production after conversion into 20's	5,665,800	4,404,178	4,875,292	7,525,383	8,512,025	8,695,471
Turnover	2,434,279,113	2,531,006,999	3,844,878,196	4,992,391,443	3,093,109,670	2,811,466,485
Gross profit / (Loss)	(494,938,723)	(129,456,682)	(1,155,618,771)	684,395,033	548,732,921	448,356,557
Operating profit / (Loss)	(644,650,979)	(308,774,637)	(1,400,049,427)	457,561,310	381,686,891	285,459,296
Other income	795,804,467	129,285,204	370,492	4,028,762	3,722,749	18,878,570
Financial expenses	30,821,208	58,949,416	266,252,444	280,439,613	237,054,136	264,120,280
Profit/(Loss) before other charges	105,545,926	(418,718,469)	(2,636,980,574)	208,833,524	160,114,578	43,595,656
Other Charges	15,031,275	28,235,827	89,642,388	15,558,872	22,363,511	4,846,503
Profit/(loss) for the year before taxation	90,514,651	(446,954,296)	(2,726,622,962)	193,274,652	137,751,067	38,749,153
Profit/(loss) for the year after taxation	70,885,816	(491,627,793)	(2,730,772,330)	165,530,457	108,036,911	22,557,668
Reserves for issue of bonus shares	-	-	-	15,774,840	14,340,760	10,005,188
Proposed dividend	-	-	16,787,204	10,175,891	-	-
Unappropriated profit / (loss) carried forward	<u>(2,707,407,801)</u>	<u>(2,798,842,238)</u>	<u>(2,415,258,592)</u>	<u>332,300,942</u>	<u>192,721,216</u>	<u>99,025,065</u>
FINANCIAL POSITION						
Paid up capital	173,523,290	173,523,290	173,523,290	173,523,290	157,748,450	143,407,690
Shareholder's equity	(2,058,484,511)	(2,149,918,948)	(1,766,335,302)	981,224,232	825,869,666	717,832,755
Long term loans/ redeemable capital	142,235,639	-	-	230,492,143	41,733,397	64,718,657
Obligation under finance leases	-	-	-	28,862,163	43,324,547	43,931,626
Deferred liabilities	32,319,898	58,119,074	51,323,641	83,135,249	80,351,310	68,846,226
Current liabilities	3,073,147,853	3,078,370,803	3,130,808,774	2,033,146,259	1,948,176,539	1,810,198,960
Fixed assets	2,364,232,897	2,410,718,695	2,559,079,305	835,302,227	763,409,503	760,342,696
Long term investments	-	55,066,672	485,877,044	493,083,783	448,247,039	436,487,965
Long term deposits / loans	4,000,659	4,732,190	3,484,406	7,077,604	6,780,731	7,148,860
Current assets	680,937,122	1,138,218,398	1,398,633,644	2,285,572,125	1,966,188,683	1,746,719,200

Pattern of Shareholding As At June 30, 2014

Number of Shareholders	Shareholding		Shares Held	Percentage
	From	To		
1,999	1	100	24,495	0.14
457	101	500	113,837	0.66
208	501	1,000	163,821	0.94
142	1,001	5,000	364,668	2.10
33	5,001	10,000	262,399	1.51
10	10,001	15,000	127,858	0.74
7	15,001	20,000	128,097	0.74
2	20,001	25,000	48,590	0.28
2	25,001	30,000	56,500	0.33
2	30,001	35,000	65,197	0.38
1	35,001	40,000	37,173	0.21
3	40,001	45,000	128,922	0.74
3	45,001	50,000	141,418	0.81
1	55,001	60,000	55,500	0.32
1	60,001	65,000	61,000	0.35
1	85,001	90,000	83,500	0.48
1	100,001	105,000	101,500	0.58
1	120,001	125,000	124,500	0.72
1	130,001	135,000	134,221	0.77
1	155,001	160,000	157,668	0.91
1	175,001	180,000	178,383	1.03
1	310,001	315,000	314,622	1.81
1	575,001	580,000	576,961	3.32
1	800,001	805,000	803,651	4.63
2	990,001	995,000	1,989,156	11.46
1	1,010,001	1,015,000	1,022,233	5.89
1	1,125,001	1,130,000	1,125,148	6.48
1	1,345,001	1,350,000	1,347,907	7.77
1	1,495,001	1,500,000	1,499,776	8.64
1	1,500,001	1,505,000	1,500,000	8.64
1	1,950,001	1,955,000	1,951,186	11.24
1	2,660,001	2,665,000	2,662,442	15.34
2,889			17,352,329	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 Spouse and Minor Children	9	5,026,868	28.97
Associated Companies, Undertakings and Related Parties	2	2,847,683	16.41
NIT & ICP	4	1,952,919	11.25
Banks, Development Finance Institutions, Non-Banking Financial Institutions	6	995,595	5.74
Insurance Companies	1	576,961	3.32
General Public (Local)	2,851	3,041,850	17.53
Joint Stock Companies	4	51,464	0.30
Other Companies	12	2,858,989	16.48
	2,889	17,352,329	100.00

