HALF YEARLY ACCOUNTS
FOR THE HALF YEAR ENDED
DECEMBER 31, 2012
(UN-AUDTIED)

Gulistan Spinning Mills Limited

Contents

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 Shaifq

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

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, 2012.

Financial Results

Operating Indicators	Half Year Ended December 31, 2012 Rupees	Half Year Ended December 31, 2011 Rupees
Sales	412,419,494	853,664,330
Gross (loss)/Profit	(34,848,772)	89,411,481
Pre Tax (loss)/Profit	(73,501,858)	(28,398,492)
Provision for Taxation	(5,978,632)	(5,874,280)
Earnings/(loss) Per Share	(4.61)	(1.54)

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 54% 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.

KARACHI
September 06,2013

Tanveer Ahmed
Chief Executive

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, 2012, 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. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2012.

Scope of Review

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 qualified opinion

1. As fully explained in note 10 the company has not accounted for finance cost aggregating and approximate to Rupees 77,892,419, Rupees 9,429,681 and Rupees 349,040 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. Had the company accounted for finance cost, the loss for the period would have been higher by Rupees 87,671,139 (June 30, 2012: Rupees 57,709,231) and consequently the aggregate amount of un accounted markup / interest up to the period ended December 31, 2012 is approximately Rupees 145,380,370;
2. As mentioned in note 7, 8, 9, 10, 11.1 and 5 confirmations and period end bank statements were not available in respect of long term financing, liabilities against assets subject to finance lease, local LCs payable, foreign bills payable, accrued markup / interest, short term borrowings and cash at banks respectively, due to pending litigations with these banks / financial institutions as referred in note 12.1.1.

Qualified Conclusion

Except for matter discussed in paragraph 1 & 2, based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter paragraph

We draw attention to note 1.2 in the condensed interim financial statements which indicates that the company incurred a net loss of Rupees 67,523,226 during the period ended December 31, 2012 and, as of that date, the company's current liabilities exceeds its current assets by 1,464,928,797. These conditions, along with other matters as set forth in note 1.2 indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. Attention is further drawn to the 12.1.1 of the condensed interim financial statements which describes uncertainty of the outcome of the pending litigations of the company. Since the matters are pending adjudication before various courts, the outcome of these litigations cannot be determined presently. Our conclusion is not qualified in this respect.

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner: Mushtaq Ahmed Vohra FCA

KARACHI
September 06, 2013

Condensed Interim Balance Sheet as on December 31, 2012

	Note	(UN - AUDITED) December 31, 2012 Rupees	(AUDITED) Jun 30, 2012 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	3	**1,610,268,458**	1,637,133,807
Long term investments		**11,266,898**	12,667,534
Long term deposits		**2,008,468**	2,008,468
CURRENT ASSETS			
Stores, spare parts and loose tools		**24,253,363**	28,408,507
Stock in trade	4	**268,775,640**	339,813,495
Trade debts		**87,663,479**	69,173,024
Loan and advances		**993,880**	2,818,536
Trade deposits, prepayments & other receivables		**9,432,944**	12,154,318
Mark up accrued		**195,348**	286,091
Tax refunds due from Government		**14,541,572**	14,512,386
Cash and bank balances	5	**10,710,336**	12,495,117
		416,566,562	479,661,474
		2,040,110,386	2,131,471,283
SHARE CAPITAL AND RESERVES			
Authorized share capital			
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	6	**146,410,000**	146,410,000
Reserves		**25,000,000**	25,000,000
Accumulated loss		**(1,373,153,699)**	(1,321,282,501)
		(1,201,743,699)	(1,149,872,501)
Surplus on revaluation of property, plant and equipment		**1,023,356,903**	1,039,008,931
NON CURRENT LIABILITIES			
Long term financing	7	**-**	-
Long term loan from directors		**103,000,000**	103,000,000
Liabilities against assets subject to finance lease	8	**-**	-
Deferred liabilities		**234,001,823**	240,916,293
CURRENT LIABILITIES			
Trade and other payables	9	**431,782,042**	443,110,306
Mark up accrued on loans	10	**-**	1,674,902
Short term borrowings	11	**1,243,872,767**	1,241,786,407
Current portion of:			
- long-term financing	7	**175,714,286**	180,000,000
- liabilities against assets subject to finance lease	8	**17,833,646**	18,969,781
Provision for taxation		**12,292,618**	12,877,164
		1,881,495,359	1,898,418,560
CONTINGENCIES AND COMMITMENTS	12		
		2,040,110,386	2,131,471,283

