



**QUARTERLY ACCOUNTS
FOR NINE MONTHS ENDED
MARCH 31, 2014
(UN-AUDITED)**

Paramount Spinning Mills Limited

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Company Information

BOARD OF DIRECTORS	Mr. Sohail Maqsood (Chairman) Mr. Tanveer Ahmed (Chief Executive) Mr. Dr. Ali Afzal Sheikh Mr. Riaz Ahmed Mr. Muhammad Shafiq Mr. Muhammad Salman Husain Chawala (NIT Nominee) Mr. Muhammad Maqbool Anjum
AUDIT COMMITTEE	Mr. Muhammad Maqbool Anjum (Chairman) Mr. Muhammad Shafiq Mr. Sohail Maqsood
HUMAN RESOURCE & REMUNERATION COMMITTEE	Mr. Muhammad Shafiq (Chairman) Mr. Tanveer Ahmed Mr. Sohail Maqsood
CHIEF FINANCIAL OFFICER	Mr. Nasir Mahmood
COMPANY SECRETARY	Mr. Javaid Iqbal
AUDITORS	M/s.Hameed Chaudri & Co. Chartered Accountants Karachi
LEGAL ADVISOR	M/s. A.K. Brohi & Company-Advocate
TAX CONSULTANT	M/s. Sharif & Company-Advocate
SHARE REGISTRAR OFFICE	M/s. Hameed Majeed Associates (Pvt) Ltd. Karachi Chamber Hasrat Mohani Road Karachi Ph. 32424826, 32412754, Fax. 32424835
REGISTERED OFFICE	2nd Floor Finlay House I.I. Chundrigar Road, Karachi
REGIONAL OFFICE	2nd Floor, Garden Heights, 8 Aibak Block, New Garden Town, Lhr.
MILLS	S.I.T.E. Kotri , Raiwind
WEB PRESENCE	www.gulshan.com.pk

Director's Report to Shareholders

The Directors of your Company are pleased to present unaudited financial statements of the Company for the half year ended March 31, 2014.

Financial Results

Operating Indicators	Nine Months Ended March 31 , 2014 Rupees	Nine Months Ended March 31 , 2013 Rupees
Sales	2,094,303,085	1,905,519,421
Gross (loss) / Profit	(199,340,163)	(104,885,662)
Pre Tax (loss) / Profit	406,831,698	(381,331,982)
Provision for Taxation	22,075,442	19,055,194
Earnings / (loss) Per Share	22.17	(23.07)

The period under review has also been proved difficult period though financial position of the Company is gradually improving. Severe energy crises coupled with on-going financial impediments have obstructed the optimum utilization of production capacities. The main reason for this underutilization has been non-availability of working capital facilities and resultantly the Company could not efficiently purchase sufficient raw material to run the installed capacities at optimum level. We were bound to arrange third party processing in order to keep our production units operational.

The Company had to operate in an increasingly competitive global textile market when local cost of operations has continued to go up due to increased utility cost and inflationary pressures. Inflationary pressures burdened our cost of production despite Company's efforts to mitigate the effect by implementation of several cost cutting measures. Persistent and unprecedented energy crisis in the Country compelled the Company to generate required energy through higher cost substitutes.

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.

The debt amortization profile, higher interest cost and associated liquidity problems have forced the company to initiate restructuring of its debt obligations subject to reconciliation of financial obligations to ensure continued timely discharge of its commitments to its lenders. The company has initiated the debt restructuring process with the help of the key lending financial institutions. In this regard restructuring plan/terms are in process of finalization and majority of financial institutions have agreed in principle to the restructuring process. Once achieved it would improve the company's financial health and liquidity of the Company

Future Outlook:

We have been conscious of the issues that are affecting our profitability and are committed to plans to turn Company into profit by implementing the restructuring process (which is at advance stage) for better financial position, strengthening our operations through proficient acumen, improving manufacturing processes and offering better service to our customers. Moreover, present trend of increase in inflation, unpredictable abnormal hike in power costs and load shedding are likely to continue. All these factors may affect the profitability for the next quarter. In spite of these circumstances, the Management would be putting its best efforts to ensure continued growth, operational efficiency and optimum results for the Company and its valued stakeholders.

Acknowledgement:

We appreciate the efforts and with thanks place on record the continued support extended to us by our customers, suppliers and bankers. The valuable services rendered by our team of employees are gratefully acknowledged.

