



HALF YEARLY ACCOUNTS  
FOR SIX MONTHS ENDED  
DECEMBER 31, 2015  
(UN AUDITED)

GULISTAN SPINNING MILLS LIMITED

## GULISTAN SPINNING MILLS LIMITED

### 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, 2015

### Financial Results

Operating Indicators	Half Year Ended 31.12.2015	Half Year Ended 31.12.2014
	(Rupees)	(Rupees)
Sales	Nil	Nil
Gross (loss)/Profit	(14,857,123)	(40,000,241)
Pre Tax (loss)/Profit	(18,967,141)	(53,393,406)
Provision for Taxation	(5,455,214)	(6,153,275)
Earnings/(loss) Per Share	(0.92)	(3.23)

### Overview:

The period under review has been proved incredibly challenging. Challenges like on-going financial barriers coupled with severe energy crises have obstructed the utilization of production capacities. Inaccessibility to working capital lines and inability to procure essential raw materials on time caused complete halt of production and repulsively wiped out Company's plan to achieve its targets which turned the sales to zero for this quarter.

Due to escalation of local cost of operations, increased utility cost and inflationary pressures, the Company had to consider before start of the operations in an increasingly competitive global textile market. 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 look for third parties, which effort is in progress and the management hopes that new processing agreements would be executed in near future.

The Management is conscious of the issues that are affecting our operations and are committed to plans to turn Company into profitable entity by taking serious decisions 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. 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.

### Future Outlook:

We have been conscious of the issues that are affecting our production and are committed to turn the Company into a profitable organization 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. In spite of the facts like increase in inflation, unpredictable/abnormal hike in power costs and continued load shedding, the management is trying to implementing its best efforts to ensure regain its growth, operational efficiency and optimum results for the Company and its valued stakeholders.

The high cost of production resulting from higher cotton prices, rising energy costs, increasing prices of imported inputs due to depreciation of Pakistani rupee, double digit inflation, and prolonged power cuts have posed serious threats to textile sector. On these fronts, the situation is expected to remain volatile in the future. Your company is focusing on strategy to re-consolidate its customer based rationalize production. This impediment is expected to be over in near future as the restructuring process is expected to be completed soon once the ongoing reconciliation & restructuring process is completed, we would be in better position to embark upon timely better priced procurement of the required raw materials. To increase profitability and improve performance, wide ranging and significant measures are being implemented by the Company focusing on cost reduction and increase in margins.

### Acknowledgement:

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

KARACHI  
March 22, 2018

  
SOHAIL MAHMOOD  
CHIEF EXECUTIVE

# GULISTAN SPINNING MILLS LIMITED

## Condensed interim Balance Sheet

As at December 31, 2015

Note	(UN - AUDITED)	(AUDITED)	
	December 31, 2015	June 30, 2015	
-----Rupees-----			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	909,982,463	923,854,824
Long term investments	6	14,224,647	13,769,021
Long term deposits		2,780,500	2,780,500
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		5,668,867	5,668,868
Stock in trade	7	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
Accrued mark up		2,396,379	13,676,707
Tax refunds due from Government		6,606,733	11,712,572
Cash and bank balances	8	6,091,389	6,439,467
		126,681,596	148,115,841
		<u>1,053,669,206</u>	<u>1,088,520,186</u>
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorised share capital</b>			
15,000,000 (2013: 15,000,000) Ordinary shares of Rs 10 each		150,000,000	150,000,000
Issued, subscribed and paid up share capital		146,410,000	146,410,000
Reserves		24,983,168	24,983,168
Unappropriated loss		(1,620,463,742)	(1,619,094,065)
		(1,449,070,574)	(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
<b>NON CURRENT LIABILITIES</b>			
Long term financing	9	74,818,341	74,818,341
Liabilities against assets subject to finance lease	10	-	-
Deferred liabilities		151,910,597	158,336,023
		226,728,938	233,154,364
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	440,725,139	460,592,818
Accrued mark up / interest	12	30,019,851	25,586,995
Short term borrowings	13	1,145,656,447	1,145,119,665
Current portion of			
- long-term financing	9	171,428,572	171,428,572
- liabilities against assets subject to finance lease	10	15,287,209	15,287,209
Provision for taxation		5,069,059	5,084,545
		1,808,186,277	1,823,099,904
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		
		<u>1,053,669,206</u>	<u>1,088,520,186</u>

