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Company Information

BOARD OF DIRECTORS

Mr. Sohail Maqsood (Chairman)
Mr. Tanveer Ahmed (Chief Executive)
Mr. Muhammad Yousaf
Mr. Umer Hayat Gill
Mr. Riaz Ahmed
Mr. Muhammad Shafiq
Mr. Iftikhar Ali

AUDIT COMMITTEE

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

HR & REMUNERATION COMMITTEE

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

CHIEF FINANCIAL OFFICER

Mr. Muhammad Shahid

COMPANY SECRETARY

Mr. Javaid Iqbal

AUDITORS

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

LEGAL ADVISOR

M/s. Akhtar 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.

REGIONAL OFFICE

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

MILLS

Unit I Tibba Sultan Pur, Distt. Vehari
Unit II Jumber Khurd Tehsil Chunion Distt, Kasur
Unit III Warburton Distt. Nankana Sahib

Director's Report to Shareholders

The Directors of your Company are pleased to present unaudited financial statements of the Company for the nine months ended March 31, 2013.

Financial Results

Operating Indicators	Nine Months Ended March 31, 2013 Rupees	Nine Months Ended March 31, 2012 Rupees
Sales	1,019,114,253	2,805,512,943
Gross (loss)/Profit	(102,794,997)	478,272,767
Pre Tax (loss)/Profit	(207,953,559)	229,194
Provision for Taxation	27,721,447	(405,107)
Earnings/(loss) Per Share	(10.60)	0.03

The period under review has also been proved difficult period. The severe gas and electricity load shedding and rising trends of energy costs has further aggravated the position. Moreover, the condition has worsened when financial institutions withdrew their working capital and export discounting lines unilaterally resulting in loss of export business. Due to withdrawal of working capital and export discounting lines, timely purchase of cotton at cheaper rates could not be materialized. Due to the company's inability to purchase raw materials adequately it was unable to maximize production capacity which resulted in loss. These all matters elevated the entire conflict which even caused litigation and the Company filed a suit before Honorable Lahore High Court jointly against financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for redemption / release of security, rendition of accounts, and recovery of damages, permanent injunction, ancillary reliefs. The banks in response also filed recovery suits before different Civil Courts, Banking Courts and High Courts. The Lahore High Court vide its order dated October 25, 2012 has ordered not to disturb the present position of current assets and fixed assets of the Company and no coercive action shall be taken against the Company. Since the matter is prejudice in the Honorable Lahore High Court, the company has not therefore acknowledged its liability relating to mark up until the amount of principal and mark up is reconciled with the financial institutions in accordance with the above mentioned suit.

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

Future Outlook:

The management of your company has adopted various approaches to diminish the financial impact caused by banks / financial institutions by freezing our short term financing facilities and blocking the export lines unilaterally. In this regard we made third party arrangements, whereby the company will process the cotton on agreed prices managing the cash flows to the best possible options available at this point of time. 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.

Balance Sheet as at March 31, 2013

		March 31 2013	June 30 2012
		Rupees	Rupees
		(Un-Audited)	(Audited)
ASSETS	NOTE		
NON CURRENT ASSETS			
Property, plant and equipment	5	3,823,706,627	3,895,756,389
Long term investment	6	105,665,626	102,027,608
Long term deposits		8,690,608	8,650,608
		<u>3,938,062,861</u>	<u>4,006,434,605</u>
CURRENT ASSETS			
Stores, spares and loose tools		44,934,800	44,358,051
Stocks in trade		818,546,747	838,903,499
Trade debtors		347,413,901	527,477,129
Loans and advances		43,246,235	68,062,431
Deposit and prepayments		7,433,452	7,382,386
Accrued mark up / interest		1,566,212	1,081,782
Other Receivables		20,282,895	23,242,734
Cash and bank balances		25,194,944	22,551,549
		<u>1,308,619,186</u>	<u>1,533,059,561</u>
		<u>5,246,682,047</u>	<u>5,539,494,166</u>
EQUITY AND LIABILITIES			
Share capital		222,250,380	222,250,380
Reserves		272,000,000	272,000,000
Unappropriated profit		(2,283,211,771)	(2,085,160,651)
Shareholders' equity		(1,788,961,391)	(1,590,910,271)
SURPLUS ON REVALUATION OF LAND		2,457,011,654	2,494,635,540
SUBORDINATE LOAN		250,000,000	250,000,000
NON CURRENT LIABILITIES			
Long term loans		75,000,000	75,000,000
Long term finances	7	-	-
Liabilities against assets subject to finance lease	7	-	-
Deferred liabilities		655,637,235	633,596,425
		<u>730,637,235</u>	<u>708,596,425</u>
CURRENT LIABILITIES			
Trade and other payables	8	669,218,376	676,030,303
Accrued mark up / interest	9	185,168	28,903,387
Current portion of non-current liabilities		142,470,337	150,941,854
Short term borrowings	10	2,770,486,704	2,804,002,387
Provision for taxation		15,633,964	17,294,541
		<u>3,597,994,550</u>	<u>3,677,172,472</u>
CONTINGENCIES AND COMMITMENTS	11	-	-
		<u>5,246,682,047</u>	<u>5,539,494,166</u>