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

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Condensed Interim Profit and Loss Account (Un-audited)
for the quarter and half year ended December 31, 2012

	Note	SIX MONTH ENDED		QUARTER ENDED	
		December 31, 2012	December 31, 2011	**December 31, 2012**	December 31, 2011
		Rupees	Rupees	**Rupees**	Rupees
Sales - net		**412,419,494**	853,664,330	**118,226,736**	401,495,233
Cost of sales		**447,268,266**	764,252,849	**148,309,916**	332,548,222
Gross (Loss) / profit		**(34,848,772)**	89,411,481	**(30,083,180)**	68,947,011
Other operating income		**1,144,892**	1,094,118	**545,806**	1,039,262
		(33,703,880)	90,505,599	**(29,537,374)**	69,986,273
Distribution cost		**7,634,197**	23,338,240	**3,293,003**	13,364,885
Administrative expenses		**20,492,360**	12,045,375	**12,876,222**	4,899,265
Other operating expenses		**1,827,460**	1,936,554	**1,705,460**	1,828,344
Finance cost		**7,532,075**	81,641,911	**4,274,550**	38,121,352
		37,486,092	118,962,080	**22,149,235**	58,213,846
		(71,189,972)	(28,456,481)	**(51,686,609)**	11,772,427
Share of (loss) / profit of associates		**(2,311,886)**	57,989	**1,365,762**	57,989
(Loss) / profit before taxation		**(73,501,858)**	(28,398,492)	**(50,320,847)**	11,830,416
Taxation		**(5,978,632)**	(5,874,280)	**(3,345,861)**	840,985
(Loss) / Profit after taxation		**(67,523,226)**	(22,524,212)	**(46,974,986)**	10,989,431
(Loss) / Earnings per share - basic and diluted	**13**	**(4.61)**	(1.54)	**(3.21)**	0.75

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

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Condensed Interim Statement of Comprehensive Income (Un-audited)
for the quarter and half year ended December 31, 2012

	SIX MONTH ENDED		QUARTER ENDED	
	December 31, 2012	December 31, 2011	**December 31, 2012**	December 31, 2011
	Rupees	Rupees	**Rupees**	Rupees
(Loss) / profit after taxation	**(67,523,226)**	(22,524,212)	**(46,974,986)**	10,989,431
Other comprehensive Income	**-**	-	**-**	-
Total Comprehensive (loss) / income for the period	**(67,523,226)**	(22,524,212)	**(46,974,986)**	10,989,431

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

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Condensed Interim Cash Flow Statement (Un-audited)
for the half year ended December 31, 2012

