



**HALF YEARLY ACCOUNTS  
FOR THE HALF YEAR ENDED  
DECEMBER 31, 2013  
(REVIEWED)**

**Gulistan Textile Mills Limited**

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## Company Information

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|--|---|
| <b>BOARD OF DIRECTORS</b>              | Mr. Naseer Ahmed<br>Mr. Muhammad Azhar<br>Mr. Muhammad Zubair<br>Mr. Seemab Ahmad Khan<br>Mr. Muhammad Muzaffar Ali<br>Mr. Muhammad Amir Iqbal<br>Mr. Muhammad Badar Munir al Sami Alam |
| <b>AUDIT COMMITTEE</b>                 | Mr. Muhammad Badar Munir al Sami Alam (Chairman)<br>Mr. Muhammad Muzaffar Ali<br>Mr. Muhammad Amir Iqbal  |
| <b>HR &amp; REMUNERATION COMMITTEE</b> | Mr. Muhammad Muzaffar Ali (Chairman)<br>Mr. Naseer Ahmed<br>Mr. Muhammad Azhar  |
| <b>CHIEF FINANCIAL OFFICER</b>         | Mr. Zulfiqar Ali  |
| <b>COMPANY SECRETARY</b>               | Mr. Zulfiqar Ali  |
| <b>AUDITORS</b>                        | M/s. Mushtaq & Company<br>Chartered Accountants<br>Karachi.   |
| <b>LEGAL ADVISOR</b>                   | M/s. A.K. Brohi & Company-Advocate  |
| <b>TAX CONSULTANT</b>                  | M/s. Sharif & Company-Advocate  |
| <b>SHARE REGISTRAR OFFICE</b>          | M/s. Hameed Majeed Associates (Pvt) Ltd.<br>Karachi Chamber<br>Hasrat Mohani Road Karachi<br>Ph. 32424826, 32412754, Fax. 32424835  |
| <b>REGISTERED OFFICE</b>               | 2nd Floor, Finlay House,<br>I.I. Chundrigar Road,<br>Karachi.   |
| <b>REGIONAL OFFICE</b>                 | 2nd Floor, Garden Heights,<br>8-Aibak Block, New Garden Town,<br>Lahore.  |
| <b>MILLS</b>                           | Unit I - Sama satta, Distt. Bahawalpur<br>Unit II & III Tibba Sultanpur, Distt. Vehari<br>Unit IV - Ferozwatwan, Distt. Sheikhpura  |
| <b>WEB PRESENCE</b>                    | <a href="http://www.gulistan.com.pk/corporate/gulistanT.html">http://www.gulistan.com.pk/corporate/gulistanT.html</a>   |

## Director's Report to Shareholders

The Directors of your Company are pleased to present unaudited financial statements of the Company for the half year ended December 31, 2013.

### Financial Results

| Operating Indicators        | Half year Ended<br>December 31, 2013<br>Rupees | Half year Ended<br>December 31, 2012<br>Rupees |
|-----------------------------|--|--|
| Sales & Processing Income   | 1,133,092,772                                  | 1,343,033,831                                  |
| Gross (loss) / Profit       | (421,858,058)                                  | (449,160,401)                                  |
| Pre Tax (loss) / Profit     | 201,721,601                                    | (791,605,382)                                  |
| Provision for Taxation      | 14,595,613                                     | 15,685,858                                     |
| Earnings / (loss) Per Share | 11.39  | (40.87)  |

The period under review has also been proved difficult period. Your Company continued to be in the grip of challenges; power outages coupled with on-going financial impediments have obstructed the optimum utilization of production capacities. The driving force for this underutilization had been non-availability of working capital facilities. Due to unilateral blockage of our working capital lines by the banks, the required working capitals were not at our disposal and the Company could not efficiently purchase sufficient raw material to run the installed capacities at optimum level. This hindered the Company's plan to achieve the desired production targets which badly affected our sales turnover, export orders as well as profitability of the company. In order to keep our production units operational we were bound to arrange third party processing.

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.

The debt amortization profile, higher interest cost and associated liquidity problems have forced the Company to consider restructuring of its debt obligations subject to reconciliation of financial obligations to ensure continued timely discharge of its commitments to its lenders. The debt restructuring process is being considered and in this regard matters are being taken with financial institutions. Once the restructuring is finalized it would improve the company's financial health and liquidity of the Company.

The learned single bench of honourable Sindh High Court in JM No. 1/2013 Titled "United Bank Limited v Gulistan Textile Mills Limited" ordered winding up of the company vide its order dated 20.12.2013. In response to our appeal, the Honourable Supreme Court of Pakistan vide its order dated February 25, 2014 has set aside the impugned judgment of Sindh High Court and directed the Sindh High Court to decide the case on merit.

### Future Outlook:

The management of your company has adopted various approaches to diminish the financial impact caused by banks / financial institutions by freezing our short term financing facilities and blocking the export lines unilaterally. In this regard we made third party arrangements, whereby the company will process the cotton on agreed prices managing the cash flows to the best possible options available at this point of time. We have been conscious of the issues that are affecting our profitability and are committed to plans to turn Company into profit. 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.