Condensed Interim Balance Sheet as at March 31, 2014

	Note	Un-audited March 31, 2014	Audited June 30, 2013
-----Rupees-----			
ASSETS			
Non current assets			
Property, plant and equipment	5	2,377,021,012	2,410,718,695
Long term investments	6	-	55,066,672
Long term loans		362,752	794,000
Long term deposits		3,938,190	3,938,190
		<u>2,381,321,954</u>	<u>2,470,517,557</u>
Current assets			
Stores, spare parts and loose tools		49,532,478	62,875,784
Stock-in-trade	7	549,894,905	685,540,359
Trade debts		52,179,499	163,189,475
Loans and advances		55,348,257	52,796,191
Short term deposits		3,856,903	4,373,703
Short term investment	8	26,379,840	-
Accrued mark-up / interest		528,493	748,260
Other receivables		163,564,203	155,860,702
Cash and bank balances		14,921,617	12,833,924
		<u>916,206,196</u>	<u>1,138,218,398</u>
Total assets		<u>3,297,528,150</u>	<u>3,608,735,955</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
25,000,000 (June 30, 2013: 25,000,000) ordinary shares of Rs.10 each		250,000,000	250,000,000
Issued, subscribed and paid-up capital			
17,352,329 (June 30, 2013: 17,352,329) ordinary shares of Rs.10 each		173,523,290	173,523,290
Reserves		475,400,000	475,400,000
Accumulated loss		(2,381,612,633)	(2,798,842,238)
		<u>(1,732,689,343)</u>	<u>(2,149,918,948)</u>
Surplus on revaluation of operating fixed assets		1,548,028,113	2,309,615,641
Sub-ordinate loan		175,000,000	175,000,000
Non current liabilities			
Long term finances	9	-	-
Liabilities against assets subject to finance lease	9	-	-
Staff retirement benefit		64,538,040	58,119,074
Deferred taxation		146,217,751	137,549,385
		<u>210,755,791</u>	<u>195,668,459</u>
Current liabilities			
Trade and other payables	10	977,486,443	884,835,080
Accrued mark-up / interest	11	8,710,413	12,409,362
Short term borrowings	12	1,837,551,634	1,901,187,764
Current portion of non-current liabilities	13	259,278,022	261,257,004
Taxation		13,407,077	18,681,593
		<u>3,096,433,590</u>	<u>3,078,370,803</u>
Contingencies and commitments	14		
Total equity and liabilities		<u>3,297,528,150</u>	<u>3,608,735,955</u>

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

Condensed Interim Profit and Loss Account (Un-audited) for the nine months ended March 31, 2014

	Note	Quarter ended		Nine Months ended	
		March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Rupees					
Sales - net		664,445,539	670,618,688	2,094,303,085	1,905,519,421
Cost of sales	15	801,292,575	640,782,170	2,293,643,248	2,010,405,084
Gross Profit / (loss)		(136,847,036)	29,836,519	(199,340,163)	(104,885,662)
Distribution cost		19,437,473	21,252,214	79,442,949	73,931,972
Administrative expenses		28,257,317	17,153,349	68,261,023	58,201,451
Other expenses		(4,466,165)	-	-	17,555,474
Other income	16	(2,516,079)	(81,673)	(795,632,315)	(63,241,065)
		40,712,546	38,323,891	(647,928,344)	86,447,832
Profit / (loss) from operations		(177,559,581)	(8,487,372)	448,588,181	(191,333,495)
Finance cost		9,741,745	18,151,728	26,502,365	43,486,706
		(187,301,326)	(26,639,100)	422,085,816	(234,820,201)
Share of loss of Associated Companies		-	(25,269,670)	(15,254,118)	(146,511,781)
Profit / (loss) before taxation		(187,301,326)	(51,908,770)	406,831,698	(381,331,982)
Taxation					
- current		4,090,205	5,807,591	13,407,077	19,055,194
- deferred		-	-	8,668,366	-
		4,090,205	5,807,591	22,075,442	19,055,194
Profit / (loss) after taxation		(191,391,531)	(57,716,361)	384,756,256	(400,387,176)
Earnings / (loss) per share					
- basic and diluted		(11.03)	(3.33)	22.17	(23.07)

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

Condensed Interim Statement of Comprehensive Income (Un-audited) for the nine months ended March 31, 2014

	Quarter ended		Nine Months ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	----- Rupees -----			
Profit / (loss) after taxation	(191,391,531)	(57,716,361)	384,756,256	(400,387,176)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	<u>(191,391,531)</u>	<u>(57,716,361)</u>	<u>384,756,256</u>	<u>(400,387,176)</u>

