

**GULISTAN SPINNING  
MILLS LIMITED**

**ANNUAL REPORT 2018**

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**GULISTAN SPINNING MILLS LIMITED**  
**COMPANY INFORMATION**

**BOARD OF DIRECTORS**

Mr. Muhammad Akhtar Mirza (Chairman)  
Mr. Sohail Maqsood (Chief Executive)  
Mr. Muhammad Ashraf Khan  
Mr. Akhtar Aziz  
Mr. Muhammad Asif Akram  
Mr. Abid Sattar  
Mr. Muhammad Arif

**AUDIT COMMITTEE**

Mr. Akhtar Aziz (Chairman)  
Mr. Muhammad Akhtar Mirza  
Mr. Abid Sattar

**HR & REMUNERATION COMMITTEE**

Mr. Muhammad Asif Akram (Chairman)  
Mr. Muhammad Akhtar Mirza  
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

**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**

Unit-II Jumber Khurd Tehsil Chunnian Dist. Kasur

**WEB PRESENCE**

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

# LISTAN SPINNING MILLS LIMITED

## CORPORATE VISION / MISSION STATEMENT

### *VISION*

We aim at transforming GSML into a complete Textile unit to further explore international market of very high value products. Our emphasis would be on product and market diversification, value addition and cost effectiveness. We intend to fully equip the Company to acquire pioneering role in the economic development of the Country.

### *Mission*

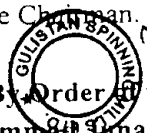
The Company should secure and provide a rewarding return on investment to its shareholders and investors, quality product to its customers, a secured and environment friendly place of work to its employees and parent itself as a reliable partner to all business associates.

# GULISTAN SPINNING MILLS LIMITED

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of **Gulistan Spinning Mills Limited** (the "Company") will be held at 2<sup>nd</sup> Floor Finlay House, I.I. Chundrigar Road, Karachi on **Saturday 27<sup>th</sup> October, 2018 at 11:30 a.m.**, to transact the following business:

1. To confirm the minutes of the last Annual General Meeting of the Company.
2. To receive, consider and adopt the audited financial statements of the Company for the financial year ended on June 30, 2018 together with Directors' and Auditors' Reports thereon.
3. To appoint auditors of the company for the next financial year 2018-2019 and fix their remuneration. The retiring Auditors M/s Baker Tilly Mehmood Idress Qamar, Chartered Accountants, being eligible, have offered themselves for reappointment as Auditors of the company.
4. To transact any other business with the permission of the Chairman.

  
By Order of the Board  
Muhammad Usaid Akhtar  
Company Secretary

Lahore:  
October 06, 2018

### NOTES:

- 1- The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from **20<sup>th</sup> October, 2018 to 27<sup>th</sup> October, 2018 (both days inclusive)**.
- 2- A member entitled to attend and vote at the general meeting may appoint any other member as proxy in writing to attend the meeting and vote on his/her behalf. Duly completed form(s) of proxy must be deposited with the Company at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
- 3- CDC Account Holders are requested to bring with them their CNIC along with participant I.D & their account number at the time of meeting in order to facilitate identification. In case of corporate entity, a certified BOD resolution/ valid power of attorney with specimen signature of the nominee be produced at the time of meeting.
- 4- Members are requested to notify immediately changes of their addresses (if any) to our Shares Registrar M/s Hameed Majeed Associates (Pvt) Limited, Karachi Chamber, Hasrat Mohani Road, Karachi.

## گلستان سپنگ ملز لمیٹڈ

اطلاع برائے سالانہ مجلس عاملہ

اطلاع دی جاتی ہے کہ گلستان سپنگ ملز لمیٹڈ کمپنی کے سالانہ مجلس عاملہ کا اجلاس منعقد کیا جا رہا ہے جو مورخہ 27 اکتوبر 2018 بروز ہفتہ کو بوقت 11:30 بجے صبح بمقام سیکنڈ فلور فنلے ہاؤس آئی آئی چندریگر کراچی پر منعقد ہوگا۔ اس اجلاس میں مندرجہ ذیل امور سرانجام دیئے جائیں گے۔

