



**QUARTERLY ACCOUNTS
FOR NINE MONTHS ENDED
MARCH 31, 2014
(UN-AUDITED)**

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. Ifitakhar 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. Salman Ali Riaz
COMPANY SECRETARY	Mr. Javaid Iqbal
AUDITORS	M/s. Mushtaq & 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, 8Aibak Block, New Garden Town, Lahore.
MILL	Jumber Khurd Tehsil Chunian Distt, Kasur

Director's Report to Shareholders

The Directors of your Company are pleased to present unaudited financial statements of the Company for the 3rd quarter ended March 31, 2014.

Financial Results

Operating Indicators	3 rd Quarter Ended March 31 , 2014 Rupees	3 rd Quarter Ended March 31 , 2013 Rupees
Sales	314,154,980	524,081,471
Gross (loss) / Profit	(53,422,752)	(45,243,492)
Pre Tax (loss) / Profit	(77,796,376)	(97,910,257)
Provision for Taxation	(10,090,705)	(9,368,331)
Earnings / (loss) Per Share	(4.62)	(6.05)

The period under review has also been proved difficult period though financial position of the Company is gradually improving. Severe energy crises coupled with on-going financial impediments have obstructed the optimum utilization of production capacities. The main reason for this underutilization has been non-availability of working capital facilities and resultantly the Company could not efficiently purchase sufficient raw material to run the installed capacities at optimum level. We were bound to arrange third party processing in order to keep our production units operational.

The Company had to operate in an increasingly competitive global textile market when local cost of operations has continued to go up due to increased utility cost and inflationary pressures. Inflationary pressures burdened our cost of production despite Company's efforts to mitigate the effect by implementation of several cost cutting measures. Persistent and unprecedented energy crisis in the Country compelled the Company to generate required energy through higher cost substitutes.

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 for better financial position, strengthening our operations through proficient acumen, improving manufacturing processes and offering better service to our customers.

The debt amortization profile, higher interest cost and associated liquidity problems have forced the company to initiate restructuring of its debt obligations subject to reconciliation of financial obligations to ensure continued timely discharge of its commitments to its lenders. The company has initiated the debt restructuring process with the help of the key lending financial institutions. In this regard 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:

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, 2014

Note	(UN - AUDITED)	(AUDITED)	(AUDITED)	
	March 31, 2014	June 30, 2013	June 30, 2012	
	Restated			
-----Rupees-----				
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment	5	1,548,983,018	1,584,120,727	1,637,133,807
Long term investments	6	10,736,582	9,838,228	12,667,534
Long term deposits		1,273,000	1,273,000	2,008,468
CURRENT ASSETS				
Stores, spare parts and loose tools		15,096,784	15,353,284	28,408,507
Stock in trade	7	238,392,381	238,101,537	339,813,495
Trade debts		67,524,927	66,125,355	69,173,024
Loan and advances		891,309	2,654,801	2,818,536
Trade deposits, prepayments and other receivables		10,365,717	10,573,840	12,154,318
Accrued mark up		578,473	302,276	286,091
Tax refunds due from Government		14,632,011	15,342,839	14,512,386
Cash and bank balances	8	11,760,350	6,593,598	12,495,117
		359,241,952	355,047,530	479,661,474
		<u>1,920,234,552</u>	<u>1,950,279,485</u>	<u>2,131,471,283</u>
SHARE CAPITAL AND RESERVES				
Authorised share capital				
15,000,000 (2013: 15,000,000) Ordinary shares of Rs. 10 each		150,000,000	150,000,000	150,000,000
Issued, subscribed and paid up share capital		146,410,000	146,410,000	146,410,000
Reserves		25,000,000	25,000,000	25,000,000
Unappropriated loss		(1,434,292,441)	(1,387,750,818)	(1,324,188,061)
		<u>(1,262,882,441)</u>	<u>(1,216,340,818)</u>	<u>(1,152,778,061)</u>
Surplus on revaluation of property, plant and equipment		836,831,286	857,978,502	1,039,008,931
NON CURRENT LIABILITIES				
Long term financing		-	-	-
Long term loan from directors/sponsors		103,000,000	103,000,000	103,000,000
Liabilities against assets subject to finance lease	10	-	-	-
Deferred liabilities		359,815,994	370,509,612	243,821,853
CURRENT LIABILITIES				
Trade and other payables	11	436,852,534	387,264,073	443,110,306
Accrued mark up / interest	12	-	-	1,674,902
Short term borrowings	13	1,248,023,354	1,247,190,971	1,241,786,407
Current portion of:				
- long-term financing	9	171,428,572	171,428,572	180,000,000
- liabilities against assets subject to finance lease	10	17,199,239	17,595,397	18,969,781
Provision for taxation		9,966,014	11,653,176	12,877,164
		1,883,469,713	1,835,132,189	1,898,418,560
CONTINGENCIES AND COMMITMENTS				
	14	-	-	-
		<u>1,920,234,552</u>	<u>1,950,279,485</u>	<u>2,131,471,283</u>