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

Condensed Interim Cash Flow Statement (Un-audited) for the nine months ended March 31, 2014

	Note	Nine Months ended	
		March 31, 2014	March 31, 2013
		-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	48,928,564	(151,700)
Interest received		(30,201,313)	(53,885,220)
Interest paid		525,493	102,241
Income tax paid		(11,719,553)	(13,156,897)
Gratuity paid		(11,950,963)	(17,942,802)
Net cash used in operating activities		(4,417,772)	(85,034,378)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(5,787,085)	(2,218,813)
Proceed from disposal of operating fixed assets		660,000	-
Long term loans - net		431,248	-
Net cash used in investing activities		(4,695,837)	(2,218,813)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - net		-	(2,940,851)
Lease finances - net		(1,978,982)	(3,822,154)
Short term borrowings - net		13,180,283	99,743,822
Dividend paid		-	(652,152)
Net cash generated from financing activities		11,201,302	92,328,666
Net increase in cash and cash equivalents		2,087,693	5,075,475
Cash and cash equivalents - at beginning of the period		12,833,924	15,212,504
Cash and cash equivalents - at end of the period		14,921,617	20,287,979

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

Condensed Interim Statement of Changes in Equity (Un-audited) for the nine months ended March 31, 2014

	Issued, subscribed and paid-up capital	Reserves		Accumulated loss	Total
		Share premium	General reserve		
----- Rupees -----					
Balance as at July 1, 2012	173,523,290	15,400,000	460,000,000	(2,415,258,592)	(1,766,335,302)
Loss for the nine months ended March 31, 2013	-	-	-	(400,387,176)	(400,387,176)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(400,387,176)	(400,387,176)
Surplus on revaluation of operating fixed assets realised during the period on account of incremental depreciation for the half year ended	-	-	-	49,780,223	49,780,223
Effect of item directly credited in equity by Associated Companies	-	-	-	-	-
Balance as at March 31, 2013	173,523,290	15,400,000	460,000,000	(2,765,865,546)	(2,116,942,256)
Balance as at July 1, 2013	173,523,290	15,400,000	460,000,000	(2,798,842,238)	(2,149,918,948)
Profit for the nine months ended March 31, 2014	-	-	-	384,756,256	384,756,256
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	384,756,256	384,756,256
Surplus on revaluation of operating fixed assets realised during the period on account of incremental depreciation for the half year ended - net of deferred taxation	-	-	-	21,733,885	21,733,885
Effect of item directly credited in equity by Associated Companies	-	-	-	10,739,464	10,739,464
Balance as at March 31, 2014	173,523,290	15,400,000	460,000,000	(2,381,612,633)	(1,732,689,343)

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

Notes to the Condensed Interim Financial Information (Un-audited) for the nine months ended March 31, 2014

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Paramount Spinning Mills Limited (the Company) was incorporated as a public limited Company on August 22, 1981 and its shares are listed on Karachi and Lahore Stock Exchanges. The registered office is located at Finlay House, I.I. Chundrigar Road, Karachi. The manufacturing facilities of the Company are located at Kotri and Raiwind. The Company is principally engaged in progressive manufacture and sales of cotton yarn, garments and yarn dyeing.
- 1.2 The Board of Directors of the Company in its meeting held on April 5, 2011 approved the scheme of merger by amalgamation of Gulistan Spinning Mills Limited, Gulshan Spinning Mills Limited into Paramount Spinning Mills Limited along with the approval of the share swap ratio in relation thereto. The Company on orders of Sindh High Court called Extra Ordinary General Meeting on August 1, 2011 in which the above said scheme was approved by the shareholders of the Company. No Objection Certificates from its creditors and lenders are pending for the said matter.
- 1.3 **Going concern assumption**

The Company has accumulated loss of Rs.2.325 billion as at March 31, 2014 and as at that date its current liabilities exceeded its current assets by Rs.2.123 billion. This is mainly due to under utilisation of capacity because of insufficiency of working capital lines, high fuel and power cost, reduction in the Company's margin due to high production cost and devaluation of rupee against U.S. Dollar. All the working capital lines and other finances have been curtailed and blocked by respective banks and financial institutions due to litigations with these lenders as detailed in note 15.1.1 to this condensed interim financial information rendering the Company unable to operate its manufacturing facilities in normal manners. This condensed interim financial information, however, has been prepared under the going concern assumption due to following reasons:

(a) Restructuring / rescheduling of existing debt / loan facilities

The Company alongwith its restructuring agent (a leading financial institutions) and all lending financial institutions & banks are in the process of finalising and approving the terms to restructure the outstanding debt obligations of the Company. An indicative term sheet of the restructuring terms is being signed; immediately thereafter legal documentation will be executed to formalize the restructuring of outstanding debts of the Company. As per this indicative restructuring term sheet, the aggregate amount of principal outstanding will be repaid in instalments over a period of 8 years and mark-up will be charged at a reduced rate. Total accrued and outstanding mark-up till June 30, 2013 payable by the Company to its lenders will be repaid after the completion of repayment term of principal i.e. 8 years. After the formalization of this restructuring agreement, working capital lines and raw materials inventory will be released to the Company in order to run its operations normally. The management and its restructuring agent expects that entire process will be completed in due course of time and the Company will come out of liquidity crunch; and

- (b) the management is expecting equity injection from the Company's sponsor directors in the foreseeable future. This will help in overcoming the working capital shortfall and finalisation of the restructuring of finance facilities.

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

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2013.

3. ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding audited annual published financial statements of the Company for the year ended June 30, 2013.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates.

During the preparation of this condensed interim financial information, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the audited annual financial statements for the year ended June 30, 2013.

		Un-audited March 31, 2014	Audited June 30, 2013
	Note	-----Rupees-----	
5. PROPERTY, PLANT AND EQUIPMENT			
Net book value at beginning of the period / year		2,410,718,695	2,557,894,389
Additions during the period / year	5.1	5,787,085	3,785,900
Disposals, costing Rs.769,000 (June 30, 2013):			
Rs.101,298,844) - at net book value		(124,414)	(94,317,408)
Depreciation charge for the period / year		(39,360,354)	(56,644,186)
Net book value at end of the period / year		<u>2,377,021,012</u>	<u>2,410,718,695</u>
5.1 Additions during the period / year:			
Buildings on leasehold land		2,688,834	1,283,084
Plant and machinery		735,090	1,329,817
Electric Installations		2,190,733	286,358
Mills equipment		117,428	696,197
Furniture and fixtures		3,200	4,800
Office equipment		51,800	185,644
		<u>5,787,085</u>	<u>3,785,900</u>
6. LONG TERM INVESTMENTS			
In Associated Companies			
Quoted			
Gulistan Textile Mills Limited	6.1	-	-
Gulistan Spinning Mills Limited	6.2	-	-
Unquoted			
Gulistan Fibres Limited	6.3	-	55,066,672
		-	<u>55,066,672</u>

- 6.1 Previously, Gulistan Textile Mills Limited (GTM) was associated company based on the cross equity direct and indirect investments of more than 20%. However, GTM, during the current period has disposed of its investment in the Company's paid-up capital due to which GTM is no more associate of the Company. The Company has reclassified its investment in GTM as 'Investment at fair value through profit or loss' (note 8). This has resulted in gain of Rs.481.336 million which has been recognised in profit and loss account as per provisions of IAS 28 'Investment in Associates'.

	Un-audited March 31, 2014	Audited June 30, 2013
Note	-----Rupees-----	
6.2 Gulistan Spinning Mills Limited		
202,777 (June 30, 2013: 202,777) ordinary shares of Rs.10 each - cost	2,346,250	2,346,250
Equity held 1.39% (June 30, 2013: 1.39%)		
Market value Rs.0.852 million (June 30, 2013: Rs.0.953 million)		-
Share of post acquisition losses	(14,956,985)	(15,180,533)
Share of item directly credited in the equity of Associated Company	629,807	426,519
Share of surplus on revaluation of fixed assets	11,980,928	12,407,764
	<u>-</u>	<u>-</u>

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

	Un-audited March 31, 2014	Audited June 30, 2013
Note	-----Rupees-----	
6.3 Gulistan Fibres Limited		
741,185 ordinary shares of Rs.10 each - cost	5,530,760	5,530,760
Share of post acquisition losses	(254,010,741)	(226,989,252)
Share of item directly credited in the equity of Associated Company	14,134,893	9,746,460
Share of surplus on revaluation of fixed assets	248,538,281	266,778,704
	14,193,193	55,066,672
Less: investment disposed during the period	6.3.1 14,193,193	-
	<u>-</u>	<u>55,066,672</u>

- 6.3.1 The management keeping in view the on-going financial crises has disposed-off its investments of 741,185 ordinary shares of Rs.10 each of Gulistan Fibres Limited to the relative of the Chief Executive (a related party) at the rate of Rs.103.64 per share. Sales proceed of Rs.76.816 million has been adjusted against interest free loan provided by this relative to the Company in preceding financial year (note 13.2). Difference between sales proceed and value based on equity method of this investment has been credited to 'Other Income' (note 17).