- 1- پچھلے سالانہ مجلس عاملہ کا اجلاس کے منٹس پر عملدرآمد کا جائزہ لیا جائیگا۔
- 2- کمپنی کے آڈٹ شدہ مالی امور کا بیان برائے دورانیہ مالی سال 30 جون 2018 بمعہ ڈائریکٹرز آڈیٹرز کی رپورٹس کو وصول کیا جائے گا۔ (انکی نقول بورڈ ارکان کو بانٹی جائیں گی) اور ان میں سفارشات، مشاہدات اعتراضات پر جائزہ/غور اور فیصلے کئے جائیں گے۔
- 3- اگلے مالی سال 2019 - 2018 کے لئے کمپنی کے آڈیٹرز کو مقرر کیا جائے گا اور ان کی معاونت تعین کیا جائے گا۔ برخاست شدہ آڈیٹرز مینسز باقر ٹلی محمود، ادیس قمر، چارٹرڈ اکاؤنٹنٹس نے اپنی کپی دوبارہ مقرر ہونے کے لئے پیش کیا ہے۔ ان کی درخواست پر فیصلہ کیا جائے گا۔
- 4- چیئرمین کی اجازت سے مزید کاروبار اپنانے کے امور کو پنٹایا جائے گا۔

5 اکتوبر 2018، لاہور

جاری کیا گیا بذریعہ آرڈرازاں بورڈ آف ڈائریکٹرز

محمد جنید اختر (کمپنی سیکرٹری)

اہم اطلاع۔

- 1 کمپنی کے شیئر ٹرانسفر بکس بند کر دیئے جائیں گے اور 20 اکتوبر 2018 تا 27 اکتوبر 2018 تک (بیچ کے دنوں چھٹی کے دنوں کے لئے بھی) کسی شیئر کی ٹرانسفر قبول نہیں کی جائے گی۔
- 2 وہ رکن جو سالانہ مجلس عاملہ کا اجلاس ووٹ دینے کا حق رکھتا ہے اپنا کوئی بھی نمائندہ بطور پروکسی مقرر کر سکتا ہے جو اس کے بدلے/ اس کی جگہ ووٹ دے۔ جس کے لئے اس کو کمپنی کے رجسٹرڈ دفتر میں سالانہ مجلس عاملہ کا اجلاس سے 48 گھنٹے قبل متعلقہ پروکسی فارم پُر کر کے جمع کروانا ہوگا۔
- 3 سی ڈی سی شیئرز ہولڈرز سے گزارش ہے کہ وہ سالانہ مجلس عاملہ/ میٹنگ میں ووٹ دیتے وقت اپنے اصل شناختی کارڈ/ پاسپورٹ پیش کریں۔ تاکہ ان کی شناخت ہو سکے بصورت دیگر وہ اپنے شناختی کارڈ/ پاسپورٹ کی تصدیق شدہ نقل پیش کریں گے۔ کاپوریٹ کمپنی کی صورت میں بورڈ آف ڈائریکٹرز کی قرار داد کا شہقکیت/ قابل قبول مختار نامہ جس میں مختار دہندہ اور نمائندے/ مختار کنندہ کے specimen دستخط ثبت ہوں پیش کیا جائے۔
- 4 ارکان سے گزارش ہے کہ وہ اپنے کسی بھی موقع پر پتہ کی تبدیلی کی صورت میں میسرز حمید مجید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، کراچی چیئرمین، حسرت موہانی روڈ کراچی کے شیئر رجسٹرار کو فوری طور پر آگاہ کریں۔

# GULISTAN SPINNING MILLS LIMITED

## Director's Report to Shareholders

The Directors of your Company are pleased to place their report together with the Auditor's Report and audited Financial Statements of the Company for the year ended June 30, 2018 at the Annual General Meeting of Company.

### Overview

The year under review has also been proved difficult period. Severe energy crises coupled with on-going financial impediments have obstructed the utilization of production capacities. The root cause for this underutilization had been non-availability of working capital facilities which were blocked by the banks/financial institutions unilaterally, and resultantly 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 as well as profitability of the Company. In spite of the ongoing adverse eventualities the Management is making all possible efforts to keeps the Mills operational.

The debt amortization profile, higher interest cost and associated liquidity problems have forced the Company to initiate restructuring of its debt obligations subject to reconciliation of financial obligations to ensure continued timely discharge of its commitments to its lenders. The Company has initiated the debt restructuring process with the help of the key lending financial institutions. In this regard leading law firm has been appointed as transaction lawyer and restructuring plan/terms are in process of finalization and majority of banks/financial institutions have agreed in principle to the restructuring process. Once achieved it would improve the company's financial health and liquidity of the Company.

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

### Operating & Financial Performance

| Operating indicators   | 2018           | 2017           |
|------------------------|----------------|----------------|
|                        | (Rupees)       | (Rupees)       |
| Sales                  | -              | 11,700,000/-   |
| Cost of goods sold     | (43,905,441)/- | (55,070,749)/- |
| Financial cost         | (130,833)/-    | (4,493,413)/-  |
| Pre tax Loss           | (43,150,938)/- | (49,051,322)/- |
| Provision for taxation | 10,565,379/-   | 16,277,777/-   |
| Loss after taxation    | (32,585,559)/- | (32,773,545)/- |

### Future Outlook

The Company's Management in order to offset the effect of increased power cost and Rupee devaluation is trying hard to utilize the production capacity to its optimum level.

