



HALF YEARLY ACCOUNTS  
FOR SIX MONTHS ENDED  
DECEMBER 31, 2014  
(UN-AUDITED)

**GULISTAN SPINNING MILLS LIMITED**

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## GULISTAN SPINNING MILLS LIMITED

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### Company Information

BOARD OF DIRECTORS	Mr. Sohail Maqsood Mr. Tanveer Ahmed Mr. Riaz Ahmed Mr. Maqsood-ul-Haq Mr. Iftikhar Ali Mr. Muhammad Yousaf Mr. Umer Hayat Gill	(Chairman) (Chief Executive)
AUDIT COMMITTEE	Mr. Iftikhar Ali Mr. Maqsood-ul-Haq Mr. Sohail Maqsood	(Chairman)
HR & REMUNERATION COMMITTEE	Mr. Maqsood-ul-Haq Mr. Tanveer Ahmed Mr. Sohail Maqsood	(Chairman)
CHIEF FINANCIAL OFFICER	Mr. Salman Ali Riaz	
COMPANY SECRETARY	Mr. Javaid Iqbal	
AUDITORS	M/s. Baker Tilly Mehmood Idrees Qamar Chartered Accountants Lahore.	
LEGAL ADVISOR	Akhter Javed-Advocate	
TAX CONSULTANT	M/s. Sharif & Company-Advocate	
SHARE REGISTRAR OFFICE	M/s. Hameed Majeed Associates (Pvt) Ltd. Karachi Chamber Hasrat Mohani Road Karachi Ph. 32424826, 32412754, Fax. 32424835	
REGISTERED OFFICE	2nd Floor, Finlay House, I.I. Chundrigar Road, Karachi.	
MILLS	Jumber Khurd Tehsil Chunnian Dist. Kasur	
WEB PRESENCE	<a href="http://www.gulshan.com.pk/corporate/gulistan.html">http://www.gulshan.com.pk/corporate/gulistan.html</a>	

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 December 31, 2014.

Financial Results:

Operating Indicators	Half Year Ended December 30, 2014	Half Year Ended December 31, 2013
	(Rupees)	(Rupees)
Sales	Nil	263,585,236
Gross (loss) / Profit	(40,000,241)	(26,154,056)
Pre Tax (loss) / Profit	(53,393,406)	(43,098,284)
Provision for Taxation	(6,153,275)	6,727,136
Earnings / (loss) Per Share	(3.23)	(2.49)

Overview:

The period under review has been proved incredibly challenging. Challenges like on-going financial barriers coupled with severe energy crises have obstructed the utilization of production capacities. Inaccessibility to working capital lines and inability to procure essential raw materials on time caused complete halt of production and repulsively wiped out Company's plan to achieve its targets which turned the sales to zero for this quarter.

The Management is conscious of the issues that are affecting our operations and are committed to plans to turn Company into profitable entity by taking serious decisions 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. In this regard leading law firm has been appointed as transaction lawyer and restructuring plan/terms are in process of finalization and majority of financial institutions has agreed in principle to the restructuring process. Once achieved it would improve the company's financial health and liquidity of the Company

Auditors Observation:

Auditors' Observation regarding going concern, liquidity issues and its repercussions, the Management has approached the banks/financial institutions for speed up the process of negotiations and finalization of financial restructuring of its debts and is confident that outcome will be positive and with reconciliation of amounts, release of security in post re-profiling scenario, as per pending litigation with the Lahore High Court, the financial health of the Company will be improved which will enable the Company to purchase cost effective timely raw material, manage the resources properly, combat the pressures of local and global market and tackle with energy crises. A Scheme of Arrangement by the Creditors is in process of finalization and after its approval from Honourable Sindh High Court, a syndicated restructuring agreement is proposed to be executed between the Company and respective banks. According to restructuring terms all ongoing litigations by or against the Company will be withdrawn by the respective parties.

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

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. This impediment is expected to be over in near future as the restructuring process is expected to be completed soon once the ongoing reconciliation & restructuring process is completed, we would be in better position to embark upon timely better priced procurement of the required raw materials. To increase profitability and improve performance, wide ranging and significant measures are being implemented by the Company focusing on cost reduction and increase in margins.

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.

Auditor's Report to the Members on Review of  
Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of GULISTAN SPINNING MILLS LIMITED as at December 31, 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the interim financial information) for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the interim profit and loss account and interim statement of comprehensive income for the quarter ended December 31, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2014.

