



**QUARTERLY ACCOUNTS  
FOR NINE MONTHS ENDED  
MARCH 31, 2013  
(UN-AUDTIED)**

**Gulistan Spinning Mills Limited**

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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. Sohail Maqsood (Chairman)  
Mr. Tanveer Ahmed  
Mr. Muhammad Shafiq

### CHIEF FINANCIAL OFFICER

Mr. Aaqib Rauf

### COMPANY SECRETARY

Mr. Javaid Iqbal

### AUDITORS

M/s. Mushtaq & Co.  
Chartered Accountants,  
Karachi.

### LEGAL ADVISOR

M/s. 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.

### REGIONAL OFFICE

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

### MILLS

Jumber Khurd Tehsil Chunnain Distt. Kasur.

### WEB PRESENCE

[www.gulshan.com.pk/corporate/gulistan.html](http://www.gulshan.com.pk/corporate/gulistan.html)

## Director's Report to Shareholders

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

### Financial Results

Operating Indicators	3 <sup>rd</sup> Quarter Ended March 31 , 2013 Rupees	3 <sup>rd</sup> Quarter Ended March 31 , 2012 Rupees
Sales	524,081,471	1,227,496,781
Gross (loss)/Profit	(45,243,492)	143,555,920
Pre Tax (loss)/Profit	(97,910,257)	(28,809,959)
Provision for Taxation	(9,368,331)	1,239,595
Earnings/(loss) Per Share	(6.05)	(2.05)

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 subsequently declined 48% of installed 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 for recovery of their long term & short term liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties against the Company. 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 have agreed in principle to restructure the loans. Once achieved it would improve the company's financial health and liquidity of the Company.

### Future Outlook:

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

### Acknowledgement:

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

## Condensed Interim Balance Sheet (Un-audited) as at March 31, 2013

		(UN - AUDITED) March 31, 2013	(AUDITED) Jun 30, 2012
	Note	Rupees	Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	3	1,597,786,621	1,637,133,807
Long term investments		10,929,635	12,667,534
Long term deposits		2,008,468	2,008,468
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		24,131,869	28,408,507
Stock in trade		246,859,693	339,813,495
Trade debts		84,864,492	69,173,024
Loan and advances		2,269,509	2,818,536
Trade deposits, prepayments & other		11,344,024	12,154,318
Mark up accrued		302,110	286,091
Tax refunds due from Government		14,173,120	14,512,386
Cash and bank balances		9,872,827	12,495,117
		393,817,644	479,661,474
		<u>2,004,542,368</u>	<u>2,131,471,283</u>
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized share capital</b>			
15,000,000 (June 30, 2012 : 15,000,000)			
Ordinary shares of Rs. 10 each		150,000,000	150,000,000
Issued, subscribed and paid up share capital	4	146,410,000	146,410,000
Reserves		25,000,000	25,000,000
Accumulated loss		(1,387,524,303)	(1,321,282,501)
		(1,216,114,303)	(1,149,872,501)
Surplus on revaluation of property, plant and equipment		1,016,708,807	1,039,008,931
<b>NON CURRENT LIABILITIES</b>			
Long term financing	5	-	-
Long term loan from directors		103,000,000	103,000,000
Liabilities against assets subject to finance lease	6	-	-
Deferred liabilities		228,944,993	240,916,293
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	427,698,313	443,110,306
Mark up accrued on loans	8	-	1,674,902
Short term borrowings	9	1,239,032,332	1,241,786,407
Current portion of:			
- long-term financing	5	175,714,286	180,000,000
- liabilities against assets subject to finance lease	6	17,833,646	18,969,781
Provision for taxation		11,724,294	12,877,164
		1,872,002,871	1,898,418,560
<b>CONTINGENCIES AND COMMITMENTS</b>			
	10	-	-
		<u>2,004,542,368</u>	<u>2,131,471,283</u>