## Auditor's Report to the Members on Review of Condensed Interim Financial Information

### Introduction

We have reviewed the accompanying condensed interim balance sheet of **Gulistan Textile Mills Limited** as at December 31, 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the interim financial information) for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. The figures of the interim profit and loss account and interim statement of comprehensive income for the quarter ended December 31, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2013.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for qualified conclusion

- As fully explained in note 12.1 of the accompanying interim financial information the company has not provided for the mark-up / interest to the extent of and approximate to Rs. 329.816 million (June 30, 2013: Rs. 612.987 million), Rs. 28.962 million (June 30, 2013: Rs. 61.629 million) and Rs. 31.498 million (June 30, 2013: Rs. 63.770 million) on outstanding balances in respect of short term borrowings, long term financing and liabilities against assets subject to finance lease respectively. Had the company accounted for finance cost, the loss for the year would have been higher by Rs. 390.276 million and consequently the aggregate amount of accrued markup (including previous unaccounted markup) would have been increased by Rs. 1,490.444 million and aggregate accumulated loss would have been higher by the same amount;
- As mentioned in note 8.1, 9.2, 10.1, 11.1, 12.1 and 13.1 confirmations and period end bank statements were not available in respect of cash at bank, long term financing from banking companies, liabilities against assets subject to finance lease, local LCs payable and foreign bills payable, accrued markup and short term borrowings respectively, due to pending litigations with these banks / financial institutions as referred in note 15.1.1.

### Qualified Conclusion

Except for the matters discussed in paragraph 1 and 2, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as for the half year ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Emphasis of matter paragraph

We draw attention to note 1.2 in the interim financial information which indicates that the company has accumulated loss of Rs. 5,823.082 million (June 30, 2013: Rs. 8,335.541 million) as at December 31, 2013 and as at that date the current liabilities exceed the current assets by Rs. 6,295.072 million (June 30, 2013: Rs. 6,973.786 million). These conditions, along with other matters as set forth in note 1.2 indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. Attention is further drawn to the notes 15.1.1 and 15.1.2 of the interim financial information which describes uncertainty of the outcome of the pending litigations of the company. Since the matters are pending adjudication before various courts, of the outcome of these litigations cannot be determined presently. Our conclusion is not qualified in this respect.

## Condensed Interim Balance Sheet (Un-Audited) as at December 31, 2013

| ASSETS  | NOTE | (UN-AUDITED)         | (AUDITED)            | (AUDITED)            |
|---|------|----------------------|----------------------|----------------------|
|   |      | December 31, 2013    | June 30, 2013        | June 30, 2012        |
|   |      | Restated             |                      |                      |
| -----Rupees-----  |      |                      |                      |                      |
| <b>NON CURRENT ASSETS</b>   |      |                      |                      |                      |
| Property, plant and equipment   | 5    | 5,868,297,843        | 5,925,853,508        | 6,075,718,871        |
| Long term investments   | 6    | 6,252,679            | 156,977,548          | 584,554,467          |
| Long term deposits  |      | 9,934,228            | 8,434,628            | 8,350,588            |
| <b>CURRENT ASSETS</b>   |      |                      |                      |                      |
| Stores, spare parts and loose tools   |      | 93,338,939           | 101,020,844          | 129,739,675          |
| Stock in trade  | 7    | 913,277,191          | 1,118,659,118        | 1,196,782,464        |
| Trade debts   |      | 227,320,047          | 297,738,825          | 521,420,668          |
| Loans and advances  |      | 59,587,032           | 51,585,647           | 106,351,047          |
| Trade deposits and short term prepayments   |      | 43,495,650           | 44,995,250           | 45,089,149           |
| Other receivables   |      | 23,356,581           | 6,394,362            | 3,905,921            |
| Other financial assets  |      | 26,023,116           | 32,414,910           | 142,579,503          |
| Tax refunds due from Government   |      | 44,253,602           | 42,826,838           | 91,246,891           |
| Cash and bank balances  | 8    | 40,338,861           | 38,879,197           | 53,213,369           |
|   |      | 1,470,991,019        | 1,734,514,991        | 2,290,328,687        |
| Non - current assets classified as held for sale                                    |      | 23,176,212           | 23,176,212           | 23,176,212           |
|   |      | <b>7,378,651,981</b> | <b>7,848,956,887</b> | <b>8,982,128,826</b> |
| <b>EQUITY AND LIABILITIES</b>   |      |                      |                      |                      |
| <b>SHARE CAPITAL AND RESERVES</b>   |      |                      |                      |                      |
| <b>Authorized capital</b>   |      |                      |                      |                      |
| 30,000,000 (June 30, 2013 : 30,000,000) Ordinary shares of Rs. 10 each              |      | 300,000,000          | 300,000,000          | 300,000,000          |
| <b>Issued, subscribed and paid up capital</b>                                       |      | <b>189,838,990</b>   | <b>189,838,990</b>   | <b>189,838,990</b>   |
| <b>Reserves</b>   |      |                      |                      |                      |
| Reserves  |      | 583,001,394          | 583,001,394          | 583,001,394          |
| Accumulated loss  |      | (5,823,082,443)      | (8,335,540,567)      | (7,630,329,024)      |
|   |      | (5,240,081,049)      | (7,752,539,173)      | (7,047,327,630)      |
|   |      | (5,050,242,059)      | (7,562,700,183)      | (6,857,488,640)      |
| Surplus on revaluation of property, plant and equipment                             |      | 2,759,458,045        | 5,049,346,276        | 5,997,506,605        |
| Deferred income   |      | 277,196              | 330,846              | 438,147              |
| <b>NON CURRENT LIABILITIES</b>  |      |                      |                      |                      |
| Long term financing from banking companies  | 9    | 256,717,060          | -                    | -                    |
| Long term financing from related parties  |      | 423,800,000          | 423,800,000          | 423,800,000          |
| Liabilities against assets subject to finance lease                                 | 10   | 6,274,600            | -                    | -                    |
| Deferred liabilities  |      | 1,191,471,017        | 1,205,046,503        | 862,274,747          |
| <b>CURRENT LIABILITIES</b>  |      |                      |                      |                      |
| Trade and other payables  | 11   | 1,298,821,530        | 1,600,184,102        | 1,379,876,446        |
| Accrued mark up / interest  | 12   | 33,557,695           | 25,689,225           | 25,339,547           |
| Short term borrowings   | 13   | 5,428,723,497        | 6,114,488,671        | 6,054,722,175        |
| Current portion of non current liabilities  | 14   | 1,003,728,384        | 966,800,798          | 969,375,725          |
| Provision for taxation  |      | 1,232,204            | 1,137,837            | 101,451,262          |
|   |      | 7,766,063,309        | 8,708,300,633        | 8,530,765,155        |
| Liabilities directly associated with non current assets classified as held for sale |      | 24,832,812           | 24,832,812           | 24,832,812           |
| <b>CONTINGENCIES AND COMMITMENTS</b>  | 15   |                      |                      |                      |
|   |      | <b>7,378,651,981</b> | <b>7,848,956,887</b> | <b>8,982,128,826</b> |

