Contents

COMPANY INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

HR & REMUNERATION COMMITTEE

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

CHIEF FINANCIAL OFFICER

Mr. Nasir Mahmood

COMPANY SECRETARY

Mr. Javaid Iqbal

AUDITORS

M/s. Hameed Chaudhri & 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, 8 Aibak Block,
New Garden Town, Lahore.

MILLS

S.I.T.E. Kotri,
Raiwind

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 Thursday, May 16, 2013 at 10:30 a.m, to transact the following business:

1. To confirm the minutes of the last Annual General Meeting of the Company.
2. To receive, consider and adopt the audited financial statements of the Company for the financial year ended on June 30, 2012 together with Directors' and Auditors' Reports thereon.
3. To appoint Auditors of the Company for the next financial year 2012-13 and fix their remuneration. The retiring Auditors M/s Hameed Chaudhri & Co. Chartered Accountants, being eligible, have offered themselves for reappointment as Auditors of the Company.
4. To elect Seven (7) Directors as fixed by the Board of Directors in accordance with the provisions of section 178 of the Companies Ordinance, 1984 for the next term of three years. The retiring directors are:

1.	Mr. Tanveer Ahmed	2.	Mr. Riaz Ahmed
3.	Mr. Muhammad Shafiq	4.	Mr. Umer Hayat Gill
5.	Mr. Sohail Maqsood	6.	Mr. Iftikhar Ali
7.	Mrs. Rubina Rizvi		

All retiring Directors are eligible for re-election.

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

By Order of the Board

Lahore:
Dated: April 24, 2013

Company Secretary

NOTES:

1. The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from **9th May, 2013 to 16th May, 2013 (both days inclusive).**

2. Any person who seeks to contest the election of Directors shall file at the Registered Office of the Company, not later than 14 days before the day of meeting, notice of his /her intention to offer himself/herself for election of Directors in terms of Section 178 (3) of the Companies Ordinance, 1984.

3. A member entitled to attend and vote at the general meeting may appoint any other member as proxy in writing to attend the meeting and vote on his/her behalf.

4. Duly completed form(s) of proxy 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.

5. CDC Account holders will further have to follow the under-mentioned guidelines as laid down in circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

For Attending the Meetings

In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per regulations, shall authenticate his/her original valid Computerized National Identity Card (CNIC) or original passport at the time of attending meeting.

In case of Corporate Entity, Board of Director's Resolution/Power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

For Appointment of Proxies:

i. In case of individuals, the account holder or sub-account holders whose registration details are uploaded as per regulations, shall submit the Proxy Form as per above requirement.

ii. Attested copy of CNIC or the passport of beneficial owners and proxy shall be furnished with the Proxy Form.

iii. The Proxy shall produce his CNIC or the passport at the time of meeting.

iv. In case of corporate entity, the Board of Director's Resolution/Power of attorney with specimen signature shall be submitted (unless provided earlier) along with Proxy Form.

v. The Proxy Form shall be witnessed by two persons whose name, CNIC No. and address shall be mentioned on Proxy Form.

6. 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 Sharesholders

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, 2012 at the Annual General Meeting of company.

Overview

The year under review has been proved toughest period since inception of the Company. During the year under review highest levels of volatility in cotton and yarn prices were observed. Abnormal Gas and electricity load shedding further exacerbated the situation coupled with rising trends of energy costs; depreciating rupee against major currencies increased the cost of inputs day by day making it very difficult for local industries to remain competitive in international markets. The interest rate in Pakistan was highest in the region during the period under review and is badly hurting the profitability and competitiveness of our businesses.

The cotton prices remained volatile in this period with substantial fluctuations on month to month basis. Our credit lines where approved by financial instructions at the time when cotton price was around Rs. 3,000/- per maund. Due to volatility in cotton prices, the cotton price touched to Rs.13,000/- per maund, during the year under review, as a result of which the working capital requirement was increased. The company approached the financial institutions to approved the additional funding for the cotton purchase but instead of approving the additional funding, some of them abruptly curtailed the existing lines which created a disaster for the company as the production declined due to non procurement of cotton in time and we could not purchase cotton at cheaper rates. These adverse eventualities had a compounding effect on the company as the availability of working capital lines at the right time were not at our disposal. Due to the company's inability to purchase raw materials adequately it was unable to maximize production capacity which subsequently declined 45% of installed capacity. This hindered the Company's plan to achieve the desired production targets which badly affected our sales turnover as well as export orders.

In view of unilateral decision regarding blockage of working capital lines by the Financial institutions, adjustment of financial obligations from sale proceeds, delays in release of security, charging of high mark-up etc. forced the Company to file a suit before Honorable Lahore High Court jointly against financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for redemption / release of security, rendition of accounts, and recovery of damages, permanent injunction and ancillary reliefs. Since the matter is prejudice in the Honorable Lahore High Court, the company has not acknowledged its liability until the amount of principal and mark up is reconciled with the financial institutions in accordance with the above mentioned suit.

The debt amortization profile, higher interest cost and associated liquidity problems have forced the company to consider the 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. Once achieved, it would improve the company's financial health and liquidity of the Company.

Increasing global options available to long standing customers and competitive strategies adopted by other textile manufacturing countries in the region created further pressure on margins at a time when local cost of operations has continued to go up due to across the board increased utility cost and inflationary pressures. Inflationary pressures burdened our cost of production despite Company's efforts to implement cost cutting measures. Persistent and unprecedented energy crisis in the Country compelled the Company to generate required energy through higher cost substitutes. Increasing competition from local textile manufacturers also restricted our margins.

The company enjoyed very good reputation in the international as well as local market since its inception which is evident from its export turnover which was around 70% during the last three years.

We have been conscious of the issues that are affecting our profitability and are committed to plans to turn Company into profit by implementing the restructuring process for better financial position, strengthening our operations through proficient acumen, improving manufacturing processes and offering better service to our customers.

Operating & Financial Performance

Operating indicators	2012 Rupees	2011 Rupees
Sales	3,844,878,196	4,992,391,443
Gross Profit / (Loss)	(1,155,618,772)	684,395,033
Financial cost	266,252,442	280,439,613
Pre tax Profit / (Loss)	(2,726,622,963)	193,274,652
Provision for taxation	4,149,367	27,744,195
Profit / (Loss) after taxation	(2,730,772,330)	165,530,457

Future Prospects

Due to economic recession around the globe businesses conditions have been adversely affected in preceding three years. Though there have been some recovery of economies from the recession however, its effect is still far from over. In addition to global economic recession, serious internal issues also affected Pakistan's textile industry very significantly. 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, highest financial cost in the region and prolonged power cuts are posing serious threats to textile sector. On these fronts the situation is expected to remain volatile in the future.

Directors' Report to the Sharesholders

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 financing opportunities vis-a-vis reduction in finance cost for the Company. 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, interest costs, energy prices and rising inflation.

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.

Considering focus of stakeholders and support of management, challenges would be overcome and success would be achieved through consistent team effort. It is expected that the Company will emerge on stronger footings.

Auditors' observations

Due to pending litigation in the High Court against all banks/financial institutions for reconciliation of amounts and recovery of damages the company has not provided accrued markup in these accounts. Consequently banks/financial institutions have not confirmed the amounts which are already disputed by the company.

Regarding the auditor's observation for liquidity issues and its repercussions, the company is very hopeful that with reconciliation of amounts, release of security as per pending litigation with the Lahore High Court and in post re-profiling scenario, the financial health of the company will be improved which will enable the company to purchased 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

Five (5) meetings of the Board of Directors were held during the period under review. Attendance by each director is as follows:

Name of Director	No of meeting attended
Mr. Tanveer Ahmed	5
Mr. Riaz Ahmed	5
Mr. Sohail Maqsood	4
Mr. Umer Hayat Gill	3
Mr. Rubina Rizvi (NIT Nominee)	4
Mr. Iftikhar Ali (Appointed on 02-04-2012)	2
Mr. Muhammad Shafiq (Appointed on 26-12-2011)	3
Mr. Abdul Shakoor (Resigned on 26-12-2011)	2
Mr. Naseer Ahmed (Resigned on 02-04-2012)	3

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.

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 Company is doing well and 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.

Directors' Report to the Sharesholders

- 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, 2012 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.

Earning / (Loss) Per Share

The earning / (loss) per share of the company for the period ended June 30, 2012 was Rs. (157.37) as compared to the previous year of Rs. 9.54

Dividends

Due to circumstances discussed above, the Board of Directors does not recommend dividend for the year ended on June 30, 2012.

Human Resource

The Company believes that highly skilled and motivated workforce is essential for success. It gives priority to Human Resource Development. An effective corporate strategy ensuring continuous investment, in order to maintain and build valuable resources, is being implemented. The Company continues to provide challenging opportunities for growth of over 2,000 employees. The Company has created a culture that promotes teamwork, collaboration, openness and transparency of all processes and builds trust by being just and transparent in granting rewards and recognition. Complying with our Human Resource Polices, the Company does not employ any child labour and is an equal opportunity employer. Moreover Company gives the opportunity to special persons to contribute to the economy with self respect, dignity and honour.

Safety, Health and Environment

Your Company complies with the standards and follows the safety rules and regulations. Company provides and maintains, so far as practicable equipment, systems and working conditions which are safe and without risk to the health and safety of our employees. The Board is pleased to inform that various sessions on safety awareness are held and by the grace of Almighty no major accident was reported during the year under review.

Management has maintained its strong commitment to a safe environment in all its operations throughout the year. Your Company actively strives to mitigate all adverse environmental impact arising out of our operations and strictly adheres to legal regulations.

As a commitment to comply with international standards, the Company opted to adopt Social Accountability Standard SA-8000 and is now a certificated Company.

Energy Conservation

Energy conservation is one of our key focus areas of the Management. Your Company however is trying its level best for benchmarking energy consumption levels with accepatable industrial standards and consistently works towards improving efficiencies further. In this regard Energy Management System has been established at all units of the Company. Theoretical and practical training has been imparted to a team by PISD, GTZ, SMEDA and APTMA. These Organizations have also carried out the Energy Audit of different Spinning units and their recommendations have effectively been implemented. Above Organizations are regularly visiting the spinning units for follow up on energy conservation activities.

Corporate Social Responsibility

Investing in the communities where we operate is part of the Company's culture. Even in financial crunch the company continues to focus its Corporate Social Responsibility initiatives to address the most pressing needs in the communities. During 2011-12, the Company contributed Rs. 459,630 towards the above initiatives.

Information Technology

The Information Technology provides requisite leverage to the Company to boost its performance. We are fully focused to develop this key resource of the Company in line with the increasing requirements of the business. Our IT department spent significant time on introducing new IT systems in various processes as well as upgrading integration of running applications at various locations. Head Office, Registered Office and Mills sites are now connected through radio link over a High Speed Wide Area Network which has a high level of security through firewalls and state of the art technology. The centralized database is being managed at head office for easy access to MIS reports and information. E portal services are being introduced. Moreover different locations of the Company are now equipped with Video Conferencing facility and meetings of the Company are conducted more economically and efficiently.

To enhance efficiencies and as a part of business process re-engineering for continuous improvements, the Company is initiating implementation of Enterprise Resource Planning (ERP) system for its financial, supply chain, manufacturing, production and human resource management system. In order to support this ERP, state of the art servers are being selected.

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:

Opening Balance as on 01-07-2011	Purchases	Sale	Closing Balance as on 30-06-2012
		NIL	

Directors' Report to the Sharesholders

Statement on Value of Staff Retirement Benefit

As on June 30, 2012 deferred liability for gratuity is Rs. 51.32 Million.

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 2012-2013.