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

## Condensed Interim Profit and Loss Account (Un-audited) for the quarter and nine months ended March 31, 2013

	Note	NINE MONTH ENDED		QUARTER ENDED	
		March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
		Rupees	Rupees	Rupees	Rupees
Sales - net & processing		524,081,471	1,227,496,781	111,661,977	373,832,451
Cost of sales		569,324,963	1,083,940,861	122,056,697	319,688,012
<b>Gross (Loss) / profit</b>		<b>(45,243,492)</b>	<b>143,555,920</b>	<b>(10,394,720)</b>	<b>54,144,439</b>
Other operating income		1,250,368	1,665,928	105,476	571,810
		<b>(43,993,124)</b>	<b>145,221,848</b>	<b>(10,289,244)</b>	<b>54,716,249</b>
Distribution cost		9,360,927	29,990,478	1,726,730	6,652,238
Administrative expenses		31,334,099	18,213,544	10,841,739	6,168,169
Other operating expenses		2,067,459	2,180,000	239,999	243,446
Finance cost		8,505,499	123,535,961	973,424	41,894,050
		51,267,984	173,919,983	13,781,892	54,957,903
		<b>(95,261,108)</b>	<b>(28,698,135)</b>	<b>(24,071,136)</b>	<b>(241,654)</b>
Share of (loss) / profit of associates		<b>(2,649,149)</b>	<b>(111,824)</b>	<b>(337,263)</b>	<b>(169,813)</b>
<b>(Loss) / profit before taxation</b>		<b>(97,910,257)</b>	<b>(28,809,959)</b>	<b>(24,408,399)</b>	<b>(411,467)</b>
Taxation		<b>(9,368,331)</b>	1,239,595	<b>(3,389,699)</b>	7,113,875
<b>(Loss) / Profit after taxation</b>		<b>(88,541,926)</b>	<b>(30,049,554)</b>	<b>(21,018,700)</b>	<b>(7,525,342)</b>
<b>(Loss) / Earnings per share - basic and diluted</b>	11	<b>(6.05)</b>	<b>(2.05)</b>	<b>(1.44)</b>	<b>(0.51)</b>

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

## Condensed Interim Statement of Comprehensive Income (Un-audited) for the quarter and nine months ended March 31, 2013

	NINE MONTH ENDED		QUARTER ENDED	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
	Rupees	Rupees	Rupees	Rupees
(Loss) / profit after taxation	(88,541,926)	(30,049,554)	(21,018,700)	(7,525,342)
Other comprehensive Income	-	-	-	-
<b>Total Comprehensive (loss) / income for the year</b>	<b>(88,541,926)</b>	<b>(30,049,554)</b>	<b>(21,018,700)</b>	<b>(7,525,342)</b>

*The annexed notes form an integral part of these financial statements.*

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

	Note	NINE MONTHS ENDED	
		March 31, 2013	March 31, 2012
		Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(97,910,257)	(28,809,959)
<b>Adjustments for:</b>			
Depreciation on property, plant and equipment		42,995,465	18,043,423
Provision for staff retirement benefits - gratuity		4,500,000	4,500,000
Share of (loss) / profit of associates		2,649,149	111,824
Finance cost		8,505,499	123,535,961
(Gain) / loss on sale of fixed assets		(3,211)	-
Interest Income		(339,118)	(1,665,928)
Mark up accrued on defence saving certificates		(911,250)	-
<b>Cash flows before changes in working capital</b>		<b>(40,513,723)</b>	<b>115,715,321</b>
Changes in working capital	12	67,825,565	(231,814,878)
<b>Cash generated from / (used in) operations</b>		<b>27,311,842</b>	<b>(116,099,557)</b>
Finance cost paid		(10,180,401)	(120,033,152)
Staff retirement benefits paid - gratuity		(5,532,822)	(7,632,155)
Dividend paid		-	(14,641,000)
Income taxes paid		(2,723,017)	(8,242,528)
		<b>(18,436,240)</b>	<b>(150,548,835)</b>
<b>Net cash generated from / (used in) operating activities</b>		<b>8,875,602</b>	<b>(266,648,392)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Property, plant and equipment		(3,675,067)	(12,792,873)
Sale of investment		-	9,992,941
Proceeds from sale of property, plant and equipment		30,000	-
Mark up received		323,099	1,651,692
<b>Net cash (used in) / generated from investing activities</b>		<b>(3,321,968)</b>	<b>(1,148,240)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of long term financing		(4,285,714)	-
Proceeds from long term financing		-	180,000,000
Payment of liabilities against assets subject to finance lease		(1,136,135)	(19,837,422)
Increase in short term borrowings - net		794,557	146,239,527
<b>Net cash (used in) / generated from financing activities</b>		<b>(4,627,292)</b>	<b>306,402,105</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>926,342</b>	<b>38,605,473</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>1,007,638</b>	<b>27,928,463</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	13	<b>1,933,980</b>	<b>66,533,936</b>