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

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

|  | Quarter Ended        | Half Year Ended      | Restated             |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  |                      |                      | Quarter Ended        | Half Year Ended      |
|  | December 31, 2013    |                      | December 31, 2012    |                      |
| -----Rupees-----                                 |                      |                      |                      |                      |
| Sales & processing income                        | 521,890,581          | 1,133,092,772        | 704,750,926          | 1,343,033,831        |
| Cost of sales                                    | (908,466,869)        | (1,554,950,826)      | (936,193,998)        | (1,792,194,232)      |
| <b>Gross (loss) / profit</b>                     | <b>(386,576,288)</b> | <b>(421,858,055)</b> | <b>(231,443,072)</b> | <b>(449,160,401)</b> |
| Other operating income                           | 763,043,807          | 788,666,172          | 1,884,019            | 7,306,486            |
| Distribution cost                                | (3,770,265)          | (8,610,673)          | (10,312,687)         | (13,828,705)         |
| Administrative expenses                          | (25,009,717)         | (50,472,783)         | (30,576,590)         | (57,186,984)         |
| Other operating expenses                         | (43,531,514)         | (79,756,959)         | -                    | (303,108)            |
| Finance cost                                     | (10,073,122)         | (10,672,604)         | (16,931,505)         | (44,348,599)         |
| Share of (loss) / profit of associated companies | (15,573,498)         | (15,573,498)         | (137,166,470)        | (234,084,070)        |
|  | 665,085,691          | 623,579,656          | (193,103,234)        | (342,444,981)        |
| <b>Profit / (Loss) before taxation</b>           | <b>278,509,403</b>   | <b>201,721,601</b>   | <b>(424,546,306)</b> | <b>(791,605,382)</b> |
| Taxation   |                      |                      |                      |                      |
| - Current  | -                    | (94,367)             | -                    | -                    |
| - Deferred                                       | 7,128,962            | 14,689,980           | 7,842,928            | 15,685,858           |
|  | 7,128,962            | 14,595,613           | 7,842,928            | 15,685,858           |
| <b>(Loss) / profit for the period</b>            | <b>285,638,365</b>   | <b>216,317,214</b>   | <b>(416,703,378)</b> | <b>(775,919,524)</b> |
| <b>(Loss) per share - basic and diluted</b>      | <b>15.05</b>         | <b>11.39</b>         | <b>(21.95)</b>       | <b>(40.87)</b>       |

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

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

|  | Quarter Ended      | Half Year Ended    | Restated             |                      |
|--|--------------------|--------------------|----------------------|----------------------|
|  |                    |                    | Quarter Ended        | Half Year Ended      |
|  | December 31, 2013  |                    | December 31, 2012    |                      |
|  | -----Rupees-----   |                    |                      |                      |
| Profit / (Loss) for the period                                   | 285,638,365        | 216,317,214        | (416,703,378)        | (775,919,524)        |
| <b>Items that may be reclassified to profit and loss account</b> |                    |                    |                      |                      |
| Un realized again on available for sale investment               | 6,252,679          | 6,252,679          | -                    | -                    |
| <b>Total comprehensive (loss) for the period</b>                 | <b>291,891,044</b> | <b>222,569,894</b> | <b>(416,703,378)</b> | <b>(775,919,524)</b> |