The annexed notes 1 to 15 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, 2013

	Quarter ended		For the nine months ended	
	March 31 2013	March 31 2012	March 31 2013	March 31 2012
	Rupees	Rupees	Rupees	Rupees
Sales	311,766,985	1,010,767,854	1,019,114,253	2,805,512,943
Cost of Sales	326,832,525	831,809,614	1,121,909,250	2,327,240,176
Gross (loss) / Profit	(15,065,540)	178,958,240	(102,794,997)	478,272,767
Distribution Cost	4,120,367	19,699,159	28,304,217	65,904,147
Administrative Expenses	23,479,091	11,656,046	54,058,596	35,997,633
Other Operating Expenses	-	60,568	2,290,216	804,831
Other Operating Income	(935,760)	5,389	(26,790,016)	(743,343)
	26,663,698	31,421,162	57,863,013	101,963,268
(Loss) / Profit from Operations	(41,729,238)	147,537,078	(160,658,009)	376,309,499
Finance Cost	1,879,690	135,270,441	25,280,651	361,017,712
Share of (Loss) / profit of an Associated Company	4,905,851	(11,414,743)	(21,223,872)	(13,056,026)
Share of Loss from Joint Venture	(263,675)	(1,276,148)	(791,026)	(2,006,567)
	4,642,176	(12,690,891)	(22,014,898)	(15,062,593)
(Loss) / profit before taxation	(38,966,752)	(424,254)	(207,953,559)	229,194
TAXATION				
Current	406,418	9,685,487	2,040,637	27,495,838
Prior year	-	-	-	2,663,871
Deffered	5,649,739	(1,974,053)	25,680,810	(30,564,816)
	6,056,157	7,711,434	27,721,447	(405,107)
(Loss) / profit after taxation	(45,022,909)	(8,135,688)	(235,675,006)	634,301
(Loss) earning per share	(2.03)	(0.37)	(10.60)	0.03

The annexed notes 1 to 15 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, 2013

	Quarter ended		For the nine months ended	
	March 31 2013	March 31 2012	March 31 2013	March 31 2012
	Rupees	Rupees	Rupees	Rupees
(Loss) / profit after taxation	(45,022,909)	(8,135,688)	(235,675,006)	634,301
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income for the period	(45,022,909)	(8,135,688)	(235,675,006)	634,301

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Condensed Interim Cash Flow Statement (Un-audited) for the nine months ended March 31, 2013

	NOTE	March 31 2013 Rupees	March 31 2012 Rupees
CASH USED IN OPERATIONS	12	47,212,827	(54,397,371)
Cash flows from investing activities:			
Addition to operating fixed assets		(2,582,233)	(39,666,793)
Purchase of investment		-	38,853,000
Net cash used in investing activities:		(2,582,233)	(813,793)
Cash flows from financing activities:			
Payments made under finance lease		(1,328,660)	(19,852,539)
Term finance - Faysal Bank Limited		(7,142,857)	50,000,000
Term finance from banks		-	(1,472,319)
LTF - EOP loans		-	(6,784,890)
Short term borrowings		(33,515,682)	38,375,703
Net cash from financing activities		(41,987,199)	60,265,955
Net increase in cash and Cash equivalents		2,643,395	5,054,791
Cash and cash equivalents at beginning of the year		22,551,549	67,150,496
Cash and cash equivalents at end of the year		25,194,944	72,205,287

The annexed notes 1 to 15 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, 2013

	Share Capital Issued, subscribed and paid-up Rupees	Reserves		Unappropriated Profit Rupees	Total Rupees
		Share Premium Rupees	General Reserve Rupees		
Balance as at July 1, 2011	222,250,380	66,000,000	206,000,000	515,232,911	1,009,483,291
Total comprehensive income for the year ended March 31, 2012	-	-	-	(2,574,930,351)	(2,574,930,351)
Transactions with owners					
Cash dividend				(25,463,211)	(25,463,211)
Balance as at March 31, 2012	222,250,380	66,000,000	206,000,000	(2,085,160,651)	(1,590,910,271)
Balance as at July 1, 2012	222,250,380	66,000,000	206,000,000	(2,085,160,651)	(1,590,910,271)
Total comprehensive income for the period ended March 31, 2013	-	-	-	(235,411,330)	(235,411,330)
Incremental depreciation on revalued assets	-	-	-	35,176,846	35,176,846
Effect of item directly credited in the equity of Associated Company	-	-	-	2,447,040	2,447,040
BALANCE AS AT MARCH 31, 2013	222,250,380	66,000,000	206,000,000	(2,282,948,095)	(1,788,697,715)

