HALF YEARLY ACCOUNTS
FOR THE HALF YEAR ENDED
DECEMBER 31, 2013
(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. Salman Ali Riaz

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, 2013.

Financial Results

Operating Indicators	Half Year Ended December 31, 2013 Rupees	Half Year Ended December 31, 2012 Rupees
Sales	263,585,326	412,419,494
Gross (loss) / Profit	(26,154,056)	(34,848,772)
Pre Tax (loss) / Profit	(43,128,012)	(73,501,858)
Provision for Taxation	(6,727,136)	(5,978,632)
Earnings / (loss) Per Share	(2.49)	(4.61)

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 leading law firm has been appointed as transaction lawyer and restructuring plan/terms are in process of finalization and majority of financial institutions has agreed in principle to the restructuring process. Once achieved it would improve the company's financial health and liquidity of the Company

Regarding the auditor's observation for liquidity issues and its repercussions, the company is very hopeful that with reconciliation of amounts, release of security as per pending litigation with the Lahore High Court and in post re-profiling scenario, the financial health of the company will be improved which will enable the company to purchased cost effective timely raw material, manage the resources properly, combat the pressure of local and global market and tackle with energy crises.

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
February 26,2014

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, 2013 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 interim profit and loss account and interim statement of comprehensive income for the quarter ended December 31, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2013.

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 conclusion

1. As fully explained in note 12 the company has not accounted for finance cost to the extent of and approximate to Rs. 74,825,788 (June 30, 2013: Rs. 148,840,263), Rs. 10,163,348 (June 30, 2013: Rs. 19,541,603) and Rs. 36,039 (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. Had the company accounted for finance cost, the loss for the period would have been higher by Rs. 85,025,175 (June 30,2013: Rs. 168,786,278) and consequently the aggregate amount of accrued markup (including previous unaccounted markup) would have been increased by Rs. 311,520,685 and aggregate accumulated loss would have been higher by the same amount;
2. As mentioned in note 8, 9.1, 10.1, 12, and 13.1 confirmations and period end bank statements were not available in respect of cash at banks long term financing, liabilities against assets subject to finance lease, local LCs payable, foreign bills payable, accrued markup / interest, and short term borrowings respectively, due to pending litigations with these banks / financial institutions as referred in note 14.1.1.

Qualified Conclusion

Except for matters discussed in paragraph 1 and 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, 2013 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 interim financial information which indicates that the company incurred a net loss of Rs. 36,400,876 during the period ended December 31, 2013 and, as of that date, the company's current liabilities exceeds its current assets by Rs. 1,503,525,376. 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 note 14.1.1 of the interim financial information 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
F.C.A

KARACHI:
Date: February 26, 2014

Condensed Interim Balance Sheet
As at December 31, 2013

	Note	(UN - AUDITED) 31-Dec-13	(AUDITED) 30-Jun-13 Restated	(AUDITED) 30-Jun-12 Restated
		----------Rupees----------		
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment	5	**1,562,346,282**	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		**14,930,148**	15,353,284	28,408,507
Stock in trade	7	**246,507,120**	238,101,537	339,813,495
Trade debts		**58,328,809**	66,125,355	69,173,024
Loan and advances		**5,325,129**	2,654,801	2,818,536
Trade deposits, prepayments & other receivables		**10,365,717**	10,573,840	12,154,318
Mark up accrued		**330,680**	302,276	286,091
Tax refunds due from Government		**14,277,320**	15,342,839	14,512,386
Cash and bank balances	8	**8,358,857**	6,593,598	12,495,117
		358,423,781	355,047,530	479,661,474
		1,932,779,645	1,950,279,485	2,131,471,283
SHARE CAPITAL AND RESERVES				
Authorized 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 profit		**(1,409,516,926)**	(1,387,750,818)	(1,324,188,061)
		(1,238,106,926)	(1,216,340,818)	(1,152,778,061)
Surplus on revaluation of property, plant and equipment		**843,360,566**	857,978,502	1,039,008,931
NON CURRENT LIABILITIES				
Long term financing	9	**-**	-	-
Long term loan from directors/sponsors		**103,000,000**	103,000,000	103,000,000
Liabilities against assets subject to finance lease	10	**-**	-	-
Differed Liabilities		**362,576,848**	370,509,612	243,821,853
CURRENT LIABILITIES				
Trade and other payables	11	**413,578,224**	387,264,073	443,110,306
Accrued mark up / interest	12	**-**	-	1,674,902
Short term borrowings	13	**1,249,608,726**	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	**17,336,751**	17,595,397	18,969,781
Provision for taxation		**9,996,884**	11,653,176	12,877,164
		1,861,949,157	1,835,132,189	1,898,418,560
CONTINGENCIES AND COMMITMENTS	14	**-**	-	
		1,932,779,645	1,950,279,485	2,131,471,283