The high cost of production resulting from higher cotton prices, rising energy costs, increasing prices of imported inputs due to depreciation of Pakistani rupee, double digit inflation, and prolonged power cuts are posing serious threats to textile sector. On these fronts the situation is expected to remain volatile in the future.

Going forward, the Company is focusing on strategy to consolidate its customer base, rationalize production volume and achieve pricing targets to increase profitability. Bottle neck in achieving these miles stones was non-availability of working capital lines. This impediment is expected to be over in

near future as the restructuring process is expected to be completed soon and this would result in better utilization of production capacities. 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.

Subsequent to the restructuring and other proposed measures mentioned above, the Management of the Company envisaged for the continuing operations of the Company. With positive impact on finance costs, reduced costs, more effective management of resources and raw material procurement, the Company is expected to operate profitably, subject to impact, if any, of uncontrollable external circumstances including power crises and global market conditions.

### **Auditors' Observations**

Auditors' Observation regarding going concern, the Management has approached the banks/financial institutions for speed up the process of negotiations and finalization of financial restructuring of its debts and is confident that outcome will be positive. It is worth noting that restructuring process is at final stage and in this respect majority of the banks/financial institutions have agreed in principle to it. A Scheme of Arrangement by the Creditors is in process of finalization with the banks which is being drafted by the Transaction Lawyer and after its approval from Honourable Sindh High Court, a syndicated restructuring agreement is proposed to be executed between the Company and respective banks. According to restructuring terms all ongoing litigations by or against the Company will be withdrawn by the respective parties.

The Management is making utmost efforts to recover from the present financial crises and has made its best and maximum possible efforts to come out from the prevailing crisis. Reluctantly, the Management has to retrench most of their manpower strength and has taken steps towards resource conservations, effective utilizations of natural resources and raw materials. The Management therefore is of the view that after restructuring of debts going concern observation will be resolved.

Due to pending litigation in the High Court against the Company for recovery of amount, the Company has not provided accrued mark-up in these accounts. Consequently banks/financial institutions have not confirmed the amounts which are already disputed by the Company.

The Company is very hopeful that with reconciliation of amounts, release of security in post re-profiling scenario, the financial health of the Company will be improved which will enable the Company to purchase cost effective timely raw material, manage the resources properly, combat the pressures of local and global market and tackle with energy crises.

### **Corporate Governance**

The Company has been complying with the rules & regulations of Securities and Exchange Commission of Pakistan and has implemented better internal control policies with more rigorous checks and balances.

### **Board meetings and attendance**

Four (4) meetings of the Board of Directors were held and attendance thereof by each director is as follows:

| <b>Name of Director</b>   | <b>No of meeting attended</b> |
|---------------------------|-------------------------------|
| Mr. Sohail Maqsood        | 4                             |
| Mr. Iftikhar Ali          | 3                             |
| Mr. Maqsood ul Haq        | 0                             |
| Mr. Muhammad Yousaf       | 3                             |
| Mr. Akhtar Aziz           | 1                             |
| Mr. Abid Sattar           | 4                             |
| Mr. Muhammad Akhtar Mirza | 4                             |
| Mr Ashraf Khan            | 4                             |

|                        |   |
|------------------------|---|
| Mr. Muhammad Arif      | 1 |
| Mr Muhammad Asif Akram | 0 |

Leaves of absence were granted to the members who could not attend the meetings.

#### **Audit Committee**

*The Board of Directors of the Company in compliance with the Code of Corporate Governance has established an Audit Committee. Four (4) meetings of the Audit Committee were held and attendance thereof by each member is as follows:*

| <b>Name of Members</b> | <b>No of meeting attended</b> |
|------------------------|-------------------------------|
| Mr. Abid Sattar        | 4                             |
| Mr. M Akhtar Mirza     | 4                             |
| Mr. Muhammad Yousaf    | 3                             |
| Mr. Akhtar Aziz        | 1                             |

#### **HR & Remuneration Committee**

The Board of Directors of the Company in compliance with the Code of Corporate Governance has also established HR & Remuneration Committee. The names of its members are given in the Company information.

#### **Internal Audit Function**

The Board has implemented a sound and effective internal control system including operational, financial and compliance controls to carry on the business of the Company in a controlled environment in an efficient manner to address the Company's basic objectives.

Internal audit findings are reviewed by the Audit Committee, where necessary, action taken on the basis of recommendations contained in the internal audit reports.

