



GULISTAN

Textile Mills Limited

**THIRD QUARTERLY ACCOUNTS
FOR THE NINE MONTHS ENDED
MARCH 31, 2015
(UN-AUDITED)**

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Company Information

BOARD OF DIRECTORS	Mr. Muhammad Badar Munir al Sami Alam (Chairman) Mr. Naseer Ahmed (Chief Executive) Mr. Seemab Ahmad Khan Mr. Muhammad Zubair Mr. Muhammad Afzal Anjum Mr. Manzar Hussain Mr. Waqar Ahmad
AUDIT COMMITTEE	Mr. Muhammad Badar Munir al Sami Alam (Chairman) Mr. Muhammad Zubair Mr. Seemab Ahmad Khan
HR & REMUNERATION COMMITTEE	Mr. Muhammad Zubair (Chairman) Mr. Naseer Ahmed Mr. Seemab Ahmad Khan
CHIEF FINANCIAL OFFICER	Mr. Zulfiqar Ali
COMPANY SECRETARY	Mr. Zulfiqar Ali
AUDITORS	M/s. Baker Tilly Mehmood Idrees Qamar Chartered Accountants 188 D-1, Model Town, Lahore
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	7th Floor, Garden Heights, 8-Aibak Block, New Garden Town, Lahore.
MILLS	Unit I - Sama satta, Distt. Bahawalpur Unit II & III Tibba Sultanpur, Distt. Vehari Unit IV - Ferozwatwan, Distt. Sheikhpura
WEB PRESENCE	www.gulistan.com.pk/corporate/gulistanT.html

Director's Report to Shareholders

The Directors of your Company are pleased to present unaudited financial statements of the Company for the Nine months period ended March 31, 2015.

Financial Results

Operating indicators	Third Quarter Ended March 31, 2015	Third Quarter Ended March 31, 2014
	(Rupees)	(Rupees)
Sales & processing income	269,508,175	1,428,130,749
Gross (loss)/Profit	(290,011,528)	(527,511,263)
Pre Tax (loss)/Profit	(319,162,856)	85,856,408
Provision for Taxation	20,798,226	22,588,687
Earnings/(loss) Per Share	(15.72)	5.71

The period under review has also been proved difficult period. Your Company continued to be in the grip of challenges; power outages coupled with on-going financial impediments have obstructed the optimum utilization of production capacities. The driving force for this underutilization had been non-availability of working capital facilities. Due to unilateral blockage of our working capital lines by the banks, the required working capitals were not at our disposal and the Company could not efficiently purchase sufficient raw material to run the installed capacities at optimum level. This hindered the Company's plan to achieve the desired production targets which badly affected our sales turnover, export orders as well as profitability of the company. In order to keep our production units operational we were bound to arrange third party processing.

The debt amortization profile, higher financial cost and associated liquidity problems have forced the Company to consider restructuring of its debt obligations subject to reconciliation of financial obligations to ensure continued timely discharge of its commitments to its lenders. The debt restructuring process is being considered and in this regard matters are being taken with financial institutions. Once the restructuring is finalized it would improve the company's financial health and liquidity of the Company.

The learned single bench of honourable Sindh High Court in JM No. 1/2013 Titled "*United Bank Limited v Gulistan Textile Mills Limited*" ordered winding up of the company vide its order dated 20.12.2013. In response to our appeal, the Honourable Supreme Court of Pakistan vide its order dated February 25, 2014 has set aside the impugned judgment of Sindh High Court and directed the Sindh High Court to decide the case on merit.

Future Outlook:

We have been conscious of the issues that are affecting our production and are committed to turn the Company into a profitable organization 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. In spite of continued load shedding, the management is trying to implement its best efforts to ensure regain its 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.