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

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Condensed Interim Profit and Loss Account (Un-audited)
for the half year ended December 31, 2013

	Quarter ended		Half year ended	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
	---------------- Rupees ----------------			
Sales - net	**190,090,123**	118,226,736	**263,585,326**	412,419,494
Cost of sales	**200,808,241**	148,309,916	**289,739,382**	447,268,266
Gross profit	**(10,718,118)**	(30,083,180)	**(26,154,056)**	(34,848,772)
Other operating income	**596,550**	545,806	**1,130,809**	1,144,892
	(10,121,568)	(29,537,374)	**(25,023,247)**	(33,703,880)
Distribution cost	**320,478**	3,293,003	**320,478**	7,634,197
Administrative expenses	**6,624,611**	12,876,222	**13,518,515**	20,492,360
Other operating expenses	**3,408,785**	1,705,460	**3,425,175**	1,827,460
Finance cost	**698,437**	4,274,550	**810,868**	7,532,075
	11,052,312	22,149,235	**18,075,037**	37,486,092
	(21,173,880)	(51,686,609)	**(43,098,284)**	(71,189,972)
Share of (loss) / profit of assciates	**(29,728)**	1,365,762	**(29,728)**	(2,311,886)
Loss before taxation	**(21,203,608)**	(50,320,847)	**(43,128,012)**	(73,501,858)
-Current	**-**	333,506	**-**	1,380,102
-Deferred	**(3,264,640)**	(3,679,367)	**(6,727,136)**	(7,358,734)
Taxation	**(3,264,640)**	(3,345,861)	**(6,727,136)**	(5,978,632)
Loss for the period	**(17,938,968)**	(46,974,986)	**(36,400,876)**	(67,523,226)
Loss per share - basic and diluted	**(1.23)**	(3.21)	**(2.49)**	(4.61)

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Condensed Interim Statement of Comprehensive Income (Un-audited)
for the quarter and half year ended December 31, 2013

	Quarter ended		Half year ended	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
	---------------- Rupees ----------------			
Loss for the period	**(17,938,968)**	(46,974,986)	**(36,400,876)**	(67,523,226)
Items that may be reclassified to profit and loss account				
Un realized again on available for sale investment	**16,832**	-	**16,832**	-
Total Comprehensive loss for the year	**(17,922,136)**	**(46,974,986)**	**(36,384,044)**	**(67,523,226)**

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Condensed Interim Cash Flow Statement (Un-audited)
for the half year ended December 31, 2013

	NOTE	December 31, 2013	December 31, 2012
		-Rupees-	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(43,128,012)**	(73,501,858)
Adjustments for:			
Depreciation on property, plant and equipment		**27,279,838**	28,833,204
Provision for staff retirement benefits - gratuity		**4,205,628**	3,218,250
Share of (loss) / profit of assciates		**29,728**	2,311,886
Finance cost		**810,868**	7,532,075
Gain on disposal of property, plant and equipment		**-**	(3,211)
Interest income		**(1,130,809)**	(230,432)
Mark up accrued on defense saving certificates		**(911,250)**	(911,250)
Cash flows before changes in working capital		**(12,844,008)**	(32,751,336)
Changes in working capital	15	**24,731,562**	49,891,124
Cash generated from operations		**11,887,554**	17,139,788
Finance cost paid		**(810,868)**	(9,206,977)
Staff retirement benefits paid - gratuity		**(5,411,255)**	(2,773,986)
Income taxes paid		**(1,656,292)**	(1,964,649)
		(7,878,416)	(13,945,612)
Net cash generated from operating activities		**4,009,138**	**3,194,176**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(5,505,393)**	(1,994,642)
Mark up received		**1,102,405**	321,175
Net cash used in investing activities		**(4,402,988)**	**(1,643,467)**
Repayment of long term financing		**-**	(4,285,714)
Payment of long term mohrabaha		**-**	-
Payment of liabilities against assets subject to finance lease		**(258,646)**	(1,136,135)
Increase in short term borrowings - net		**2,417,755**	560,352
Net cash generated from / (used in) financing activities		**2,159,109**	**(4,861,497)**
Net increase / (decrease) in cash and cash equivalents		1,765,259	(3,310,788)
Cash and cash equivalents at beginning of the period		6,593,598	1,007,638
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**8,358,857**	**(2,303,150)**