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



## Condensed Interim Statement of Changes in Equity (Un-audited) for the nine months ended March 31, 2013

	Share capital	Reserves Share Premium	Unappropriated profit/(loss)	Total
	Rupees	Rupees	Rupees	Rupees
<b>Balance as at July 01, 2011</b>	146,410,000	25,000,000	207,423,975	378,833,975
Dividend paid	-	-	(14,641,000)	(14,641,000)
(Loss) for the nine month ended	-	-	(30,049,554)	(30,049,554)
<b>Balance as at March 31, 2012</b>	<u>146,410,000</u>	<u>25,000,000</u>	<u>162,733,421</u>	<u>334,143,421</u>
<b>Balance as at July 01, 2012</b>	146,410,000	25,000,000	(1,321,282,501)	(1,149,872,501)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	-	20,314,315	20,314,315
Share from associates of incremental depreciation - net of tax	-	-	1,985,809	1,985,809
(Loss) for the nine month ended	-	-	(88,541,926)	(88,541,926)
<b>Balance as at March 31, 2013</b>	<u>146,410,000</u>	<u>25,000,000</u>	<u>(1,387,524,303)</u>	<u>(1,216,114,303)</u>

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

## Selected Notes to the Condensed Interim Financial Statements (Un-audited) for the quarter and nine months ended March 31, 2013

### 1 STATUS AND NATURE OF BUSINESS

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.

### 2 BASIS OF PREPARATION

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 the company as at and for the year ended 30th June, 2012.

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.

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 ended March 31, 2013. These condensed interim financial statements also include condensed interim profit and loss statement for the quarter ended March 31, 2013.

#### 2.1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements for the period ended March 31, 2013 are the same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2012.

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.

#### 2.2 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 recognized 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, 2012, except as stated in note 3.1

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, 2012.

## 3 PROPERTY, PLANT AND EQUIPMENT

	March 31, 2013		June 30, 2012	
	Additions	Disposals	Additions	Disposals
<b>Owned Assets</b>			<b>Cost in Rupees</b>	<b>Cost in Rupees</b>
Buildings on Freehold land	-	-	12,188,025	-
Plant & Machinery	1,785,811	-	8,854,319	-
Electric Installations	690,448	-	1,596,037	-
Factory Equipment	1,185,608	-	1,195,063	-
Office Equipments	-	-	764,654	-
Furniture and Fixtures	-	-	65,137	-
Vehicles	-	65,000	102,550	-
<b>Leased Assets</b>				
Plant & Machinery	-	-	-	-
Vehicles	-	-	-	-
	<u>3,661,867</u>	<u>65,000</u>	<u>24,765,785</u>	<u>-</u>

- 3.1 During the period the Company revised its estimate of useful life of certain items of Property, Plant and equipment based on a valuation report by independent valuers M/S Maricon Consultants (Pvt) Limited. As per the independent valuers' report the depreciation rates for some items of Property, plant and equipment were excessive and needed revision. Keeping in view the assessment of the independent valuer the company has revised the depreciation rates of certain items of Property, plant and equipment as follows;

Item of Property, Plant and Equipment	Depreciation rates (%)	
	Revised	Original
1) Building on feehold land	2.5	5
2) Plant and machinery	2.5	5
3) Power house	4.0	5

The change has been treated as a change in accounting estimate, applied prospectively, in accordance with the guidelines issued in the International Accounting Standard (IAS) 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Had the company not revised its estimate of useful life and depreciations rates of these items of Property, Plant and Equipment the depreciation charge for the period would have been higher by Rs. 21,825,952 with a consequential decrease in the carrying value of items of Property, Plant and Equipment and an increase in the net loss after tax for the period by the same amount.