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

  
 SHAFIQ M  
 CHIEF EXECUTIVE

  
 DIRECTOR

# GULISTAN SPINNING MILLS LIMITED

## Condensed interim Profit & Loss Account ( Un-Audited)

For the Half Year Ended December 31, 2015

	Quarter ended		Half year ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	----- Rupees -----			
Sales - net				
Cost of sales	(7,427,786)	(19,352,124)	(14,857,123)	(40,000,241)
Gross loss	(7,427,786)	(19,352,124)	(14,857,123)	(40,000,241)
Other income	518,106	589,413	1,050,508	1,118,295
	(6,909,681)	(18,762,711)	(13,806,615)	(38,881,945)
Distribution cost	-	(1,117,373)	-	(1,117,373)
Administrative expenses	(358,609)	(5,195,372)	(621,888)	(9,514,361)
Other operating expenses	-	-	-	(0)
Finance cost	(4,535,355)	(2,249,272)	(4,538,638)	(3,879,727)
	(4,893,964)	(8,562,018)	(5,160,526)	(14,511,461)
	(11,803,645)	(27,324,728)	(18,967,141)	(53,393,406)
Share of (loss) / profit of associates				
<b>Loss before taxation</b>	<b>(11,803,645)</b>	<b>(27,324,728)</b>	<b>(18,967,141)</b>	<b>(53,393,406)</b>
Taxation				
-Current	-	-	-	-
-Deferred	2,727,607	3,076,638	5,455,214	6,153,275
	2,727,607	3,076,638	5,455,214	6,153,275
<b>Loss for the period</b>	<b>(9,076,039)</b>	<b>(24,248,090)</b>	<b>(13,511,928)</b>	<b>(47,240,131)</b>
<b>Loss per share - basic and diluted</b>	<b>(0.62)</b>	<b>(1.65)</b>	<b>(0.92)</b>	<b>(3.23)</b>

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

  
SCHAHIL MACSOOD  
CHIEF EXECUTIVE

  
M. AKHTAR MARZA  
DIRECTOR

# GULISTAN SPINNING MILLS LIMITED

Condensed interim Statement of Comprehensive Income (Un-Audited)

For the Half Year Ended December 31, 2015

	Quarter ended		Half year ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	-----Rupees-----			
Loss for the period	(9,076,039)	(24,248,091)	(13,511,928)	(47,240,131)
Items that may be reclassified to profit and loss account				
Un-realised gain on available for sale investment				
<b>Total comprehensive loss for the year</b>	<b>(9,076,039)</b>	<b>(24,248,091)</b>	<b>(13,511,928)</b>	<b>(47,240,131)</b>

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

  
SUMAIR MAQSOOD  
CHIEF EXECUTIVE

  
MAKHTAR MIRZA  
DIRECTOR

**GULISTAN SPINNING MILLS LIMITED**  
**Condensed interim Cash Flow Statement (Un-Audited)**  
**For the Half Year Ended December 31, 2015**

NOTE	December 31, 2015	December 31, 2014
	-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	(18,967,141)	(53,393,406)
<b>Adjustments for:</b>		
	13,795,178	25,758,362
	-	2,880,000
	4,538,638	3,879,727
	439,318	-
	-	(267,795)
	(611,190)	(850,500)
	<b>(805,198)</b>	<b>(21,993,613)</b>
<b>Cash flows before changes in working capital</b>		
Changes in working capital	15 (10,061,839)	30,596,672
	<b>(10,867,036)</b>	<b>8,603,059</b>
<b>Cash generated from operations</b>		
Finance cost paid	(5,782)	(388,553)
Gratuity paid	(453,712)	(4,436,291)
Income taxes paid	(15,586)	(1,068,029)
	<b>(475,080)</b>	<b>(5,892,873)</b>
<b>Net cash generated from operating activities</b>	<b>(11,342,117)</b>	<b>2,710,187</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(77,182)	-
Mark up received	10,534,439	712,750
<b>Net cash used in investing activities</b>	<b>10,457,257</b>	<b>742,750</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term financing	-	-
Payment of liabilities against assets subject to finance lease	-	(1,278,242)
Short term borrowings	0	-
<b>Net cash generated from / (used in) financing activities</b>	<b>0</b>	<b>(1,278,242)</b>
Net increase / (decrease) in cash and cash equivalents	(884,859)	2,144,694
Cash and cash equivalents at beginning of the period	5,815,544	2,245,346
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>4,930,685</b>	<b>4,390,040</b>

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

  
 SOHAIL MAQSOOD  
 CHIEF EXECUTIVE

  
 M. AKBAR MIRZA  
 DIRECTOR

# GULISTAN SPINNING MILLS LIMITED

## Notes to the Condensed interim Financial Information ( Un-Audited)

For the Half Year Ended December 31, 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, 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 December 31, 2015 the Company has incurred a net loss after tax of Rs. 47.04 million and as on the said date its current liabilities exceed its current assets by Rs. 1,677.97 million and its accumulated loss compute to Rs. 1,620.46 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 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 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 31 June, 2015.