#### **Corporate Governance & Financial Reporting Framework**

As required by the code of corporate governance, directors are pleased to report that:

- The financial statements prepared by the Management of the Company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound and has been effectively implemented and monitored.
- The Board is satisfied that there is no concern as regard to going concern under the Code and as duly explained in note 1.3 of Financial Statements.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- Key operating and financial data for the last six years is annexed.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2017 except for those disclosed in the financial statements.
- No material changes and commitments affecting the financial position of your Company have occurred between the end of the financial year to which this Balance Sheet relates and the date of the Directors' Report, except for those disclosed in the financial statements.

#### **Earnings/(Loss) Per Share**

The loss per share of the Company for the period ended June 30, 2018 was Rs. (0.39 ) as compared to the previous year of Rs. (2.24)

#### **Dividends**

Due to circumstances discussed above, the Board of Directors does not recommend dividend for the year ended on June 30, 2018.

### **Corporate Social Responsibility**

The company is responsible corporate citizen and fully recognizes its responsibility towards community, employees and environment.

### **Web presence**

Annual and periodical financial statements of the Company are also available on the Company website [www.gulshan.com.pk](http://www.gulshan.com.pk) for information of the shareholders and others.

### **Related Party Transactions**

The transactions between the related parties were made at Arm's Length prices determined in accordance with the "comparable uncontrolled price method". The Company has fully complied with the best practices on transfer pricing as contained in the listing regulations of stock exchanges in Pakistan.

### **Trading in Company's Shares**

During the year under review the trading in shares of the Company by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouse and minor children is as follows:

| <b>Name</b> | <b>Opening Balance<br/>as on 01.07.2017</b> | <b>Purchases</b> | <b>Sales</b> | <b>Closing Balance<br/>as on 30.06.2018</b> |
|-------------|---|------------------|--------------|---|
|             | NIL   | NIL              | NIL          | NIL   |

### **Statement on Value of Staff Retirement Benefit**

As on June 30, 2018 deferred liability for gratuity is Rs.511,751/-

### **Auditors**

Messrs Baker Tilly Mehmood Idress Qamar, Chartered Accountants being eligible have offered themselves for re-appointment. The Audit Committee has also recommended their appointment as External Auditors of the Company for the next financial year 2018 - 2019.

### **Pattern of Shareholding**

The pattern of shareholding as at June 30, 2018 including the information under the code of corporate of governance is annexed.

### **Acknowledgement**

Finally, the Board avail this opportunity to thank our valued customers and financial institutions whose faith and support over the years has fostered a mutually beneficial relationship which played a pivotal role in improving our products services and contributions to the economy.

The Board also wishes to place on record its appreciation for the employees members of management team for their efforts, commitment and hard work and to the shareholders for the trust and confidence reposed in it.

On behalf of the Board

Lahore Oct 5, 2018

  
**SOHAIL MAQSOOD**  
CHIEF EXECUTIVE

## گلستان سپنگ ملز لمیٹڈ

شیرز ہولڈرز کو دی گئی ڈائریکٹر کی رپورٹ

گلستان سپنگ ملز لمیٹڈ کی سالانہ جنرل میٹنگ کے موقع پر کمپنی کے ڈائریکٹر کمپنی کے مالی بیانات کی رپورٹ پیش کر رہے ہیں جو کہ ایڈیٹرز کی رپورٹ کے ساتھ منسلک ہے یہ کہ رپورٹ زیر جائزہ مالی سال مورخہ 30 جون 2018 پیش کا جا رہا ہے۔

مجموعی جائزہ۔

زیر جائزہ سال مجموعی طور پر کافی مشکل سال ثابت ہوا ہے۔ سنگین توانائی کے بحران کے ساتھ ساتھ مالی ذرائع کی عدم دستیابی نے پیداواری صلاحیتوں کے استعمال میں رکاوٹ ڈالے رکھی۔

اسکے علاوہ ان نقصانات کا بنیادی سبب کام چلانے کے لئے سرمایہ کی عدم دستیابی سے پیدا ہونے والے مالی بحران کی وجہ سے بینکس اور دیگر مالی اداروں کی طرف سے بھی مالی امداد کو جو بھی یکطرفہ طور پر روک دیا گیا جس کے نتیجے میں کمپنی ہذا خام مال جس کی مدد سے موجود مشینری کو مناسب سطح کی حد تک جلا کر پیداوار کو بڑھایا جانا مناسب مقدار میں مناسب وقت پر نہ خرید سکی۔

ان حالات نے مطلوبہ پیداوار کے اہداف کو حاصل کرنے کے لئے کمپنی کی منصوبہ بندی کو روک دیا۔ نتیجتاً ہماری سیلز ٹرن اور پراور کمپنی کے منافع کی صلاحیت پر بری طرح اثر پڑا۔ جبکہ اس کے برعکس موجودہ بدترین حالات کے باوجود انتظامیہ کمپنی کی ملز کو چلانے کی ہر ممکن سر توڑ کوشش کر رہی ہے