7. STOCK-IN-TRADE

All of the current assets of the Company are under banks' charge as security of short term borrowings (note 13). The Company filed a suit in the Lahore High Court against all banks / financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001. Further various banks and financial institutions have also filed suits before Banking Court, Sindh High Court and Lahore High Court for recovery of their financial liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties as fully explained in note 15.1.1.

		Un-audited March 31, 2014	Audited June 30, 2013
	Note	-----Rupees-----	
8. SHORT TERM INVESTMENT			
- At fair value through profit or loss			
Gulistan Textile Mills Limited			
1,648,740 (June 30, 2013:1,648,740) ordinary shares of Rs.10 each	8.1	<u>26,379,840</u>	<u>-</u>
Equity held 8.68% (June 30, 2013: 8.68%)			
8.1	Refer contents of note 6.1 to this condensed interim financial information.		
9. LONG TERM FINANCES AND LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured			
The Company filed a suit in the Lahore High Court against all banks / financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 and lending banks have also filed suits before different High Courts for recovery of their long term & short term liabilities and lease finances through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties as fully disclosed in note 15.1.1.			
Due to the abovementioned litigations the Company's financial arrangements with banking companies and lessors are disputed and these liabilities have become payable on demand so instalments due after the period ending March 31, 2015 have been grouped in current portion of non-current liabilities in accordance with the requirements of International Accounting Standard (IAS) '1 Financial Statements Presentation'.			
10. TRADE AND OTHER PAYABLES			
Trade and other payables include bills payable / letters of credit payable of Rs.587.826 million (June 30, 2013: Rs.579.180 million), which represent payables 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.			
11. ACCRUED MARK-UP / INTEREST			
During the period of nine months ended March 31, 2014, the Company has not provided mark-up / interest on its long term finances, lease finances and short term borrowings to the extent of Rs.17.063 million, Rs.1.532 million and Rs.131.794 million respectively due to pending litigations with the financial institutions.			
		Un-audited March 31, 2014	Audited June 30, 2013
	Note	-----Rupees-----	
12. SHORT TERM BORROWINGS			
Short term finances - secured	12.1	1,323,187,528	1,329,340,007
Running finances - secured	12.1	317,754,375	315,180,324
Loan from a related party - unsecured		21,662,236	21,762,236
Interest free loans from related parties - unsecured		154,094,841	222,282,061
Temporary bank overdraft - unsecured		20,852,653	12,623,136
		<u>1,837,551,634</u>	<u>1,901,187,764</u>

- 12.1 The abovementioned balances are against expired finance facilities and have not been renewed by the respective banks / financial institutions. These banks & financial institutions have filed suits before different Civil Courts, Banking Courts and High Courts for recovery of their financial liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The Company had also filed a suit in the Lahore High Court for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs as more fully detailed in note 15.1.1.

		Un-audited March 31, 2014	Audited June 30, 2013
	Note	-----Rupees-----	
13. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term finances:			
- overdue instalments		114,789,594	70,615,497
- instalments due within next twelve months		52,330,990	59,289,171
- instalments due after March 31, 2015 / June 30, 2014	13.1	<u>66,074,634</u>	<u>103,290,550</u>
		233,195,218	233,195,218
Liabilities against assets subject to finance lease			
- overdue instalments		15,759,266	13,873,815
- instalments due within next twelve months		6,025,583	7,341,954
- instalments due after March 31, 2015 / June 30, 2014	13.1	<u>4,297,956</u>	<u>6,846,017</u>
		<u>26,082,804</u>	<u>28,061,786</u>
		<u>259,278,022</u>	<u>261,257,004</u>

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

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 Liabilities towards banks and financial institutions

- (a) Various banks and financial Institutions have filed recovery suits before Banking Court - Karachi, Sindh High Court and Lahore High Court for recovery of their long term and short term liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The aggregate amount of these claims is Rs.2,113.550 million (June 30, 2013: Rs.2,113.550 million).