	Note	HALF YEAR ENDED December 31, 2012 Rupees	December 31, 2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) before taxation		**(73,501,858)**	(28,398,492)
Adjustments for:			
Depreciation on property, plant and equipment		**28,833,204**	12,490,784
Provision for staff retirement benefits - gratuity		**3,218,250**	3,000,000
Share of (loss) / profit of associates		**2,311,886**	(57,989)
Finance cost		**7,532,075**	81,641,911
(Gain) / loss on sale of fixed assets		**(3,211)**	-
Interest Income		**(230,432)**	-
Mark up accrued on defence saving certificates		**(911,250)**	(1,094,118)
Cash flows before changes in working capital		**(32,751,336)**	67,582,096
Changes in working capital	**14**	**49,891,124**	11,216,534
Cash generated from / (used in) operations		**17,139,788**	78,798,630
Finance cost paid		**(9,206,977)**	(83,248,711)
Staff retirement benefits paid - gratuity		**(2,773,986)**	(5,995,239)
Dividend paid		**-**	(14,641,000)
Income taxes paid		**(1,964,649)**	(5,714,960)
		(13,945,612)	(109,599,910)
Net cash generated from / (used in) operating activities		**3,194,176**	(30,801,280)
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment		**(1,994,642)**	(5,244,764)
Purchase of investment		**-**	10,440,526
Proceeds from sale of property, plant and equipment		**30,000**	-
Mark up received		**321,175**	1,083,372
Net cash (used in) / generated from investing activities		**(1,643,467)**	6,279,134
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of long term financing		**(4,285,714)**	-
Proceeds from long term financing		**-**	30,000,000
Payment of liabilities against assets subject to finance lease		**(1,136,135)**	(11,623,020)
Increase in short term borrowings		**560,352**	10,265,231
Net cash (used in) / generated from financing activities		**(4,861,497)**	28,642,211
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(3,310,788)**	4,120,065
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**1,007,638**	27,928,463
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**15**	**(2,303,150)**	32,048,528

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

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Condensed Interim Statement of Changes in Equity (Un-audited)
for the half year ended December 31, 2012

	Share capital	Reserves Share Premium	Unappropriated profit/(loss)	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2011	146,410,000	25,000,000	207,423,975	378,833,975
Dividend paid	-	-	(14,641,000)	(14,641,000)
(Loss) for the half year ended 31 .12 . 2011	-	-	(22,524,212)	(22,524,212)
Balance as at December 31, 2011	146,410,000	25,000,000	170,258,763	341,668,763
Balance as at July 01, 2012	**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	-	-	**13,666,219**	**13,666,219**
Share from associates of incremental depreciation - net of tax	-	-	**1,985,809**	**1,985,809**
(Loss) for the half year ended 31 . 12 . 2012	-	-	**(67,523,226)**	**(67,523,226)**
Balance as at December 31, 2012	**146,410,000**	**25,000,000**	**(1,373,153,699)**	**(1,201,743,699)**

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

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Selected Notes to the Condensed Interim Financial Statements (Un-audited)
for the half year ended December 31, 2012

1 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, 2012 the company has incurred a net loss after tax of Rs. 67.523 million and as on the said date its current liabilities exceed its current assets by Rs. 1,464.928 million and its accumulated loss compute to Rs. 1,373.154 million. The curtailment of working capital lines from various banking companies, financial institutions and due to loadshedding on regular basis rendered the company not being able to operate in its normal course and has resulted in losses. The company is in litigation with these banking companies and financial institutions and has filed a suit in Honorable Lahore High Court 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. 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 condensed interim financial statements, however, have been prepared under the going concern assumptions based on the following assumptions and mitigating factors:

(a) the management along with leading financial institutions are negotiating with banks and financial institutions for reconciliation of amounts, rescheduling of repayment terms and restructuring of the Company's liabilities. Series of meetings have been held in this connection and the matter is being persuaded aggressively with the banks and financial institutions;

(b) the management have 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 the this equity injection will help the company in overcoming the current working capital deficit and will assist in finalization of there 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 Financial Position in the foreseeable future.

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 half year ended December 31, 2012 which have been subjected to a review but not audited. These condensed interim financial statements also include condensed interim profit and loss statement for the quarter ended December 31, 2012.

