

**FIRST QUARTERLY ACCOUNTS
FOR PERIOD ENDED
SEPTEMBER 30,2015
(UN AUDITED)**

GULISTAN SPINNING MILLS LIMITED

GULISTAN SPINNING MILLS LIMITED
COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Muhammad Akhtar Mirza (Chairman) Mr. Sohail Maqsood (Chief Executive) Mr. Muhammad Ashraf Khan Mr. Maqsood ul Haq Mr. Iftikhar Ali Mr. Abid Sattar Mr. Muhammad Yousaf
AUDIT COMMITTEE	Mr. Muhammad Yousaf (Chairman) Mr. Sohail Maqsood Mr. Abid Sattar
HR & REMUNERATION COMMITTEE	Mr. Iftikhar Ali (Chairman) Mr. Sohail Maqsood Mr. Abid Sattar
CHIEF FINANCIAL OFFICER	Mr. Salman Ali Riaz
COMPANY SECRETARY	Mr. Muhammad Saleem Raza
AUDITORS	M/s. Baker Tilly Mahmood Idress Qamar Chartered Accountants Lahore.
LEGAL ADVISOR	Akhter Javed-Advocate
TAX CONSULTANT	M/s. Sharif & Company-Advocate
BANKERS	United Bank Limited, MCB Bank, Standard Chartered Bank, KASB Bank, Allied Bank Limited, Habib Bank Limited, Bank of Punjab National Bank of Pakistan, Bank Al Falah, Bank of Khyber, Atlas Bank Ltd., Askari Commercial Bank, Dawood Islamic, Faysal Bank J.S. Bank, Silk Bank, Soneri Bank, NIB Bank Ltd., HSBC Bank M/East
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.
MILLS	Unit-II Jumber Khurd Tehsil Chunnian Dist. Kasur
WEB PRESENCE	http://www.gulshan.com.pk/corporate/gulistan.html

Director's Report to Shareholders

The Directors of your Company are pleased to present unaudited financial statements of the Company for the first quarter ended September 30, 2015.

Financial Results

Operating indicators	1 st Quarter Ended September 30, 2015	1 st Quarter Ended September 30, 2014
	(Rupees)	(Rupees)
Sales	NIL	NIL
Gross (loss)/Profit	(7,429,337)	(20,648,117)
Pre Tax (loss)/Profit	(7,768,121)	(26,068,679)
Provision for Taxation	2,727,607	3,076,637
Earnings/(loss) Per Share	(0.34)	(1.57)

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.

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
MARCH 22, 2018


SOHAIL MAQSOOD
CHIEF EXECUTIVE

GULISTAN SPINNING MILLS LIMITED

Condensed interim Balance Sheet (Un-audited)

As at September 30, 2015

		(UN-AUDITED)	(AUDITED)
	Note	September 30, 2015	June 30, 2015
----- Rupees -----			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	916,909,042	923,854,824
Long-term investments		13,846,803	13,769,021
Long-term deposits		2,780,500	2,780,500
CURRENT ASSETS			
Stores, spare parts and loose tools		5,668,867	5,668,867
Stock in trade	6	93,522,390	93,522,390
Trade debts		7,159,249	11,859,249
Loan and advances		464,126	464,126
Trade deposits, prepayments and other receivables		4,772,463	4,772,463
Markup accrued		2,396,379	13,676,707
Tax refunds due from Government		6,606,733	11,712,572
Cash and bank balances		6,113,574	6,439,467
		126,703,781	148,115,841
		<u>1,060,240,126</u>	<u>1,088,520,186</u>
SHARE CAPITAL AND RESERVES			
Authorised share capital			
15,000,000 (2014: 15,000,000) Ordinary shares of Rs. 10 each		<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid up share capital		146,410,000	146,410,000
Reserves		24,983,168	24,983,168
Unappropriated loss		<u>(1,618,063,454)</u>	<u>(1,619,094,065)</u>
		(1,446,670,286)	(1,447,700,897)
Surplus on revaluation of property, plant and equipment		364,824,564	376,966,815
Sub-Ordinate Loan		103,000,000	103,000,000
NON CURRENT LIABILITIES			
Long-term financing	7	74,818,341	74,818,341
Liabilities against assets subject to finance lease		-	-
Deferred liabilities		151,910,587	158,336,023
CURRENT LIABILITIES			
Trade and other payables	8	444,895,772	460,592,818
Accrued markup / interest	9	30,019,851	25,586,995
Short-term borrowings	10	1,145,656,447	1,145,119,665
Current portion of non-current liabilities	7	186,715,781	186,715,781
Provision for taxation		5,069,059	5,084,645
		1,812,356,910	1,823,099,904
CONTINGENCIES AND COMMITMENTS			
	11		
		<u>1,060,240,126</u>	<u>1,088,520,186</u>