GULISTAN TEXTILE MILLS LIMITED

**Condensed Interim Balance Sheet (Un-audited)
As at March 31, 2015**

	NOTE	(UN-AUDITED)	(AUDITED)
		March 31, 2015	June 30, 2014
-----Rupees-----			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	5,693,134,076	5,795,845,215
Long-term investments		4,500,768	5,275,094
Long-term deposits		8,106,098	8,434,628
CURRENT ASSETS			
Stores, spare parts and loose tools		66,323,154	66,748,893
Stock in trade	6	584,903,305	742,850,066
Trade debts		86,211,008	115,179,182
Loans and advances		27,083,528	24,753,720
Trade deposits and short term prepayments		45,010,750	45,010,750
Other receivables		8,394,357	8,394,357
Other financial assets		23,744,497	23,744,497
Tax refunds due from Government		38,152,347	36,130,435
Cash and bank balances	7	39,943,710	36,487,257
		919,766,656	1,099,299,158
Non current assets classified as held for sale		23,176,212	23,176,212
		6,648,683,809	6,932,030,307
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
30,000,000 (June 30, 2014 : 30,000,000) Ordinary shares of Rs. 10 each		300,000,000	300,000,000
Issued, subscribed and paid up capital		189,838,990	189,838,990
Reserves		581,249,483	582,023,809
Accumulated loss		(6,480,761,956)	(6,224,624,027)
		(5,709,673,483)	(5,452,761,228)
Surplus on revaluation of property, plant and equipment		2,720,491,168	2,762,717,867
Deferred income		143,070	223,545
NON CURRENT LIABILITIES			
Long-term financing from banking companies	8	-	-
Long-term financing from related parties		423,800,000	423,800,000
Liabilities against assets subject to finance lease	9	-	-
Deferred liabilities			
Staff retirement benefits - gratuity		129,927,202	117,537,814
Deferred taxation		1,019,340,831	1,040,139,058
		1,149,268,033	1,157,676,872
CURRENT LIABILITIES			
Trade and other payables	10	1,299,526,779	1,274,303,466
Accrued mark up / interest	11	64,705,220	64,786,835
Short-term borrowings	12	5,424,022,584	5,424,466,776
Current portion of non current liabilities		1,250,193,145	1,250,608,880
Provision for taxation		1,374,481	1,374,481
		8,039,822,209	8,015,540,438
Liabilities directly associated with non current assets classified as held for sale		24,832,812	24,832,812
CONTINGENCIES AND COMMITMENTS			
	13		
		6,648,683,809	6,932,030,307

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

NASEER AHMED
Chief Executive

SEEMAB AHMED KHAN
Director

**Condensed Interim Profit & Loss Account (Un-audited)
For the Quarter and Nine Months Period Ended March 31, 2015**

	Quarter Ended	Nine Months Period Ended	Quarter Ended	Nine Months Period Ended
	March 31, 2015		March 31, 2014	
-----Rupees-----				
Sales and processing income	104,471,785	269,508,175	295,037,978	1,428,130,749
Cost of sales	(147,235,660)	(559,519,703)	(400,691,186)	(1,955,642,012)
Gross Loss	(42,763,875)	(290,011,528)	(105,653,208)	(527,511,263)
Other operating income	27,179	93,157	2,807,396	791,241,271
Distribution cost	(5,700)	(240,010)	(1,883,386)	(10,494,059)
Administrative expenses	(5,289,239)	(23,500,745)	(13,284,689)	(63,757,472)
Other operating expenses	-	(3,684,543)	9,594,109	(70,162,850)
Finance cost	(23,292)	(1,819,188)	(7,213,117)	(17,885,721)
	-	-	-	(15,573,498)
	(5,291,052)	(29,151,328)	(9,979,687)	613,367,671
(Loss) / Profit before taxation	(48,054,927)	(319,162,856)	(115,632,895)	85,856,408
Taxation				
- Current	-	-	-	(94,367)
- Deferred	6,932,744	20,798,226	7,993,074	22,683,054
	6,932,744	20,798,226	7,993,074	22,588,687
(Loss) / Profit for the period	(41,122,183)	(298,364,630)	(107,639,821)	108,445,095
(Loss) / Earnings per share				
- basic and diluted	(2.17)	(15.72)	(5.67)	5.71