قرضہ بڑھانے کی سخت شرائط بلند شرح سود، منسلکہ لیکویڈٹی کے مسائل نے کمپنی کو مجبور کیا کہ وہ اپنے فرض اور واجبات کی ادائیگیوں کے لئے مزید وقت حاصل کرے جو کہ گفت و شنید کے بعد اس شرط پر کہ وہ اپنے قرضہ جات وقت پر ادا کرے گی کمپنی کو مزید وقت مل جائے گا۔

کمپنی نے مارکیٹ میں کلیدی حیثیت رکھنے والی مالی اداروں/بینکس کے ساتھ مل کر فرض کے حصول کا عمل شروع کیا ہے۔

اس سلسلہ میں کمپنی نے معروف قانونی فرم کو بطور مالی امور کی وکیل مقرر کیا ہے اور شرائط و ضوابط اور منصوبہ بندی کی دستاویزی شکل میں تیاری اپنے خری مراحل میں ہے اور بیشتر مالی اداروں نے ہمارے قرض کے حصول کی منصوبہ

(2)

بندی کو سراہا/منظور کیا ہے۔ اگر ایک دفعہ ہم اپنی اس منصوبہ بندی کو پورا کرنے میں کامیاب ہو گئے تو اس سے کمپنی کو مالی حیثیت اور دیگر حساب کتاب میں بہتری آئیگی۔

انتظامیہ حالیہ پیش آنے والے مالی مسائل سے باخبر ہے جو کہ ہمارے پریزنٹز پر اثر انداز ہو رہے ہیں اور انتظامیہ اپنے مالی امور کی تشکیل نو اور بہتر منصوبہ بندی کر کے کمپنی کو ایک منافع بخش کمپنی بنانے کے لئے پر عزم ہے اور اپنی اعلیٰ پیشہ ورانہ صلاحیتوں کو بروئے کار لاتے ہوئے اپنے پریزنٹز/سرگرمیوں کو مضبوط کرے گی اور پیداواری عوامل (پراسس) میں ترقی لاتے ہوئے اپنے کسٹمرز کو بہتر سے بہتر خدمات باہم پہنچائے گی۔

اپریٹنگ (کام کی سرگرمیوں) اور مالی کارکردگی کا جائزہ

| 2017           | 2018           | کام کی نوعیت                                     |
|----------------|----------------|--|
| 11,700,000/-   | Nil            | سیلز   |
| (55,070,749)/- | (43,905,441)/- | فروخت کئے گئے سامان پر اٹھنے والی لاگت (اخراجات) |
| (4,493,413)/-  | (130,833)/-    | مالیاتی لاگت                                     |
| (49,051,322)/- | (43,150,938)/- | ٹیکس دینے سے پہلے کا نقصان                       |
| (16,277,777)/- | 10,565,379     | ٹیکس   |
| (32,773,545)/- | (32,585,559)/- | ٹیکس دینے کے بعد کا نقصان                        |

مستقبل کی تصویر کشی/منصوبہ بندی

کمپنی کی انتظامیہ پیداواری لاگت کو کم کرنے کے لئے اور روپے کی قدر میں کمی کے اثرات/نقصانات کو کم کرنے کے لئے پیداواری صلاحیت کے زیادہ سے زیادہ استعمال میں لانے کے لئے زبردست محنت کر رہی ہے۔

پیداواری لاگت میں اضافہ اصل میں کپاس کی قیمت میں اضافہ، توانائی کے ذرائع کے شدید بحران، روپے کی قدر میں کمی کی وجہ سے اور درآمدی اشیاء کی قیمتوں میں اضافے، دو عدد افراط زر اور بجلی طویل لوڈ شیڈنگ کی وجہ سے ہوئی جس کی وجہ سے ٹیکسٹائل سیکٹر کو شدید حالات کا سامنا ہے۔

ان حالات کے پیش نظر مستقبل میں بھی انہی حالت کا اندیشہ ہے

اپنی قیمتوں کے تعین کے اہداف کے حصول پر مرکوز رکھے ہوئے ہے تاکہ منافع میں اضافہ ہو سکے۔

ان سنگ میل کو حاصل کرنے کی سب سے بڑی رکاوٹ مالی ذرائع کے حصول کی عدم دستیابی ہے۔

لیکن ہم یہ حالات مستقبل قریب میں ختم ہونے کی امید رکھ سکتے ہیں کیونکہ ہماری قرضوں کے حصول کی منصوبہ بندی جلد از جلد اپنے تکمیل کے مراحل میں ہے۔ اور پھر قرضوں کے حصول کے لئے پیداواری صلاحیتوں کے استعمال میں بڑھوتری ہو سکے گا۔