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

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

|  | Half Year Ended      |                      |
|--|----------------------|----------------------|
|  | December 31, 2013    | December 31, 2012    |
| -----Rupees-----   |                      |                      |
| <b>A. CASH FLOWS FROM OPERATING ACTIVITIES:</b>                    |                      |                      |
| Profit / (Loss) before taxation                                    | 201,721,601          | (784,942,054)        |
| <b>Adjustments for :</b>   |                      |                      |
| Depreciation   | 71,956,402           | 75,031,613           |
| Staff retirement benefits - gratuity (net)                         | 1,114,494            | 941,012              |
| Finance cost   | 10,672,604           | 37,685,272           |
| Exchange loss on foreign currency transaction                      | 12,746,533           | 303,108              |
| Interest income  | (1,536,313)          | (1,103,176)          |
| Share of loss / (profit) of associated companies                   | 15,573,498           | 234,084,070          |
| Bad debts written off  | 22,724,957           | -                    |
| Gain on sale of investments under equity method                    | (784,010,610)        | -                    |
| Profit on sale of property, plant and equipment                    | (3,065,599)          | -                    |
| Loss on disposal of Investment Property                            | 21,404,050           | -                    |
| Provision for W.P.P.F  | 11,949,003           | -                    |
| Provision for W.W.F  | 4,540,621            | -                    |
| Amortization of deferred income                                    | (53,650)             | (53,650)             |
| Gain on sale of investment at fair value through profit and loss   | -                    | (6,149,660)          |
| <b>Loss / (profit) before working capital changes</b>              | <b>(414,262,409)</b> | <b>(444,203,465)</b> |
| <b>Movement in working capital</b>                                 |                      |                      |
| <b>(Increase) / decrease in current assets</b>                     |                      |                      |
| Stores, spare parts and loose tools                                | 7,681,904            | (586,077)            |
| Stock in trade   | 205,381,927          | 13,553,819           |
| Trade debts  | 47,693,821           | 167,377,451          |
| Loans and advances   | (8,001,385)          | 42,555,634           |
| Trade deposits and short term prepayments                          | -                    | -                    |
| Tax refunds due from Government                                    | (427,032)            | 2,198,242            |
| <b>Increase / (decrease) in current liabilities</b>                | <b>252,329,236</b>   | <b>225,099,069</b>   |
| Trade and other payables   | 219,165,310          | 228,572,968          |
| <b>Cash generated from operating activities</b>                    | <b>57,232,137</b>    | <b>9,468,572</b>     |
| <b>Payments for:</b>   |                      |                      |
| Finance cost   | (2,804,134)          | (48,485,180)         |
| Income tax paid  | (999,736)            | (1,319,173)          |
| <b>Net cash used in operating activities</b>                       | <b>53,428,267</b>    | <b>(40,335,780)</b>  |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES:</b>                    |                      |                      |
| Sale proceeds of property, plant and equipment                     | 4,152,000            | -                    |
| Fixed capital expenditure  | (15,487,137)         | (419,611)            |
| Sale proceeds of investments at fair value through profit and loss | -                    | 65,263,400           |
| Interest received  | 80,217               | 908,101              |
| Increase in Long term deposits                                     | -                    | (44,040)             |
| <b>Net cash used in investing activities</b>                       | <b>(11,254,921)</b>  | <b>65,707,850</b>    |
| <b>Net cash inflow / (outflow) before financing activities</b>     | <b>42,173,346</b>    | <b>25,372,069</b>    |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>                     |                      |                      |
| Repayment of liabilities against assets subject to finance lease   | (2,003,860)          | -                    |
| Increase in short term borrowings                                  | -                    | 15,771,981           |
| Decrease in short term borrowings                                  | (45,101,620)         | (49,751,439)         |
| <b>Net cash used in financing activities</b>                       | <b>(47,105,480)</b>  | <b>(33,979,458)</b>  |
| <b>Net increase in cash and cash equivalents</b>                   | <b>(4,932,134)</b>   | <b>(8,607,389)</b>   |
| Cash and cash equivalents at beginning of the period               | 71,294,107           | 85,346,520           |
| <b>Cash and cash equivalents at end of the period</b>              | <b>66,361,976</b>    | <b>76,739,131</b>    |
| <b>Cash and cash equivalents comprise of the following :-</b>      |                      |                      |
| Cash and bank balances   | 40,338,861           | 44,436,263           |
| Other financial assets - US Dollar Bonds                           | 26,023,115           | 32,302,868           |
|  | <b>66,361,976</b>    | <b>76,739,131</b>    |

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

**NASEER AHMED**  
Chief Executive

**SEEMAB AHMED KHAN**  
Director

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

|  | RESERVES           |                    |                    |                        | TOTAL                  |
|--|--------------------|--------------------|--------------------|------------------------|------------------------|
|  | Share capital      | CAPITAL            | REVENUE            |                        |                        |
|  |                    | Share premium      | General reserve    | Accumulated loss       |                        |
| -----Rupees-----   |                    |                    |                    |                        |                        |
| <b>Balance as at July 01, 2012</b>   | 189,838,990        | 379,080,000        | 203,921,394        | (7,604,677,485)        | (6,831,837,101)        |
| Effect of retrospective application of change in an accounting policy referred in note 3.3   | -                  | -                  | -                  | (10,808,792)           | (10,808,792)           |
| Effect of retrospective application of provision of markup referred in note 12.2   | -                  | -                  | -                  | (14,842,747)           | (14,842,747)           |
| <b>Balance as at July 01, 2012 - as restated</b>   | <b>189,838,990</b> | <b>379,080,000</b> | <b>203,921,394</b> | <b>(7,630,329,024)</b> | <b>(6,857,488,640)</b> |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax                        | -                  | -                  | -                  | 29,130,880             | 29,130,880             |
| Transfer from share of surplus on revaluation of property, plant and equipment of associates on account of incremental depreciation - net of tax | -                  | -                  | -                  | 382,385                | 382,385                |
| Total comprehensive loss for the period  | -                  | -                  | -                  | (775,919,524)          | (775,919,524)          |
| <b>Balance as at December 31, 2012</b>   | <b>189,838,990</b> | <b>379,080,000</b> | <b>203,921,394</b> | <b>(8,376,735,283)</b> | <b>(7,603,894,899)</b> |
| <b>Balance as at July 01, 2013 - as restated</b>   | <b>189,838,990</b> | <b>379,080,000</b> | <b>203,921,394</b> | <b>(8,335,540,567)</b> | <b>(7,562,700,183)</b> |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax                        | -                  | -                  | -                  | 28,515,841             | 28,515,841             |
| Transfer from share of surplus on revaluation of property, plant and equipment of associates on account of incremental depreciation - net of tax | -                  | -                  | -                  | 33,105,666             | 33,105,666             |
| Transfer from share of surplus on revaluation of property, plant and equipment of associates on account of disposal of investment - net of tax   | -                  | -                  | -                  | 2,228,266,724          | 2,228,266,724          |
| Total comprehensive profit for the period  | -                  | -                  | -                  | 222,569,894            | 222,569,894            |
| <b>Balance as at December 31, 2013</b>   | <b>189,838,990</b> | <b>379,080,000</b> | <b>203,921,394</b> | <b>(5,823,082,443)</b> | <b>(5,050,242,059)</b> |