A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES
SHARES

GULISTAN TEXTILE MILLS LIMITED	1,347,907
GULISTAN FIBRES LIMITED	1,499,776

B) NIT & ICP

IDBL (ICP UNIT)	233
INVESTMENT CORPORATION OF PAKISTAN	1,400
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,951,186
NATIONAL BANK OF PAKISTAN TRUSTEE DEPARTMENT	100

C) DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSE AND MINOR CHILDREN
DIRECTORS

Mr. Tanveer Ahmed	2,662,442
Mr. Ali Afzal Shaikh	1,025,052
Mr. Riaz Ahmed	864
Mr. Muhammad Shafiq	500
Mr. Sohail Maqsood	605
Mr. Muhammad Maqbool Anjum	550

SPOUSES

Mrs. Naureen Tanveer	1,336,855
----------------------	-----------

D) BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS

BANKS

National Bank of Pakistan Investor Account (Former NDFC)	8
National Development Finance Corporation Ltd	110
National Bank of Pakistan	995,397
Midland Bank Trust Corporation (Jersey) Limited	38
Innovative Investment Bank Limited	42

INSURANCE

State Life Insurance Corporation of Pakistan	576,961
--	---------

E) Other Companies 2,858,989

F) Joint Stock Company 51,464

G) General Public (Local) 3,041,850

17,352,329

H) SHAREHOLDERS HOLDING 05% OR MORE

Mr. Tanveer Ahmed	2,662,442
CDC - Trustee National Investment (Unit) Trust	1,951,186
BLESSED CORPORATION (PVT.) LTD.	1,500,000
Gulistan Fibers Limited	1,499,776
Gulistan Textile Mills Limited	1,347,907
Mrs. Naureen Tanveer	1,336,855
Peridot Products (Pvt.) Limited	1,125,148
Mr. Ali Afzal Shaikh	1,025,052
National Bank of Pakistan	995,397

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

Paramount Spinning Mills Limited

I/We _____ being member of **Paramount Spinning Mills Limited** holder of _____ ordinary shares as per Share Register Filio No. _____ and/or CRC participant I.D. No. _____ Account No _____ hereby appoint Mr. _____ who is also member of **Paramount Spinning Mills Limited** vide Filio No. _____ or CDC participant I.D. No. _____ Account No. _____ or failing him/her of _____ of Mr. _____ who is also member of **Paramount Spinning Mills Limited** vide Filio No. _____ or CDC participant I.D. No. _____ Account No. _____ as my/our 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 10:00 a.m** and at any adjournment thereof.

As witness my/our 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 holding 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 in case of Proxy must enclose an attested copy of his/her NIC or passport.
5. Representative of corporate members should bring the usual documents required for such purpose.

Karachi Office:

2nd Floor, Finlay House,
I.I. Chundrigar Road,
Karachi Pakistan.

Ph +92 21 111 200 000

+92 21 3241 9943

Fax +92 21 3241 1559

Lahore Office:

2nd Floor, Garden Heights,
8 Aibak Block, New Garden Town,
Lahore, Pakistan.

Ph +92 42 111 200 000

+92 42 3594 1819-23

Fax +92 42 3594 1737-38