Pattern of Shareholding

The pattern of shareholding as at June 30, 2012 including the information under the code of corporate 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: April 22, 2013

TANVEER AHMED
Chief Executive

Review Report to the members
on statement of compliance with best practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Paramount Spinning Mills Limited** to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal 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.

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2012.

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

KARACHI;

Statement of Compliance
with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance 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 Five (5) non-executive directors.
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 their personal capacity in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies occurring in the Board during the period under review.
5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company alongwith its supporting policies and procedures.
6. The business operations of the Company are carried out in accordance with the Company's 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 terms and conditions of employment of the chief executive officer and executive and non-executive directors have been taken by the Board/shareholders.
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 atleast 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 directors on the Board are well conversant with their responsibilities as directors of corporate bodies as the company had arranged briefings for its directors to apprise them of their duties and responsibilities. Two (2) Directors of the Company are exempt from directors training programme 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. 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. After implementation of revised Code of Corporate Governance, 2012, the board has formed an HR and Remuneration Committee. It comprises of following three board members:

Name	Type of Directorship	Position
a) Mr. Umer Hayat Gill	Non-Executive	Chairman
b) Mr. Tanveer Ahmed	Executive	Member
c) Mr. Muhammad Shafiq	Non-Executive	Member

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.

Lahore:
Dated: April 22, 2013

TANVEER AHMED
Chief Executive

Auditors' Report to the Members

We have audited the annexed balance sheet of **PARAMOUNT SPINNING MILLS LIMITED** (the Company) as at June 30, 2012 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 (b) 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) Mark-up / interest on the short term and long term borrowings aggregating Rs.53.496 million has not been accrued in these financial statements thereby reducing loss for the year, share holders' equity and current liabilities by the said amount as fully detailed in notes 24.1 and 27.1.1.

(b) Year-end confirmation certificates from all banks and financial institutions in respect of lease deposits (note 7), bank balances (note 15), long term finances (note 20), liabilities against assets subject to finance lease (note 21), payables against over due letters of credit (note 23.2), accrued mark-up / interest (notes 24 & 13) and short term borrowings (note 25) have not been received due to pending litigations with these banks and financial institutions.

(c) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(d) in our opinion:

   (i) 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;

   (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;

(e) in our opinion and to the best of our information and according to the explanations given to us, except for the matters detailed in aforementioned paragraphs (a) and (b) and the extent to which these may affect the annexed financial statements, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and, respectively give a true and fair view of the state of the Company's affairs as at June 30, 2012 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

(f) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

Without further qualifying our opinion we draw attention to note 1.3 to the financial statements, which indicates that the Company incurred net loss of Rs.2,730.772 million during the year ended June 30, 2012 and, as of that date, the Company's current liabilities exceeded its current assets by Rs.1,732.175 million. These conditions, along with other matters as set-forth in note 1.3, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements, however, have been prepared on the going concern basis on the assumptions as detailed in aforesaid note. Attention is also drawn to note 27.1.1 to the financial statements, which describes the uncertainty related to the outcome of the law suits filed by and against the Company. Since the matters are pending for adjudication before various courts, the ultimate outcome of these matters cannot presently be determined.

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

KARACHI;

BALANCE SHEET AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	5	**2,559,079,303**	835,302,227
Long term investments	6	**485,877,044**	493,083,783
Long term deposits	7	**3,484,406**	7,077,604
		3,048,440,753	1,335,463,614
Current Assets			
Stores, spare parts and loose tools	8	**65,742,414**	69,917,082
Stock-in-trade	9	**827,462,371**	1,665,286,411
Trade debts	10	**280,097,890**	286,027,858
Loans and advances	11	**94,558,258**	88,106,328
Deposits and prepayments	12	**5,413,678**	3,108,840
Accrued mark-up / interest	13	**504,796**	260,499
Other receivables	14	**109,641,732**	104,645,515
Cash and bank balances	15	**15,212,504**	68,219,592
		1,398,633,643	2,285,572,125
Total Assets		**4,447,074,396**	3,621,035,739
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital	16	**173,523,290**	173,523,290
Reserves	17	**475,400,000**	475,400,000
(Accumulated loss) / unappropriated profit		**(2,415,258,592)**	332,300,942
		(1,766,335,302)	981,224,232
Surplus on Revaluation of Operating Fixed Assets	18	**2,856,277,285**	89,175,693
Sub-ordinate Loan	19	**175,000,000**	175,000,000
Non Current Liabilities			
Long term finances	20	**-**	230,492,143
Liabilities against assets subject to finance lease	21	**-**	28,862,163
Deferred liabilities	22	**51,323,641**	83,135,249
		51,323,641	342,489,555
Current Liabilities			
Trade and other payables	23	**1,217,043,972**	378,397,117
Accrued mark-up / interest	24	**17,780,853**	56,057,180
Short term borrowings	25	**1,585,836,630**	1,485,896,069
Current maturity of non-current liabilities	26	**269,096,801**	80,196,746
Taxation - net		**41,050,516**	32,599,146
		3,130,808,772	2,033,146,259
Contingencies and Commitments	27		
Total equity and liabilities		**4,447,074,396**	3,621,035,739

The annexed notes 1 to 44 form an integral part of these financial statements.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

PROFIT AND LOSS ACCOUNT
for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
Sales	28	3,844,878,196	4,992,391,443
Cost of Sales	29	5,000,496,968	4,307,996,410
Gross (loss) / profit		(1,155,618,772)	684,395,033
Distribution cost	30	169,241,320	155,832,762
Administrative expenses	31	75,189,336	71,000,961
Other operating expenses	32	89,642,388	15,558,872
Other operating income	33	(370,491)	(4,028,762)
		333,702,553	238,363,833
(Loss) / profit from Operations		(1,489,321,325)	446,031,200
Finance cost	34	266,252,442	280,439,613
		(1,755,573,767)	165,591,587
Share of (loss) / profit of Associated Companies		(971,049,196)	27,683,065
(Loss) / profit before taxation		(2,726,622,963)	193,274,652
Taxation	35	4,149,367	27,744,195
(Loss) / profit after taxation		(2,730,772,330)	165,530,457
(Loss) / earnings per share	36	(157.37)	9.54

The annexed notes 1 to 44 form an integral part of these financial statements.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

STATEMENT OF COMPREHENSIVE INCOME
for the year ended June 30, 2012

	2012	2011
	Rupees	Rupees
(Loss) / profit after taxation	**(2,730,772,330)**	165,530,457
Other comprehensive income	**-**	-
Total comprehensive (loss) / income for the year	**(2,730,772,330)**	165,530,457

The annexed notes 1 to 44 form an integral part of these financial statements.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

CASH FLOW STATEMENT
for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	311,257,348	255,581,985
Interest paid		(304,528,769)	(275,598,013)
Interest received		114,601	218,693
Income tax paid		(31,771,678)	(46,927,064)
Gratuity paid		(11,512,481)	(9,302,041)
Net cash used in operating activities		(36,440,979)	(76,026,440)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(30,829,054)	(115,886,066)
Dividend received		1,851,517	1,851,517
Long term deposits - net		-	(296,873)
Net cash used in investing activities		(28,977,537)	(114,331,422)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - net		(53,713,945)	231,699,597
Lease finances - net		(19,568,380)	(16,890,625)
Short term borrowings - net		99,940,561	(7,828,356)
Dividend paid		(14,246,808)	(10,052,073)
Net cash generated from financing activities		12,411,428	196,928,543
Net (decrease) / increase in cash and cash equivalents		(53,007,088)	6,570,682
Cash and cash equivalents - at beginning of the year		68,219,592	61,648,910
Cash and cash equivalents - at end of the year		15,212,504	68,219,592

The annexed notes 1 to 44 form an integral part of these financial statements.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended June 30, 2012

		Reserves		Unappropriated profit / (Accumulated loss)	
	Share Capital	Share Premium	General Reserve		Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 1, 2010	157,748,450	15,400,000	460,000,000	192,721,216	825,869,666
Transactions with owners					
Cash dividend for the year ended June 30, 2010 at the rate of Re.1 per share - note 41.2	-	-	-	(10,175,891)	(10,175,891)
Bonus shares issued during the year in ratio of 1 share for every 10 shares held	15,774,840	-	-	(15,774,840)	-
	15,774,840	-	-	(25,950,731)	(10,175,891)
Total comprehensive income for the year	-	-	-	165,530,457	165,530,457
Balance as at June 30, 2011	**173,523,290**	**15,400,000**	**460,000,000**	**332,300,942**	**981,224,232**
Transaction with owners					
Cash dividend for the year ended June 30, 2011 at the rate of Rs.1.5 per share - note 41.2	-	-	-	(16,787,204)	(16,787,204)
Total comprehensive loss for the year	-	-	-	(2,730,772,330)	(2,730,772,330)
Balance as at June 30, 2012	**173,523,290**	**15,400,000**	**460,000,000**	**(2,415,258,592)**	**(1,766,335,302)**

The annexed notes 1 to 44 form an integral part of these financial statements.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

1. THE COMPANY AND ITS OPERATIONS

1.1 Paramount Spinning Mills Limited (the Company) was incorporated as a public limited Company on August 22, 1981 and its shares are listed on Karachi and Lahore Stock Exchanges in Pakistan. The registered office is located at Finlay House, I.I. Chundrigar Road, Karachi. The manufacturing facilities of the Company are located at Kotri, Ferozewattwan and Raiwind. The Company is principally engaged in progressive manufacture and sales of cotton yarn, fabric, yarn dyeing and garments.

1.2 The Board of Directors of the Company in its meeting held April 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 01, 2011 in which the above said scheme was approved by the shareholders of the Company. The Company is in the process of obtaining No Objection Certificates from its creditors and lenders.

1.3 Going concern assumption

Due to worldwide recession, non-availability of sufficient working capital lines from financial institutions, country's internal situation which has turned from bad to worst like deteriorating law and order situation, non-availability of electricity and gas to the industry, high fuel and power cost, reduction in the Company's margin due to high production cost, devaluation of rupee against U.S Dollar, the Company could not sustain its operations in normal manners specially its spinning segment. All of these factors along with blockage and curtailment of working capital lines by the financial institutions have forced the Company to under-utilise its plant capacity which resulted in huge losses. The Company has incurred net loss of Rs.2,730.772 million during the year which resulted in accumulated loss of Rs.2,415.259 million and the equity has been eroded and stands at negative Rs.1,766.335 million. Further, the Company's current liabilities exceeded its current assets by Rs.1,732.175 million. These financial statements, however, have been prepared under the going concern assumptions due to following reasons:

(a) the management along with leading financial institutions are negotiating with banks and financial institutions for reconciliation of amounts, rescheduling of repayment terms and restructuring of the Company's liabilities. Series of meetings have been held in this connection and the matter is being persuaded very aggressively with the banks and financial institutions;

(b) the management is expecting equity injection from the Company's sponsor directors in the foreseeable future and detailed financial plans, regarding equity injection, are being submitted to banks and financial institutions. This will help in overcoming the working capital shortfall and finalisation of the restructuring of finance facilities;

(c) the management have made arrangements whereby third party cotton is being processed against processing fee for utilisation of unutilised capacity in spinning segment. Despite all of the abovementioned financial and economic difficulties, the Company has achieved remarkable export in Garments segment in coming years and also enjoying sound relationship with foreign buyers; and

(d) the management has also undertaken adequate steps towards the reduction of fixed cost and expenses which are at various stages of implementation. Such steps include, but not limited to, rightsizing of the men power, resource conservation, close monitoring of other fixed cost etc. The management is certain to generate sufficient savings as consequences of adapting all such measures.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

2.2 Functional and presentation currency

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

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

There are certain new standards, amendments to approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011, but are considered not to be relevant or did not have any significant impact on the Company’s financial statements and are, therefore, not detailed in these financial statements.