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


SOHAIL MAQSOOD

CHIEF EXECUTIVE


M. Akhtar Mirza

DIRECTOR

GULISTAN SPINNING MILLS LIMITED

Condensed interim Profit & Loss Account (Un-audited)

For the Quarter Ended September 30, 2015

	Quarter ended	
	September 30, 2015	September 30, 2014
	----- Rupees -----	
Sales - net	-	-
Cost of sales	(7,429,337)	(20,648,117)
Gross loss	(7,429,337)	(20,648,117)
Other income	532,402	528,882
	(6,896,935)	(20,119,235)
Distribution cost	-	-
Administrative expenses	(263,279)	(4,318,989)
Other operating expenses	-	-
Finance cost	(607,907)	(1,630,455)
	(871,186)	(5,949,444)
	(7,768,121)	(26,068,679)
Share of loss of associates	-	-
Loss before taxation	(7,768,121)	(26,068,679)
Taxation		
- Current	-	-
- Deferred	2,727,607	3,076,637
	2,727,607	3,076,637
Loss for the period	(5,040,514)	(22,992,042)
Loss per share - basic and diluted	(0.34)	(1.57)

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


Sohail Maqsood

CHIEF EXECUTIVE


M. Akhter Mirza

Director

GULISTAN SPINNING MILLS LIMITED

Condensed interim Statement of Comprehensive Income (Un-audited)

For the Quarter Ended September 30, 2015

	Quarter ended	
	September 30, 2015	September 30, 2014
	----- Rupees -----	
Loss for the period	(5,040,514)	(22,992,043)
Items that may be reclassified to profit and loss account		
Un-realised gain on available for sale investment	-	-
Total comprehensive loss for the period	(5,040,514)	(22,992,043)

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


Sohail Maqsood

CHIEF EXECUTIVE


M. Akhter Mirza

Director

GULISTAN SPINNING MILLS LIMITED
Condensed interim Cash Flow Statement (Un-audited)
For the Quarter Ended September 30, 2015

NOTE	September 30, 2015	September 30, 2014
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(28,653,948)	(26,068,679)
Adjustments for:		
Depreciation on property, plant and equipment	20,692,767	12,845,099
Provision for staff retirement benefits - gratuity	-	1,440,000
Finance cost	6,958,388	1,630,455
Interest income	-	(103,632)
Markup accrued on defence saving certificates	(611,190)	(425,250)
Cash flows before changes in working capital	(1,613,984)	(10,682,006)
Changes in working capital	12 (5,891,207)	16,086,336
Cash generated from operations	(7,505,191)	5,404,330
Finance cost paid	(5,782)	(66,933)
Gratuity paid	(453,712)	(4,599,211)
Income taxes paid	(15,586)	(52,186)
	(475,080)	(4,718,331)
Net cash generated from operating activities	(7,980,271)	685,999
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	-
Markup received	7,117,596	13,247
Net cash generated from / (used in) investing activities	7,117,596	13,247
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of liabilities against assets subject to finance lease	-	(676,816)
Increase short-term borrowings - net	-	-
Net cash (used in) / generated from financing activities	-	(676,816)
Net increase in cash and cash equivalents	(862,675)	22,430
Cash and cash equivalents at beginning of the period	5,815,544	2,245,346
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,952,869	2,267,776

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


Sohail Maqsood

CHIEF EXECUTIVE


M. Akhter Mirza


GULISTAN SPINNING MILLS LIMITED

Condensed interim Statement of Changes in Equity (Un-audited)
For the Quarter Ended September 30, 2015