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

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

### 1 STATUS AND NATURE OF BUSINESS

- 1.1 Gulistan Textile Mills Limited (the company) was incorporated on February 2, 1966 as a private company limited by shares and converted into public limited company on April 11, 1966. The shares of the company are listed on Karachi and Lahore Stock Exchanges in Pakistan. The company is principally engaged in the manufacture and sale of yarn. The registered office of the company is located at 2nd Floor, Finlay House, I. I. Chundrigar Road, Karachi, while mills are situated at Samma Satta, Tibba Sultan Pur and Feroz Wattwan.
- 1.2 The company has accumulated loss compute to Rs. 5,823.082 million (June 30, 2013: Rs. 8,335.541 million) and as on the said date its current liabilities exceed its current assets by Rs. 6,295.072 million (June 30, 2013: Rs. 6,973.786 million). As fully explained in note 15.1.1 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. Further as explained in note 15.1.2 a petition for the winding up of the company had been filed in the Honorable Sindh High court. The Honorable Sindh high court through its order no J.Misc no 1 of 2013 dated December 12, 2013 had ordered the winding up of the company. Subsequently the Honorable Supreme Court of Pakistan vide its order dated February 25, 2014 has set aside the impugned judgment of Sind High Court and remanded the matter. 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 pursued aggressively with the banks and financial institutions. As per the agreed 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 have 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 the this equity injection will help the company in overcoming the current working capital deficit and will assist in finalization of the restructuring / 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 Statement of compliance

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Financial Reporting Standard (IFRS) IAS 34 'Interim Financial Reporting' as applicable in Pakistan. This condensed interim financial information does not include all of the information and disclosures required for annual financial statements, and should be read in conjunction with the financial statements of company as at and for the year ended June 30, 2013.

These condensed interim financial statements 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.

These condensed interim financial statements comprise of condensed interim balance sheet, condensed interim profit and loss accounts, condensed interim statement of comprehensive income, condensed interim statement of cash flow and condensed interim statement of changes in equity together with the selected notes for the half year ended December 31, 2013 which have been subjected to a review but not audited. These condensed interim financial statements also include condensed interim profit and loss statement for the quarter ended December 31, 2013.

### 3 SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended June 30, 2013.

- 3.2 Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the company's operations or did not have any impact on the accounting policies of the company.
- 3.3 During the period, the company has adopted IAS 19, (Revised) 'Employee Benefits'. The amendments in the revised standard require the company to eliminate the corridor approach and recognize all actuarial gains and losses (now called 'remeasurements', that result from the remeasurement of defined benefits obligations and fair value of plan assets at the balance sheet date) in other comprehensive income as they occur, immediately recognize all past service costs and replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefits liability / asset.

This change in accounting policy has been accounted for retrospectively as required under International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative financial statements have been restated

Effects of the change in the accounting policy on the interim financial statement are not quantifiable, hence the effects based on the relevant available actuarial valuation on the financial statements have been summarized below:

| As at     |           |
|-----------|-----------|
| 30-Jun-13 | 30-Jun-12 |

**Impact on Balance Sheet**

|  |            |            |
|--|------------|------------|
| Increase in the retirement benefits obligation | 43,395,657 | 10,808,792 |
| Decrease in accumulated profits                | 43,395,657 | 10,808,792 |

| Year ended |           |
|------------|-----------|
| 30-Jun-13  | 30-Jun-12 |

**Impact on profit and loss account**

|  |            |           |
|--|------------|-----------|
| Increase in profit and loss account    | 432,635    | -         |
| Increase in other comprehensive income | 33,019,500 | 4,312,826 |

**4 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT**

- 4.1 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended June 30, 2013, except as stated in note 3.3.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2013.

|           |           |
|-----------|-----------|
| 31-Dec-13 | 30-Jun-13 |
|-----------|-----------|

Note -----Rupees-----

**5 PROPERTY, PLANT AND EQUIPMENT**

|                                    |                      |                      |
|------------------------------------|----------------------|----------------------|
| Operating fixed assets             | 5,852,853,205        | 5,925,853,508        |
| Capital work in progress - at cost | 15,444,637           | -                    |
|                                    | <u>5,868,297,843</u> | <u>5,925,853,508</u> |

## 5.1 Additions and disposals during the period

|                                     | December 31, 2013        |                    | June 30, 2013            |                    |
|-------------------------------------|--------------------------|--------------------|--------------------------|--------------------|
|                                     | Additions                | Disposals          | Additions                | Disposals          |
|                                     | -----Cost in Rupees----- |                    | -----Cost in Rupees----- |                    |
| <b>Owned Assets</b>                 |                          |                    |                          |                    |
| Building on free / leased hold land | -                        | -                  | 9,648,094                | -                  |
| Plant and machinery                 | -                        | -                  | 579,500                  | -                  |
| Tools and Equipments                | 42,500                   | -                  | 269,211                  | -                  |
| Computers                           | -                        | -                  | 162,400                  | -                  |
| Furniture and fixtures              | -                        | -                  | 115,005                  | -                  |
| Vehicles                            | -                        | (6,863,000)        | 42,000                   | (1,323,568)        |
| <b>Leased Assets</b>                |                          |                    |                          |                    |
| Vehicles                            | -                        | -                  | -                        | (1,520,658)        |
|                                     | <b>42,500</b>            | <b>(6,863,000)</b> | <b>10,816,210</b>        | <b>(2,844,226)</b> |

| 31-Dec-13 | 30-Jun-13 |
|-----------|-----------|
|-----------|-----------|

Note

-----Rupees-----

## 6 LONG TERM INVESTMENTS

|   |     |                  |                    |
|---|-----|------------------|--------------------|
| Investments in Associates - Under equity method | 6.1 | -                | 15,573,498         |
| Other Investments - Available for sale          | 6.2 | 6,252,679        | -                  |
| Investment property                             | 6.3 | -                | 141,404,050        |
|   |     | <b>6,252,679</b> | <b>156,977,548</b> |