2.4 Standards, amendments to approved accounting standards and interpretations that are published and considered relevant but not yet effective

Following new standards and amendments to existing standards have been published that are mandatory for accounting periods beginning on the dates mentioned below:

(a) IFRS 9, ‘Financial Instruments’ (effective for the periods beginning on or after January 1,2015).This is the first standard issued as part of a wider project to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets at (a) amortised cost and (b) fair value. The basis of classification depends on entity’s business model and the contractual cash flow characteristics of the financial asset. The Company is yet to assess the full impact of IFRS 9, however, initial indications are that it may not significantly affect the Company’s financial assets.

(b) IAS 1 (Amendments), ‘Presentation of Financial Statements’ (effective for the periods beginning on or after July 1, 2012).The main change resulting from these amendments is a requirement for the entities to group items presented in ‘other comprehensive income’ on the basis of whether they can be potentially reclassified to profit and loss subsequently (reclassification adjustments). Since, the Company currently does not have any items of other comprehensive income, the amendments are not expected to have a significant impact on the Company’s financial statements.

(c) IAS 19 (Amendments), ‘Employee benefits’ (effective for the periods beginning on or after January 1, 2013). The amendments (a) eliminate the ‘corridor method’ for recognising actuarial gains and losses and make it mandatory for all the actuarial gains and losses to be recognised immediately, (b) streamline the presentation of changes in assets and liabilities arising from defined benefit plans by reclassifying their presentation in other comprehensive income and (c) enhance disclosure requirements for providing better information about the characteristics of the defined benefit plans and the risks that entities are exposed to through participation in these plans. The Company is yet to assess the full impact of these amendments.

2.5 Standards, amendments to approved accounting standards and interpretations that are not yet effective and are not considered relevant

There are other new accounting standards, amendments to approved accounting standards and interpretations that are mandatory for future years. However these are not expected to affect materially the financial statements of the Company for accounting periods on the dates prescribed therein.

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention except that certain operating fixed assets have been included at the revalued amounts, certain financial assets are carried at fair values and staff retirement benefit is stated at present value.

3.2 The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates / judgements and associated assumptions are based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects the both current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgements were exercised in application of accounting policies are:

- residual values and useful lives of operating assets (note 4.1);

- net realizable values of stores, spares & loose tools and stock-in-trade (note 4.5);

- provision for impairment of trade debts (note 4.6);

- staff retirement benefit (note 4.9 & 22.1); and

- provision for current and deferred taxation (note 4.11).

4. SIGNIFICANT ACCOUNTING POLICIES

The significant 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, unless otherwise stated.

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 5.1. Depreciation on additions is charged from the day in which an asset becomes available for use, while on disposals depreciation is charged up to the day of disposal.

The depreciation method and useful lives of items of operating fixed assets 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.

Surplus arising on revaluation of operating fixed assets 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 operating fixed assets 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 the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount resulting impairment charge recognized in income.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

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 5.1applying 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 realizable 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 up to 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 up to 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

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 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.

4.8 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.

4.9 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, 2012 using the "Projected Unit Credit Method".

The amount recognised in the balance sheet is the present value of the defined benefit obligation. The Company has policy of immediate recognition of actuarial gains / losses arising during the year.

4.10 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.

4.11 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, 2012

4.12 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.

4.13 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for 'financial instruments at fair value through profit or loss' which are initially recognised at fair value.

Financial assets are derecognised when the Company losses control of contractual rights that comprise the financial assets and financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except for available for sale investments) and de-recognition is charged to profit or loss currently.

Financial instruments carried on the balance sheet include long term & short term deposits, trade debts, loans and advances, accrued mark-up / interest, other receivables, bank balances, long term finances, liabilities against assets subject to finance lease, trade & other payables, accrued mark-up / interest and short term borrowings. The particular recognition and measurement methods adopted are disclosed in the individual policy statements associated with each item and in the accounting policy of investments.

4.14 Offsetting of financial instruments

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 realize the asset and settle the liability simultaneously.

4.15 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.

4.16 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.

4.17 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

- 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.

- Gain on sale and lease back transactions are treated as deferred income and is amortised over the respective periods of lease terms.

4.18 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.

4.19 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.

4.20 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.

4.21 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.

	Note	2012 Rupees	2011 Rupees
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	**5.1**	**2,557,894,389**	830,911,170
Capital work-in-progress	**5.6**	**1,184,914**	4,391,057
		2,559,079,303	835,302,227

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

5.1 Operating fixed assets

	OWNED										LEASED			
	Leasehold land	Buildings on leasehold land	Freehold land	Buildings on Freehold land	Plant and machinery	Electric Installations	Mills equipment	Vehicles	Furniture and fixtures	Office equipment	Plant and machinery	Vehicles	Electric Installations	Total
	Rupees													
At July 1, 2010														
Cost	1,698,595	75,463,575	32,683,561	134,922,865	912,610,381	47,622,283	36,373,549	18,894,087	10,892,356	16,589,501	115,422,718	17,607,091	2,578,186	1,423,358,748
Accumulated depreciation	111,952	41,384,677	-	28,644,419	494,277,873	22,628,394	18,153,862	14,606,404	5,797,858	7,845,909	19,098,133	8,744,608	1,921,481	663,215,570
Net book value	1,586,643	34,078,898	32,683,561	106,278,446	418,332,508	24,993,889	18,219,687	4,287,683	5,094,498	8,743,592	96,324,585	8,862,483	656,705	760,143,178
Year ended June 30, 2011														
Opening net book value	1,586,643	34,078,898	32,683,561	106,278,446	418,332,508	24,993,889	18,219,687	4,287,683	5,094,498	8,743,592	96,324,585	8,862,483	656,705	760,143,178
Additions	-	1,277,783	-	897,849	98,217,325	3,392,090	1,830,941	-	3,289,087	688,250	-	5,168,000	-	114,761,325
Transfer from / (to)														
- cost	-	-	-	-	12,688,173	-	-	-	-	-	(12,688,173)	-	-	-
- depreciation	-	-	-	-	(3,623,596)	-	-	-	-	-	3,623,596	-	-	-
	-	-	-	-	9,064,577	-	-	-	-	-	(9,064,577)	-	-	-
Depreciation charge for the year	22,954	1,724,778	-	5,324,624	23,069,266	2,592,827	1,895,201	989,691	686,985	909,423	4,701,749	2,010,165	65,670	43,993,333
Closing net book value	**1,563,689**	**33,631,903**	**32,683,561**	**101,851,671**	**502,545,144**	**25,793,152**	**18,155,427**	**3,297,992**	**7,696,600**	**8,522,419**	**82,558,259**	**12,020,318**	**591,035**	**830,911,170**
At June 30, 2011														
Cost	1,698,595	76,741,358	32,683,561	135,820,714	1,023,515,879	51,014,373	38,204,490	18,894,087	14,181,443	17,277,751	102,734,545	22,775,091	2,578,186	1,538,120,073
Accumulated depreciation	134,906	43,109,455	-	33,969,043	520,970,735	25,221,221	20,049,063	15,596,095	6,484,843	8,755,332	20,176,286	10,754,773	1,987,151	707,208,903
Net book value	1,563,689	33,631,903	32,683,561	101,851,671	502,545,144	25,793,152	18,155,427	3,297,992	7,696,600	8,522,419	82,558,259	12,020,318	591,035	830,911,170
Year ended June 30, 2012														
Opening net book value	1,563,689	33,631,903	32,683,561	101,851,671	502,545,144	25,793,152	18,155,427	3,297,992	7,696,600	8,522,419	82,558,259	12,020,318	591,035	830,911,170
Additions	-	2,139,780	-	5,655,776	21,979,393	2,551,268	1,047,541	-	326,420	335,020	2,161,100	1,031,000	-	37,227,298
Transfer from / (to) - note 5.4														
- cost	-	-	-	-	-	-	-	2,296,741	-	-	-	(2,296,741)	-	-
- depreciation	-	-	-	-	-	-	-	(1,458,575)	-	-	-	1,458,575	-	-
	-	-	-	-	-	-	-	838,166	-	-	-	(838,166)	-	-
Revaluation adjustments														
- cost	91,451,405	331,125,387	361,286,439	66,890,385	128,387,170	22,989,051	17,331,652	-	-	-	49,334,096	-	-	1,068,795,585
- depreciation	157,568	44,856,419	-	39,142,364	510,844,087	26,625,597	20,311,463	-	-	-	23,698,406	-	1,667,682	667,303,586
	91,608,973	375,981,806	361,286,439	106,032,749	639,231,257	49,614,648	37,643,115	-	-	-	73,032,502	-	1,667,682	1,736,099,171
Depreciation charge for the year	22,662	1,746,964	-	5,227,351	25,621,258	2,717,380	1,871,392	893,131	794,147	870,687	4,233,595	2,285,579	59,104	46,343,250
Closing net book value	**93,150,000**	**410,006,525**	**393,970,000**	**208,312,845**	**1,138,134,536**	**75,241,688**	**54,974,691**	**3,243,027**	**7,228,873**	**7,986,752**	**153,518,266**	**9,927,573**	**2,199,613**	**2,557,894,389**
At June 30, 2012														
Revaluation / cost	93,150,000	410,006,525	393,970,000	208,366,875	1,173,882,442	76,554,692	56,583,683	21,190,828	14,507,863	17,612,771	154,229,741	21,509,350	2,578,186	2,644,142,956
Accumulated depreciation	-	-	-	54,030	35,747,906	1,313,004	1,608,992	17,947,801	7,278,990	9,626,019	711,475	11,581,777	378,573	86,248,567
Net book value	**93,150,000**	**410,006,525**	**393,970,000**	**208,312,845**	**1,138,134,536**	**75,241,688**	**54,974,691**	**3,243,027**	**7,228,873**	**7,986,752**	**153,518,266**	**9,927,573**	**2,199,613**	**2,557,894,389**
Depreciation rate (%)		**5**	**-**	**5**	**5**	**10**	**10**	**20**	**10**	**10**	**5**	**20**	**10**	

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

		2012	2011
		Rupees	Rupees
5.2	**Depreciation for the year has been apportioned as under:**		
	Cost of goods manufactured	**41,499,705**	39,397,067
	Distribution cost	**97,530**	90,632
	Administrative expenses	**4,746,014**	4,505,632
		46,343,249	43,993,331

5.3 The Company has given power looms and related equipment & accessories having aggregate net book value of Rs.126.478 million to Gulshan Weaving Mills Limited (a related party) for production of cloths. These looms are installed at the premises of the Related Party.

5.4 Leased assets include plant & machinery at net book value of Rs.32.853 million and vehicles at net book value of Rs.2.250 million which have not been transferred to owned assets due to non-availability of relevant documents. Lease liability in respect of these assets has been fully repaid but due to litigation with the financial institutions as detailed in note 27.1.1 they have not issued relevant supporting documents for transfer of ownership.