اگر ایک دفعہ قرضوں کے حصول کی گفت و شنید کا مرحلہ کامیابی سے مکمل ہو گیا تو ہم خام مال کو بروقت اور بہتر کم قیمت میں خرید سکیں گے۔

منافع میں اضافہ ارکار کردگی میں ترقی کے لئے کمپنی کی طرف سے طویل المدت اور اہم اقدامات لاگو کئے جا رہے ہیں اور کمپنی پیداواری لاگت میں کمپنی اور مارجن میں اضافہ پر اپنی توجہ مرکوز رکھے ہوئے ہے۔

متذکرہ بالا اقدامات برائے حصول قرض میں کامیابی کے بعد کمپنی کی انتظامیہ اپنی تمام تر توجہ پیداواری سرگرمیوں پر کر دیگی۔ مالی معاملات میں بہتری اور پیداواری لاگت میں مناسب کمی، مالی ذرائع، کے حصول اور خال مال کی خریداری کے لئے مزید موثر انتظامی اقدامات ہونے کے بعد کمپنی ہذا امید واثق رکھتی ہے کہ وہ منافع کی کسی راہ پر گامزن ہو جائے گی لیکن اس شرط پر کہ بیرونی طور پر کوئی ایسے ناگہانی حالات میں نہ پیدا ہو جائیں جیسا کہ زبردست توانائی کا بحران اور عالمی مارکیٹ کے برے حالات وغیرہ

### آڈیٹرز کی طرف سے اٹھائے گئے اعتراضات

آڈیٹرز نے اس معاملے میں تشویش کا اظہار کیا ہے کہ کمپنی نے ابھی تک بینک ہائے ودیگر مالی اداروں کے سایہ قرضوں کے حصول کے سلسلہ میں گفت و شنید اور قرض کے حصول کی نئی منصوبہ بندی سابقہ ادائیگیوں کے لئے مزید وقت کے حصول کے لئے تیز ترین اقدامات نہیں اٹھا سکے۔

اس سلسلے میں یہ امر قابل توجہ ہے کہ قرضوں کے حصول کی نئی منصوبہ بندی اپنے تکمیلی مراحل پر ہے جس کے تمام خاص خاص امور پر سے پیشتر بینک ہائے/ مالی ادارے ہمارے ساتھ متفق ہیں۔

بینک ہائے/ قرض دہندگان کی طرف سے پیش کردہ ایک سکیم خری مراحل میں ہے اور جس کا ڈرافٹ ہمارے مالی

ادارے کے ذریعہ جاری کیا گیا ہے۔ اس کے علاوہ اس کے لئے ایک ایسی ہیئت وضع کی گئی ہے جس کے ذریعہ اس کے لئے

قرضہ کمپنی اور متعلقہ بینک ہائے کے درمیان طے پا جائے گا۔

اور اس معاہدہ کی شرائط و ضوابط کے مطابق کمپنی اور اسکی مخالف اداروں کے درمیان جاری تمام قانونی کارروائیاں ختم ہو جائیں گی اور فریقین ہر طرح کی قانونی کارروائی سے دستبردار ہو جائیں گے۔

انتظامیہ ہر ممکن کوشش کر رہی ہے کہ وہ کمپنی کو حالیہ مالی مسائل اور بدترین بحران سے نکال لے۔ بیشک انتظامیہ نے اپنی بیشتر افرادی قوت کو استعمال کیا ہے تاکہ وسائل کے تحفظ قدرتی وسائل اور خام مال کے موثر استعمال کے لئے کئے گئے ہر ممکن اقدامات کی کامیابی کو یقینی بنایا جائے۔

ہائیکورٹ میں جو کمپنی کے خلاف واجب الادا ادائیگیوں کے حصول کے لئے قانونی کارروائی چل رہی ہے اس سلسلہ میں کمپنی نے سود پر اضافی سود کی ادائیگی کے تقاضے کو رد کر دیا ہے جس کے نتیجہ میں بینک / مالی اداروں نے کمپنی کے ذمہ واجب الادا پیسوں کو کنفرم نہیں کیا ہے جو کہ پیسے پہلے سے کمپنی ہذا نے تنازعہ قرار دیئے ہوئے ہیں۔

کمپنی کو یہ امید واثق ہے کہ ان تنازعہ رقوم کے سلسلہ میں اگر مفاہمت ہوگی تو ہمارے حق میں طے شدہ قرضوں کی اگلی اقساط جاری ہو جائیں گی اور سابقہ قسطوں کے لئے مزید وقت مل جائے گا۔ جس کے نتیجہ میں کمپنی ہذا کی مالی صلاحیت میں اضافہ ہوگا اور کمپنی قبل از وقت موثر سرمایہ کاری کرتے ہوئے مناسب قیمت پر خام مال خرید سکے گی اور اپنے مالی ذرائع کو بہتر طور پر چلا سکے گی اور مقامی اور عالمی مارکیٹ کے پریشر کو برداشت کر سکے گی اور ملکی توانائی کے بحران سے لڑ سکے گی۔