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

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Condensed Interim Statement of Changes in Equity (Un-audited)
for the half year ended December 31, 2013

	Share capital	Reserves		Total
		Capital Share Premium	Revenue Unappropriated profit	
	---------- Rupees ----------			
Balance as at July 01, 2012 - as originally reported	**146,410,000**	**25,000,000**	**(1,321,282,501)**	**(1,149,872,501)**
Effect of retrospective application of change in an accounting policy referred in note 3.3	-	-	(2,905,560)	(2,905,560)
Balance as at July 01, 2012 - as restated	**146,410,000**	**25,000,000**	**(1,324,188,061)**	**(1,152,778,061)**
Total Comprehensive loss for the year	-	-	(67,523,226)	(67,523,226)
Transfer from share of surplus on revaluation of property, plant and equipment of associates on account of incremental depreciation - net of tax	-	-	1,985,809	1,985,809
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of tax	-	-	13,666,219	13,666,219
Balance as at December 31, 2012	**146,410,000**	**25,000,000**	**(1,376,059,259)**	**(1,204,649,259)**
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			(36,384,044)	(36,384,044)
Transfer from share of surplus on revaluation of property, plant and equipment of associates on account of disposal of investment - net of tax	-	-	326,527	326,527
Transfer from 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	-	-	13,058,559	13,058,559
Balance as at December 31, 2013	**146,410,000**	**25,000,000**	**(1,409,516,926)**	**(1,238,106,926)**

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

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Selected Notes to the Condensed Interim Financial Statements (Un-audited)
for the half year ended December 31, 2013

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, 2013 the company has incurred a net loss after tax of Rs. 36.401 million and as on the said date its current liabilities exceed its current assets by Rs. 1,503.525 million and its accumulated loss compute to Rs. 1,409.517 million. As fully explained in note 14.1.1 of these financial statement the company is in litigation with several banking companies and financial institutions, as a consequence these banking companies and financial institutions have blocked and curtailed the working capital lines of the company and froze the funds in bank accounts, rendering the company not being able to operate in its normal course due to the liquidity crisis and has resulted in losses. These conditions along with adverse key financial ratios and the pending litigations with the banking companies and financial institutions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements, however, have been prepared under the going concern assumptions based on the following mitigating factors:

(a) the management of the company is negotiating an amicable settlement of the pending litigations with the banking companies and financial institutions. Series of meetings in this regards have also been held and the matter is being persuaded aggressively with the banks and financial institutions. The company has elected Faysal Bank Limited as the restruturing agent and also has signed an indicative term sheet engulfing the principal terms and conditions of the restructuring with the said banking companies and financial institutions. As per the signed indicative term sheet the banking companies and financial institutions will release the blocked working capital lines and raw material in order to run the operations smoothly.

(b) the management 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 this equity injection will help the company in overcoming the current working capital deficit and will assist in finalization of these structuring / rescheduling plans.

The management anticipates that above steps will not only bring the Company out of the existing financial crisis but also contribute significantly towards the improvement of the company 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.
These condensed interim financial information are being submitted to the shareholders as required by the Listing regulations of Karachi and Lahore Stock Exchange and section 245 of the Companies Ordinance, 1984.