5.5 Had the operating fixed assets been recognised under the cost model, the carrying amounts of each revalued class of operating fixed assets for the year ended June 30, 2012 would have been as follows:

	Rupees
Owned	
Leasehold land	**1,541,027**
Buildings on leasehold land	**34,024,719**
Freehold land	**32,683,561**
Buildings on Freehold land	**102,280,096**
Plant and machinery	**498,903,279**
Electric installations	**25,627,040**
Mill equipment	**17,331,576**
Leased	
Plant and machinery	**80,485,764**
Electric Installation	**531,931**
	793,408,993

		Note	2012	2011
			Rupees	Rupees
5.6	**Capital Work-in-progress**			
	Civil works		**1,184,914**	4,191,057
	Machinery		**-**	200,000
			1,184,914	4,391,057
6.	**LONG TERM INVESTMENTS**			
	In Associated Companies			
	Quoted			
	Gulistan Textile Mills Limited	**6.1**	**33,947,557**	349,502,789
	Gulistan Spinning Mills Limited	**6.2**	**42,768**	7,536,635
	Unquoted			
	Gulistan Fibers Limited	**6.3**	**196,001,042**	107,109,326
	Gulistan Power Generations Limited	**6.4**	**255,885,677**	28,935,033
			485,877,044	493,083,783

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

		Note	2012 Rupees	2011 Rupees
6.1	**Gulistan Textile Mills Limited (GTML)**			
	1,648,740 (2011:1,648,740) ordinary shares of Rs.10 each - cost		**108,659,040**	108,659,040
	Equity held 8.68% (2011: 8.68%)			
	Market value Rs.33.948 million (2011: Rs.30.667 million)			
	Share of post acquisition (losses) / profits		**(528,614,496)**	177,664,633
	Share of surplus on revaluation of fixed assets		**520,860,200**	64,827,856
	Dividend received during the year		**(1,648,740)**	(1,648,740)
			99,256,004	349,502,789
	Less: impairment loss recognised	**32**	**65,308,447**	-
			33,947,557	349,502,789
6.2	**Gulistan Spinning Mills Limited (GTSM)**			
	202,777 (2011: 202,777) ordinary shares of Rs 10 each - cost		**2,346,250**	2,346,250
	Equity held 1.39% (2011: 1.39%)			
	Market value Rs.0.842 million (2011: Rs.2.231 million)			
	Share of post acquisition (losses) / profits		**(16,490,979)**	4,034,439
	Share of surplus on revaluation of fixed assets		**14,390,274**	1,358,723
	Dividend received during the year		**(202,777)**	(202,777)
			42,768	7,536,635
6.3	**Gulistan Fibers Limited (GFL)**			
	741,185 (2011: 741,185) ordinary shares of Rs 10 each - cost		**5,530,760**	5,530,760
	Equity held 37.30% (2011: 37.30%)			
	Break up value Rs.230.14 (2011: Rs.117) per share			
	Share of post acquisition (losses) / profit		**(148,203,994)**	78,589,452
	Share of surplus on revaluation of fixed assets		**338,674,276**	22,989,114
			196,001,042	107,109,326
6.4	**Gulistan Power Generations Limited (GPGL)**			
	2,465,980 (2011: 2,465,980) ordinary shares of Rs 10 each - cost		**22,418,000**	22,418,000
	Equity held 33.76% (2011: 33.76%)			
	Break up value Rs.118.73 (2011: Rs.26.70) per share			
	Share of post acquisition (losses) / profit		**(12,785,687)**	6,517,033
	Share of surplus on revaluation of fixed assets		**246,253,364**	-
			255,885,677	28,935,033

6.5 The above figures are based on the unaudited financial statements for the year ended June 30, 2012 of the Associated Companies.

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

6.7 Summarised financial information of associated companies as at June 30, 2012 is as follows:

Particulars	Total assets		Total liabilities		Revenue		Profit / (loss) after taxation	
	As at June 30, 2012	As at June 30, 2011	**As at June 30, 2012**	As at June 30, 2011	**For the year ended June 30, 2012**	For the year ended June 30, 2011	**For the year ended June 30, 2012**	For the year ended June 30, 2011
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
GTML	**8,958,953**	11,274,383	**9,939,599**	8,289,314	**5,689,049**	9,678,222	**(9,434,723)**	259,033
GTSM	**2,131,464**	2,001,836	**2,242,998**	1,534,104	**1,602,248**	2,662,982	**(1,520,585)**	53,041
GFL	**859,395**	686,497	**326,277**	476,535	**103,153**	252,723	**(607,993)**	13,760
GPGL	**1,057,363**	343,051	**190,053**	148,008	**334,410**	533,181	**(57,178)**	(2,018)

	Note	2012 Rupees	2011 Rupees
7. LONG TERM DEPOSITS			
Security deposits		**3,484,406**	3,484,406
Lease deposits		**4,509,803**	4,873,829
		7,994,209	8,358,235
Less: transferred to current assets			
- deposits pertaining to lease liabilities to be paid-off within next twelve months		**1,886,648**	1,280,631
- deposits pertaining to lease liabilities to be paid-off after June 30, 2013	**21.3**	**2,623,155**	-
		4,509,803	1,280,631
		3,484,406	7,077,604
8. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		**16,255,273**	16,258,884
Spare parts		**41,248,847**	41,258,011
Loose tools		**8,238,294**	8,240,125
Items in transit		**-**	4,160,062
		65,742,414	69,917,082
9. STOCK-IN-TRADE			
Raw materials			
- at mills	**9.1**	**432,589,114**	873,652,876
- in transit		**-**	1,693,247
		432,589,114	875,346,123
Packing material		**75,795,816**	75,812,654
Work in process		**85,268,559**	71,725,307
Finished goods	**9.2**	**207,370,170**	638,175,512
		26,438,712	4,226,815
		827,462,371	1,665,286,411

9.1 Raw materials include items costing Rs.360.818 million (2011:Rs.945.481 million) stated at their replacement cost aggregating Rs.268.555 million (2011:Rs.873.652 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. 92.263 million (2011: Rs.71.829 million).

9.2 Finished goods include items costing Rs.138.292 million (2011:Rs.656.717 million) stated at their net realisable values aggregating Rs.117.867 million (2011 Rs.638.175 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. 20.425 million (2011: Rs.18.542 million).

9.3 All of the current assets of the Company are under banks' charge as security of short term borrowings (note 25). The Company has filed a suit in the Lahore High Court against all banks / financial institutions under Section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs. The Lahore High Court vide its order dated October 25, 2012 has ordered not to disturb the present position of current assets and fixed assets of the Company.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

		Note	2012 Rupees	2011 Rupees
10.	**TRADE DEBTS**			
	Considered good			
	Local - unsecured	**10.1**	**82,746,811**	137,067,314
	Export - secured		**197,351,079**	148,960,544
			280,097,890	286,027,858
	Considered doubtful		**16,661,903**	-
			296,759,793	286,027,858
	Less: provision for doubtful debts		**16,661,903**	-
			280,097,890	286,027,858
10.1	**This Includes following amounts which pertain to related parties:**			
	Gulshan Weaving Mills Limited		**18,680,411**	5,746,914
	Gulshan Spinning Mills Limited		**27,539,660**	7,343,486
	Gulistan Fibers Limited		**2,934,135**	12,292,338
			49,154,206	25,382,738
11.	**LOANS AND ADVANCES** - Unsecured, Considered good			
	Advances to / against:			
	- non-executive staff		**5,411,832**	3,682,911
	- suppliers		**38,875,594**	36,760,865
	- expenses		**4,180,503**	1,314,842
			48,467,929	41,758,618
	Advance Income tax		**45,519,843**	46,347,710
	Letters of credit		**570,486**	-
			94,558,258	88,106,328
12.	**DEPOSITS AND PREPAYMENTS**			
	Current portion of lease deposits	**7**	**4,509,803**	1,280,631
	Prepayments	**12.1**	**903,875**	1,828,209
			5,413,678	3,108,840

12.1 This includes advance payment to Gulistan Power Generations Limited, an Associated Company amounting to Rs.0.108 million (2011: Rs.1.291 million) against supply of electricity.

		2012 Rupees	2011 Rupees
13.	**ACCRUED MARK-UP / INTEREST**		
	Mark-up / interest accrued on deposit accounts	**226,906**	111,589
	Receivable from banks	**277,890**	148,910
		504,796	260,499

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

		Note	2012 Rupees	2011 Rupees
14.	**OTHER RECEIVABLES** - Unsecured, Considered good			
	Custom duty		**-**	4,375,143
	Federal excise duty		**1,049,974**	1,054,468
	Rebate on research expenses on garments		**851,817**	927,875
	Export rebate		**29,087,253**	16,991,438
	SBP refundable		**5,537,809**	1,713,536
	Duty drawback		**45,783,491**	53,294,289
	Insurance claims receivable		**452,095**	2,606,722
	Sales tax		**26,879,293**	23,682,044
			109,641,732	104,645,515
15.	**CASH AND BANK BALANCES**			
	Cash-in-hand		**4,395,253**	6,083,882
	Balances with banks on:			
	- current accounts	**15.1 & 15.4**	**4,217,159**	57,494,421
	- deposit accounts	**15.2 & 15.4**	**24,392**	297,733
	- term deposit receipts	**15.3 & 15.4**	**6,575,700**	4,343,556
			10,817,251	62,135,710
			15,212,504	68,219,592

15.1 These include U.S. Dollars 644 equivalent to Rs.55,325 (2011: U.S. Dollars 644 equivalent to Rs.55,229).

15.2 Deposit accounts carry mark-up at rates ranging from 2.00% to 5.00% (2011: 4.77% to 7.50%) per annum.

15.3 Term deposit receipts (TDRs) carry mark-up at the rates ranging from 5.00% to 12.25% (2011: 5.00% to 12.25%) per annum. One of the TDRs is under lien with a bank against guarantee amounting Rs.68,500 (2011: Rs.68,500)

15.4 Majority of the Company's bank accounts operations have been blocked by the respective bank due to litigation with these banks as detailed in note 27.1.1. Due to on-going litigation no confirmations have been received.

16. **SHARE CAPITAL**

2012 No. of shares	2011 No. of shares		2012 Rupees	2011 Rupees
		Authorized share capital		
25,000,000	25,000,000	Ordinary shares of Rs.10 each	**250,000,000**	250,000,000
		Issued, subscribed and paid-up capital		
2,700,000	2,700,000	Ordinary shares of Rs.10 each issued as fully paid in cash	**27,000,000**	27,000,000
14,652,329	14,652,329	Ordinary shares of Rs.10 each issued as fully paid bonus shares	**146,523,290**	146,523,290
17,352,329	17,352,329		**173,523,290**	173,523,290

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

16.1 Movement in issued, subscribed and paid-up capital during the year

2012 No. of shares	2011 No. of shares		**2012** Rupees	2011 Rupees
17,352,329	15,774,845	Balance at beginning of the year	**173,523,290**	157,748,450
-	1,577,484	Bonus shares issued during the preceding year	**-**	15,774,840
17,352,329	17,352,329	Balance at end of the year	**173,523,290**	173,523,290

16.2 Ordinary shares held by the related parties at the year end:

	2012 No. of shares	2011 No. of shares
Gulistan Textile Mills Limited	**2,847,909**	2,847,909
Gulistan Fibers Limited	**1,499,779**	1,499,779
Premier (Private) Limited	**22**	22
	4,347,710	4,347,710

	Note	**2012** Rupees	2011 Rupees
17. RESERVES			
Capital reserve			
Share premium		**15,400,000**	15,400,000
Revenue reserve			
General reserve		**460,000,000**	460,000,000
		475,400,000	475,400,000
18. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS			
Surplus arisen on revaluation of Company's operating fixed assets during the year	**18.1**	**1,736,099,171**	-
Share of surplus on revaluation of operating fixed assets of Associated Companies	**6**	**1,120,178,114**	89,175,693
		2,856,277,285	89,175,693

18.1 The Company, as at June 30, 2012,has revalued its freehold land, leasehold land, buildings on leasehold & freehold land, plant & machinery, electric installations and mills equipment. The revaluation exercise has been carried-out by independent valuer - Maricon Consultants (Pvt.) Ltd., Engineers, Authorized Valuators 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

19. 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.