### کارپوریٹ گورننس

آپ کی کمپنی سیکورٹیز اور ایکسچینج کمیشن آف پاکستان کے قوانین پر بہر صورت عمل پیرا ہے اور اسکے مطابق اپنے داخلی مالی و دیگر معاملات کے کنٹرول کی پالیسیز کو بہتر طریقے سے پہلے سے زیادہ سختی سے اور تو اثرن کے ساتھ نافذ کئے ہوئے ہیں۔

### بورڈ میٹنگز اور حاضر لوگ

بورڈ آف ڈائریکٹرز کی چار دفعہ میٹنگ منعقد کی گئی اور ڈائریکٹرز کی حاضری کی تفصیل درج ذیل ہے۔

| میٹنگ میں حاضری | نام ڈائریکٹر  |
|-----------------|---------------|
| 4               | سہیل مقصود    |
| 3               | افتخار علی    |
| 0               | مقصود الحق    |
| 3               | محمد یوسف     |
| 4               | اشرف خان      |
| 1               | اختر عزیز     |
| 4               | اختر مرزا     |
| 4               | عابد ستار     |
| 0               | محمد آصف اکرم |
| 1               | محمد عارف     |

جو ارکان شامل ہونے سے قاصر تھے ان کی حاضری سے چھٹی منظور کی گئی۔

### آڈٹ کمپنی

حکومت کی طرف سے جاری کردہ ضابطہ پر عمل پیرا ہوئے کمپنی کے بورڈ آف ڈائریکٹرز نے ایک آڈٹ کمپنی جو بورڈ کے 3 ڈائریکٹرز/ارکان پر مشتمل ہے، تشکیل دی اور ان آڈٹ کمپنی کے ارکان نے آڈٹ کمپنی کے اجلاس میں شرکت کی جن کی تفصیل درج ذیل ہے۔

| میٹنگ میں شرکت کی تعداد | رکن کا نام |
|-------------------------|------------|
| 4                       | عابد ستار  |
| 4                       | اختر مرزا  |
| 3                       | محمد یوسف  |
| 1                       | اختر عزیز  |

## انسانی وسائل اور انکے معاوضے کی کمپنی

حکومت کی طرف سے جاری کردہ ضابطہ پر عمل پیرا ہوتے ہوئے کمپنی کے بورڈ آف ڈائریکٹرز نے ایک انسانی وسائل اور ان کے معاوضے کی کمیٹی تشکیل دی اور ان ارکان کی تفصیل لف رپورٹ ہذا ہے۔

### انٹرنل آڈٹ کا طریقہ کار (فرائض)

بورڈ آف ڈائریکٹرز نے مناسب اور موثر داخلی مالی کنٹرول سسٹم بنایا ہے اور اس پر سختی سے عمل پیرا ہیں جس میں، پرنٹل، فنانشل اور کمپنی کے کاروباری معاملات سے متعلقہ حکمت عملی پر مناسب طریقے سے عملدرآمد بنایا جاسکے تاکہ کمپنی کے بنیادی اصول کے مقاصد کو حاصل کیا جاسکے۔ انٹرنل آڈٹ کی سفارشات اور مشاہدات کو آڈٹ کمپنی نے نظر ثانی کی اور جہاں پر ضروری سمجھا انہوں نے دی گئی سفارشات اور مشاہدات کی روشنی میں مناسب کارروائی کی۔

### کارپوریٹ گورننس اور مالیاتی رپورٹنگ کے فریم ورک

کارپوریٹ گورننس کے ضابطہ کے مطابق ڈائریکٹرز کو بخوش اسلوبی مندرجہ ذیل امور سرانجام دینے ہونگے۔

1- کمپنی انتظامیہ کی طرف سے جو مالی امور کا بیان پیش کیا جائے گا وہ کمپنی کے مالی امور کا اصل اور سچے چہرے کی عکاسی کرے اور کمپنی کے پرنٹل کے نتائج/ما حاصل/منافع/نقصان، کیش فلو اور ایکویٹی میں تبدیلیاں کی صحیح ترجمانی/آئینہ داری کرے

2- کمپنی کے اکاؤنٹ بکس کی مناسب تیاری اور دیکھ بھال کرے۔

3- مناسب اکاؤنٹنگ حکمت عملی کی تیاری اور اسکی روشنی میں مالی امور کے بیان اور مالی تخمینہ جات کی تیاری اور اس سلسلہ میں معقول اور دانشمندانہ فیصلے کئے جائیں۔