The annexed notes 1 to 15 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, 2013

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Gulshan Spinning Mills Limited ("the Company") was incorporated as a Public Limited Company in Pakistan under the Companies Ordinance, 1984. Its main business is manufacturing and sales of yarn. The shares of the Company are listed on Karachi and Lahore Stock Exchanges in Pakistan. The address of its registered office is 2nd Floor, Finlay House, I.I. Chundrigar Road, Karachi.
- 1.2 The Board of Directors of the Company in its meeting held on April 05, 2011 approved the scheme of merger by amalgamation of the Company and Gulistan Spinning Mills Limited with and into Paramount Spinning Mills Limited along with the approval of the share swap ratio in relation thereto. The Company on orders of Honourable 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. The Company is in the process of obtaining No Objection Certificates from its creditors and lenders.

2. BASIS OF PRESENTATION

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984. It 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, 2012.

3. ACCOUNTING POLICES

The accounting policies adopted for the preparation of this condensed interim financial information are same as those applied in the preparation of preceding audited annual financial statements of the Company for the year ended June 30, 2012.

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.

Estimation and judgements made by the management in the preparation of this condensed interim financial information were the same as those that were applied to the audited annual financial statements for the year ended June 30, 2012 except for the following:

Change in estimates

The management, during the current period, has engaged M/s Maricon Consultants (Pvt.) Ltd., Engineers, Authorized Valuers of Pakistan Banking Association and Leasing Association of Pakistan to ascertain the useful life and assess the remaining useful life of following depreciable assets. Keeping in consideration the assessed useful life of these assets, the depreciation rates of depreciable assets were found excessive and consequently depreciation rates have been reduced as follows:

Asset category	Depreciation rates (%)	
	Revised	Previous
Factory buildings	2.5	5
Residential buildings	2.5	5
Plant and machinery - leased and owned	2.5	5
Electric Installations	2.5	10
Gas power generators	4	5

The change in accounting estimate has been accounted for prospectively in accordance with the requirements of International Accounting Standard 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors' by adjusting the depreciation charge for current period. The change in accounting estimate has resulted in decrease in depreciation charge for the period by Rs.68.643 million with corresponding increase in carrying value of operating fixed assets and decrease in current year's loss before taxation by the same amount.

		March 31 2013	June 30 2012
		Rupees	Rupees
	Note	Un-audited	Audited
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	3,823,706,627	3,895,756,389
Capital work-in-progress			
- advance for land		989,505	989,505
- impairment allowance		(989,505)	(989,505)
		-	-
		3,823,706,627	3,895,756,389

5.1 Operating fixed assets

Book value at beginning of the period / year		3,895,756,389	1,339,944,440
Additions during the period / year		2,582,233	21,863,868
Transfer in from leased vehicles to owned vehicles - at book value		-	760,859
Transfer out from leased vehicles to owned vehicles - at book value		-	(760,859)
Surplus on revaluation carried-out during the preceding year		-	2,597,577,002
Depreciation charge for the period / year		(74,631,995)	(63,628,921)
Book value at end of the period / year		3,823,706,627	3,895,756,389

There has been no change in the status of matter as detailed in note 5.3 to the Company's published annual financial statements for the year ended June 30, 2012.

		March 31 2013	June 30 2012
		Rupees	Rupees
	Note	Un-audited	Audited
6. LONG TERM INVESTMENTS			
In Associated Company	6.1	13,920,041	12,373,478
In Joint Venture	6.2	59,790,377	60,581,403
Available for sale	6.3	31,955,208	29,072,727
		105,665,626	102,027,608

7 LONG TERM FINANCES AND LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Due to the pending litigations as detailed in note 11.1.1 to this condensed interim financial information, the Company's financial arrangements with the banking companies and financial institutions have been disputed and the Company will only make payments / adjustments of all the finances after the amounts are reconciled with these banks and financial institutions in accordance with the above mentioned suit. In terms of provisions of International Accounting Standard 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 twelve months period ending March 31, 2014 under long term finance agreements and lease finance agreements have been grouped under current portion of non-current liabilities.

8 TRADE AND OTHER PAYABLES

Trade and other payables include bills payable / letters of credit payable, which represent payable to various financial institutions in respect of letters of credit (LCs) issued by the financial institutions in favour of various local and imported raw material suppliers. The Company is in litigation with banks and financial institutions as detailed in note 11.1.1 and payments / adjustments will be made upon the outcome of final decision of the litigation.