Share capital	Reserves			Total
	Capital	(Unrealized Gain/Loss) on remeasurement of available for sale investment	Revenue	
	Share Premium	on remeasurement of available for sale investment	Unappropriated profit	
-----Rupees-----				

Balance as at July 01, 2015	146,410,000	25,000,000	(16,382)	(1,619,094,065)	(1,447,700,897)
Transfer from share of surplus on revaluation of property, plant and equipment of associates on account of disposal of investment - net of tax	-	-	-	6,071,126	6,071,126
Share from associates of incremental depreciation - net of tax	-	-	-	-	-
Share of revaluation of property, plant and equipment realized on disposal of equity instruments	-	-	-	-	-
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(5,040,514)	(5,040,514)
Balance as at March 31, 2016	146,410,000	25,000,000	(16,382)	(1,618,063,454)	(1,446,670,286)

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


Sohail Meqsood
CHIEF EXECUTIVE


M. Akhter Mirza
DIRECTOR

GULISTAN SPINNING MILLS LIMITED

Notes to the Condensed interim Financial Information (Un-audited)

For the Quarter Ended September 30, 2015

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, P. O. Box 11, 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 September 30, 2015 the Company has incurred a net loss after tax of Rs. 5.04 million and as on the said date its current liabilities exceed its current assets by Rs. 1,685.65 million and its accumulated loss compute to Rs. 1,618.06 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 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;
 - (b) the management has 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 of this equity injection will help the Company in overcoming the current working capital deficit and will assist in finalisation 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's financial position in the foreseeable 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 Accounting Standard (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 for the year ended 30 June, 2014.

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.

GULISTAN SPINNING MILLS LIMITED

Notes to the Condensed interim Financial Information (Un-audited)

For the Quarter Ended September 30, 2015

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
- 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.

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, 2015.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended June 30, 2015.

5 PROPERTY, PLANT AND EQUIPMENT

	September 30, 2015		June 30, 2015	
	Additions	Disposals	Additions	Disposals
Owned Assets	----- Cost in Rupees -----			
Plant and machinery	-	-	-	-
Electric installations	-	-	-	-
Factory equipment	-	-	-	-
Office equipments	-	-	-	-
Furniture and fixtures	-	-	-	-
Vehicles	-	-	-	1,494,248
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,494,248</u>

6 STOCK IN TRADE

The entire stock 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. Further as explained 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 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 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.

7 LONG-TERM FINANCING

Due to the pending litigations, but without sub-judice to the Company's stance in the said litigation, the Company's financial

GULISTAN SPINNING MILLS LIMITED

Notes to the Condensed interim Financial Information (Un-audited)

For the Quarter Ended September 30, 2015

11.1.1 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. 1,750,851,496/- (June 30, 2015: Rs. 1,750,851,496/-) 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 markup amounting to Rs. 497,370,003/- 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.

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, 2015.

11.2 Commitments

There were no capital commitments as on balance sheet date.

12 CHANGES IN WORKING CAPITAL

Decrease in stores, spare parts and loose tools
 Increase in stock-in-trade
 Decrease in trade debts
 Decrease / (increase) in loan and advances
 Decrease in deposits, short-term prepayments and other receivables
 Decrease in sales tax refundable
 Increase in trade and other payables

	March 31, 2015	March 31, 2014
	----- Rupees -----	
	-	-
	-	743,335
	4,700,000	-
	-	(436,097)
	-	673,100
	-	-
	5,105,839	(588)
	(15,697,046)	15,106,586
	<u>(5,891,207)</u>	<u>16,086,335</u>

13 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.

Transactions with associated companies

Sales of goods and services	-	-
Purchases of goods and services	-	-
Processing charges	-	-

Remuneration to key management personnel

GULISTAN SPINNING MILLS LIMITED

Notes to the Condensed interim Financial Information (Un-audited)
For the Quarter Ended September 30, 2015

Remuneration and other benefits

-

1,639,692

14 APPROVAL OF FINANCIAL INFORMATION

The financial information were approved by the board of directors and authorised for issue on _____ .

15 GENERAL

Figures have been rounded off to nearest Rupee.


Sohail Maqsood

CHIEF EXECUTIVE


M. Akhter Mirza

DIRECTOR