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

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

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

- 15.1.2 There has been no change in the matters as detailed in notes 29.1.2 and 29.1.3 to the Company's published annual financial statements for the year ended June 30, 2013.
- 15.1.3 Counter guarantees aggregating Rs.9.067 million (June 30, 2013: Rs.9.067 million) were given by the Company to various banks outstanding as at December 31, 2013 in respect of guarantees issued in favour of various Government Departments / Institutions.

14.2 Commitments

There has been no commitment as at March 31, 2014 and June 30, 2013.

15. COST OF SALES

	(Un-audited)			
	Quarter ended		Nine Months ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	----- (Rupees) -----			
Stocks - opening	238,676,466	156,957,695	277,040,674	233,808,882
Cost of goods manufactured	729,360,307	627,863,676	2,183,346,772	1,918,215,592
Purchase of finished goods	10,506,000	-	10,506,000	2,419,810
	739,866,307	627,863,676	2,193,852,772	1,920,635,402
	978,542,773	784,821,371	2,470,893,446	2,154,444,284
Stocks - closing	(177,250,198)	(144,039,201)	(177,250,198)	(144,039,201)
	801,292,575	640,782,170	2,293,643,248	2,010,405,084

16. OTHER INCOME

Includes gains of Rs.481.336 million and Rs.311.161 million arisen upon reclassification of investment in an Associate to 'Investment at fair value through profit or loss' and due to disposal of investment in an Associated Company respectively. Refer contents of note 6.1 and 6.3.1 to this condensed interim financial information.

	Note	(Un-audited)	
		Nine Months ended	
		March 31, 2014	March 31, 2013
		-----Rupees-----	
17. CASH GENERATED FROM OPERATIONS			
Profit / (loss) before taxation		406,831,698	(381,331,982)
Adjustments for non-cash and other items:			
Depreciation of operating fixed assets		39,360,354	52,190,093
Provision of gratuity		18,369,929	12,685,492
Finance cost		26,502,365	43,486,706
Share of loss of Associated Companies		15,254,118	146,511,781
Exchange gain - net		(2,275,047)	-
Interest income		(305,726)	(268,825)
Gain on disposal of operating fixed assets		(535,586)	(509,402)
Gain on disposal of investment in an Associated Company		(311,161,501)	-
Gain on reclassification of investment in an Associated Company to investment at fair value through profit or loss		(481,336,378)	-
Reversal of impairment loss on equity investments		-	(62,462,837)
Working capital changes	17.1	338,224,337	189,547,273
		<u>48,928,564</u>	<u>(151,700)</u>
17.1 Working capital changes			
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		13,343,306	7,204,089
Stock-in-trade		135,645,454	129,870,113
Trade debts		111,009,976	112,864,248
Loans and advances		(9,514,106)	23,520,391
Short term deposits		516,800	271,072
Other receivables		(7,703,501)	(25,913,637)
		<u>243,297,928</u>	<u>247,816,276</u>
Increase in trade and other payables		94,926,409	(58,269,003)
		<u>338,224,337</u>	<u>189,547,273</u>
18. FINANCIAL RISK MANAGEMENT			
The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.			
The condensed interim financial information does not include all financial risk management information and disclosures required in the audited annual financial statements and should be read in conjunction with the Company's audited annual financial statement as at June 30, 2013.			
There have been no changes in the risk management policies since the year end.			
19. RELATED PARTY TRANSACTIONS			
19.1 Significant transactions with related parties are as follows:			

Nature of transactions	(Un-audited) Nine Months ended	
	March 31, 2014	March 31, 2013
	-----Rupees-----	
Purchases	124,902,123	115,201,856
Processing charges	-	2,522,542
Sales	11,389,895	42,770,653
Processing income	2,706,652	15,950,271

20. SEGMENT INFORMATION

20.1 The Company's reportable segments are as follows:

- spinning;
- dyeing;
- garments; and
- weaving - note 22.3.

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

20.2 Segment revenues and results

	Spinning	Dyeing	Garments	Weaving - note 22.3	Total
	-----Rupees-----				
For the year ended March 31, 2014					
Sales	903,370,319	84,130,020	1,106,802,746	-	2,094,303,085
Cost of sales					2,293,643,248
Gross loss					<u>(199,340,163)</u>
For the period ended March 31, 2013					
Sales	584,318,493	221,789,365	1,099,411,563	-	1,905,519,421
Cost of sales					2,010,405,084
Gross loss					<u>(104,885,662)</u>

21. GENERAL

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

21.2 This condensed interim financial information has been authorized for issue by the Board of Directors of the Company on April 25, 2014.



Gulshan Spinning Mills Limited

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