9 ACCRUED MARK-UP / INTEREST

During the nine months ended March 31, 2013, the Company has not provided mark-up / interest on its long term finances, lease finances and short term borrowings to the extent of Rs. 7.335 million, Rs. 0.684 million and Rs. 264.988 million respectively due to pending litigations with the financial institutions. Un-provided mark-up / interest upto the balance sheet date aggregated Rs. 414.028 million.

10 SHORT TERM BORROWINGS - Secured

10.1 These balances are against various finance facilities, which had expired during the preceding financial year and were not renewed by the respective banks / financial institutions as at the reporting date. The Company has not acknowledged the above mentioned financial liabilities and filed a suit in the Lahore High Court for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs.

11. CONTINGENCIES AND COMMITMENTS**11.1 Contingencies****11.1.1 Liabilities towards banks and financial institutions**

- (a) The Company has filed a global suit in the Lahore High Court against all banks / financial institutions under Section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs. The Lahore High Court, vide its order dated October 25, 2012, has ordered not to disturb the present position of current assets and fixed assets of the Company and no coercive action shall be taken against the Company.
- (b) Various Banks and Financial Institutions have also filed suits before different Civil Courts, Banking Courts and High Courts for recovery of their long term and short term liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The aggregate amount of these claims is Rs. 2,958.844 million.

Since the matters are pending before various courts, the Company has not acknowledged its financial liabilities towards these banks / financial institutions until the amounts of principal and mark-up / interest are reconciled with these financial institutions in accordance with the abovementioned suits. However, the liability in respect of principal outstanding has been accounted for to the full extent where as mark-up / interest to the extent of Rs. 414.028 million has not been accounted upto to the reporting date.

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

11.1.2 There has been no change in the matter as detailed in note 27.1.2 to the Company's published annual financial statements for the year ended June 30, 2012.

11.1.3 Refer contents of note 6.2.5 to the Company's published annual financial statements for the year ended June 30, 2012.

11.1.4 Counter guarantees aggregating Rs. 78.518 million (June 30, 2012: Rs. 78.518 million) given by the Company to various banks outstanding as at March 31, 2013 in respect of guarantees issued in favour of various Government Departments / Institutions and Sui Northern Gas Pipelines Limited.

11.2 Commitments

11.2.1 Commitment against confirmed letters of credit outstanding at the period end was for Rs. Nil (June 30, 2012: Rs. 36.741 million).

For the nine months ended

	March 31 2013	March 31 2012
	Rupees	Rupees
12. Cash flows from operating activities		
Profit before taxation	(207,953,559)	229,194
Adjustments for ;		
Depreciation	74,631,995	47,988,810
Provision of gratuity	12,652,051	7,417,542
Finance cost	25,280,651	360,431,864
Worker's profit participation fund	-	1,390,679
Share of profit from associate	21,223,872	13,056,026
Share of loss from joint venture	791,026	2,006,567
Interest income	(4,019,581)	(541,091)
Reversal of impairment loss equity investments	(22,770,435)	-
	107,789,579	431,750,397
Movement in working capital		
Stores, spare parts and loose tools	(576,749)	(20,686,594)
Stocks in trade	20,356,751	57,786,190
Trade debts	180,063,228	13,364,066
Loans and advances	24,776,196	(15,235,187)
Deposits and prepayments	(51,066)	(8,377,036)
Other receivables	2,959,838	3,470,843
Trade and other payables	(3,694,659)	(68,171,940)
Change in working capital	223,833,539	(37,849,658)
Net cash generated from operations	123,669,559	394,129,933
Interest received	652,669	3,063,204
Interest paid	(53,998,870)	(380,468,547)
Dividend paid	(3,117,266)	(22,539,484)
Tax paid	(3,701,214)	(25,938,687)
Workers' profit participation paid	-	(13,594,941)
Gratuity paid	(16,292,051)	(9,048,849)
	(76,456,732)	(448,527,304)
Net cash used in operating activities	47,212,827	(54,397,371)

Un-audited	
March 31 2013	March 31 2012
Rupees	Rupees

13. TRANSACTIONS WITH RELATED PARTIES

Nature of transaction	Nature of relationship		
Purchases	Associated Company	62,056,824	294,370,496
Doubling / dyeing charges	Associated Company	3,172,650	73,461,827
Sales	Associated Company	48,974,186	161,984,771
Processing income	Associated Company	88,142,715	109,008,498
Gratuity	Defined benefit plan	12,652,051	7,417,542

14. OPERATING SEGMENT

This interim financial information has been prepared on the basis of a single reportable segment.

(a) 20% (March 2012: 45%) of sales of the Company are made to customers located outside Pakistan.

(b) All non-current assets of the Company at March 31, 2013 and March 31, 2012 are located in Pakistan.

15. GENERAL

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

This condensed interim financial information has been authorized for issue by the Board of Directors of the Company on August 15, 2013.