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

Condensed Interim Profit and Loss Account (Un-audited) for the quarter and nine months ended March 31, 2014

	Quarter ended		Nine month ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	----- Rupees -----			
Sales - net	50,569,654	111,661,977	314,154,980	524,081,471
Cost of sales	77,838,350	122,056,697	367,577,732	569,324,963
Gross loss	(27,268,696)	(10,394,720)	(53,422,752)	(45,243,492)
Other income	248,171	105,476	1,378,979	1,250,368
	(27,020,525)	(10,289,244)	(52,043,773)	(43,993,124)
Distribution cost	-	1,726,730	320,478	9,360,927
Administrative expenses	7,543,029	10,841,739	21,061,545	31,334,099
Other operating expenses	-	239,999	3,425,175	2,067,459
Finance cost	104,808	973,424	915,677	8,505,499
	7,647,838	13,781,892	25,722,875	51,267,984
	(34,668,363)	(24,071,136)	(77,766,648)	(95,261,108)
Share of (loss) / profit of associates	-	(337,263)	(29,728)	(2,649,149)
Loss before taxation	(34,668,363)	(24,408,399)	(77,796,376)	(97,910,257)
Taxation				
-Current	-	-	-	1,570,147
-Deferred	(3,363,569)	(3,389,699)	(10,090,705)	(10,938,478)
	(3,363,569)	(3,389,699)	(10,090,705)	(9,368,331)
Loss for the period	(31,304,794)	(21,018,700)	(67,705,671)	(88,541,926)
Loss per share - basic and diluted	(2.14)	(1.44)	(4.62)	(6.05)

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

Condensed Interim Statement of Comprehensive Income (Un-audited) for the quarter and nine months ended March 31, 2014

	Quarter ended		Nine month ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
(Loss) / profit after taxation	----- Rupees -----			
Loss for the period	(31,304,794)	(21,018,700)	(67,705,671)	(88,541,926)
Items that may be reclassified to profit and loss account				
Un-realised gain on available for sale investment	-	-	16,832	-
Total comprehensive loss for the year	<u>(31,304,794)</u>	<u>(21,018,700)</u>	<u>(67,688,839)</u>	<u>(88,541,926)</u>

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

Condensed Interim Cash Flow Statement (Un-audited) for the quarter and nine months ended March 31, 2014