		Note	2012 Rupees	2011 Rupees
20.	**LONG TERM FINANCES** - Secured			
	From banking Companies			
	- NIB Bank Limited	**20.1**	**-**	23,448,137
	- United Bank Limited	**20.2**	**-**	150,000,000
	- The Bank of Punjab	**20.3**	**-**	57,044,006
			-	230,492,143
20.1	**NIB Bank Limited**			
	Balance at beginning of the year		**41,733,397**	60,018,657
	Payments made during the year		**(13,713,945)**	(18,285,260)
			28,019,452	41,733,397
	Less: current portion			
	- over due instalments		**4,571,315**	-
	- instalments due within next twelve months		**18,285,260**	18,285,260
	- instalments due after June 30, 2013	**20.5**	**5,162,877**	-
			28,019,452	18,285,260
	Balance at end of the year		**-**	23,448,137

20.1.1 The facility sanctioned was Rs 110million. 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 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 factors stated in note 20.5 below the whole amount has been grouped in current liabilities. This finance is also secured against personal guarantees of sponsor directors.

		Note	2012 Rupees	2011 Rupees
20.2	**United Bank Limited**			
	Balance at beginning of the year		**190,000,000**	-
	Add: Amount disbursed during the preceding year		**-**	200,000,000
	Less: Payments made during the year		**(40,000,000)**	(10,000,000)
			150,000,000	190,000,000
	Less: current portion			
	- instalments due within next twelve months		**40,000,000**	40,000,000
	- instalments due after June 30, 2013	**20.5**	**110,000,000**	-
			150,000,000	40,000,000
	Balance at end of the year		**-**	150,000,000

20.2.1 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 20.5 below the whole amount has been grouped in current liabilities.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

		Note	2012 Rupees	2011 Rupees
20.3	**The Bank of Punjab**			
	Balance at beginning of the year		**59,984,857**	-
	Add: Amount disbursed during the preceding year		**-**	59,984,857
			59,984,857	59,984,857
	Less: current portion			
	- instalments due within next twelve months		**12,330,990**	2,940,851
	- instalments due after June 30, 2013	**20.5**	**47,653,867**	-
			59,984,857	2,940,851
	Balance at end of the year		**-**	57,044,006

20.3.1 The Company had arranged loan for expansion of stitching unit form 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 year from the date of disbursement in 16 quarterly instalments commenced from September 29, 2011, however, due to factors stated in note 20.5 below the whole amount has been grouped in current liabilities.

20.4 The Company has filed a suit in the Lahore High Court against all banks / financial institutions / under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs. Since the matter is prejudice in the Lahore High Court, the Company has not acknowledged its liability until the financial liabilities towards banks / financial institutions are reconciled in accordance with the above mentioned suit. The Lahore High Court vide its order dated October 25, 2012 has ordered not to disturb the present position of current assets and fixed assets of the Company. Due to ongoing litigations, year-end confirmations from all of the abovementioned banks have not been received.

20.5 Due to the pending litigations, but without prejudice to the Company's stance in the said litigation, the Company's financial arrangements with the banking companies and financial institutions are disputed and the Company will only make payments / adjustments of these finances after the amounts are reconciled with banks and financial institutions in accordance with abovementioned suit. In terms of provisions of International Accounting Standard (IAS) 1 'Presentation of Financial Statements', all liabilities under these finance agreements should be classified as current liabilities. Based on the above, instalments due after the year ending June 30, 2013 have been grouped in current portion of non-current liabilities.

		Note	2012 Rupees	2011 Rupees
21.	**LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured**			
	Balance at beginning of the year		**47,832,798**	64,723,422
	Add: Lease finances obtained during the year		**3,192,100**	5,168,000
	Less: Payments made during the year		**(19,932,406)**	(22,058,624)
			31,092,492	47,832,798
	Less: current portion			
	- over due instalments		**488,013**	-
	- instalments due within next twelve months		**14,493,133**	18,970,635
	- instalments due after June 30, 2013	**21.3**	**16,111,346**	-
			31,092,492	18,970,635
	Balance at end of the year		**-**	28,862,163

21.1 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 9.71%to 20.00% (2011:10.84%to 16.79%)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.

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for the year ended June 30, 2012

21.2 The Company has filed a suit in the Lahore High Court against all banks / financial institutions / under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs. Since the matter is prejudice in the Lahore High Court, the Company has not acknowledged its liability until the financial liabilities towards banks / financial institutions are reconciled in accordance with the above mentioned suit. The Lahore High Court vide its order dated October 25, 2012 has ordered not to disturb the present position of current assets and fixed assets of the Company. Due to ongoing litigations, year-end confirmations from all the lessors have not been received.

21.3 Due to the pending litigations, but without prejudice to the Company's stance in the said litigation, the Company's financial arrangements under lease finance agreements are disputed and the Company will only make payments / adjustments of these lease finances after the amounts are reconciled with banks and financial institutions in accordance with abovementioned suit. In terms of provisions of IAS - 1, these liabilities and respective deposits under lease finance arrangements are required to be classified as current liabilities and current assets. Based on the above, instalments due after the year ending June 30, 2013 and respective lease deposits of Rs.2.623 million have been grouped in the current portion of non-current liabilities and current assets.

21.4 Due the facts explained in notes 21.2 and 21.3 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, 2012. 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:

	2012			2011		
	Minimum lease payments	**Finance cost**	**Present value of minimum lease payments**	Minimum lease payments	Finance cost	Present value of minimum lease payments
	Rupees	**Rupees**	**Rupees**	Rupees	Rupees	Rupees
Not later than one year	**18,726,566**	**3,745,419**	**14,981,147**	25,095,816	6,125,181	18,970,635
Later than one year but not later than five years	**18,169,986**	**2,058,640**	**16,111,346**	33,861,612	4,999,449	28,862,163
Minimum lease payments	**36,896,552**	**5,804,059**	**31,092,493**	58,957,428	11,124,630	47,832,798

	Note	**2012** Rupees	2011 Rupees
22. DEFERRED LIABILITIES			
Staff retirement benefit	**22.1**	**51,323,641**	47,613,695
Deferred taxation	**22.2**	**-**	35,509,961
Deferred income	**22.3**	**-**	11,593
		51,323,641	83,135,249

22.1 Staff retirement benefit - Gratuity

Projected unit credit method, based on the following significant assumptions, is used for valuation of gratuity:

	2012	2011
- discount rate	**13%**	14%
- expected rate of growth per annum in future salaries	**12%**	13%
- average expected remaining working life time of employees	**13 years**	13 years

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		2012 Rupees	2011 Rupees
22.1.1	**The amount recognised in the balance sheet is as follows:**		
	Net liability at beginning of the year	**47,613,695**	38,869,456
	Add: Charge to profit and loss account	**15,222,427**	18,046,280
	Less: Benefits paid	**(10,874,333)**	(8,611,295)
	Less: Gratuity paid in advance	**(638,148)**	(690,746)
	Net liability at end of the year	**51,323,641**	47,613,695
22.1.2	**The movement in the present value of defined benefit obligation is as follows:**		
	Balance at beginning of the year	**47,613,695**	38,869,456
	Current service cost	**11,634,238**	13,180,643
	Interest cost	**6,665,917**	4,664,335
	Benefits paid	**(11,512,481)**	(9,302,041)
	Actuarial (gain) / loss	**(3,077,728)**	201,302
	Balance at end of the year	**51,323,641**	47,613,695
22.1.3	**Expense recognised in profit and loss account is as follows:**		
	Current service cost	**11,634,238**	13,180,643
	Interest cost	**6,665,917**	4,664,335
	Actuarial (gain) / loss	**(3,077,728)**	201,302
		15,222,427	18,046,280

22.1.4 Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees
Present value of defined benefit obligation	**51,324**	47,614	38,869	30,591	28,523
Experience adjustment on obligation	**(3,078)**	201	2,952	(1,548)	2,973

22.1.5 The expected gratuity expense for the year ending June 30, 2013 works out to Rs.19.061 million.

		2012 Rupees	2011 Rupees
22.2	**Deferred taxation** - net		
	Taxable temporary difference arising in respect of accelerated tax depreciation allowance	**-**	39,435,225
	Deductible temporary difference arising in respect of:		
	- staff retirement benefit	**-**	(3,924,310)
	- deferred credit	**-**	(955)
		-	35,509,961

22.2.1 Deferred tax liability / asset has not been recognised, as the Company falls under the ambit of presumptive tax regime of the Income Tax Ordinance, 2001.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

		Note	2012 Rupees	2011 Rupees
22.3	**Deferred income**			
	Balance at beginning of the year		**11,593**	769,525
	Less: Income recognised during the year		**11,593**	757,932
			-	11,593

22.3.1 The Company had entered into sale and leaseback transactions in prior years which resulted in finance leases. The excess of sale proceeds over the net book value of vehicles and plant & machinery was recognised as deferred income and had been amortised over the period of lease term.

		Note	2012 Rupees	2011 Rupees
23.	**TRADE AND OTHER PAYABLES**			
	Creditors for suppliers	**23.1**	**523,849,469**	51,146,164
	Creditors for expenses		**115,278,896**	31,200,243
	Bills payable / letters of credit payable	**23.2**	**555,613,477**	261,205,300
	Accrued expenses		**17,276,401**	19,810,213
	Income tax payable		**1,563,946**	2,794,350
	Workers' profit participation fund	**23.3**	**-**	8,845,553
	Workers' welfare fund	**23.4**	**-**	2,473,906
	Unclaimed dividend		**3,461,783**	921,387
			1,217,043,972	378,397,117

23.1 **These include following amounts which pertain to related parties:**

	2012 Rupees	2011 Rupees
Gulistan Textile Mills Ltd.	**10,805,071**	8,574,422
Gulistan Spinning Mills Ltd.	**10,784,676**	2,820,409
	21,589,747	11,394,831

23.2 This represents 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 27.1.1 and payments / adjustments will be made upon the outcome of final decision of the litigation. Further, no provision of any further commission / interest / mark-up or penalty in respect of these LCs has been made in these financial statements. Amount of the non-provided for commission / interest / mark-up or penalty is impracticable to quantify as at the reporting date.

		Note	2012 Rupees	2011 Rupees
23.3	**Workers' profit participation fund**			
	Balance at beginning of the year		**8,845,553**	6,734,571
	Add: Interest on funds utilised in the Company's business		**817,362**	452,441
			9,662,915	7,187,012
	Less: Payments made during the year		**9,662,915**	7,187,012
			-	-
	Add: Allocation for the year		**-**	8,845,553
	Balance at end of the year		**-**	8,845,553

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

		2012 Rupees	2011 Rupees
23.4	**Workers' welfare fund**		
	Balance at beginning of the year	**2,473,906**	1,964,854
	Add: Charge for the year	**-**	2,473,906
	Adjustment for prior year	**1,391,587**	-
		1,391,587	2,473,906
		3,865,493	4,438,760
	Less: Payments made during the year	**(3,865,493)**	(1,964,854)
	Balance at end of the year	**-**	2,473,906

		2012 Rupees	2011 Rupees
24.	**ACCRUED MARK-UP / INTEREST**		
	Mark-up / interest accrued on:		
	- long term finances	**-**	4,637,457
	- lease finances	**-**	391,650
	- short term borrowings	**12,685,636**	50,058,336
	- loan from a related party	**5,095,217**	969,737
		17,780,853	56,057,180

24.1 During the year ended June 30, 2012, the Company has not provided for the mark-up / interest on long term finances, lease finances and short term borrowings to the extent of Rs.5.225 million, Rs.0.670 million and Rs.47.601 million respectively due to pending litigations with the financial institutions as detailed note 27.1.1The said non-provisioning is in contravention with the requirements of IAS 23 - Borrowing Costs.

