

**THIRD QUARTERLY ACCOUNTS
FOR THE NINE MONTHS ENDED
MARCH 31, 2017
(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. Ifikhar Ali
Mr. Abid Sattar
Mr. Muhammad Yousaf

AUDIT COMMITTEE

Mr. Muhammad Yousaf (Chairman)
Mr. Sohail Maqsood
Mr. Abid Sattar

HR & REMUNERATION COMMITTEE

Mr. Ifikhar Ali (Chairman)
Mr. Sohail Maqsood
Mr. Abid Sattar

CHIEF FINANCIAL OFFICER

Mr. Salman Ali Riaz

COMPANY SECRETARY

Mr. Muhammad Junaid Akhtar

AUDITORS

M/s. Baker Tilly Mehmood Idress Qamar
Chartered Accountants
Lahore.

LEGAL ADVISOR

Akhter Javed-Advocate

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.

MILLS

Unit-II Jumber Khurd Tehsil Chunnian Dist. Kasur

WEB PRESENCE

<http://www.gulshan.com.pk/corporate/gulistan.html>

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 Nine Month ended Mar 31, 2017.

Financial Results

Operating Indicators	Third Quarter Ended	Third Quarter Ended
	31.03.2017	31.03.2016
	(Rupees)	(Rupees)
Sales	11,700,000	0
Gross (loss)/Profit	(11,765,480)	(22,228,496)
Pre Tax (loss)/Profit	(16,527,525)	(28,653,948)
Provision for Taxation	(8,794,173)	(23,198,734)
Earnings/(loss) Per Share	(0.60)	(1.58)

Overview:

The period under review has also been proved difficult. Challenges like severe energy crises coupled with on-going financial barriers have obstructed the optimum utilization of production capacities. Inaccessibility to the working capital facilities caused underutilization of production capacities, due to which the Company could not efficiently procure essential raw materials on time. This hindered the Company's plan to run the mills according to the installed capacities and resultantly could not achieve the desired production targets which further affected sales turnover as well as profitability. In spite of the ongoing adverse eventualities, the Management has attempted to use maximum probabilities to keep the Mills operational.

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.

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 continued load shedding, the management is trying to implement its best efforts to ensure regain its growth, operational efficiency and optimum results for the Company and its valued stakeholders. 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.

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
05 Oct.2018

CHIEF EXECUTIVE

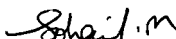

GULISTAN SPINNING MILLS LIMITED

Condensed interim Balance Sheet (Un-audited)

As at March 31, 2017

Note	(UN-AUDITED)	(AUDITED)	
	March 31, 2017	June 30, 2016	
----- Rupees -----			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	876,435,072	896,048,764
Long-term investments		16,886,041	15,471,666
Long-term deposits		2,780,500	2,780,500
CURRENT ASSETS			
Stores, spare parts and loose tools		4,535,094	4,535,094
Stock in trade	6	93,522,390	93,522,390
Trade debts		13,907,298	12,075,000
Loan and advances		697,833	464,126
Trade deposits, prepayments and other receivables		4,913,689	4,813,105
Markup accrued		349,994	349,994
Tax refunds due from Government		6,050,516	6,606,851
Cash and bank balances		6,155,609	6,118,962
		130,132,424	128,485,522
		<u>1,026,234,037</u>	<u>1,042,786,452</u>
SHARE CAPITAL AND RESERVES			
Authorised share capital			
15,000,000 (2014: 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		(1,641,976,604)	(1,646,597,518)
		(1,470,583,436)	(1,475,204,350)
Surplus on revaluation of property, plant and equipment		359,753,870	366,954,801
Sub-Ordinate Loan		103,000,000	103,000,000
NON CURRENT LIABILITIES			
Long-term financing	7	-	-
Liabilities against assets subject to finance lease		-	-
Deferred liabilities		148,216,943	159,359,780
CURRENT LIABILITIES			
Trade and other payables	8	438,340,771	441,178,373
Accrued markup / interest	9	35,775,002	35,775,002
Short-term borrowings	10	1,145,127,706	1,145,119,665
Current portion of non-current liabilities	7	261,534,122	261,534,122
Provision for taxation		5,069,059	5,069,059
		1,885,846,660	1,888,676,221
CONTINGENCIES AND COMMITMENTS			
	11	-	-
		<u>1,026,234,036</u>	<u>1,042,786,452</u>