	NOTE	March 31, 2014	March 31, 2013
-----Rupees-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(77,796,376)	(97,910,257)
Adjustments for:			
Depreciation on property, plant and equipment		40,952,765	42,995,465
Provision for staff retirement benefits - gratuity		4,500,000	4,500,000
Share of (loss) / profit of associates		29,728	2,649,149
Finance cost		915,677	8,505,499
Amortization of surplus on sale and lease back		-	-
Gain on disposal of property, plant and equipment		-	(3,211)
Loss on sale of investment		-	-
Interest income		(467,729)	(339,118)
Mark up accrued on defence saving certificates		(911,250)	(911,250)
Cash flows before changes in working capital		(32,777,185)	(40,513,723)
Changes in working capital	15	50,836,988	67,825,565
Cash generated from operations		18,059,803	27,311,842
Finance cost paid		(915,677)	(10,180,401)
Gratuity paid		(5,102,913)	(5,532,822)
Dividend paid		-	-
Income taxes paid		(1,687,162)	(2,723,017)
		(7,705,752)	(18,436,240)
Net cash generated from operating activities		10,354,051	8,875,602
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5,815,056)	(3,675,067)
Proceeds from sale of property, plant and equipment		-	30,000
Mark up received		191,532	323,099
Dividend received		-	-
Net cash used in investing activities		(5,623,524)	(3,321,968)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		-	(4,285,714)
Payment of long term financing		-	-
Payment of liabilities against assets subject to finance lease		(396,158)	(1,136,135)
Short term borrowings		832,383	794,557
Net cash generated from / (used in) financing activities		436,225	(4,627,292)
Net increase / (decrease) in cash and cash equivalents		5,166,752	926,342
Cash and cash equivalents at beginning of the period		6,593,598	1,007,638
CASH AND CASH EQUIVALENTS AT END OF PERIOD		11,760,350	1,933,980

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

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Condensed Interim Statement of Changes in Equity (Un-audited) for the quarter and nine months ended March 31, 2014

	Share capital	Reserves		Total
		Capital	Revenue	
		Share Premium	Unappropriated profit	
----- Rupees -----				
Balance as at July 01, 2013 - as restated	146,410,000	25,000,000	(1,387,750,818)	(1,216,340,818)
Total comprehensive loss for the year			(67,688,839)	(67,688,839)
Transfer from share of surplus on revaluation of property, plant and equipment of associates on account of disposal of investment - net of tax	-	-	326,527	326,527
Transfer from share of surplus on revaluation of property, plant and equipment of associates on account of incremental depreciation - net of tax	-	-	1,232,850	1,232,850
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of tax	-	-	19,587,849	19,587,849
Balance as at March 31, 2014	146,410,000	25,000,000	(1,434,292,441)	(1,262,882,441)

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

Notes to the Condensed Interim Financial Information (Un-audited) for the quarter and nine months ended March 31, 2014

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Gulistan Spinning Mills Limited (the Company) was incorporated on 25 February, 1987 and its shares are listed on Karachi and Lahore Stock Exchanges in Pakistan. The Company is principally engaged in manufacture and sale of yarn. The registered office of the Company is situated at 2nd Floor, Finlay House, I.I. Chundrigar Road, Karachi in the province of Sindh, Pakistan. The principal business of the Company is to manufacture and sale of yarn. The manufacturing unit is located at District Kasur in the Province of Punjab.
- 1.2 During the period ended March 31, 2014 the Company has incurred a net loss after tax of Rs. 67.705 million and as on the said date its current liabilities exceed its current assets by Rs. 1,524,227 million and its accumulated loss compute to Rs. 1,434,292 million. As fully explained in note 14.1.1 of these financial statement the Company is in litigation with several banking companies and financial institutions, as a consequence these banking companies and financial institutions have blocked and curtailed the working capital lines of the Company and froze the funds in bank accounts, rendering the Company not being able to operate in its normal course due to the liquidity crisis and has resulted in losses. These conditions along with adverse key financial ratios and the pending litigations with the banking companies and financial institutions indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements, however, have been prepared under the going concern assumptions based on the following mitigating factors:
- the management of the Company is negotiating an amicable settlement of the pending litigations with the banking companies and financial institutions. Series of meetings in this regards have also been held and the matter is being persuaded aggressively with the banks and financial institutions. The Company has elected a leading financial institution as the restructuring agent and also has signed an indicative term sheet engulfing the principal terms and conditions of the restructuring with the said banking companies and financial institutions. As per the signed indicative term sheet the banking companies and financial institutions will release the blocked working capital lines and raw material in order to run the operations smoothly;
 - the management has made arrangements whereby third party cotton is being processed against processing fee for utilization of unutilized capacity in spinning segment;
 - 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.
 - 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 finalisation 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 forceable future.