24.2 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.

		Note	2012 Rupees	2011 Rupees
25.	**SHORT TERM BORROWINGS**			
	Short term finances - secured	**25.1**	**1,223,971,091**	1,206,785,648
	Running finances - secured	**25.2**	**313,857,878**	244,984,701
	Loan from a related party - unsecured	**25.5**	**21,762,236**	23,262,236
	Temporary bank overdraft - unsecured	**25.6**	**26,245,425**	10,863,484
			1,585,836,630	1,485,896,069

25.1 This represents aggregate amount of the short term finances under mark-up arrangements obtained from various banks / financial institutions. These finances, during the current financial year, carried mark-up at the rates ranged from 11.00% to 16.67% (2011: 11.00% to 17.02%) per annum and 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.

25.2 This represents aggregate amount of running finances / working capital finances obtained from various banks / financial institutions. These finance facilities, during the current financial year, carried mark-up at the rates ranged from 13.58% to 14.92% (2011: 14.53% to 15.52%) per annum and 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.

25.3 The abovementioned balances are against finance facilities which were expired during the year and have not been renewed by the respective banks / financial institutions. The Company has not acknowledged the abovementioned financial liabilities and filed a suit in the Lahore High Court for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs (refer contents of note 27.1.1).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

25.4 Confirmations from all of the financial institutions / lenders have not been received due to abovementioned litigation with them.

25.5 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, during the year, carried mark-up at the rate of 14% (2011:14%) per annum.

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

		Note	2012 Rupees	2011 Rupees
26.	**CURRENT PORTION OF NON-CURRENT LIABILITIES**			
	Long term finances:			
	- NIB Bank Limited	**20.1**	**28,019,452**	18,285,260
	- United Bank Limited	**20.2**	**150,000,000**	40,000,000
	- The Bank of Punjab	**20.3**	**59,984,857**	2,940,851
			238,004,309	61,226,111
	Liabilities against assets subject to finance lease	**21**	**31,092,492**	18,970,635
			269,096,801	80,196,746

26.1 Refer contents of notes 20.4, 20.5, 21.2 and 21.3.

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

27.1.1 Liabilities towards banks and financial institutions disclosed in note 20, 21, 23.2, 24, 25 and 26

(a) The Company has filed a global suit in the Lahore High Court against all banks / financial institutions under Section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs. The Lahore High Court vide its order dated October 25, 2012 has ordered not to disturb the present position of current assets and fixed assets of the Company and no coercive action shall be taken against the Company.

(b) Various banks and financial Institutions have also filed suits before different Civil Courts, Banking Courts and High Courts for recovery of their long term and short term liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The aggregate amount of these claims is Rs.694.061 million.

Since the matters are pending before various courts, the Company has not acknowledged its financial liabilities towards these banks / financial Institutions until the amounts of principal and mark-up / interest are reconciled with these financial institutions in accordance with the abovementioned suits. However, the liability in respect of principal outstanding is fully provided for where as mark-up / interest aggregating Rs.53.496 million has not been accounted for in these financial statements. Further, year end balance confirmations from them have also not been received.

The management is strongly contesting the abovementioned cases and is hopeful for a favourable decision. Since all the cases are pending before various Courts therefore the ultimate outcome can not be established.

27.1.2 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 27, 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.

NOTES TO THE FINANCIAL STATEMENTS
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This appeal was disposed off in May 2011with a joint statement of the parties that, during the pendency of the appeal, 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 guarantees were furnished for 50% of the levy for consignment released subsequent to December 27, 2006 while payment was made against the balance 50% amount. Similar arrangement continued for the consignments released during the current year.

As at June 30, 2012, the Company has provided bank guarantees aggregating Rs.7.216 million (2011:Rs.24 million) in favour of Excise and Taxation Department.

27.1.3 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.134.197million 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 above mentioned 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 be Rs.17.555 million. The Company has also made payment under protest of this amount to Deputy Collector of Customs subsequent to the balance sheet date.

The management has filed a civil review petition in the Court and is hopeful that its review petition will be accepted and the aforementioned order will be set side on the grounds mentioned in the review petition.

27.1.4 Counter guarantees of Rs.9.067 million (2011:Rs.24.852 million) were given by the Company to various banks / financial institutions as at June 30, 2012 in respect of guarantees issued in favour of various Government Departments / Institutions.

27.2 Commitments

27.2.1 Commitments aggregating Rs.36.276 million (2011:Rs.267.576 million) against confirmed letters of credit for raw materials, stores and spares were outstanding at the year end.

27.2.2 Export bills discounted at the year end amounting to Rs.16.053 million.

		Note	2012 Rupees	2011 Rupees
28.	**SALES** - Net			
	Export sales	**28.1**	**3,199,635,830**	3,591,590,843
	Local sales	**28.2**	**645,242,366**	1,400,800,600
			3,844,878,196	4,992,391,443

28.1 This includes Rs.52.892 million (2011: Rs.77.043 million) in respect of exchange gain on realization of export proceeds.

		2012 Rupees	2011 Rupees
28.2	**Local sales**		
	Sales	**648,022,740**	1,404,982,883
	Less:		
	- quality claims	**869,149**	4,070,887
	- sales tax	**1,911,225**	111,396
		2,780,374	4,182,283
		645,242,366	1,400,800,600

NOTES TO THE FINANCIAL STATEMENTS
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28.3 Local sales include Rs.Nil (2011:Rs.241.618million) made to direct exporters against special purchase order. Further, local sales also include processing income, waste sales and cotton sales of Rs.99.726 million (2011: Rs.109.625 million), Rs.75.702 million (2011: Rs.169.383 million) and Rs.169.342 million (2011: Rs.59.137 million) respectively.

		Note	2012 Rupees	2011 Rupees
29.	**COST OF SALES**			
	Stocks at beginning of the year (finished goods & waste)		**642,402,327**	571,221,463
	Cost of goods manufactured	**29.1**	**4,466,201,825**	4,162,405,473
	Purchases of finished products		**125,701,698**	216,771,801
			4,591,903,523	4,379,177,274
			5,234,305,850	4,950,398,737
	Stocks at end of the year (finished goods & waste)		**233,808,882**	642,402,327
			5,000,496,968	4,307,996,410
29.1	**Cost of goods manufactured**			
	Opening work in process		**71,725,307**	131,116,537
	Raw materials consumed	**29.2**	**3,536,758,416**	3,270,086,632
	Stores consumed		**64,917,320**	33,918,917
	Packing materials consumed		**52,828,734**	33,983,766
	Salaries and other benefits		**435,198,221**	386,696,181
	Fuel and power		**250,355,129**	206,386,176
	Repair and maintenance		**6,686,148**	4,242,358
	Insurance		**9,330,671**	11,565,043
	Depreciation	**5.2**	**41,499,705**	39,397,067
	Processing / dyeing charges		**23,551,208**	70,931,451
	Conveyance, travelling & entertainment expenses		**6,366,502**	4,556,730
	Vehicle running & maintenance		**40,954,691**	32,463,483
	Postage and telephone		**1,376,269**	1,477,721
	Rent, rate and taxes		**1,506,337**	944,563
	Other manufacturing expenses		**8,415,726**	6,364,155
			4,551,470,384	4,234,130,780
	Closing work in process		**(85,268,559)**	(71,725,307)
			4,466,201,825	4,162,405,473
29.2	**Raw materials consumed**			
	Stocks at beginning of the year		**875,346,123**	558,136,534
	Purchases - net	**29.3**	**3,094,001,407**	3,587,296,221
			3,969,347,530	4,145,432,755
	Stocks at end of the year		**(432,589,114)**	(875,346,123)
			3,536,758,416	3,270,086,632

29.3 Purchases include government rebates netted-off aggregating to Rs.25.638 million (2011: Rs.62.719 million).

29.4 Salaries and other benefits include Rs.13.286million (2011:Rs.15.522million) in respect of staff retirement benefit - gratuity.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

		Note	2012 Rupees	2011 Rupees
30.	**DISTRIBUTION COST**			
	Salaries and other benefits		**31,524,797**	9,963,621
	Freight and forwarding:			
	- local		**2,193,201**	1,425,403
	- export		**61,955,709**	53,343,751
			64,148,910	54,769,154
	Direct selling expenses		**19,410,656**	20,580,158
	Depreciation	**5.2**	**97,530**	90,632
	Commission on:			
	- local sales		**10,224,894**	11,605,002
	- export sales		**43,834,533**	58,824,194
			54,059,427	70,429,196
			169,241,320	155,832,762
31.	**ADMINISTRATIVE EXPENSES**			
	Director's meeting fee		**40,000**	50,000
	Salaries and other benefits	**31.1**	**41,179,222**	40,296,791
	Fees and subscription		**1,222,643**	1,822,558
	Conveyance, traveling and entertainment expenses		**10,098,127**	9,943,628
	Vehicle running and maintenance		**3,420,239**	1,966,658
	Repair and maintenance		**3,360,334**	1,486,203
	Rent, rates and taxes		**1,564,006**	1,484,862
	Printing and stationery		**4,206,821**	1,964,102
	Auditors' remuneration	**31.2**	**1,070,000**	900,000
	Charity and donations	**31.3**	**459,630**	558,843
	Postage, telegram and telephone		**2,612,951**	4,774,236
	Legal and professional expenses		**1,209,349**	1,247,448
	Depreciation	**5.2**	**4,746,014**	4,505,632
			75,189,336	71,000,961

31.1 Salaries and other benefits include Rs.1.937 million (2011: Rs.2.524 million) in respect of staff retirement benefit - gratuity.

		2012 Rupees	2011 Rupees
31.2	**Auditors' remuneration**		
	Audit fee	**750,000**	618,625
	Half yearly review	**200,000**	166,375
	Compliance report of Code of Corporate Governance	**55,000**	35,000
	Other services	**50,000**	70,000
	Out of pocket expneses	**15,000**	10,000
		1,070,000	900,000

31.3 It includes Rs.0.244 million (2011: Rs.0.559 million) paid to Haji Jamaluddin Trust, B-57, KDA Scheme No. 1, Karachi, Mr. Tanveer Ahmad, Chief Executive of the Company are trustee of the Trust.

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		Note	2012 Rupees	2011 Rupees
32.	**OTHER OPERATING EXPENSES**			
	Exchange loss		**1,905,308**	4,239,413
	Workers' profit participation fund	**23.3**	**-**	8,845,553
	Workers' welfare fund			
	- current		**-**	2,473,906
	- prior year		**1,391,587**	-
		23.4	**1,391,587**	2,473,906
	Custom duty written-off		**4,375,143**	-
	Provision for doubtful debts	**10**	**16,661,903**	-
	Impairment loss recognised on equity investments	**6.1**	**65,308,447**	-
			89,642,388	15,558,872
33.	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Interest on:			
	- deposit accounts		**44,272**	54,579
	- term deposit receipts		**314,626**	300,075
	Exchange gain on foreign currency		**-**	290
			358,898	354,944
	Income from non-financial assets			
	Deferred income amortised	**22.3**	**11,593**	757,932
	Gain on forward currency contract		**-**	2,915,886
			370,491	4,028,762
34.	**FINANCE COST**			
	Mark-up / interest on :			
	- long term finances		**28,954,163**	15,547,947
	- lease finances		**5,590,665**	6,227,187
	- short term borrowings		**220,374,616**	247,366,718
		34.1	**254,919,444**	269,141,852
	Interest on workers' profit participation fund	**23.3**	**817,362**	452,441
	Bank charges		**10,515,636**	10,845,320
			266,252,442	280,439,613

34.1 During the year ended June 30, 2012, the Company has not provided for the mark-up / interest aggregating Rs.53.496 million on long term finances, lease finances and short term borrowings due to pending litigations with financial institutions as detailed in note 27.1.1.