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


SOHAIL MAQSOOD
 CHIEF EXECUTIVE


M. AKHTAR MIRZA
 DIRECTOR

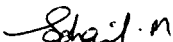
GULISTAN SPINNING MILLS LIMITED

Condensed interim Profit & Loss Account (Un-audited)

For the Nine Months Ended March 31, 2017

	Nine months ended	
	March 31, 2017	March 31, 2016
	Rupees	
Sales - net	11,700,000	-
Cost of sales	(23,465,480)	(22,228,496)
Gross loss	(11,765,480)	(22,228,496)
Other income	1,414,375	1,664,573
	(10,351,105)	(20,563,923)
Distribution cost	(600,000)	-
Administrative expenses	(2,570,829)	(1,131,638)
Other operating expenses	-	-
Finance cost	(3,005,591)	(6,958,388)
	(6,176,420)	(8,090,026)
	(16,527,525)	(28,653,948)
Share of loss of associates	-	-
Loss before taxation	(16,527,525)	(28,653,948)
Taxation		
- Current	-	-
- Deferred	7,733,352	5,455,214
	7,733,352	5,455,214
Loss for the period	(8,794,173)	(23,198,734)
Loss per share - basic and diluted	(0.60)	(1.58)

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


SOHAIL MAQSOOD
CHIEF EXECUTIVE


DIRECTOR

GULISTAN SPINNING MILLS LIMITED

Condensed interim Statement of Comprehensive Income (Un-audited)

For the Nine Months Ended March 31, 2017

	Nine month ended	
	March 31, 2017	March 31, 2016
		Rupees
Loss for the period	(8,794,173)	(23,198,734)
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 period	(8,794,173)	(23,181,902)

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


SOHAIL MAQSOOD

CHIEF EXECUTIVE


M. AKHTAR MIRZA

DIRECT

GULISTAN SPINNING MILLS LIMITED
Condensed interim Cash Flow Statement (Un-audited)
For the Nine Months Ended March 31, 2017

NOTE	March 31, 2017	March 31, 2016
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(16,527,525)	(28,653,948)
Adjustments for:		
Depreciation on property, plant and equipment	19,613,691	38,637,543
Provision for staff retirement benefits - gratuity	-	3,060,000
Share of loss of associates	-	-
Finance cost	-	5,545,645
Gain on sale of fixed assets	-	(668,066)
Interest income	(3,002,545)	(308,644)
Markup accrued on defence saving certificates	(1,414,375)	(911,250)
Cash flows before changes in working capital	(1,330,754)	16,701,280
Changes in working capital	12 739,243	40,614,759
Cash generated from operations	(591,510)	57,316,039
Finance cost paid	(3,046)	(569,778)
Gratuity paid	-	(11,813,185)
Income taxes paid	(760)	(173,165)
Net cash generated from operating activities	(3,806)	(12,556,129)
CASH FLOWS FROM INVESTING ACTIVITIES	(595,316)	44,759,911
Purchase of property, plant and equipment	-	-
Sale Proceed of Fixed Assets	-	1,086,294
Markup received	-	712,250
Net cash generated from / (used in) investing activities	-	1,798,544
CASH FLOWS FROM FINANCING ACTIVITIES	-	(1,912,030)
Payment of liabilities against assets subject to finance lease	-	(1,912,030)
Increase short-term borrowings - net	-	-
Net cash (used in) / generated from financing activities	-	(1,912,030)
Net increase in cash and cash equivalents	(595,316)	44,646,425
Cash and cash equivalents at beginning of the period	6,118,962	2,245,346
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5,523,646	46,891,771

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


SOHAIL MAQSOOD
CHIEF EXECUTIVE


M. AKHTAR MIRZA

GULISTAN SPINNING MILLS LIMITED

Condensed interim Statement of Changes in Equity (Un- audited)
For the Nine Months Ended March 31, 2017