Scope of Review

Except for the matter stated in paragraph (c) below, we conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Adverse conclusion

- a) This condensed interim financial information has been prepared on going concern assumption. The interim condensed financial information of the company for the period ended December 31, 2014 reflects loss after taxation of Rs. 47,240,131 and so as of that date it has accumulated losses of Rs. 1,425,019,238 which resulted in net capital deficiency of Rs. 1,253,610,335 and its current liabilities exceeds its current assets by Rs 1,499,201,582. The operations of the company are closed since April 2014 due to working capital constraints. Furthermore, the company has been unable to ensure timely repayments of debts owing to financial institutions due to liquidity problems and short term finance facilities have expired and not been renewed by banks. These events indicate the existence of a material uncertainty that may cause significant doubt about on the company's ability to continue as a going concern and therefore, the company may not be able to realize its assets and discharge its liabilities in the normal course of business. In our opinion, the going concern assumption used in the preparation of these condensed interim financial statements is inappropriate.
- b) As fully explained in note 12, the company has not accounted for markup / interest to the extent of and approximate to Rs. 72,942,532 (June 30, 2014: Rs. 148,122,052), Rs. 10,948,180 (June 30, 2014: Rs. 38,734,620) and Rs. 38,180 (June 30, 2014: Rs. 88,931) on outstanding balances in respect of short-term borrowings, long-term financing and liabilities against assets subject to finance lease respectively after going into litigation with banking companies and financial institutions. Had the company accounted for markup / interest, the loss for the period would have been higher by Rs. 83,928,892 (June 30, 2014: Rs. 186,945,603) and consequently the aggregate amount of accrued markup (including previous unaccounted markup) would have been increased by Rs.439,660,772 and aggregate accumulated loss would have been higher by same amount.
- c) As mentioned in note 8, 9, 10, 11, 12, and 13 confirmations and period end bank statements were not available in respect of cash with banks, long-term financing, liabilities against assets subject to finance lease, local LCs payable, foreign bills-payable, accrued markup / interest, and short-term borrowings respectively, due to pending litigations with these banks / financial institutions as referred in note 14.1.1.

Adverse Conclusion

Based on our review, because of the significance of the matters referred in the preceding paragraph (a) to (c) and its effect on the interim financial information we believe that the accompanying interim financial information do not give a true and fair view of the state of company's affairs as at 31st December 2014 and of the loss, comprehensive loss, its cash flows and changes in equity for the half year ended December 31, 2014.

BAKER TILLY MEHMOOD IDREES QAMAR  
Chartered Accountants

Lahore  
March 09, 2015

Name of Engagement Partner:  
Bilal Ahmed Khan, ACA

**GULISTAN SPINNING MILLS LIMITED**

**Condensed Interim Balance Sheet (Un-audited)  
As at December 31, 2014**

		(UN-AUDITED)	(AUDITED)
	Note	December 31, 2014	June 30, 2014
----- Rupees -----			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	1,506,096,490	1,531,854,852
Long-term investments	6	11,646,735	10,735,485
Long-term deposits		2,780,500	2,780,500
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		11,337,736	11,666,336
Stock in trade	7	232,264,378	232,264,378
Trade debts		23,037,535	23,037,535
Loan and advances		1,746,338	5,989,346
Trade deposits, prepayments and other receivables		7,768,440	12,081,245
Markup accrued		13,281,881	13,052,447
Tax refunds due from Government		13,536,096	13,575,158
Cash and bank balances	8	6,208,618	5,325,857
		309,181,022	316,992,301
		<b>1,829,704,747</b>	<b>1,862,363,138</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital			
15,000,000 (2014: 15,000,000) Ordinary shares of Rs. 10 each		150,000,000	150,000,000
Issued, subscribed and paid up share capital		146,410,000	146,410,000
Reserves		24,998,903	24,998,903
Unappropriated loss		(1,425,019,238)	(1,390,272,121)
		(1,253,610,335)	(1,218,863,218)
Surplus on revaluation of property, plant and equipment		764,549,994	777,043,007
<b>NON CURRENT LIABILITIES</b>			
Long-term financing	9	-	-
Long-term loan from directors/sponsors		177,818,341	177,818,341
Liabilities against assets subject to finance lease	10	-	-
Deferred liabilities		332,564,143	340,273,708
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	444,884,407	423,211,210
Accrued markup / interest	12	21,067,657	16,841,346
Short-term borrowings	13	1,146,314,319	1,147,576,253
Current portion of:			
- long-term financing	9	171,428,572	171,428,572
- liabilities against assets subject to finance lease	10	15,920,997	17,199,239
Provision for taxation		8,766,652	9,834,681
		1,808,382,604	1,786,091,300
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14	1,829,704,747	1,862,363,138