2 BASIS OF PREPARATION

- 2.1 This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International 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, 2013.

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

- 2.2 This condensed interim financial information comprise of condensed interim balance sheet, condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the selected notes for the period ended March 31, 2014 . This condensed interim financial information also include condensed interim profit and loss statement for the quarter ended March 31, 2014.

3 SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended June 30, 2013.
- 3.2 Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the Company's operations or did not have any impact on the accounting policies of the Company.
- 3.3 During the period, the Company has adopted IAS 19, (Revised) 'Employee Benefits'. The amendments in the revised standard require the Company to eliminate the corridor approach and recognise all actuarial gains and losses (now called 'remeasurements', that result from the remeasurement of defined benefits obligations and fair value of plan assets at the balance sheet date) in other comprehensive income as they occur, immediately recognise all past service costs and replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefits liability / asset.

This change in accounting policy has been accounted for retrospectively as required under International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative financial statements have been restated.

Effects of the change in the accounting policy on the interim financial information are not quantifiable, hence the effects based on the relevant available actuarial valuation on the financial statements have been summarized below:

Impact on Balance Sheet	As at	
	June 30, 2013	June 30, 2012
Increase in the retirement benefits obligation	3,016,660	2,905,560
Decrease in accumulated profits	3,016,660	2,905,560
	<u> </u>	<u> </u>
	For the Year ended	
	June 30, 2013	June 30, 2012
Increase in profit and loss account	96,598	-
Increase in other comprehensive income	207,698	1,990,270
	<u> </u>	<u> </u>

4 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

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

Judgments and estimates made by management in the preparation of these condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended June 30, 2013, except as stated in note 3.3.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended June 30, 2013.

5 PROPERTY, PLANT AND EQUIPMENT

	March 31, 2014		June 30, 2013	
	Additions	Disposals	Additions	Disposals
----- Cost in Rupees -----				
Owned Assets				
Free hold land	-	-	-	-
Buildings on freehold land	-	-	-	-
Plant and machinery	2,953,869	-	358,030	-
Electric installations	2,177,076	-	4,416,165	-
Factory equipment	569,060	-	-	-
Office equipments	19,250	-	13,000	-
Furniture and fixtures	25,000	-	-	-
Vehicles	-	-	-	665,000
	<u>5,744,255</u>	<u>-</u>	<u>4,787,195</u>	<u>665,000</u>

	Note	March 31, 2014	June 30, 2013
		----- Rupees -----	
6 LONG TERM INVESTMENTS			
Investments in associates - under equity method	6.1	-	29,728
Other Investments - available for sale	6.2	16,832	-
Defence saving certificates		10,719,750	9,808,500
		<u>10,736,582</u>	<u>9,838,228</u>

6.1 Equity instruments of associated companies - equity method**Quoted Companies**

Gulistan Textile Mills Limited	6.1.1	-	-
Gulshan Spinning Mills Limited		-	29,728
		-	29,728
		<u>-</u>	<u>29,728</u>

6.1.1 During the period the companies seizes to be associated due to the elimination of cross equity ,direct and indirect, investment within the group of companies. The investment was previously accounted for under the equity method of accounting in line with the requirements of International Accounting Standard (IAS), 28 "Investment in Associates". After the elimination of cross equity ,direct and indirect, investment the Company ceases to have any significant influence over the investee and has categorised the remaining investment under "available for sale investments".

	Note	March 31, 2014	June 30, 2013
		----- Rupees -----	
6.2 Other Investments - Available for sale			
Quoted companies			
Gulistan Textile Mills Limited			
1,052 (June 30, 2013 : 1,052) fully paid ordinary shares of Rs. 10 each	6.1.1	-	-
Add: Adjustment arising from measurement to fair value (Market value as at March 31, 2014 : Rs. 16.00 per share)		16,832	-
		<u>16,832</u>	<u>-</u>