## 4 SHARE CAPITAL

## Authorized Capital

	March 31, 2013	June 30, 2012
	Rupees	Rupees
15,000,000 Ordinary shares of Rs.10 each	<u>150,000,000</u>	<u>150,000,000</u>

## Issued, subscribed and paid-up capital

6,838,330 Ordinary shares of Rs.10 each fully paid up in cash	<b>68,383,300</b>	68,383,300
7,802,670 Ordinary shares of Rs.10 each issued as fully paid bonus shares	<b>78,026,700</b>	78,026,700
	<u><b>146,410,000</b></u>	<u>146,410,000</u>

	March 31, 2013	June 30, 2012
	Rupees	Rupees
<b>5 LONG TERM FINANCING</b>		
Opening balance	180,000,000	-
Disbursement in the period / year	-	180,000,000
	<b>180,000,000</b>	180,000,000
Less: Repaid in the period / year	<b>(4,285,714)</b>	-
	<b>175,714,286</b>	180,000,000
Current portion		
Amount payable within twelve month	<b>17,142,856</b>	17,946,428
Amount payable after 31 March 2014	<b>158,571,430</b>	162,053,572
	<b>175,714,286</b>	180,000,000
	-	-

These loans have been availed from financial institutions. Due to the pending litigations, but without subjudice 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 10.1. 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 year ending March 31, 2014 have been grouped in current portion of non-current liabilities.

	March 31, 2013	June 30, 2012
	Rupees	Rupees
<b>6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Opening balance	18,969,781	39,178,099
Assets acquired during the year	-	-
	<b>18,969,781</b>	39,178,099
Less: Repaid during the year	<b>(1,136,135)</b>	(20,208,318)
	<b>17,833,646</b>	18,969,781
Current portion		
Overdue installment	<b>8,336,715</b>	2,875,957
Amount payable within twelve month	<b>7,835,302</b>	13,125,873
Amount payable after 31 March 2014	<b>1,661,629</b>	2,967,951
	<b>17,833,646</b>	18,969,781
	-	-

Due to the pending litigations, but without subjudice 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 10.1. 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 year ending March 31, 2014 have been grouped in current portion of non-current liabilities.

**7 TRADE AND OTHER PAYABLES**

Trade and other payable include local LC payable and against foreign bills payable. These amounts are payable to various financial institution and these payables are overdue and disputed under litigation with banking companies / financial institutions as detailed in Note No. 10.1.

**8 MARK UP ACCRUED ON LOANS**

The company has not accounted for finance cost aggregating and approximate to Rupees 113,994,989 Rupees 14,626,547 and Rupees 503,315 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 the banking companies and financial institutions. The aggregate amount of un accounted accrued markup / interest as at the period ended March 31, 2013 is approximately Rs. 186,834,082. The exact amount of un accounted markup cannot be ascertained as the due to the ongoing litigation, described in note 10.1, the banking companies and financial institutions havenot provided the relevant information / documents.

		<b>March 31, 2013</b>	June 30, 2012
	<b>Note</b>	<b>Rupees</b>	Rupees
<b>9 SHORT TERM BORROWINGS</b>			
Short term borrowings	9.1	1,231,093,485	1,230,298,928
Book overdraft	9.2	7,938,847	11,487,479
		<u>1,239,032,332</u>	<u>1,241,786,407</u>

**9.1** These amounts are outstanding against various facilities availed from various banking companies and financial institutions. These facilities had expired during the period and were not renewed by the respective banks and financial institutions. The company has filed a suit in 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, recovery of damages, permanent injunction and ancillary reliefs. Since the matter is subjudice in the Honorable Lahore High Court, the company has not acknowledged its liability until the amount of principal and mark up is reconciled with the financial institutions in accordance with the suit mentioned in note 10.1. The honorable Lahore high court vide its order, COS 134 of 2012 reference CM No 713-B of 2012 dated November 1, 2012 has ordered not to disturb the present position of current assets and fixed asset of the company. The banking companies and financial institutions were not available for confirmation of these balances.