2.2 These condensed interim financial statements comprise of condensed interim balance sheet, condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the selected notes for the half year ended December 31, 2013 which have been subject 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, 2013.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation which have been used in the preparation of these condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended June 30, 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 recognize 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 recognize 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 statement are not quantifiable, hence the effects based on the relevant available actuarial valuation on the financial statements have been summarized below:

		As at	
Impact on Balance Sheet	**Note**	**30-Jun-13**	**30-Jun-12**
Increase in the retirement benefits obligation		3,016,660	2,905,560
Decrease in accumulated profits		3,016,660	2,905,560

		Year ended	
Impact on profit and loss account	**Note**	**30-Jun-13**	**30-Jun-12**
Increase in profit and loss account		96,598	-
Increase in other comprehensive income		207,698	1,990,270

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 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, 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 as at and for the year ended June 30, 2013.

5 PROPERTY, PLANT AND EQUIPMENT

	31-Dec-13		30-Jun-13	
	Additions	Disposals	Additions	Disposals
Owned Assets	------------------ Cost in Rupees ------------------			
Free hold land	-	-	-	-
Buildings on Freehold land	-	-	-	-
Plant & Machinery	2,799,005	-	358,030	-
Electric Installations	2,177,076	-	4,416,165	-
Factory Equipment	485,060	-	-	-
Office Equipments	19,250	-	13,000	-
Furniture and Fixtures	25,000	-	-	-
Vehicles	-	-	-	665,000
Leased Assets				
Plant & Machinery	-	-	-	-
Vehicles	-	-	-	-
	5,505,391	-	4,787,195	665,000

	Note	31-Dec-13	30-Jun-13
		-------- Rupees ---------	

6 LONG TERM INVESTMENTS

	Note	31-Dec-13	30-Jun-13
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
		10,736,582	9,838,228

6.1 Equity instruments of associated companies - equity method

Quoted Companies

	Note	31-Dec-13	30-Jun-13
Gulistan Textile Mills Limited	6.1.1	-	-
Gulshan Spinning Mills Limited		-	29,728
		-	29,728
		-	29,728

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 categorized the remaining investment under "Available for sale Investments".

	Note	31-Dec-13	30-Jun-13
		- - - - - - - - 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 December 31, 2013 : Rs. 16.00/- per share)		16,832	-
		16,832	-

7 STOCK IN TRADE

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

8 CASH AND BANK BALANCES

As explained fully in note 14.1.1 of these condensed interim financial 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, 2013 to confirm the period end balances.

	31-Dec-13	30-Jun-13
	- - - - - - - - Rupees - - - - - - - - -	
9 LONG TERM FINANCING		
Opening balance	**171,428,572**	180,000,000
Disbursement in the period / year	**-**	-
	171,428,572	180,000,000
Less: Repaid in the period / year	**-**	(8,571,428)
	171,428,572	171,428,572
Current portion		
Overdue installment	**32,410,714**	9,375,000
Amount payable within twelve month	**46,071,428**	46,071,428
Amount payable after December 31, 2014	**92,946,430**	115,982,144
	171,428,572	171,428,572
	-	-

9.1 These loans have been availed from financial institutions. Due to the pending litigations, but without sub-judice to the Company's stance in the said litigation, the Company's financial arrangements with the banking companies and financial institutions are disputed and the Company will only make payments / adjustments of these finances after the amounts are reconciled with banks and financial institutions in accordance with the suit mentioned in note 14.1.1. In terms of provisions of International Accounting Standard (IAS) 1, 'Presentation of Financial Statements', all liabilities under these finance agreements should be classified as current liabilities. Based on the above, instalments due after the period ending December 31, 2014 have been grouped in current portion of non-current liabilities.

	31-Dec-13	30-Jun-13
	-------- Rupees ---------	
10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Opening balance	**17,595,397**	18,969,781
Less: Repaid during the year	**(258,646)**	(1,374,384)
	17,336,751	17,595,397
Current portion		
Overdue installment	**15,675,121**	14,627,448
Amount payable within twelve month	**831,494**	1,743,814
Amount payable after December 31, 2014	**830,136**	1,224,135
	17,336,751	17,595,397
	-	-

10.1 Due to the pending litigations, but without sub-judice to the Company's stance in the said litigation, the Company's financial arrangements with the banking companies and financial institutions are disputed and the Company will only make payments / adjustments of these lease liabilities after the amounts are reconciled with banks and financial institutions in accordance with the suit as mentioned in note 14.1.1. In terms of provisions of International Accounting Standard (IAS) 1 'Presentation of Financial Statements', all lease liabilities under these finance agreements should be classified as current liabilities. Based on the above, instalments due after the period ending December 31, 2014 have been grouped in current portion of non-current liabilities. Furthermore information / records were not made available by the banking companies and financial institutions to confirm the period end balances of the outstanding amounts.