7 STOCK IN TRADE

The entire stock in trade except stock in transit are charge with banks. Stock in trade were charged with financial institutions along with all other securities as explained at note 12.1. Further as explained fully in note 14.1.1 of the financial information several banking companies and financial institutions have filed recovery suits against the Company. These banking companies and financial institutions, amongst other pleas, have pleaded that the charged stock in trade be disposed and the financial arrangements with the said banking companies and financial institutions be settled by the proceeds as such realised. The ownership of the charged stock in trade is disputed and will only be ascertained upon decision of the Honorable Courts. The legal counsel of the Company is of the opinion that the case pending adjudication are being contested on merits as well as various cogent factual and legal grounds. An amicable settlement of the case with the banking companies and financial institutions is currently being pursued, without prejudice to the respective contentions. The management of the Company is pressing the said banking companies and financial institutions for the restructuring / rescheduling of credit facilities and expects the same to be restructured / rescheduled in due course.

8 CASH AND BANK BALANCES

As explained fully in note 14.1.1 of these condensed interim financial information 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.

	March 31, 2014	June 30, 2013
	----- Rupees -----	
9 LONG TERM FINANCING		
Opening balance	171,428,572	180,000,000
Disbursement during the period / year	-	-
	<u>171,428,572</u>	<u>180,000,000</u>
Less: Repayments during the period / year	-	(8,571,428)
	<u>171,428,572</u>	<u>171,428,572</u>
Current portion		
Overdue installment	46,071,428	9,375,000
Amount payable within twelve month	46,071,428	46,071,428
Amount payable after March 31, 2015	79,285,716	115,982,144
	<u>171,428,572</u>	<u>171,428,572</u>
	<u>-</u>	<u>-</u>

- 9.1 These loans have been availed from financial institutions. Due to the pending litigations, but without sub-judice to the Company's stance in the said litigation, the Company's financial arrangements with the banking companies and financial institutions are disputed and the Company will only make payments / adjustments of these finances after the amounts are reconciled with banks and financial institutions in accordance with the suit mentioned in note 14.1.1. In terms of provisions of International Accounting Standard (IAS) 1, 'Presentation of Financial Statements', all liabilities under these finance agreements should be classified as current liabilities. Based on the above, instalments due after the period ending March 31, 2015 have been grouped in current portion of non-current liabilities.

	March 31, 2014	June 30, 2013
	----- Rupees -----	
10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Opening balance	17,595,397	18,969,781
Less: Repayments during the period / year	(396,158)	(1,374,384)
	<u>17,199,239</u>	<u>17,595,397</u>
Current portion		
Overdue installment	15,752,079	14,627,448
Amount payable within twelve month	779,090	1,743,814
Amount payable after March 31, 2015	668,070	1,224,135
	<u>17,199,239</u>	<u>17,595,397</u>
	<u>-</u>	<u>-</u>

- 10.1 Due to the pending litigations, but without sub-judice to the Company's stance in the said litigation, the Company's financial arrangements with the banking companies and financial institutions are disputed and the Company will only make payments / adjustments of these lease liabilities after the amounts are reconciled with banks and financial institutions in accordance with the suit as mentioned in note 14.1.1. In terms of provisions of International Accounting Standard (IAS) 1 'Presentation of Financial Statements', all lease liabilities under these finance agreements should be classified as current liabilities. Based on the above, instalments due after the period ending March 31, 2015 have been grouped in current portion of non-current liabilities.

11 TRADE AND OTHER PAYABLES

Trade and other payable include local LCs payable of Rs. 57,470,012 (June 30, 2013: Rs. 53,973,737) and against foreign bills payable of Rs. 108,143,413 (June 30, 2013: Rs. 107,629,451). 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. 14.1.1. The Company has not accounted for any further commission / interest / mark-up or penalty in respect of these LCs and bills payable.

12 ACCRUED MARK UP / INTEREST

As explained in note 14.1.1 several banking companies and financial institutions have filed recovery suits against the Company. Since the financial arrangements of the Company with these banking companies and financial institutions are disputed, the Company has not provided for the mark-up / interest to the extent of and approximate to Rs. 112,110,730 (June 30, 2013: Rs. 148,840,263), Rs. 15,463,368 (June 30, 2013: Rs. 19,541,603) and Rs. 85,664 (June 30, 2013: Rs. 404,412) on outstanding balances in respect of short term borrowings, long term financing and liabilities against assets subject to finance lease respectively. The aggregate amount of unaccounted accrued markup / interest as at the period ended is approximately Rs. 354,155,271 (June 30, 2013: Rs. 226,495,509).