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, 2016	146,410,000	25,000,000	(16,382)	(1,646,597,518)	(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	-	-	-	13,415,087	13,415,087
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	-	-	-	(8,794,173)	(8,794,173)
Balance as at March 31, 2016	146,410,000	25,000,000	(16,382)	(1,641,976,604)	(1,443,079,983)

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


SOHAIL MAQSOOD

CHIEF EXECUTIVE


BAKHTAR MIRZA

DIRECTOR

GULISTAN SPINNING MILLS LIMITED

Notes to the Condensed interim Financial Information (Un-audited) For the Nine Months Ended March 31, 2017

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, 2017 the Company has incurred a net loss after tax of Rs. 8.7 million and as on the said date its current liabilities exceed its current assets by Rs. 1,755.71 million and its accumulated loss compute to Rs. 1,641.97 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 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;
 - 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 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 Nine Months Ended March 31, 2017

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, 2016.

5 PROPERTY, PLANT AND EQUIPMENT

	March 31, 2017		June 30, 2016	
	Additions	Disposals	Additions	Disposals
Owned Assets	----- Cost in Rupees -----			
Plant and machinery	-	-	-	-
Electric installations	-	-	-	-
Factory equipment	-	-	-	-
Office equipments	-	-	-	-
Furniture and fixtures	-	-	-	-
Vehicles	-	-	-	77,182
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	77,182

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.

GULISTAN SPINNING MILLS LIMITED

Notes to the Condensed interim Financial Information (Un-audited) For the Nine Months Ended March 31, 2017

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

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, 2016: 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, 2016.

11.2 Commitments

There were no capital commitments as on balance sheet date.

12 CHANGES IN WORKING CAPITAL

March 31, 2017 March 31, 2016

----- Rupees -----

Decrease in stores, spare parts and loose tools	-	328,600
Increase in stock-in-trade	0	-
Decrease in trade debts	(1,832,298)	-
Decrease / (increase) in loan and advances	(233,707)	4,229,085
Decrease in deposits, short-term prepayments and other receivables	(31,894)	7,264,819
Decrease in sales tax refundable	(459)	39,062
Increase in trade and other payables	2,837,602	28,753,194
	<u>739,243</u>	<u>40,614,759</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

GULISTAN SPINNING MILLS LIMITED

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

For the Nine Months Ended March 31, 2017

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 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, 2017 have been grouped in current portion of non-current liabilities.

8 TRADE AND OTHER PAYABLES

Trade and other payables include local LCs payable of Rs. 110,830,493 (June 30, 2016: Rs. 110,830,493) and against foreign bills payable of Rs. 53,946,422 (June 30, 2016: Rs. 53,946,422). These amounts are payable to various financial institutions 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.

9 ACCRUED MARKUP / 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. 647.73 millions (June 30, 2016: Rs. 568.45 millions), Rs. 110.54 million (June 30, 2016: Rs. 98.90 millions) and Rs. 0.96million (June 30, 2016: Rs. 0.91 million) on outstanding balances in respect of short term borrowings, long term financing and liabilities against assets subject to finance lease respectively. 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.

10 SHORT-TERM BORROWINGS	Note	March 31, 2017	June 30, 2016
		----- Rupees -----	
Short-term borrowings	10.1	1,144,495,742	1,144,495,742
Book overdraft	10.2	631,963	623,923
		<u>1,145,127,706</u>	<u>1,145,119,665</u>

10.1 As 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. 1,144,495,742 (June 30, 2014: Rs. 718,379,410) for reconciliations of the outstanding balances.

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

GULISTAN SPINNING MILLS LIMITED

Notes to the Condensed interim Financial Information (Un-audited) For the Nine Months Ended March 31, 2017

Remuneration to key management personnel

Remuneration and other benefits

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. AKHTAR MIRZA

DIRECTOR

GULISTAN SPINNING MILLS LIMITED

**Notes to the Condensed interim Financial Information (Un-audited)
For the Nine Months Ended March 31, 2017**

Purchases of goods and services

Processing charges