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

**10 CONTINGENCIES AND COMMITMENTS****10.1 Contingencies**

The company has filed a suit in 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, recovery of damages, permanent injunction and ancillary reliefs. The Honorable Lahore High Court vide its order sheet dated October 23, 2012 has ordered not to disturb the present position of current assets and fixed assets of the company. Since the matter is subjudice in the Honorable Lahore High Court, the company has not acknowledged its liability until the amount of principal and mark up is reconciled with the financial institutions in accordance with the above mentioned suit. However, the liability in respect of principal outstanding is fully provided where as the mark up amounting to Rs. 145,380,371 is not provided in these financial statements due to the above stated reason. Some banking companies and financial institutions have filed suits for recovery, sale of stocks 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. 782,937,441 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.

	March 31, 2013	June 30, 2012
	Rupees	Rupees
<b>10.2 Bank guarantees issued on behalf of the company</b>		
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>

10.3 There are no other material changes in contingencies as disclosed in the notes to the financial statements for the period ended March 31, 2013.

**10.4 Commitments**

Commitment in respect of capital and other expenditure amounting to Rs. NIL ( June 2012: Rs. NIL)

	March 31, 2013	June 30, 2012
	Rupees	Rupees
<b>10.5 Bill discounted with recourse</b>	-	186,235,758
	<u>-</u>	<u>186,235,758</u>

	SIX MONTH ENDED		QUARTER ENDED	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
	Rupees	Rupees	Rupees	Rupees
<b>11 EARNINGS PER SHARE - BASIC AND DILUTED</b>				
Earnings for the purpose of basic earning per share	<u>(88,541,926)</u>	<u>(30,049,554)</u>	<u>(21,018,700)</u>	<u>(7,525,342)</u>
<b>Number of shares</b>				
Weighted average number of ordinary shares outstanding during the period	<u>14,641,000</u>	<u>14,641,000</u>	<u>14,641,000</u>	<u>14,641,000</u>
(Loss)/Earning per share- basic and diluted (Rupees per share)	<u>(6.05)</u>	<u>(2.05)</u>	<u>(1.44)</u>	<u>(0.51)</u>

	March 31, 2013	March 31, 2012
	Rupees	Rupees
<b>12 CHANGES IN WORKING CAPITAL</b>		
Decrease / (increase) in stores, spare parts and loose tools	4,276,638	4,223,889
Decrease / (increase) in stock-in-trade	92,953,802	152,070,970
Decrease / (increase) in trade debts	(15,691,468)	(101,961,458)
Decrease / (increase) in loan and advances	549,027	(101,263,736)
Decrease / (increase) in deposits, short-term prepayments and other receivables	810,294	(39,577,263)
Decrease / (increase) in sales tax refundable	339,266	446,693
(Decrease) / increase in trade and other payables	(15,411,994)	(145,753,974)
	<u>67,825,565</u>	<u>(231,814,878)</u>

**13 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts.

	<b>March 31, 2013</b>	March 31, 2012
	<b>Rupees</b>	Rupees
Cash and bank balances	9,872,827	12,495,117
Book overdraft	(7,938,847)	(11,487,479)
	<b><u>1,933,980</u></b>	<b><u>1,007,638</u></b>

**14 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.

	<b>March 31, 2013</b>	March 31, 2012
	<b>Rupees</b>	Rupees
<b>Associated Companies transaction in the period</b>		
Sales of goods and services	<b>76,743,997</b>	161,286,777
Purchases of goods and services	<b>13,689,000</b>	4,680,000
Processing charges	<b>801,236</b>	2,174,455
<b>Remuneration to Key management personnel</b>		
Remuneration and other benefits	<b>3,301,146</b>	2,200,764
Post employment benefits	<b>3,391,998</b>	3,025,204

**15 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors and authorized for issue on September 06, 2013.

**16 PRESENTATION**

- All figures except June 30, 2012 figures appearing in the financial statements are unaudited.
- Figures have been rounded off to nearest Rupee.



**Gulistan Spinning Mills Limited**

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Karachi Pakistan.