	Note	March 31, 2014	June 30, 2013
		----- Rupees -----	
13 SHORT TERM BORROWINGS			
Short term borrowings	13.1	1,243,375,442	1,243,110,280
Book overdraft	13.2	4,647,912	4,080,691
		<u>1,248,023,354</u>	<u>1,247,190,971</u>

13.1 As fully explained in note 14.1.1 several banking companies and financial institutions have filed recovery suits against the Company for the outstanding balances. The legal counsel of the Company is of the opinion that the case pending adjudication are being contested on merits as well as various cogent factual and legal grounds, however the liability in respect of principal outstanding is fully provided. An amicable settlement of the case with the banking companies and financial institutions is currently being pursued, without prejudice to the respective contentions. The management of the Company is negotiated the said banking companies and financial institutions for the restructuring / rescheduling of these loans and expects the loans to be restructured / rescheduled in due course. As at the year end the various finance facilities available to the Company have expired and may only be re negotiated in line with the on going restructuring / rescheduling with the banking companies and financial institution and the decision of the Honorable courts.

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

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 Banking companies and financial institutions including Silk Bank Limited, Habib Bank Limited, KASB Bank Limited, Burj Bank Limited, Askari Bank Limited and others have filed suits for recovery, sale of stock in trade under charge and injunction against the Company in different Banking Courts, Civil Courts and High Courts. The aggregate amount claimed in the suits against the Company is Rs. 1,031,969,033/- (June 30, 2013: Rs. 781,480,685/-) and permanent injunction. The Company is strongly contesting its case before various courts. As per legal opinion, all the above matters are being contested by the Company on merits as well as various cogent factual and legal grounds available to the Company under law as reflected in the respective pleadings. However, the liability in respect of principal outstanding is fully provided where as the mark-up amounting to Rs. 354,155,271/- is not provided in these financial statements due to the above stated reason.

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

	March 31, 2014	June 30, 2013	
		----- Rupees -----	
14.1.2 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	
	<u>29,319,772</u>	<u>29,319,772</u>	

14.1.3 There are no other material changes in contingencies as disclosed in the notes to the financial statements for the year ended June 30, 2013.

14.2 Commitments

There were no capital commitments as on balance sheet date.

	March 31, 2014	March 31, 2013
	----- Rupees -----	
15 CHANGES IN WORKING CAPITAL		
Decrease in stores, spare parts and loose tools	256,500	4,276,638
(Increase) / decrease in stock-in-trade	(290,844)	92,953,802
Decrease / (increase) in trade debts	(1,399,572)	(15,691,468)
(Increase) / decrease in loan and advances	1,763,492	549,027
Decrease in deposits, short-term prepayments and other receivables	208,123	810,294
Decrease / (increase) in sales tax refundable	710,828	339,266
Increase / (decrease) in trade and other payables	49,588,461	(15,411,994)
	<u>50,836,988</u>	<u>67,825,565</u>

16 RELATED PARTY TRANSACTIONS

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

	March 31, 2014	March 31, 2013
	----- Rupees -----	
Transactions with associated companies		
Sales of goods and services	31,203,400	76,743,997
Purchases of goods and services	1,056,141	13,689,000
Processing charges	-	801,236
Remuneration to key management personnel		
Remuneration and other benefits	3,150,639	3,301,146
Post employment benefits	4,179,023	3,391,998

17 APPROVAL OF FINANCIAL INFORMATION

The financial information were approved by the board of directors and authorised for issue on April 25, 2014.

18 GENERAL

Figures have been rounded off to nearest Rupee.



Gulistan Spinning Mills Limited

2nd Floor, Finlay House, I.I Chundrigar Road,
Karachi Pakistan.