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

**Condensed interim Statement of Comprehensive Income(Un-audited)
For the Quarter and Nine Months Period Ended March 31, 2015**

	Quarter Ended	Nine Months Period Ended	Quarter Ended	Nine Months Period Ended
	March 31, 2015		March 31, 2014	
	-----Rupees-----			
(Loss) / Profit for the period	(41,122,183)	(298,364,630)	(107,639,821)	108,445,095
Items that may be reclassified to profit and loss account				
Unrealised (loss)/gain on available for sale investment	(145,186)	(774,326)	232,298	6,484,977
Total comprehensive (loss)/gain for the period	<u>(41,267,369)</u>	<u>(299,138,956)</u>	<u>(107,407,523)</u>	<u>114,930,072</u>

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

NASEER AHMED
Chief Executive

SEEMAB AHMED KHAN
Director

**Condensed interim Cash Flow Statement (Un-audited)
For the Quarter and Nine Months Period Ended March 31, 2015**

	Nine Months Period Ended	
	March 31, 2015	March 31, 2014
-----Rupees-----		
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss) / Profit before taxation	(319,162,856)	85,856,408
Adjustments for :		
Depreciation	104,355,709	107,839,291
Staff retirement benefits - gratuity (net)	12,389,388	4,963,201
Finance cost	1,819,188	17,885,721
Exchange loss on foreign currency transaction	-	12,746,533
Interest income	(12,682)	(1,422,787)
Share of loss of associated companies	-	15,573,498
Bad debts written off	-	22,724,957
Gain on sale of investments under equity method	-	(784,010,610)
Profit on sale of property, plant and equipment	-	(5,727,398)
Loss on disposal of investment property	-	20,301,577
Provision for W.P.P.F	-	5,795,644
Provision for W.W.F	-	2,202,345
Amortisation of deferred income	(80,475)	(80,475)
Loss before working capital changes	(200,691,729)	(495,352,096)
Change in working capital		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	425,739	9,488,851
Stock in trade	157,946,761	245,223,902
Trade debts	28,968,174	47,810,294
Loans and advances	(2,329,808)	(13,415,167)
Trade deposits and short term prepayments	-	1,437,000
Other receivables	-	14,343,356
Tax refunds due from Government	(1,641,166)	8,483,145
Increase in current liabilities	183,369,699	313,371,381
Trade and other payables	25,223,313	263,591,173
Cash generated from operating activities	7,901,284	81,610,459
Finance cost paid	(1,900,803)	(19,566,654)
Income tax paid	(380,745)	(1,453,774)
Net cash generated from operating activities	5,619,736	60,590,030
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale proceeds from property, plant and equipment	-	9,014,320
Fixed capital expenditure	(1,644,570)	(17,342,430)
Interest received	12,682	758,433
Increase in Long term deposits	328,530	(1,437,000)
Net cash used in investing activities	(1,303,357)	(9,006,677)
Net cash (outflow) / inflow before financing activities	4,316,379	51,583,353
CASH FLOW FROM FINANCING ACTIVITIES:		
Repayment of liabilities against assets subject to finance lease	(415,735)	(2,733,962)
Repayment of long term financing	-	(15,068,682)
Proceed from long term financing	-	301,923,106
Short term borrowings-net	(444,192)	(336,427,951)
Net cash used in financing activities	(859,927)	(52,307,489)
Net decrease in cash and cash equivalents	3,456,452	(724,135)
Cash and cash equivalents at beginning of the period	60,231,754	71,294,107
Cash and cash equivalents at end of the period	63,688,207	70,569,971
Cash and cash equivalents comprise of the following :		
Cash and bank balances	39,943,710	46,825,474
Other financial assets - US Dollar Bonds	23,744,497	23,744,497
	63,688,207	70,569,971