		Note	2012 Rupees	2011 Rupees
35.	**TAXATION**			
	Current year	**35.1**	**38,448,782**	32,599,146
	Adjustments of prior years		**1,210,546**	347,418
	Deferred		**(35,509,961)**	(5,202,369)
			4,149,367	27,744,195

35.1 The Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. Numeric tax rate reconciliation is also not required.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

35.2 Tax assessments of the Company have been completed upto Tax Year 2011.

		2012 Rupees	2011 Rupees
36.	**(LOSS) / EARNING PER SHARE**		
	There is no dilutive effect on earnings per share of the Company, which is based on:		
	(Loss) / profit after taxation	**(2,730,772,330)**	165,530,457

	2012 No. of shares	2011 No. of shares
Weighted average number of ordinary shares outstanding during the year	**17,352,329**	17,352,329

	Note	2012 Rupees	2011 Rupees
(Loss) / earnings per share - basic and diluted		**(157.37)**	9.54

37. CASH GENERATED FROM OPERATIONS

	Note	2012 Rupees	2011 Rupees
(Loss) / profit before taxation		**(2,726,622,963)**	193,274,652
Adjustments for non-cash charges and other items:			
Depreciation of operating fixed assets		**46,343,249**	43,993,333
Provision of gratuity		**15,222,427**	18,046,280
Finance cost		**266,252,442**	280,439,613
Workers' welfare fund		**1,391,587**	2,473,906
Workers' profit participation fund		**-**	8,845,553
Share of loss / (profit) from Associated Companies		**971,049,196**	(27,683,065)
Deferred income		**(11,593)**	(757,932)
Exchange loss on foreign currency		**1,905,308**	4,239,123
Interest income		**(358,898)**	(354,654)
Provision for doubtful debts		**16,661,903**	-
Impairment loss recognised on equity investments		**65,308,447**	-
Working capital changes	37.1	**1,654,116,243**	(266,934,825)
		311,257,348	255,581,985

37.1 Working capital changes

	2012 Rupees	2011 Rupees
Decrease / (increase) in current assets:		
Stores, spare parts and loose tools	**4,174,668**	(8,391,915)
Stock-in-trade	**837,824,040**	(333,878,222)
Trade debts	**(10,731,935)**	67,142,620
Loan and advances	**(7,279,797)**	19,498,336
Deposits and prepayments	**924,334**	806,515
Other receivables	**(4,996,217)**	(37,003,279)
	819,915,093	(291,825,945)
Increase in trade and other payables	**834,201,150**	24,891,120
	1,654,116,243	(266,934,825)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Executives	
	2012	2011	**2012**	2011
	Rupees	Rupees	**Rupees**	Rupees
Managerial remuneration	**-**	-	**10,705,404**	7,629,240
Perquisites	**-**	-	**5,352,672**	3,814,596
Retirement benefit	**-**	-	**1,338,173**	953,653
	-	-	**17,396,249**	12,397,489
No. of persons	**1**	1	**16**	12

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

38.2 Meeting fee of Rs.40,000 (2011: Rs.50,000) were also paid to 1 (2011: 1) Director during the year.

39. CAPACITY AND PRODUCTION

		2012	2011
Spinning unit - note 39.1			
Number of spindles installed		**25,920**	25,920
Number of spindles worked		**16,323,275**	25,220,219
Number of shifts worked		**1,065**	1,083
Installed capacity after conversion into 20's count	**Kg.**	**8,841,118**	8,841,118
Actual production after conversion into 20's count	**Kg.**	**4,875,292**	7,525,383
Weaving unit			
Total number of looms installed - note 5.3		**36**	36
Yarn Dyeing unit - note 39.1			
Total number of machines installed		**7**	7
Total number of machines worked		**44,310**	46,624
Number of batches worked		**7,385**	7,771
Installed capacity	**Kg.**	**2,065,170**	2,065,170
Actual production	**Kg.**	**1,734,960**	1,825,571
Stitching unit			
Total number of machines installed		**832**	817
Average number of machines worked		**5,301**	5,204
Number of machines worked		**1,653,850**	1,623,587
Number of batches worked		**9,045**	9,017
Installed capacity	**Pcs**	**3,211,652**	3,153,750
Actual production	**Pcs**	**3,196,791**	3,120,313

39.1 Severe energy crisis in the form of unscheduled and unprecedented gas and electricity load shedding catastrophically impaired the production of the Company resulting in huge production short fall as compared to the last year. Financial institutions also curtailed the short term limits, froze the funds in current accounts to clear the mark-up and other dues and attempted to realise their securities. These all factors caused production short fall.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

40. 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.

40.1 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, accrued mark-up / interest, 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:

	2012	2011
	Rupees	Rupees
Deposits	**7,994,209**	8,358,235
Trade debts	**280,097,890**	286,027,858
Loans and advances	**5,411,832**	3,682,911
Accrued mark-up / interest	**504,796**	260,499
Other receivables	**452,095**	2,606,722
Bank balances	**10,817,251**	62,135,710
	305,278,073	363,071,935

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

	2012	2011
	Rupees	Rupees
Domestic	**82,746,811**	137,067,314
Export	**197,351,079**	148,960,544
	280,097,890	286,027,858

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

	2012	2011
The ageing of trade debts at the reporting date is as follows:	**Rupees**	Rupees
Not past due	**218,264,171**	167,338,928
Past due 1-60 days	**58,338,688**	54,945,669
Past due 61-150 days	**2,706,607**	40,629,620
Past due 151-365 days	**788,424**	22,909,671
More than one year	**-**	203,970
	280,097,890	286,027,858

Based on past experience and keeping in view subsequent realisations, impairment allowance amounting Rs.16.662 million has been provided for in respect of doubtful debts as at June 30, 2012 and for other debtors there are reasonable grounds to believe that the amounts will be realised in short course of time.
The credit risk on liquid funds and 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

40.2 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 due to suit filed by the Company against them.

	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**
	Rupees	**Rupees**	**Rupees**	**Rupees**
2012				
Long term finances	**238,004,309**	**238,004,309**	**238,004,309**	**-**
Liabilities against assets subject to finance lease	**31,092,493**	**31,092,493**	**31,092,493**	**-**
Trade and other payables	**1,215,480,026**	**1,215,480,026**	**1,215,480,026**	**-**
Accrued mark-up / interest	**17,780,853**	**17,780,853**	**17,780,853**	**-**
Short term borrowings	**1,559,591,205**	**1,559,591,205**	**1,559,591,205**	**-**
	3,061,948,886	**3,061,948,886**	**3,061,948,886**	**-**

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
	Rupees	Rupees	Rupees	Rupees
2011				
Long term finances	291,718,254	291,718,254	61,226,111	230,492,143
Liabilities against assets subject to finance lease	47,832,798	47,832,798	18,970,635	28,862,163
Trade and other payables	364,283,308	364,283,308	364,283,308	-
Accrued mark-up / interest	56,057,180	56,057,180	56,057,180	-
Short term borrowings	1,475,032,585	1,475,032,585	1,475,032,585	-
	2,234,924,125	2,234,924,125	1,975,569,819	259,354,306

The Company has not acknowledged the financial liabilities towards banks / financial institutions and filed a suit against them as detailed in note 27.1.1. The contractual cash flows relating to the above financial liabilities do not include amount of mark-up / interest on these finances as the Company is not providing for mark-up / interest on these financial liabilities.

In order to manage liquidity risk, the management along with leading financial institutions are negotiating with banks / financial institutions for reconciliation of principal & mark-up / interest and rescheduling of repayment terms as well as restructuring of the Company's liabilities. With this proposed restructuring / rescheduling and other matters as set out in note 1.3 to the financial statements the management envisages that sufficient financial resources will be available to manage the liquidity risk.

40.3 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.

(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 and Euros. The Company's exposure to foreign currency risk is as follows:

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

	Rupees	U.S.$	Euro
2012			
Bills payable	**57,246,264**	**604,680**	**-**
Trade debts	**(197,351,079)**	**(1,399,474)**	**(556,453)**
Banks balances	**(55,229)**	**(644)**	**-**
Net balance sheet exposure	**(140,160,044)**	**(795,438)**	**(556,453)**

	Rupees	U.S.$	Euro
2011			
Bills payable	171,939,770	1,982,590	-
Trade debts	(148,960,544)	(1,396,084)	(233,601)
Banks balances	(55,229)	(644)	-
Net balance sheet exposure	22,923,997	585,862	(233,601)

The following significant exchange rate applied during the year:

	Average rate		Reporting date rate	
	2012	2011	**2012**	2011
U.S.$ to Rupee	**90.60**	85.04	**94.20 / 94.00**	86.05 / 85.85
Euro to Rupee	**118.02**	116.08	**118.25**	124.60

Sensitivity analysis

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

	2012	2011
Effect on loss for the year:	**Rupees**	Rupees
U.S. $ to Rupee	**(7,477,117)**	5,041,343
Euro to Rupee	**(6,580,057)**	(2,910,668)
	(14,057,174)	2,130,675

The weakened of the Rupee against U.S Dollar and Euro would have had an equal but opposite impact on loss for the year. The sensitivity analysis prepared is not necessarily indicative of the effects on loss 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 27.1.1. At the reporting date the profile of the Company's interest bearing financial instruments is as follows:

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

	2012	2011
	Carrying Amount	
	Rupees	Rupees
Fixed rate instruments		
Financial assets	**6,600,092**	4,641,289
Financial liabilities	**28,019,452**	23,448,137
Variable rate instruments		
Financial liabilities	**1,800,668,554**	1,791,135,500

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 / litigation due to litigation with banks and financial institutions.

40.4 Fair value of financial instruments and hierarchy

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between carrying values and the fair value estimates.

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

40.5 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.

41. RELATED PARTY TRANSACTIONS

41.1 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 38. 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, 2012

Nature of Transactions	2012 Rupees	2011 Rupees
Sales	**227,891,800**	193,688,172
Dyeing / processing income	**48,354,048**	25,658,619
Purchases	**288,305,873**	604,082,101
Purchase of fixed assets	**7,100,000**	-
Processing charges	**11,085,475**	43,535,520
Interest expense	**4,125,480**	4,955,814
Dividend received	**1,851,517**	1,851,517
Dividend paid	**6,521,565**	4,347,710
Bonus shares issued (numbers)	**-**	395,245

41.2 Sponsor directors, their spouses and family members have waived-off their right to receive dividend amounting to Rs.9.241 million (2011: Rs.5.598 million).

42. 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 of the Group for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Group is organised into following four operating segments:

- spinning;
- dying;
- 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.