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

Tanveer Ahmed  
Chief Executive

Sohail Maqsood  
Director

GULISTAN SPINNING MILLS LIMITED

Condensed Interim Profit and Loss Account (Un-audited)  
For the Half Year Ended December 31, 2014

	Quarter ended		Half year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	----- Rupees -----			
Sales - net	-	190,090,123	-	263,585,326
Cost of sales	(19,352,124)	(200,808,241)	(40,000,241)	(289,739,382)
Gross loss	(19,352,124)	(10,718,118)	(40,000,241)	(26,154,056)
Other income	589,413	596,550	1,118,295	1,130,809
	(18,762,711)	(10,121,568)	(38,881,945)	(25,023,247)
Distribution cost	(1,117,373)	(320,478)	(1,117,373)	(320,478)
Administrative expenses	(5,195,372)	(6,624,611)	(9,514,361)	(13,518,515)
Other operating expenses	-	(3,408,785)	-	(3,425,175)
Finance cost	(2,249,272)	(698,437)	(3,879,727)	(810,868)
	(8,562,017)	(11,052,312)	(14,511,461)	(18,075,037)
	(27,324,728)	(21,173,880)	(53,393,406)	(43,098,284)
Share of loss of associates	-	(29,728)	-	(29,728)
Loss before taxation	(27,324,728)	(21,203,608)	(53,393,406)	(43,128,012)
Taxation				
- Current	-	-	-	-
- Deferred	3,076,638	3,264,640	6,153,275	6,727,136
	3,076,638	3,264,640	6,153,275	6,727,136
Loss for the period	(24,248,090)	(17,938,968)	(47,240,131)	(36,400,876)
Loss per share - basic and diluted	(1.66)	(1.23)	(3.23)	(2.49)

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

GULISTAN SPINNING MILLS LIMITED

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Condensed Interim Statement of Comprehensive Income (Un-audited)  
For the Half Year Ended December 31, 2014

	Quarter ended		Half year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	----- Rupees -----			
Loss for the period	(24,248,090)	(17,938,969)	(47,240,131)	(36,400,876)
Items that may be reclassified to profit and loss account				
Un-realised gain on available for sale investment	-	16,832	-	16,832
Total comprehensive loss for the period	<u>(24,248,090)</u>	<u>(17,922,137)</u>	<u>(47,240,131)</u>	<u>(36,384,044)</u>

*The annexed notes form an integral part of this condensed interim financial information.*

Tanveer Ahmed  
Chief Executive

Sohail Maqsood  
Director



GULISTAN SPINNING MILLS LIMITED

Condensed Interim Cash Flow Statement (Un-audited)  
For the Half Year Ended December 31, 2014

	NOTE	December 31, 2014	December 31, 2013
-----Rupees-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(53,393,406)	(43,128,012)
Adjustments for:			
Depreciation on property, plant and equipment		25,758,362	27,279,838
Provision for staff retirement benefits - gratuity		2,880,000	4,205,628
Share of loss of associates		-	29,728
Finance cost		3,879,727	810,868
Interest income		(267,795)	(1,130,809)
Markup accrued on defence saving certificates		(850,500)	(911,250)
Cash flows before changes in working capital		(21,993,613)	(12,844,008)
Changes in working capital	15	30,596,672	24,731,562
Cash generated from operations		8,603,059	11,887,554
Finance cost paid		(388,553)	(810,868)
Gratuity paid		(4,436,291)	(5,411,255)
Income taxes paid		(1,068,029)	(1,656,292)
		(5,892,873)	(7,878,416)
Net cash generated from operating activities		2,710,187	4,009,138
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-	(5,505,393)
Markup received		712,750	1,102,405
Net cash generated from / (used in) investing activities		712,750	(4,372,988)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of liabilities against assets subject to finance lease		(1,278,242)	(258,646)
Increase short-term borrowings - net		-	2,417,755
Net cash (used in) / generated from financing activities		(1,278,242)	2,159,109
Net increase in cash and cash equivalents		2,144,694	1,795,259
Cash and cash equivalents at beginning of the period		2,245,346	6,593,598
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>4,390,040</b>	<b>8,388,857</b>