## 6.1 Equity instruments of associated companies - equity method

## Quoted Companies

|                                  |       |   |            |
|----------------------------------|-------|---|------------|
| Gulshan Spinning Mills Limited   | 6.1.1 | - | 15,573,498 |
| Gulistan Spinning Mills Limited  | 6.1.1 | - | -          |
| Paramount Spinning Mills Limited | 6.1.2 | - | -          |
|                                  |       | - | 15,573,498 |

## Unquoted companies

|                               |       |   |            |
|-------------------------------|-------|---|------------|
| Gulshan Weaving Mills Limited | 6.1.2 | - | -          |
| Gulistan Fibers Limited       | 6.1.1 | - | -          |
|                               |       | - | -          |
|                               |       | - | 15,573,498 |

- 6.1.1 During the period the company has disposed off its entire investment in the associated companies to better support the operational activities and to meet its working capital requirements. Investments in these companies was accounted for under the equity method of accounting up till the date the companies remained associated undertakings as required by International Accounting Standard (IAS) 28, "Investments in Associates". The results incorporated in the financial statements are based on the latest available financial statements of the associated companies. The gain arising on the disposal of these investments amounting to Rs. 784,010,610 has been clubbed in the head "Other operating income" in the condensed interim profit and loss account.

6.1.2 During the period the company has disposed off a part of its investment in these companies. The investment was previously accounted for under the equity method of accounting in line with the requirements of International Accounting Standard (IAS) 28, "Investment in Associates". After the partial disposal of the investment and due to the elimination of cross equity direct and indirect investment the company ceases to have any significant influence over the investee and has categorized the remaining investment under "Available for sale Investments".

| 31-Dec-13 | 30-Jun-13 |
|-----------|-----------|
|-----------|-----------|

Note -----Rupees-----

**6.2 Other Investments - Available for sale**

**Quoted Companies**

Paramount Spinning Mills Limited

967,907 (June 30, 2013 : 2,847,907) fully paid ordinary shares of Rs. 10 each

6.1.2

|                  |   |
|------------------|---|
| -                | - |
| <b>6,252,679</b> | - |
| <b>6,252,679</b> | - |

Add: Adjustment arising from measurement to fair value  
(Market value as at December 31, 2013 : Rs. 6.46/- per share)

**Unquoted Companies**

Gulshan Weaving Mills Limited

616,980 (June 30, 2013 : 6,552,755) fully paid ordinary shares of Rs. 10 each  
(Break up value as at December 31, 2013 : N/A)

6.1.2

|                  |   |
|------------------|---|
| -                | - |
| -                | - |
| <b>6,252,679</b> | - |

**6.3 Investment property**

During the period the investment property was disposed off, to negate the on going financial crisis and to meet the working capital requirements. The gain arising out of the disposal of the investment has been presented in the head "Other operating income" in the Condensed interim profit and loss account.

**7 STOCK IN TRADE**

7.1 Raw materials costing Rs. Nil (June 30, 2013 : 516.204 Million) have been stated at net realizable value of Rs. Nil (June 30, 2013 : 495.265 million) and finished goods costing Rs.316.968 million (June 30, 2013: 334.557 million) have been stated at net realizable value of Rs.282.862 million (June 30, 2012: 308.500 million). The amount charged to profit and loss in respect of stocks written down to their net realizable value is Rs.34.106 million (June 30, 2013 : Rs. 46.990 million).

7.2 The entire stocks except stock in transit are under charge with banks. Stocks were charged with financial institutions along with all other securities as explained at note 13.1. Further as explained fully in note 15.1.1 of the financial statements several banking companies and financial institutions have filed recovery suits against the company. These banking companies and financial institutions, amongst other pleas, have pleaded that the charged stock be disposed and the financial arrangements with the said banking companies and financial institutions be settled by the proceeds as such realized. The ownership of the charged stock is disputed and will only be ascertained upon decision of the Honorable Courts. The legal counsel of the company is of the opinion that the case pending adjudication are being contested on merits as well as various cogent factual and legal grounds. An amicable settlement of the case with the banking companies and financial institutions is currently being pursued, without prejudice to the respective contentions. The management of the company is pressing the said banking companies and financial institutions for the restructuring / rescheduling of credit facilities and expects the same to be restructured / rescheduled in due course.