42.1 Segment revenues and results

	Spinning	Dying	Garments	Weaving	Elimination of inter segment transactions	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
For the year ended June 30, 2012						
Sales	1,565,214,565	447,223,713	1,815,937,036	16,502,882	-	3,844,878,196)
Cost of sales	2,391,411,010	470,768,408	2,094,916,444	43,401,106	-	5,000,496,968
Gross loss	(826,196,445)	(23,544,695)	(278,979,408)	(26,898,224)	-	(1,155,618,772)
Distribution cost	64,760,938	18,952,648	85,527,734	-	-	169,241,320
Administrative expenses	38,051,604	7,686,939	29,449,288	1,505	-	75,189,336
Other operating expenses	87,230,852	2,409,534	-	2,002	-	89,642,388
Other operating income	(370,491)	-	-	-	-	(370,491)
	189,672,903	29,049,121	114,977,022	3,507	-	333,702,553
Loss from operations	(1,015,869,348)	(52,593,816)	(393,956,430)	(26,901,731)	-	(1,489,321,325)
Finance cost	218,493,728	3,437,914	44,320,799	-	-	266,252,442
Share of loss from Associated Companies	(971,049,196)	-	-	-	-	(971,049,196)
Loss before taxation	**(2,205,412,272)**	**(56,031,730)**	**(438,277,229)**	**(26,901,731)**	**-**	**(2,726,622,963)**
Taxation						4,149,367
Loss after taxation						**(2,730,772,330)**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

	Spinning	Dying	Garments	Weaving	Elimination of inter segment transactions	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
For the year ended June 30, 2011						
Sales	2,861,133,178	636,550,451	1,520,325,494	39,261,841	(64,879,521)	4,992,391,443
Cost of sales	2,442,604,397	556,746,917	1,344,585,902	28,938,715	(64,879,521)	4,307,996,410
Gross profit	418,528,781	79,803,534	175,739,592	10,323,126	-	684,395,033
Distribution cost	61,819,455	25,097,345	68,915,962	-	-	155,832,762
Administrative expenses	29,865,184	6,923,766	34,210,339	1,672	-	71,000,961
Other operating expenses	9,971,713	2,374,926	2,696,160	516,073	-	15,558,872
Other operating income	(4,028,762)	-	-	-	-	(4,028,762)
	97,627,590	34,396,037	105,822,461	517,745	-	238,363,833
Profit from operations	320,901,191	45,407,497	69,917,131	9,805,381	-	446,031,200
Finance cost	238,821,010	6,201,433	35,417,170	-	-	280,439,613
Share of profit from Associated Companies	27,683,065	-	-	-	-	27,683,065
Profit before taxation	**109,763,246**	**39,206,064**	**34,499,961**	**9,805,381**	**-**	**193,274,652**
Taxation						27,744,195
Profit after taxation						**165,530,457**

42.2 Geographical information

The Company's revenue from external customers by geographical location is detailed below:

	2012	2011
	Rupees	Rupees
Pakistan	**645,242,366**	1,400,800,600
Asia	**1,134,800,210**	1,293,810,355
Europe	**1,863,276,263**	2,021,313,260
Africa	**50,308,521**	137,899,837
North America	**138,166,313**	58,296,593
South America	**13,084,523**	80,270,798
	3,844,878,196	4,992,391,443

42.3 Segment assets and liabilities

	Spinning	Dying	Garments	Weaving	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
As at June 30, 2012					
Segments assets	**3,480,962,550**	**534,365,589**	**1,248,898,149**	**229,240,121**	**5,493,466,409**
Inter segment assets					**(1,046,392,013)**
					4,447,074,396
As at June 30, 2011					
Segments Assets	3,033,898,571	419,309,886	1,296,010,174	202,859,443	4,952,078,074
Inter segment assets					(1,331,042,335)
					3,621,035,739

42.4 All non-current assets of the Company as at 30 June 2012 and 2011 were located and operating in Pakistan.

42.5 The Company has earned revenues from two (2011: Nil) customers aggregating Rs.1,047.159 million (2011: Rs.Nil) during the year ended June 30, 2012 which constituted 27% of the total revenues.

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 22, 2013 by the Board of Directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2012

44. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and / or re-classified for the purpose of better presentation.

Re-classification from component:	Re-classification to component:	Note	Rupees
Balance sheet			
Current maturity of long term financing	Current portion of non current liabilities	**26**	**80,196,746**
Current maturity of liabilities against assets subject to finance lease			

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

KEY OPERATING AND FINANCIAL DATA
for last six years

	2012	2011	2010	2009	2008	2007
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
OPERATING RESULTS						
Total number of spindles installed	25,920	25,920	25,920	25,920	25,920	25,920
Total spindles worked	16,323,275	25,220,219	28,086,184	27,298,728	28,179,216	28,260,360
Number of shifts worked	1,065	1,083	1,095	1,095	1,098	1,095
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	4,875,292	7,525,383	8,512,025	8,695,471	7,721,624	7,617,251
Sales	3,844,878,196	4,992,391,443	3,093,109,670	2,811,466,485	2,549,115,134	1,986,269,379
Gross profit / (Loss)	(1,155,618,771)	684,395,033	548,732,921	448,356,557	353,875,534	304,138,446
Operating profit / (Loss)	(1,400,049,427)	457,561,310	381,686,891	285,459,296	230,736,242	191,343,500
Other income	370,492	4,028,762	3,722,749	18,878,570	38,023,725	5,637,260
Financial expenses	266,252,444	280,439,613	280,439,613	264,120,280	184,670,142	158,794,462
Profit / (Loss) before other charges	(2,636,980,574)	208,833,524	160,114,578	43,595,656	84,089,825	38,186,378
OTHER CHARGES						
Diminution in value of investments	-	-	-	2,984,867	3,010,455	-
Workers' profit participation fund	-	8,845,553	6,734,571	1,861,636	2,000,101	1,610,598
Worker's welfare fund	1,391,587	2,473,906	1,964,854	-	-	-
Exchange loss	1,905,308	4,239,413	13,664,086	-	-	-
Loss on remeasurement of forward exchange contracts	-	-	-	-	5,198,697	-
Impairment loss recognized on investment	65,308,447	-	-	-	-	-
Custom duty	4,375,143	-	-	-	-	-
Provision for doubtful debts	16,661,903	-	-	-	-	-
Excise duty on loans	-	-	-	-	-	5,975,147
	89,642,388	15,558,872	22,363,511	4,846,503	10,209,253	7,585,745
Profit / (Loss) for the year before taxation	(2,726,622,962)	193,274,652	137,751,067	38,749,153	73,880,572	30,600,633
Profit / (Loss) for the year after taxation	(2,730,772,330)	165,530,457	108,036,911	22,557,668	25,772,344	1,405,746
Transfer to reserves	-	-	-	-	-	300,000,000
Reserves for issue of bonus shares	-	15,774,840	14,340,760	10,005,188	12,127,500	11,025,000
Proposed dividend	16,787,204	10,175,891	-	-	-	-
Unappropriated profit / (loss) carried forward	(2,415,258,592)	332,300,942	192,721,216	99,025,065	86,472,587	72,827,743
FINANCIAL POSITION						
Paid up capital	173,523,290	173,523,290	157,748,450	143,407,690	133,402,500	121,275,000
Shareholder's equity	(1,766,335,302)	981,224,232	825,869,666	717,832,755	695,275,087	669,502,743
Long term loans/ redeemable capital	-	230,492,143	41,733,397	64,718,657	233,803,657	322,048,028
Obligation under finance leases	(0.00)	28,862,163	43,324,547	43,931,626	60,017,534	40,579,190
Deferred liabilities	51,323,641	83,135,249	80,351,310	68,846,226	68,773,394	28,515,190
Current liabilities	3,130,808,774	2,033,146,259	1,948,176,539	1,810,198,960	1,666,324,494	1,232,925,945
Fixed assets	2,559,079,305	835,302,227	763,409,503	760,342,696	781,892,102	772,516,295
Long term investments	485,877,044	493,083,783	448,247,039	436,487,965	420,818,918	421,376,921
Long term deposits	3,484,406	7,077,604	6,780,731	7,148,860	6,732,046	5,895,871
Current assets	1,398,633,644	2,285,572,125	1,966,188,683	1,746,719,200	1,652,630,619	1,231,662,303

PATTERN OF SHAREHOLDING
as at June 30, 2012

Number of Shareholders	Shareholding From	Shareholding To	Shares held	Percentage
2,001	1	100	24,936	0.14
521	101	500	122,668	0.71
195	501	1,000	149,106	0.86
102	1,001	5,000	218,910	1.26
9	5,001	10,000	69,283	0.40
4	10,001	15,000	45,891	0.26
1	15,001	20,000	19,900	0.11
1	20,001	25,000	22,174	0.13
1	25,001	30,000	27,417	0.16
1	30,001	35,000	30,697	0.18
2	35,001	40,000	77,173	0.44
3	40,001	45,000	129,522	0.75
3	45,001	50,000	141,317	0.81
2	50,001	55,000	105,245	0.61
1	55,001	60,000	55,713	0.32
1	95,001	100,000	97,381	0.56
1	120,001	125,000	123,724	0.71
1	135,001	140,000	135,185	0.78
2	155,001	160,000	316,889	1.83
1	185,001	190,000	185,738	1.07
1	575,001	580,000	576,961	3.32
1	770,001	775,000	775,000	4.47
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	1,495,001	1,500,000	1,499,776	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
1	2,845,001	2,850,000	2,847,907	16.41
2,864			**17,352,329**	**100.00**

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

CATEGORIES OF SHAREHOLDERS
as at June 30, 2012

Particulars	No. of Share holders	No. of Shares held	Percentage
Directors, Chief Executive Officer and their spouse and minor children	7	3,822,879	22.03
Associated Companies, Undertakings and Related Parties	3	4,347,705	25.06
NIT & ICP	4	2,002,402	11.54
Banks, Development Finance Institutions, Non- Banking Financial Institutions	6	1,180,237	6.80
Insurance Companies	2	579,265	3.34
General Public (Local)	2,834	4,236,121	24.41
Others	8	1,183,720	6.82
	2,864	**17,352,329**	**100.00**

INFORMATION AS REQUIRED UNDER CLAUSE XIX(i)
of the Code of Corporate Governance as at June 30, 2012

A)	**ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES**	**SHARES**
	Gulistan Fibers Limited	1,499,776
	Gulistan Textile Mills Limited	2,847,907
	Premier (Pvt.) Limited	22
B)	**NIT & ICP**	
	IDBP (ICP UNIT)	871
	National Investment Trust Limited	50,245
	National Bank of Pakistan Trustee Department	1,951,286
C)	**DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN**	
	DIRECTORS	
	Mr. Tanveer Ahmed	2,662,442
	Mr. Riaz Ahmed	864
	Mr. Muhammad Shafiq	500
	Mr. Sohail Maqsood	605
	Mr. Umer Hayat Gill	550
	Mr. Iftikhar Ali	500
	SPOUSES	
	Mrs. Naureen Tanveer	1,157,418
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	1,180,039
	Midland Bank Trust Corporation (Jersby) Limited	38
	Innovative Investment Bank Limited	42
	INSURANCE	
	State Life Insurance Corporation of Pakistan	576,961
	The Crescent Star Insurance Company Limited	2,304
E)	**OTHERS**	
	Dalal Securities (Pvt.) Limited	55,000
	Darson Securities (Pvt.) Limited	2
	Ismail Abdul Shakoor Securities (Pvt.) Ltd	493
	Pak Libya Holding Company Limited	14
	Peridot Products (Pvt.) Limited	1,125,148
	Somers Nominees (Far East) Ltd of Cayman Islands	2,236
	Y.S. Securities & Services (Pvt.) Ltd	826
	ZHV Securities (Pvt.) Limited	1
F)	**General Public (Local)**	4,236,121
		17,352,329

INFORMATION AS REQUIRED UNDER CLAUSE XIX(i)
of the Code of Corporate Governance as at June 30, 2012

G) SHAREHOLDERS HOLDING 5% OR MORE

Gulistan Textile Mills Limited	2,847,907
Gulistan Fibers Limited	1,499,776
Peridot Products (Pvt.) Limited	1,125,148
National Bank of Pakistan Trustee Department	1,951,286
Mr. Tanveer Ahmed	2,662,442
Mrs. Naureen Tanveer	1,157,418
Mr. Ali Afzal Sheikh	994,855
Mrs. Mahrukh Zeenat Jehangir	961,319

H) 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 16 May 2013 at 10:30 a.m and at any adjournment thereof.

As witness my/our hand this ____________ day of ____________ 2013

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.