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

NASEER AHMED
Chief Executive

SEEMAB AHMED KHAN
Director

**Condensed Interim statement of change in equity (Un-audited)
For the Nine Months Period Ended March 31, 2015**

Share capital	RESERVES				TOTAL	
	CAPITAL	REVENUE				
	Share premium	General reserve	Unrealized gain on available for sale investment	Unappropriated profit/(loss)		
-----Rupees-----						
Balance as at July 01, 2013 - restated	189,838,990	379,080,000	203,921,394	-	(8,335,540,567)	(7,562,700,183)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation-net of tax	-	-	-	-	42,125,672	42,125,672
Transfer from share of surplus on revaluation of property, plant and equipment of associates on account of incremental depreciation - net of tax	-	-	-	-	33,105,666	33,105,666
Transfer from share of surplus on revaluation of property, plant and equipment of associates on account of disposal of investment - net of tax	-	-	-	-	2,228,266,724	2,228,266,724
Total comprehensive profit for the period	-	-	-	-	114,930,072	114,930,072
Balance as at March 31, 2014	189,838,990	379,080,000	203,921,394	-	(5,917,112,433)	(5,144,272,049)
Balance as at July 01, 2014	189,838,990	379,080,000	203,921,394	(977,585)	(6,224,624,027)	(5,452,761,228)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	-	-	-	42,226,701	42,226,701
Total comprehensive loss for the period	-	-	-	(774,326)	(298,364,630)	(299,138,956)
Balance as at March 31, 2015	189,838,990	379,080,000	203,921,394	(1,751,911)	(6,480,761,956)	(5,709,673,483)

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

NASEER AHMED
Chief Executive

SEEMAB AHMED KHAN
Director

**Selected Notes to the Condensed interim Financial Statements (Un-audited)
For the Nine Months Period Ended March 31, 2015**

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 The Company was incorporated on February 02, 1966 in Pakistan as a private Company limited by shares and was converted into public limited Company on April 11, 1966. The shares of the Company are listed at Karachi and Lahore Stock Exchanges in Pakistan. The registered office of the Company is located at 2nd Floor, Finlay House, I. I. Chundrigar Road, Karachi.
- 1.2 The Company is principally engaged in the manufacture and sale of yarn, fabrics and other ancillary products. The manufacturing units are located at Samma Satta, Tiba Sultanpur and Feroz Wattwan.

1.3 Going concern assumption

The Company has earned a net loss after tax of Rs. 298.365 million and as on the said date its current liabilities exceed its current assets by Rs. 7,120.056 million and its accumulated loss compute to Rs. 6,480.762 million. As explained in note 13.1.1 of these financial statements the Company is in litigation with several banking companies and financial institutions as a consequence these banking companies and financial institutions have blocked and curtailed the working capital lines of the Company and froze the funds in bank accounts, rendering the Company not being able to operate in its normal course due to the liquidity crisis and has resulted in losses. Further as explained in note 13.1.2 a petition for the winding up of the Company has been filed in the Honorable Sindh High court. The Honorable Sindh high court through its order no J.Misc no. 1 of 2013 dated December 12, 2013 had ordered the winding up of the Company. Subsequently the Honorable Supreme Court of Pakistan vide its order dated February 25, 2014 has set aside the impugned judgment of Sindh High Court and remanded the matter. These conditions along with adverse key financial ratios and the pending litigations with the banking companies and financial institutions indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements, however, have been prepared under the going concern assumptions based on the following mitigating factors as indicated in note 1.3 of the annual audited financial statements of the Company:

- (a) the management of the Company is negotiating an amicable settlement of the pending litigations with the banking companies and financial institutions. Series of meetings in this regards have also been held and the matter is being persuaded aggressively with the banks and financial institutions. The Company has appointed leading financial institution as the restructuring agent and also has agreed an indicative term sheet engulfing the principal terms and conditions of the restructuring with the said banking companies and financial institutions. As per the indicative term sheet the banking companies and financial institutions will release the blocked working capital lines and raw material in order to run the operations smoothly;
- (b) The management has prepared an eight years future plan showing profitability;
- (c) The Sponsoring Directors have given a written commitment stating that they will provide out of Private Sources working capital as required by the Company;
- (d) the management have made arrangements whereby third party cotton is being processed against processing fee for utilization of unutilized capacity in spinning segment;
- (e) the management has also undertaken adequate steps towards the reduction of fixed cost and expenses which are at various stages of implementation. Such steps include, but not limited to, rightsizing of the man power, resource conservation, close monitoring of other fixed cost etc. The management is certain to generate sufficient savings as consequences of adopting 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 improvement of the Company's financial position in the foreseeable future.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Financial Reporting Standard (IFRS) IAS 34 'Interim Financial Reporting' as applicable in Pakistan. This condensed interim financial information does not include all of the information and disclosures required for annual financial statements, and should be read in conjunction with the financial statements of Company as at and for the year ended June 30, 2014.

These condensed interim financial statements are being submitted to the shareholders as required by the Listing regulations of Karachi and Lahore Stock Exchange and section 245 of the Companies Ordinance, 1984.

These condensed interim financial statements comprise of condensed interim balance sheet, condensed interim profit and loss accounts, condensed interim statement of comprehensive income, condensed interim statement of cash flow and condensed interim statement of changes in equity together with the selected notes for the nine months period ended March 31, 2015 which have been subject to review but not audited. These condensed interim financial statements also include condensed interim profit and loss statement for the quarter ended March 31, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended June 30, 2014.
- 3.2 Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the Company's operations or did not have any impact on the accounting policies of the Company.
- 3.3 The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on market conditions existing at March 31, 2015.

4. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

- 4.1 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended June 30, 2014.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2014.

	Note	March 31, 2015	June 30, 2014
		-----Rupees-----	
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	5,691,489,506	5,795,845,215
Capital work in progress - at cost		1,644,570	-
		<u>5,693,134,076</u>	<u>5,795,845,215</u>
5.1 Operating assets			
Opening written down value		5,795,845,215	5,925,853,508
Additions during the period	5.2	-	17,920,458
Revaluation surplus arised during the period		-	-
		<u>5,795,845,215</u>	<u>5,943,773,966</u>
Disposals during the period	5.2	-	(4,235,427)
Depreciation during the period		(104,355,709)	(143,693,324)
Closing written down value		<u>5,691,489,506</u>	<u>5,795,845,215</u>

5.2 Additions and disposals during the period

	March 31, 2015		June 30, 2014		
	Additions	Disposals	Additions	Disposals	
		-----Rupees-----		-----Rupees-----	
Owned Assets					
Plant and machinery	-	-	17,888,068	-	
Furniture and fixtures	-	-	32,390	(302,558)	
Vehicles	-	-	-	(3,932,869)	
	<u>-</u>	<u>-</u>	<u>17,920,458</u>	<u>(4,235,427)</u>	

6. STOCK IN TRADE

6.1 Raw cotton amounting to Rs. 403.155 Million (June 30, 2014 : Rs. 481.350 Million) and finished goods amounting to Rs.263.965 Million (June 30, 2014 : Rs. 248.011 Million) are stated at their net realizable value aggregating Rs. 329.732 Million (June 30, 2014 : Rs. 449.412 Million) and Rs. 150.165 Million (June 30, 2014: 177.872 Million) respectively. The amount charged to profit and loss account for the nine months period in respect of raw materials written down to their replacement cost is Rs. 73.422 Million (June 30, 2014: Rs. 31.939 Million) and in respect of finished goods written down to their net realizable values is Rs. 113.800 Million (June 30, 2014 : Rs. 70.139 Million).