2.1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements for the period ended December 31, 2012 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

	December 31, 2012		June 30, 2012	
	Additions	Disposals	Additions	Disposals
Owned Assets	Cost in Rupees	Cost in Rupees	Cost in Rupees	Cost in Rupees
Buildings on Freehold land	-	-	12,188,025	-
Plant & Machinery	**720,088**	-	8,854,319	-
Electric Installations	**276,748**	-	1,596,037	-
Factory Equipment	**984,608**	-	1,195,063	-
Office Equipments	-	-	764,654	-
Furniture and Fixtures	**13,200**	-	65,137	-
Vehicles	-	**65,000**	102,550	-
Leased Assets				
Plant& Machinery	-	-	-	-
Vehicles	-	-	-	-
	1,994,644	**65,000**	24,765,785	-

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	Depreciation rates (%) Original
1) Building on freehold 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. 14,302,608, 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 STOCK IN TRADE

Raw materials costing Rs.144,174,821 (June 30, 2012 : Rs. 383,785,199) have been stated at net realizable value of Rs.144,174,821 (June 30, 2012 : Rs. 216,533,026) and finished goods costing Rs.49,499,924 (June 30, 2012: Rs. 90,915,120) have been stated at net realizable value of Rs.43,202,915 (June 30, 2012: Rs. 60,394,941). The amount charged to profit and loss in respect of stocks written down to their net realizable value is Rs.6,297,010 (June 30, 2012 : Rs. 197,772,352).

The entire stocks except stock in transit are under charge with banks as security against facilities availed under short term borrowings. As fully explained in note 12.1 certain financial institutions have filed proceedings against the company claiming their rights in the stocks and other securities of the company jointly held by them with other 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. The Honorable Lahore High Court vide 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 assets of the company.

5 CASH AND BANK BALANCES

As explained fully in note 12.1 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 the majority of the banks have not provided bank statements for the period ended December 31, 2012 to confirm the period end balances.

	December 31, 2012	June 30, 2012
	Rupees	Rupees
6 SHARE CAPITAL		
Authorized Capital		
15,000,000 Ordinary shares of Rs.10 each	**150,000,000**	150,000,000
Issued, subscribed and paid-up capital		
6,838,330 Ordinary shares of Rs.10 each fully paid up in cash	**68,383,300**	68,383,300
7,802,670 Ordinary shares of Rs.10 each issued as fully paid bonus shares	**78,026,700**	78,026,700
	146,410,000	146,410,000
7 LONG TERM FINANCING		
Opening balance	**180,000,000**	-
Disbursement in the period / year	**-**	180,000,000
	180,000,000	180,000,000
Less: Repaid in the period / year	**(4,285,714)**	-
	175,714,286	180,000,000
Current portion		
Amount payable within twelve month	**17,142,856**	17,946,428
Amount payable after 31 December 2013	**158,571,430**	162,053,572
	175,714,286	180,000,000
	-	-

These loans have been availed from Faysal Bank Limited and PAIR Investment company Limited. 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 12.1. 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 December 31, 2013 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.

	December 31, 2012	June 30, 2012
	Rupees	Rupees

8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	December 31, 2012 Rupees	June 30, 2012 Rupees
Opening balance	**18,969,781**	39,178,099
Assets acquired during the year	**-**	-
	18,969,781	39,178,099
Less: Repaid during the year	**(1,136,135)**	(20,208,318)
	17,833,646	18,969,781
Current portion		
Overdue installment	**8,336,715**	2,875,957
Amount payable within twelve month	**7,835,302**	13,125,873
Amount payable after 31 December 2013	**1,661,629**	2,967,951
	17,833,646	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 12.1. In terms provisions of 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 December 31, 2013 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.

9 TRADE AND OTHER PAYABLES

Trade and other payable include Rs. 112,874,338 (June 30, 2012 : Rs. 140,267,064) and Rs. 53,045,039 (June 30, 2012 : Rs. 51,460,789) against local LC payable and against foreign bills payable respectively. These amounts are payable to various financial institution are overdue and disputed under litigation with banking companies / financial institutions. The company has not accounted for any further commission / interest / markup or penalty in respect of theses LCs and bills payable. The balance confirmation from banking companies and financial institutions were not available.

10 MARK UP ACCRUED ON LOANS

The company has not accounted for finance cost aggregating and approximate to Rupees 77,892,419, Rupees 9,429,681 and Rupees 349,040 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 December 31, 2012 is approximately Rs.145,380,370. The exact amount of un accounted markup cannot be ascertained as the due to the ongoing litigation , described in note 12.1, the banking companies and financial institutions have-not provided the relevant information / documents. The balance confirmation from banking companies and financial institutions were not available.

