



**FIRST QUARTERLY ACCOUNTS
FOR PERIOD ENDED
SEPTEMBER 30,2016
(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. Muhammad Asif Akram Mr. Akther Aziz Mr. Abid Sattar Mr. Muhammad Arif |
| AUDIT COMMITTEE | Mr. Akther Aziz (Chairman) Mr. Muhammad Akhtar Mirza 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 Junaid Akther |
| AUDITORS | M/s. Baker Tilly Mehmood Idress Qamar Chartered Accountants Lahore. |
| LEGAL ADVISOR | 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, 8Aibak Block, New Garden Town, Lahore. |
| MILLS | Jumber Khurd Tehsil Chunnian Dist. Kasur |
| WEB PRESENCE | http://www.qulshan.com.pk/corporate/gulistan.html |

GULISTAN SPINNING MILLS LIMITED

D i r e c t o r ' s R e p o r t t o S h a r e h o l d e r s

The Directors of your Company are pleased to present unaudited financial statements of the Company for the Nine Month ended Sep 30, 2016.

Financial Results

| Operating Indicators | Third Quarter Ended 30.09.2016 | Third Quarter Ended 30.09.2015 |
|---------------------------|--------------------------------|--------------------------------|
| | (Rupees) | (Rupees) |
| Sales | 4,500,000.00 | 0 |
| Gross (loss)/Profit | (3,398,194) | (7,429,337) |
| Pre Tax (loss)/Profit | (4,887,666) | (7,768,121) |
| Provision for Taxation | 2,712,963 | 2,727,607 |
| Earnings/(loss) Per Share | (0.15) | (0.34) |

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 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 September 30, 2016

| Note | (UN-AUDITED) | (AUDITED) | |
|--|--------------------|----------------------|----------------------|
| | September 30, 2016 | June 30, 2016 | |
| ----- Rupees ----- | | | |
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 5 | 889,510,866 | 896,048,764 |
| Long-term investments | | 15,943,124 | 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 | | 9,582,298 | 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 | | 6,050,181 | 6,606,851 |
| Cash and bank balances | | 6,111,783 | 6,118,962 |
| | | 125,763,262 | 128,485,522 |
| | | <u>1,033,997,752</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 | | (1,645,018,039) | (1,646,597,518) |
| | | (1,473,624,871) | (1,475,204,350) |
| Surplus on revaluation of property, plant and equipment | | 363,622,628 | 366,954,801 |
| Sub-Ordinate Loan | | 103,000,000 | 103,000,000 |
| NON CURRENT LIABILITIES | | | |
| Long-term financing | 7 | 74,818,341 | - |
| Liabilities against assets subject to finance lease | | - | - |
| Deferred liabilities | | 156,000,295 | 159,359,780 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 8 | 437,501,852 | 441,178,373 |
| Accrued markup / interest | 9 | 35,775,002 | 35,775,002 |
| Short-term borrowings | 10 | 1,145,119,665 | 1,145,119,665 |
| Current portion of non-current liabilities | 7 | 186,715,781 | 261,534,122 |
| Provision for taxation | | 5,069,059 | 5,069,059 |
| | | 1,810,181,359 | 1,888,676,221 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 11 | | |
| | | <u>1,033,997,752</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 Quarter Ended September 30, 2016

| | Quarter ended | |
|---|-----------------------|-----------------------|
| | September 30, 2016 | September 30, 2015 |
| Rupees | | |
| Sales - net | 4,500,000 | - |
| Cost of sales | (7,898,194) | (7,429,337) |
| Gross loss | (3,398,194) | (7,429,337) |
| Other income | 471,458 | 532,402 |
| | (2,926,736) | (6,896,935) |
| Distribution cost | (225,000) | - |
| Administrative expenses | (734,443) | (263,279) |
| Other operating expenses | - | - |
| Finance cost | (1,001,487) | (607,907) |
| | (1,960,930) | (871,186) |
| | (4,887,666) | (7,768,121) |
| Share of loss of associates | - | - |
| Loss before taxation | (4,887,666) | (7,768,121) |
| Taxation | | |
| - Current | - | - |
| - Deferred | 2,712,963 | 2,727,607 |
| | 2,712,963 | 2,727,607 |
| Loss for the period | (2,174,703) | (5,040,514) |
| Loss per share - basic and diluted | (0.15) | (0.34) |

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, 2016

| NOTE | September 30, 2016 | September 30, 2015 |
|---|-----------------------|-----------------------|
| -----Rupees----- | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (4,887,666) | (28,653,948) |
| Adjustments for: | | |
| Depreciation on property, plant and equipment | 6,537,987 | 20,692,767 |
| Provision for staff retirement benefits - gratuity | - | - |
| Finance cost | 1,000,848 | 6,958,388 |
| Interest income | - | - |
| Markup accrued on defence saving certificates | (525,763) | (611,190) |
| Cash flows before changes in working capital | 2,125,407 | (1,613,984) |
| Changes in working capital | 12 (961,440) | 7,540,137 |
| Cash generated from operations | 1,163,967 | 5,926,153 |
| Finance cost paid | (638) | (5,782) |
| Gratuity paid | (1,736,015) | (453,712) |
| Income taxes paid | (58,415) | (15,586) |
| | (1,795,068) | (475,080) |
| Net cash generated from operating activities | (631,102) | 5,451,073 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | - | - |
| Markup received | | 7,117,596 |
| Net cash generated from / (used in) investing activities | - | 7,117,596 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment of liabilities against assets subject to finance lease | - | - |
| Increase short-term borrowings - net | - | - |
| Net cash (used in) / generated from financing activities | - | - |
| Net increase in cash and cash equivalents | (631,102) | 12,568,669 |
| Cash and cash equivalents at beginning of the period | 6,118,962 | 5,815,544 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 5,487,860 | 18,384,213 |

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, 2016

| | 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 | | |
| Share capital | ----- Rupees ----- | | | | |
| Balance as at July 01, 2016 | 146,410,000 | 25,000,000 | (16,832) | (1,646,597,518) | (1,475,204,350) |
| Transfer from share of surplus on revaluation of property, plant and equipment of associates on account of disposal of investment - net of tax | - | - | - | 3,754,182 | 3,754,182 |
| 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 | | | | (2,174,703) | (2,174,703) |
| Balance as at March 31, 2016 | 146,410,000 | 25,000,000 | (16,832) | (1,645,018,039) | (1,473,624,871) |

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

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

For the Quarter Ended September 30, 2016

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Gulistan Spinning Mills Limited (the Company) was incorporated on 26 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 September 30, 2016 the Company has incurred a net loss after tax of Rs. 2.17 million and as on the said date its current liabilities exceed its current assets by Rs.1,646.37 million and its accumulated loss compute to Rs. 1,784.38 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.