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

Tanveer Ahmed  
Chief Executive

Sohail Maqsood  
Director

Condensed Interim Statement of Changes in Equity (Un-audited)  
For the Half Year Ended December 31, 2014

	Reserves				Total
	Capital	Unrealized Gain(Loss) on remeasurement of available for sale investment	Revenue		
	Share Premium	on remeasurement of available for sale investment	Unappropriated profit		
----- Rupees -----					
Balance as at July 01, 2013 - restated	146,410,000	25,000,000	-	(1,387,750,818)	(1,216,340,818)
Total comprehensive loss for the period	-	-	-	(36,384,044)	(36,384,044)
Transfer from share of surplus on revaluation of property, plant and equipment of associates on account of disposal of investment - net of tax	-	-	-	326,527	326,527
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	-	-	1,232,850	1,232,850
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	-	-	13,058,559	13,058,559
Balance as at December 31, 2013 - restated	<u>146,410,000</u>	<u>25,000,000</u>	<u>-</u>	<u>(1,409,516,926)</u>	<u>(1,238,106,926)</u>
Balance as at July 01, 2014	146,410,000	25,000,000	(1,097)	(1,390,272,121)	(1,218,863,218)
Transfer from share of surplus on revaluation of property, plant and equipment of associates on account of disposal of investment - net of tax	-	-	-	-	-
Share from associates of incremental depreciation - net of tax	-	-	-	-	-
Share of revaluation of property, plant and equipment realized on disposal of equity instruments	-	-	-	-	-
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	-	-	12,493,014	12,493,014
Total comprehensive loss for the period	-	-	-	(47,240,131)	(47,240,131)
Balance as at December 31, 2014	<u>146,410,000</u>	<u>25,000,000</u>	<u>(1,097)</u>	<u>(1,425,019,238)</u>	<u>(1,253,610,335)</u>

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

Notes to the Condensed Interim Financial Information (Un-audited)  
For the Half Year Ended December 30, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Gulistan Spinning Mills Limited (the Company) was incorporated on 25 February, 1987 and its shares are listed on Karachi and Lahore Stock Exchanges in Pakistan. The Company is principally engaged in manufacture and sale of yarn. The registered office of the Company is situated at 2nd Floor, Finlay House, I . I. Chundrigar Road, Karachi in the province of Sindh, Pakistan. The principal business of the Company is to manufacture and sale of yarn. The manufacturing unit is located at District Kasur in the Province of Punjab.
- 1.2 During the period ended December 31, 2014 the Company has incurred a net loss after tax of Rs. 47,240 million and as on the said date its current liabilities exceed its current assets by Rs. 1,499,201 million and its accumulated loss compute to Rs. 1,425,019 million. As fully explained in note 14.1.1 of these financial statement the Company is in litigation with several banking companies and financial institutions, as a consequence these banking companies and financial institutions have blocked and curtailed the working capital lines of the Company and froze the funds in bank accounts, rendering the Company not being able to operate in its normal course due to the liquidity crisis and has resulted in losses. These conditions along with adverse key financial ratios and the pending litigations with the banking companies and financial institutions indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements, however, have been prepared under the going concern assumptions based on the following mitigating factors:
- (a) the management of the Company is negotiating an amicable settlement of the pending litigations with the banking companies and financial institutions. Series of meetings in this regards have also been held and the matter is being persuaded aggressively with the banks and financial institutions. The Company has elected Faysal Bank Limited as the restructuring agent and also has signed an indicative term sheet engulfing the principal terms and conditions of the restructuring with the said banking companies and financial institutions. As per the signed 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 made arrangements whereby third party cotton is being processed against processing fee for utilization of unutilized capacity in spinning segment;
  - (c) the management has also undertaken adequate steps towards the reduction of fixed cost and expenses which are at various stages of implementation. Such steps include, but not limited to, rightsizing of the man power, resource conservation, close monitoring of other fixed cost etc. The management is certain to generate sufficient savings as consequences of adapting all such measures;
  - (d) the management expects equity injection from the sponsoring directors and detailed plans about the timing and magnitude of the equity injection have been submitted to the banking companies and financial institutions. The management believes of this equity injection will help the Company in overcoming the current working capital deficit and will assist in finalisation of these structuring / rescheduling plans;