11 SHORT TERM BORROWINGS

	Note	December 31, 2012 Rupees	June 30, 2012 Rupees
Short term borrowings	11.1	**1,230,859,280**	1,230,298,928
Book overdraft	11.2	**13,013,486**	11,487,479
		1,243,872,766	1,241,786,407

11.1 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 12.1. 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.

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

12 CONTINGENCIES AND COMMITMENTS

12.1 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. Banking companies and financial institutions including National Bank of Pakistan, Askari Bank Limited, The Bank of Punjab, Habib Bank Limited, MCB Bank Limited, KASB Bank Limited, United Bank Limited, Silk Bank Limited and others 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.

	December 31, 2012	June 30, 2012
	Rupees	Rupees
12.1.2 Bank guarantees issued on behalf of the company		
Sui Northern Gas Pipelines Limited	**20,362,200**	20,362,200
Director of Excise and Taxation	**8,957,572**	8,957,572
	29,319,772	29,319,772

12.1.3 There are no other material changes in contingencies as disclosed in the notes to the financial statements for the period ended December 31, 2012

12.2 Commitments

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

	December 31, 2012	June 30, 2012
	Rupees	Rupees
12.2.2 Bill discounted with recourse	**-**	186,235,758
	-	186,235,758

	SIX MONTH ENDED		QUARTER ENDED	
	December 31, 2012	December 31, 2011	**December 31, 2012**	December 31, 2011
	Rupees	Rupees	**Rupees**	Rupees
13 EARNINGS PER SHARE - BASIC AND DILUTED				
Earnings for the purpose of basic earnings per share	**(67,523,226)**	(22,524,212)	**(46,974,986)**	10,989,431
Number of shares				
Weighted average number of ordinary shares outstanding during the period	**14,641,000**	14,641,000	**14,641,000**	14,641,000
(Loss)/Earning per share- basic and diluted (Rupees per share)	**(4.61)**	(1.54)	**(3.21)**	0.75

	December 31, 2012	December 31, 2011
	Rupees	Rupees
14 CHANGES IN WORKING CAPITAL		
Decrease / (increase) in stores, spare parts and loose tools	**4,155,144**	(1,945,697)
Decrease / (increase) in stock-in-trade	**71,037,855**	131,880,429
Decrease / (increase) in trade debts	**(18,490,455)**	(56,732,826)
Decrease / (increase) in loan and advances	**1,824,656**	15,021,432
Decrease / (increase) in deposits, short-term prepayments and other receivables	**2,721,374**	(33,655)
Decrease / (increase) in sales tax refundable	**(29,186)**	26,184
(Decrease) / increase in trade and other payables	**(11,328,264)**	(76,999,334)
	49,891,124	**11,216,534**

15 CASH AND CASH EQUIVALENTS

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

	December 31, 2012	December 31, 2011
	Rupees	Rupees
Cash and bank balances	10,710,336	38,555,271
Book overdraft	(13,013,486)	(6,506,743)
	(2,303,150)	**32,048,528**

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.

	December 31, 2012	December 31, 2011
	Rupees	Rupees
Associated Companies transaction in the period		
Sales of goods and services	**45,755,892**	161,286,777
Purchases of goods and services	**14,490,236**	4,680,000
Processing charges	**-**	2,174,455
Remuneration to Key management personnel		
Remuneration and other benefits	**2,200,764**	2,200,764
Post employment benefits	**3,391,998**	3,025,204

17 APPROVAL OF FINANCIAL STATEMENTS

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

18 PRESENTATION

- All figures except June 30, 2012 figures appearing in the financial statements are unaudited.

- Figures have been rounded off to nearest Rupee.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Gulistan Spinning Mills Limited
2nd Floor, Finlay House, I.I Chundrigar Road,
Karachi Pakistan.