**8 CASH AND BANK BALANCES**

As explained fully in note 14.1.1 of these condensed interim financial statements the company is in litigation with several banking companies and financial institutions. Consequent to on going litigation these banks have blocked the bank accounts of the company held with them. Furthermore, majority of the banks have not provided bank statements for the period ended December 31, 2013 to confirm the period end balances. However has at the period end banking companies and financial institutions have not provided confirmation amounting to Rs. 3,870,954 (June 30, 2013: Rs. 6,636,142) for reconciliation of the outstanding balances.

| 31-Dec-13 | 30-Jun-13 |
|-----------|-----------|
|-----------|-----------|

-----Rupees-----

## 9 LONG TERM FINANCING FROM BANKING COMPANIES

|                                       |     |                    |             |
|---------------------------------------|-----|--------------------|-------------|
| Opening balance                       |     | 532,648,334        | 532,648,334 |
| Availed during the period / year      | 9.1 | 301,923,106        | -           |
|                                       |     | <b>834,571,440</b> | 532,648,334 |
| Less: Repaid in the period / year     |     | -                  | -           |
|                                       |     | <b>834,571,440</b> | 532,648,334 |
| Current portion                       |     |                    |             |
| Overdue installment                   |     | 316,074,536        | 223,720,235 |
| Amount payable within twelve month    |     | 184,708,602        | 154,571,238 |
| Amount payable after 31 December 2014 | 9.2 | 77,071,242         | 154,356,861 |
|                                       |     | <b>577,854,380</b> | 532,648,334 |
|                                       |     | <b>256,717,060</b> | -           |

- 9.1 During the period the company got two short term facilities of cash finance and inland letter of credit amounting to an aggregate Rs. 301,923,106 from summit bank restructured to a Long term loan repayable in 28 installments beginning from 31 December 2013. Mark up is payable at 8 percent per annum payable on quarterly basis with grace period, for payment of markup, of three years. This loan is secured through a ranking charge by way of hypothecation over the hypothecated assets in favor of the banks in term of a letter of hypothecation of Rs. 402,564,141 which is to be upgraded to a first pari passu charge in. It is also secured through a first pari passu mortgage by way of a constructive deposit of title deed over the mortgaged properties with 180 days from the date of restructuring agreement.
- 9.2 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 15.1.1. 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, installments due after the period ending December 31, 2014 have been grouped in current portion of non-current liabilities. Furthermore information / records were not made available by the banking companies and financial institutions to confirm the period end balances of the outstanding amounts.

| 31-Dec-13 | 30-Jun-13 |
|-----------|-----------|
|-----------|-----------|

-----Rupees-----

## 10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

|                                       |    |                    |             |
|---------------------------------------|----|--------------------|-------------|
| Opening balance                       |    | 434,152,464        | 436,727,391 |
|                                       |    | <b>434,152,464</b> | 436,727,391 |
| Less: Repaid during the year          |    | (2,003,860)        | (2,574,927) |
|                                       |    | <b>432,148,604</b> | 434,152,464 |
| Current portion                       |    |                    |             |
| Overdue installment                   |    | 262,133,897        | 199,670,208 |
| Amount payable within twelve month    |    | 86,403,712         | 108,903,315 |
| Amount payable after 31 December 2014 |    | 77,336,395         | 125,578,941 |
|                                       | 14 | <b>425,874,004</b> | 434,152,464 |
|                                       |    | <b>6,274,600</b>   | -           |

- 10.1 Due to the pending litigations, but without prejudice 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 15.1.1. 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, installments due after the year ending December 31, 2014 have been grouped in current portion of non-current liabilities. Furthermore information / records were not made available by the banking companies and financial institutions to confirm the period end balances of the outstanding amounts However as at the period end banking companies and financial institutions have not provided confirmation amounting to Rs. 362,403,941. (June 30, 2013: Rs. 365,400,125) for reconciliation of the outstanding balances.

**11 TRADE AND OTHER PAYABLES**

- 11.1 Trade and other payables include Rs. 784,640,595 (June 30, 2013 : Rs. 784,640,595) and Rs. 209,985,604 (June 30, 2013 : Rs. 197,239,071) against local LC payable and against foreign bills payable respectively. These amounts are payable to various financial institutions are overdue and disputed under litigation with banking companies / financial institutions as explained fully in note 15.1.1 of these condensed interim financial statements. The company has not accounted for any further commission / interest / markup or penalty in respect of these LCs and bills payable. Furthermore information / records were not made available by the banking companies and financial institutions to confirm the period end balances of the outstanding amounts.

**12 ACCRUED MARK UP / INTEREST**

- 12.1 As explained in note 15.1.1 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 markup / interest to the extent of and approximate to Rs. 329,816,007 (June 30, 2013: Rs. 612,987,181), Rs. 28,961,722 (June 30, 2013: Rs. 61,628,658) and Rs. 31,498,193 (June 30, 2013: Rs. 63,770,076) 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 unaccounted accrued markup / interest as at the period ended is approximately Rs.1,490,443,954 (June 30, 2013: Rs 1,100,386,868). The exact amount of unaccounted 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.
- 12.2 As explained in note 9.1, during the period the company got two short term facilities amounting to an aggregate Rs. 301,923,106 from summit bank restructured to a Long term loan. And as further explained in Note 15.1.1, the company and several banking companies and financial institutions were in litigation and the principal amount repayable was disputed. Accordingly, the company was not providing markup on these loans before restructuring agreement. Subsequent to the restructuring, the company has incorporated the un-accounted markup retrospectively and the comparative figures have been restated in accordance with the provisions of International Accounting Standard (IAS) 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Effects of incorporation of un-accounted markup on the financial statements as at the year ended June 30, 2012 and June 30, 2013 are stated below.

|                                |                                 | As at            |            |
|--------------------------------|---------------------------------|------------------|------------|
|                                |                                 | 30-Jun-13        | 30-Jun-12  |
|                                |                                 | -----Rupees----- |            |
| <b>Impact on Balance Sheet</b> |                                 |                  |            |
|                                |                                 | 25,689,225       | 14,842,747 |
|                                | Increase in the accrued markup  |                  |            |
|                                | Decrease in accumulated profits | 25,689,225       | 14,842,747 |

|  |      | Year ended       |           |
|--|------|------------------|-----------|
|  |      | 30-Jun-13        | 30-Jun-12 |
|  |      | -----Rupees----- |           |
|  | Note |                  |           |