The management anticipates that above steps will not only bring the Company out of the existing financial crisis but also contribute significantly towards the improvement of the Company's financial position in the foreseeable future;

2. BASIS OF PREPARATION

- 2.1 This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Accounting Standard (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 the Company for the year ended 30 June, 2014.
- These condensed interim financial information 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.
- 2.2 This condensed interim financial statements comprise of condensed interim balance sheet, condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the selected notes for the half year ended December 31, 2014 which have been subject to a review but not audited. This condensed interim financial information also include condensed interim profit and loss statement for the quarter ended December 31, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The accounting policies and methods of computation which have been used in the preparation of these 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.

4. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these 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 recognised prospectively commencing from the period of revision.

Judgments and estimates made by management in the preparation of these 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 for the year ended June 30, 2014.

5. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2014		June 30, 2014	
	Additions	Disposals	Additions	Disposals
Owned Assets	----- Cost in Rupees -----			
Plant and machinery	-	-	-	-
Electric installations	-	-	1,842,284	-
Factory equipment	-	-	410,000	-
Office equipments	-	-	90,049	-
Furniture and fixtures	-	-	-	560,000
Vehicles	-	-	-	-
	-	-	2,342,333	560,000

December 31, 2014      June 30, 2014  
----- Rupees -----

6. LONG-TERM INVESTMENTS

	Note	December 31, 2014	June 30, 2014
Other Investments - available for sale	6.1	15,735	15,735
Defence saving certificates		11,631,000	10,719,750
		11,646,735	10,735,485

6.1 Other Investments - Available for sale

Quoted companies

Gulistan Textile Mills Limited

(1,049 shares costing Rs. 116,042, Carrying Value 15,735)

Add: Adjustment arising from measurement to fair value  
(Market value as at December 31, 2014 : Rs. 15.00 per share)

15,735	16,832
-	(1,097)
15,735	15,735

7. STOCK IN TRADE

The entire stock except stock in transit are under charge with banks. Stocks were charged with financial institutions along with all other securities as explained at note 12. Further as explained in note 14.1.1 of the financial statements several banking companies and financial institutions have filed recovery suits against the Company. These banking companies and financial institutions, amongst other pleas, have pleaded that the charged stock in trade 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.

8. CASH AND BANK BALANCES

As explained fully in note 14.1.1 of these condensed interim financial statement 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, the majority of the banks have not provided bank statements for the period ended December 31, 2014 to confirm the period end balances.

	December 31, 2014	June 30, 2014
	----- Rupees -----	
9. LONG-TERM FINANCING		
Opening balance	171,428,572	171,428,572
Disbursement during the period / year	-	-
	<u>171,428,572</u>	<u>171,428,572</u>
Less: Repayments during the period / year	-	-
	<u>171,428,572</u>	<u>171,428,572</u>
Current portion		
Overdue installment	32,410,714	55,446,428
Amount payable within twelve month	46,071,428	46,071,428
Amount payable after December 31, 2015	92,946,430	69,910,716
	<u>171,428,572</u>	<u>171,428,572</u>
	<u>-</u>	<u>-</u>

9.1 These loans have been availed from financial institutions. Due to the pending litigations, but without sub-judice 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 the suit mentioned in note 14.1.1. 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, instalments due after the period ending December 31, 2014 have been grouped in current portion of non-current liabilities.

	December 31, 2014	June 30, 2014
	----- Rupees -----	
10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Opening balance	17,199,239	17,595,397
Less: Repayments during the period / year	(1,278,242)	(396,158)
	<u>15,920,997</u>	<u>17,199,239</u>
Current portion		
Overdue installment	15,920,997	15,975,103
Amount payable within twelve month	-	724,927
Amount payable after December 31, 2015	-	499,209
	<u>15,920,997</u>	<u>17,199,239</u>
	<u>-</u>	<u>-</u>

10.1 Due to the pending litigations, but without sub-judice 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 lease liabilities after the amounts are reconciled with banks and financial institutions in accordance with the suit as mentioned in note 14.1.1. 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, instalments due after the period ending December 31, 2014 have been grouped in current portion of non-current liabilities. 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. TRADE AND OTHER PAYABLES

Trade and other payables include local LCs payable of Rs. 110,830,493 (June 30, 2014: Rs. 110,830,493) and against foreign bills payable of Rs. 53,946,422 (June 30, 2014: Rs. 53,946,422). These amounts are payable to various financial institutions and these payables are overdue and disputed under litigation with banking companies / financial institutions as detailed in note no. 14.1.1. 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.