6.2 As explained in note 13.1.1 of these financial statements several banking companies and financial institutions have filed recovery suits against the Company. These banking companies and financial institutions, amongst other pleas, have pleaded that the charged stock be disposed and the financial arrangements with the said banking companies and financial institutions be settled by the proceeds as such realised. The ownership of the charged stock is disputed and will only be ascertained upon decision of the honorable courts. The legal counsel of the Company is of the opinion that the case pending adjudication are being contested on merits as well as various cogent factual and legal grounds. An amicable settlement of the case with the banking companies and financial institutions is currently being pursued, without prejudice to the respective contentions. The management of the Company is pressing the said banking companies and financial institutions for the restructuring / rescheduling of credit facilities and expects the same to be restructured / rescheduled in due course.

7. CASH AND BANK BALANCES

As explained in note 13.1.1 of these condensed interim financial statements the Company is in litigation with several banking companies and financial institutions. Consequent to on going litigation these banks have blocked the bank accounts of the Company held with them. Furthermore, majority of the banks have not provided bank statements for the period ended March 31, 2015 to confirm the period ended balances.

8. LONG-TERM FINANCING FROM BANKING COMPANIES

Due to the pending litigations, but without prejudice to the Company's stance in the said litigations, the Company's financial arrangements with the banking companies and financial institutions are disputed and the Company will only make payments / adjustments of these finances after the amounts are reconciled with banks and financial institutions as mentioned in note 13.1.1. In terms of provisions of International Accounting Standard (IAS) 1 'Presentation of Financial Statements', all liabilities under these finance agreements should be classified as current liabilities. Based on the above, installments due after the year ending March 31, 2016 have been grouped in current portion of non current liabilities.

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Due to the pending litigations, but without prejudice to the Company's stance in the said litigations, the Company's financial arrangements with the banking companies and financial institutions are disputed and the Company will only make payments / adjustments of these lease liabilities after the amounts are reconciled with banks and financial institutions in accordance with the suit as mentioned in note 13.1.1. In terms of provisions of International Accounting Standard (IAS) 1 'Presentation of Financial Statements', all lease liabilities under these finance agreements should be classified as current liabilities. Based on the above, installments due after the year ending March 31, 2016 have been grouped in current portion of non current liabilities.

10. TRADE AND OTHER PAYABLES

Trade and other payables include local LCs payable and foreign bills payable. These amounts are payable to various financial institution, are overdue and disputed under litigation with banking companies / financial institutions as explained in note 13.1.1 of these condensed interim financial statements. The company has not accounted for any further commission / interest / markup or penalty in respect of these LCs and bills payable. Furthermore, information / records were not made available by the banking companies and financial institutions to confirm the period end balances of the outstanding amounts.

11. ACCRUED MARK UP / INTEREST

As explained in note 13.1.1 several banking companies and financial institutions have filed recovery suits against the Company. Since the financial arrangements of the Company with these banking companies and financial institutions are disputed, the Company has not provided for the markup / interest on short-term borrowings, long-term financing and liabilities against assets subject to finance lease to the extent of and approximate to Rs. 467,663,207 (June 30, 2014: Rs. 662,928,297), Rs. 62,796,601 (June 30, 2014: Rs. 59,464,499) and Rs. 48,057,310 (June 30, 2014: Rs. 62,996,386) on outstanding balances in respect of short-term borrowings, long-term financing and liabilities against assets subject to finance lease respectively. The aggregate amount of unaccounted accrued markup / interest upto March 31, 2015 is approximately Rs. 2,436,106,279 (June 30, 2014: Rs. 1,857,589,161). The exact amount of unaccounted markup cannot be ascertained as due to the ongoing litigation, several banking companies and financial institutions have not provided the relevant information / documents. Furthermore, the banking companies and financial institutions were not available for confirmation of these balances.