The condensed interim financial information are being submitted to the shareholders to be registered 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 Half Year Ended December 31, 2015

- 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 half year ended December 31, 2015 which have been subject to a review but not audited. This condensed interim financial information also include condensed interim profit and loss statement for the quarter ended December 31, 2015.

### 3 SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The accounting policies and methods of computation which have been used in the preparator 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, 2015.
- 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, 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, 2015.

### 5 PROPERTY, PLANT AND EQUIPMENT

	December 31, 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	-	77,182	-	1,494,248
	<u>-</u>	<u>77,182</u>	<u>-</u>	<u>1,494,248</u>

6 LONG TERM INVESTMENTS	Note	December 31, 2015	June 30, 2015
		----- Rupees -----	
Defence savna certificates		14,224,647	13,759,021
		<u>14,224,647</u>	<u>13,759,021</u>



# GULISTAN SPINNING MILLS LIMITED

Notes to the Condensed interim Financial Information ( Un-Audited)  
For the Half Year Ended December 31, 2015

December 31, 2015                      June 30, 2015

## 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. Furthermore the most of the banks have not provided bank statements for the period ended December 31, 2015 to confirm the period end balances.

## 9 LONG TERM FINANCING

	December 31, 2015	June 30, 2015
	----- Rupees -----	
Opening balance	171,428,572	171,428,572
Disbursement during the period / year	-	-
	<u>171,428,572</u>	<u>171,428,572</u>
Less: Repayments during the period / year	-	-
	<u>171,428,572</u>	<u>171,428,572</u>
Current portion		
Overdue installment	32,410,714	55,446,428
Amount payable within twelve month	46,071,428	46,071,428
Amount payable after December 31, 2014	92,946,430	69,910,716
	<u>171,428,572</u>	<u>171,428,572</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 December 31, 2015 have been grouped in current portion of non-current liabilities.

# GULISTAN SPINNING MILLS LIMITED

Notes to the Condensed interim Financial Information ( Un-Audited)  
For the Half Year Ended December 31, 2015

	December 31, 2015	June 30, 2015
	..... Rupees .....	
<b>10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Opening balance	17,199,239	17,595,397
Less: Repayments during the period / year	(1,278,242)	(396,158)
	<u>15,920,997</u>	<u>17,199,239</u>
Current portion		
Overdue installment	15,920,997	15,975,103
Amount payable within twelve month		724,927
Amount payable after December 31, 2015		499,209
	<u>15,920,997</u>	<u>17,199,239</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 December 31, 2015 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. 53,946,422 (June 30, 2015: Rs. 53,946,422) and against foreign bills payable of Rs. 107,629,451 (June 30, 2015: 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. 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. 541.26 millions (June 30, 2015: Rs. 484.90 millions), Rs. 95.02 millions (June 30, 2015: Rs. 87.199 millions) and Rs. 0.89 million (June 30, 2015: Rs. 0.78 million) 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. 637.185 millions (June 30, 2015: Rs. 572.89 millions). 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.

# GULISTAN SPINNING MILLS LIMITED

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

For the Half Year Ended December 31, 2015

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.

## 14.2 Commitments

There were no capital commitments as on balance sheet date

## 15 CHANGES IN WORKING CAPITAL

December 31, 2015      December 31, 2014

	----- Rupees -----	
Decrease in stores, spare parts and loose tools	0	423,136
(Increase) / decrease in stock-in-trade	-	(8,405,583)
Decrease / (increase) in trade debts	4,700,000	7,796,546
(Increase) / decrease in loan and advances	-	(2,670,328)
Decrease in deposits, short-term prepayments and other receivables	-	208,123
Decrease / (increase) in sales tax refundable	5,105,839	1,065,519
Increase / (decrease) increase in trade and other payables	(19,867,678)	26,314,151
	<u>(10,061,839)</u>	<u>24,731,564</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.

### Transactions with associated companies

December 31, 2015      December 31, 2014

	----- Rupees -----	
Sales of goods and services	-	-
Purchases of goods and services	-	-
Processing charges	-	-
<b>Remuneration to key management personnel</b>		
Remuneration and other benefits	-	2,120,730
Post employment benefits	-	3,587,141

## 17 APPROVAL OF FINANCIAL INFORMATION

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

## 18 GENERAL

Figures have been rounded off to nearest Rupee

  
SOHAIL MAQSOOD  
CHIEF EXECUTIVE

  
M. AKHTAR MIRZA  
DIRECTOR