12. ACCRUED MARKUP INTEREST

As explained in note 14.1.1 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 mark-up / interest to the extent of and approximate to Rs. 72,942,532 (June 30, 2014: Rs. 148,122,052), Rs. 10,948,180 (June 30, 2014: Rs. 38,734,620) and Rs. 38,180 (June 30, 2014: Rs. 88,931) on outstanding balances in respect of short term borrowings, long term financing and liabilities against assets subject to finance lease respectively. The exact amount of unaccounted markup cannot be ascertained as the due to the ongoing litigation, several banking companies and financial institutions have not provided the relevant information / documents furthermore the banking companies and financial institutions were not available for confirmation of these balances.

	Note	December 31, 2014	June 30, 2014
		----- Rupees -----	
13. SHORT-TERM BORROWINGS			
Short-term borrowings	13.1	1,144,495,742	1,144,495,742
Book overdraft	13.2	1,818,577	3,080,511
		<u>1,146,314,319</u>	<u>1,147,576,253</u>

13.1 As explained in note 14.1.1 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 year end the various finance facilities available to the Company have expired and may only be re-negotiated in line with the on going restructuring / rescheduling with the banking companies and financial institution and the decision of the honorable courts. However, as at the year end banking companies and financial institutions have not provided confirmations amounting to Rs. 1,144,495,742 (June 30, 2014: Rs. 718,379,410) for reconciliations of the outstanding balances.

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

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 Banking companies and financial institutions including Silk Bank Limited, Habib Bank Limited, KASB Bank Limited, Burj Bank Limited, Askari Bank Limited and others have filed suits for recovery, sale of stock in trade under charge and injunction against the Company in different banking courts, civil courts and high courts. The aggregate amount claimed in the suits against the Company is Rs. 1,750,851,496/- (June 30, 2014: Rs. 1,750,851,496/-) and permanent injunction. The Company is strongly contesting its case before various courts. As per legal opinion, all the above matters are being contested by the Company on merits as well as various cogent factual and legal grounds available to the Company under law as reflected in the respective pleadings. However, the liability in respect of principal outstanding is fully provided where as the markup amounting to Rs. 497,370,003/- is not provided in these financial statements due to the above stated reason.

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

14.1.2 Bank guarantees issued on behalf of the Company	December 31, 2014	December 31, 2013
	----- Rupees -----	
Sui Northern Gas Pipelines Limited	20,362,200	20,362,200
Director of Excise and Taxation	8,957,572	8,957,572
	<u>29,319,772</u>	<u>29,319,772</u>

14.1.3 There are no other material changes in contingencies as disclosed in the notes to the financial statements for the year ended June 30, 2014.

14.2 Commitments

There were no capital commitments as on balance sheet date.

15. CHANGES IN WORKING CAPITAL	December 31, 2014	December 31, 2013
	----- Rupees -----	
Decrease in stores, spare parts and loose tools	328,600	423,136
Increase in stock-in-trade	-	(8,405,583)
Decrease in trade debts	-	7,796,546
Decrease / (increase) in loan and advances	4,243,008	(2,670,328)
Decrease in deposits, short-term prepayments and other receivables	4,312,805	208,123
Decrease in sales tax refundable	39,062	1,065,519
Increase in trade and other payables	21,673,197	26,314,151
	<u>30,596,672</u>	<u>24,731,563</u>

16. RELATED PARTY TRANSACTIONS

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

Transactions with associated companies

Sales of goods and services	-	15,696,201
Purchases of goods and services	-	203,793
Processing charges	-	-

Remuneration to key management personnel

Remuneration and other benefits	2,120,730	2,358,426
Post employment benefits	3,587,141	4,179,023

17. APPROVAL OF FINANCIAL INFORMATION

The financial information were approved by the board of directors and authorised for issue on 09 March, 2015.

18. GENERAL

Figures have been rounded off to nearest Rupee.

Tanveer Ahmed  
Chief Executive

Sohail Maqsood  
Director



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