12. SHORT TERM BORROWINGS

As explained in note 13.1.1 several banking companies and financial institutions have filed recovery suits against the Company for the outstanding balances. The legal counsel of the Company is of the opinion that the case pending adjudication are being contested on merits as well as various cogent factual and legal grounds, however the liability in respect of principal outstanding is fully provided. An amicable settlement of the case with the banking companies and financial institutions is currently being pursued, without prejudice to the respective contentions. The management of the Company is pressing the said banking companies and financial institutions for the restructuring / rescheduling of these loans and expects the loans to be restructured / rescheduled in due course. As at the period end the various finance facilities available to the Company have expired and may only be re-negotiated in line with the on-going restructuring / rescheduling with the banking companies and financial institution and the decision of the honorable courts. However, at the period end, banking companies and financial institutions have not provided confirmations for reconciliation of the outstanding balances.

13. CONTINGENCIES AND COMMITMENTS**13.1 Contingencies**

13.1.1 Banking companies and financial institutions including NIB Bank Limited, HSBC, NBP Leasing Limited, Silk Bank Limited, United Bank Limited, Habib Bank Limited, KASB Bank Limited, Soneri Bank Limited, JS Bank Limited, Summit Bank, Meezan Bank Limited, First Women Bank Limited, First Habib Modarba, Bank Of Khyber, MCB Bank Limited, Pak Libya Holding Company, National Bank of Pakistan, Askari Bank Limited, Allied Bank Limited and The Bank of Punjab have also filed suits for recovery, sale of charged stocks and injunction against the Company in different banking courts, civil courts and high courts. The aggregate amount claimed in the suits against the Company is Rs. 8,578,318,496/-. The Company is strongly contesting its case before various courts. As per legal opinion, all the above matters are being contested by the Company on merits as well as various cogent factual and legal grounds available to the Company under law as reflected in the respective pleadings. However, the liability in respect of principal outstanding is fully provided whereas the markup amounting to Rs. 2,436,106,279/- is not provided in these financial statements due to the above stated reasons.

13.1.2 A petition has been filed in the Honorable Sindh High Court by United Bank Limited seeking among other things the winding up of the Company, appointment of official liquidator and restricting the board of directors from functioning. The Honorable High Court through its order no J.Misc 1 of 2013 dated December 12, 2013 ordered the winding up of the Company and appointment of the official liquidator. Subsequently the Company has filed a petition in the Honorable Supreme Court of Pakistan challenging the ruling of the Honorable Sindh High Court. In response to the appeal filed by the Company, the Honorable Supreme Court of Pakistan vide its order dated February 25, 2014 has set aside the impugned judgment of Sindh High Court and remanded the matter. The legal counsel is of the opinion that the Company has several cogent factual and legal grounds for contesting its case and is very hopeful for a favorable decision.

13.1.3 The Company has filed a global suit in Honorable Lahore High Court jointly against several banking companies and financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs. The Honorable Lahore High Court vide its order sheet, reference C.M No. 1-C of 2013, dated November 27, 2013 has ordered not to disturb the present position of current assets and fixed assets of the Company.

13.1.4 There have been no significant change in the status of contingent liabilities since the last audited financial statements as on June 30, 2014 except as disclose above in note 13.1.1.

13.2 Commitments

There were no capital commitments as on balance sheet date.

March 31, 2015	March 31, 2014
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-----Rupees-----

14 TRANSACTIONS WITH RELATED PARTIES

Associated Companies transaction in the period

Processing charges	-	70,157,234
Sale of Investments	-	782,010,610
Remuneration to Key management personnel	7,915,734	11,201,481

Transactions with related parties are carried out at arm's length price, determined in accordance with comparable uncontrolled price method. The above transactions are till the date the Company remained associated undertakings.

15 CORRESPONDING FIGURES

Comparative information has been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. Nature of this reclassification is allocation of figures to proper head of accounts.

16 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been authorized for issue on April 29, 2015 by the board of directors of the Company.

17 GENERAL

All figures except June 30, 2014 figures appearing in the financial statements are un-audited. Figures have been rounded off to the nearest rupee.



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