11 TRADE AND OTHER PAYABLES

Trade and other payable include local LCs payable of Rs. 57,470,012 (June 30, 2013: Rs. 53,973,737) and against foreign bills payable of Rs. 107,629,451 (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 / markup or penalty in respect of these LCs and bills payable. Furthermore information / records were not made available by the banking companies and financial institutions to confirm the period end balances of the outstanding amounts.

12 ACCRUED 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. 74,825,788 (June 30, 2013: Rs. 148,840,263), Rs. 10,163,348 (June 30, 2013: Rs. 19,541,603) and Rs. 36,039 (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 un accounted accrued markup / interest as at the period ended is approximately Rs.311,520,685 (June 30, 2013: Rs 226,495,509). The exact amount of un accounted markup cannot be ascertained as the due to the ongoing litigation, several banking companies and financial institutions have not provided the relevant information / documents furthermore the banking companies and financial institutions were not available for confirmation of these balances.

		31-Dec-13	30-Jun-13
		-------- Rupees ---------	
13 SHORT TERM BORROWINGS			
Short term borrowings	13.1	1,243,375,442	1,243,110,280
Book overdraft	13.2	6,233,284	4,080,691
		1,249,608,726	1,247,190,971

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 pressing the said banking companies and financial institutions for the restructuring / rescheduling of these loans and expects the loans to be restructured ./ rescheduled in due course. As at the year end the various finance facilities available to the company have expired and may only be re negotiated in line with the on going restructuring / rescheduling with the banking companies and financial institution and the decision of the Honorable courts. However as at the year end banking companies and financial institutions have not provided confirmations amounting to Rs. 398,624,442 (June 30, 2013: Rs. 326,095,900) for reconciliations of the outstanding balances.

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

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 Banking companies and financial institutions including Silk Bank Limited, Habib Bank Limited, KASB Bank Limited, Burj Bank Limited, Askari Bank Limited and others have filed suits for recovery, sale of 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. 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. 311,520,685/- 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 dated October 23, 2012 has ordered not to disturb the present position of current assets and fixed assets of the company, subsequently the Honarable Lahore High Court through its order dated September 11. 2013 has dismissed the case. The company filed review pettion in Lahore High Court Against this order. Lahore High Court impugend this judgement and order to decree will remain suspended and banks will not liquidate the appellant's assets. Since the matter is subjudice in Honarable Lahore High Court, the company has not acknowledge its liabilities until the amount of principal and mark up is reconcile with financial institution in accordance with the above suit.

	31-Dec-13	30-Jun-13
	-------- 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
	29,319,772	29,319,772

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

Commitment in respect of capital and other expenditure amounting to Rs. NIL (June 2013: Rs. NIL)

15 CHANGES IN WORKING CAPITAL

	31-Dec-13	31-Dec-12
	- - - - - - - - Rupees - - - - - - - - -	
Decrease / (increase) in stores, spare parts and loose tools	**423,136**	4,155,144
Decrease / (increase) in stock-in-trade	**(8,405,583)**	71,037,855
Decrease / (increase) in trade debts	**7,796,546**	(18,490,455)
Decrease / (increase) in loan and advances	**(2,670,328)**	1,824,656
Decrease / (increase) in deposits, short-term prepayments and other receivables	**208,123**	2,721,374
Decrease / (increase) in sales tax refundable	**1,065,519**	(29,186)
(Decrease) / increase in trade and other payables	**26,314,151**	(11,328,264)
	24,731,563	**49,891,124**

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.

	31-Dec-13	31-Dec-12
	- - - - - - - - Rupees - - - - - - - - -	
Associated Companies transaction in the period		
Sales of goods and services	**15,696,201**	52,607,032
Purchases of goods and services	**203,793**	8,853,000
Processing charges	**-**	450,743
Remuneration to Key management personnel		
Remuneration and other benefits	**2,358,426**	1,100,382
Post employment benefits	**4,179,023**	3,025,204

17 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issue on February 26, 2014.

18 GENERAL

- Figures have been rounded off to nearest Rupee.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Gulistan Spinning Mills Limited
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