**Impact on profit and loss account**

|  |   |            |            |
|--|---|------------|------------|
|  | Increase in finance cost for the period | 10,846,478 | 14,842,747 |
|--|---|------------|------------|

**13 SHORT TERM BORROWINGS**
**From banking companies and financial institutions - secured**

|  |                       |      |               |               |
|--|-----------------------|------|---------------|---------------|
|  | Short term borrowings | 13.1 | 5,424,302,482 | 5,754,392,672 |
|  | Book overdraft        | 13.2 | 4,421,015     | 21,355,551    |
|  |                       |      | 5,428,723,497 | 5,775,748,223 |

**From related parties - unsecured**

|  |          |      |               |               |
|--|----------|------|---------------|---------------|
|  | Sponsors | 13.3 | -             | 338,740,448   |
|  |          |      | 5,428,723,497 | 6,114,488,671 |

- 13.1 As fully explained in note 15.1.1 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 cases 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. As at the year end the various finance facilities available to the company have expired and may only be renegotiated in line with the ongoing restructuring / rescheduling with the banking companies and financial institutions 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. 2,462,965,760 (June 30, 2013: Rs. 2,826,095,900) for reconciliations of the outstanding balances.
- 13.2 This represents cheques issued by the company in excess of balance with banks which would have been presented for payments in subsequent period.
- 13.3 The amount had been received as loan from spouse of a director. The amount had been provided to support the operations and to meet the working capital requirements of the company, was unsecured and interest free.

#### 14 CURRENT PORTION OF NON CURRENT LIABILITIES

|   |    | 31-Dec-13            | 30-Jun-13          |
|---|----|----------------------|--------------------|
| Long term financing from banking companies          | 9  | 577,854,380          | 532,648,334        |
| Liabilities against assets subject to finance lease | 10 | 425,874,004          | 434,152,464        |
|   |    | <u>1,003,728,384</u> | <u>966,800,798</u> |

#### 15 CONTINGENCIES AND COMMITMENTS

##### 15.1 Contingencies

- 15.1.1 Banking companies and financial institutions including NIB Bank Limited, HSBC , NBP Leasing Limited, Silk Bank Limited, United Bank Limited, Habib Bank Limited, KASB Bank Limited, Soneri Bank Limited, J.S Bank Limited, Summit Bank, Meezan Bank Limited, First Women Bank Limited, First Habib Modarba, Bank Of Khyber, MCB Bank Limited, Pak Libya Holding Company, National Bank of Pakistan, Askari Bank Limited, Allied Bank Limited and The Bank of Punjab have also filed suits for recovery, sale of charged stocks 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. 8,338,792,807. 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 whereas the markup amounting to Rs. 1,490,443,954 is not provided in these financial statements due to the above stated reasons.
- 15.1.2 A petition has been filed in the Honorable Sindh High Court by United Bank Limited seeking among other things the winding up of the company, appointment of official liquidator and restricting the board of directors from functioning. The Honorable High Court through its order no J.Misc 1 of 2013 dated December 12, 2013 ordered the winding up of the company and appointment of the official liquidator. Subsequently the company has filed a petition in the Honorable Supreme Court of Pakistan challenging the ruling of the Honorable Sindh High Court. In response to the appeal filed by the company, the Honorable Supreme Court of Pakistan vide its order dated February 25, 2014 has set aside the impugned judgment of Sind High Court and remanded the matter. The legal counsel is of the opinion that the company has several cogent factual and legal grounds for contesting its case and is very hopeful for a favorable decision.
- 15.1.3 The company has filed a suit in Honorable Lahore High Court jointly against several banking companies and financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs. The Honorable Lahore High Court vide its order sheet dated October 23, 2012 has ordered not to disturb the present position of current assets and fixed assets of the company, subsequently the Honorable Lahore High Court through its order dated September 11, 2013 has dismissed the case. The company filed review petition in Lahore High Court Against this order. Lahore High Court impugned this judgement and order to decree will remain suspended and banks will not liquidate the appellant's assets. Since the matter is subjudice in Honorable Lahore High Court, the company has not acknowledge its liabilities until the amount of principal and mark up is reconcile with financial institution in accordance with the above suit.
- 15.1.4 There are no other material changes in contingencies as disclosed in the notes to the financial statements for the year ended June 30, 2013.

##### 15.2 Commitments

There were no capital commitments as on balance sheet date.

#### 16 TRANSACTIONS WITH RELATED PARTIES

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.

|   | December 31, 2013  | December 31, 2012 |
|---|--------------------|-------------------|
| <b>Associated Companies transaction in the period</b> | -----Rupees-----   |                   |
| Sales of goods and services                           | -                  | 15,922,126        |
| Purchases of goods and services                       | -                  | 23,274,441        |
| Processing charges                                    | <b>52,635,010</b>  | 44,859,646        |
| Sale of Investments                                   | <b>782,010,610</b> | -                 |
| <b>Remuneration to Key management personnel</b>       | 7,467,654          | 9,551,868         |

Transactions with related parties are carried out at arm's length price, determined in accordance with comparable uncontrolled price method.

#### 17 CORRESPONDING FIGURES

Comparative information has been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. Nature of this reclassification is allocation of figures to proper head of accounts.

#### 18 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been authorized for issue on February 26, 2014.

#### 19 GENERAL

All figures except June 30, 2013 figures appearing in the financial statements are un-audited. Figures have been rounded off to the nearest rupee.



**Gulistan Textile Mills Limited**

2nd Floor, Finlay House, I.I Chundrigar Road,  
Karachi Pakistan.