4- بین الاقوامی اکاؤنٹنگ سٹینڈرڈ جو کہ پاکستان میں لاگو ہیں کے مطابق مالی امور کا بیان تیار کیا جائے۔

5- اندرونی مالی نظم و ضبط کا کنٹرول کا سسٹم موثر اور مستحکم ہو اسکا نفاذ کا مناسب مانیٹرنگ سسٹم موجود ہو۔

6- بورڈ کے ڈائریکٹرز کو مالی امور کے بیان کے پیرا نمبر 1-3 میں دیئے گئے ضابطہ کے سلسلہ میں کسی قسم کی کوئی

خلاف ورزی نہ ہو۔

- 7- کارپوریٹ گورننس کے سلسلہ میں بہترین طریقوں کو اختیار کیا جائے جن کا ذکر سٹاک ایکسچینج کے قوانین میں ہے اور کوئی خلاف ورزی سامنے نہ آئے۔
- 8- گزشتہ 6 سالوں کا پریٹنگ اور مالی امور کا کلیدی ڈیٹا لف ہذا ہے۔
- 9- ٹیکسز، ڈیویڈنڈ، محصولات اور دیگر چارجز کی مد میں کوئی اضافی یا غیر قانونی ادائیگیاں نہیں کی گئیں۔
- 10- حالیہ مالی سال کے اختتام پر جو بیلنس شیٹ اور ڈائریکٹرز رپورٹ پیش کی گئی اسکے مطابق کمپنی کی مالی پوزیشن کے مواد میں کسی قسم کی کوئی کلیدی یا بنیادی تبدیلی نہیں کی گئی جو ایک کمپنی کی مالیاتی صورتحال کو متاثر کرے سوائے ان کے جو مالی امور کے بیان میں اشکار کی گئیں۔

### نفع/نقصان بمطابق شیئرز کی قیمت

بمطابق شیئرز کی حالیہ قیمت، کمپنی کا نقصان برائے اختتامی دورانیہ 30 جون 2018، فی شیئر (2.23) روپے ہے جو کہ پچھلے سال (2.24) روپے فی شیئر تھا۔

### منافع

متذکرہ بالا پیش کردہ امور کی روشنی میں بورڈ آف ڈائریکٹرز نے اختتامی دورانیہ 30 جون 2018 کے لئے کسی منافع کی سفارش نہیں کی ہے۔

### ضابطہ اخلاق

کمپنی ہذا کے ہر ڈائریکٹرز، ملازم کو مجوزہ ضابطہ اخلاق کے بارے میں تیار، آگاہ اور متعارف کروایا گیا ہے۔

### کارپوریٹ سوسائٹی ذمہ داری

آپ کی کمپنی کارپوریٹ سوسائٹی ذمہ داریاں جو کہ سماج، شہری، دفاع، ملازمین کی بہبود اور ماحول دوستی پر مبنی ہے کو پوری طرح سے تسلیم کرتی ہے اور اس پر عمل پیرا ہے۔

### ویب/سماجی رابطہ کے ذرائع پر موجودگی

کمپنی کی سالانہ اور متواتر مالی امور کا بیان کمپنی کی ویب سائٹ [www.gulshan.com.pk](http://www.gulshan.com.pk) شیئرز ہولڈرز

## متعلقہ فریقین کے ساتھ لین دین

متعلقہ فریقین کے ساتھ لین دین کو آرمز لنکٹہ قیمت کے قانون کے مطابق کیا جاتا ہے جو کہ "کمپنیز ان کٹرولڈ پرائس میٹھڈ" کے مطابق طے شدہ ہے۔ کمپنی ہذا کارپوریٹ گورننس کے بہترین طریقوں کو اختیار کئے ہوئے ہے جن کا ذکر سٹاک ایکسچینج کے قوانین میں ہے۔

## کمپنی کے شیئرز کی ٹریڈنگ

زیر جائزہ سال میں چیف ایگزیکٹو آفیسران، چیف فنانشل آفیسر، کمپنی سیکرٹری، ڈائریکٹرز اور ان کی ازواج/خاوند اور بچوں کی طرف سے کمپنی کے شیئرز کا کاروبار کیا گیا جس کی تفصیل درج ذیل ہے۔

| نام | اوپننگ     | بیلنس | خریداری | فروخت     | کلوزنگ بیلنس |
|-----|------------|-------|---------|-----------|--------------|
|     | 01.07.2017 |       |         |           | 30.06.2018   |
|     |            |       |         | کوئی نہیں |              |

## عملہ کے ریٹائرمنٹ کے پیمنٹ کی قیمت کا بیان۔

دورانہ برائے مورخہ 30 جون 2018 ڈیفرڈ لائبلٹی برائے گریجویٹی کی رقم 511,751 روپے مختص کی گئی ہے۔

## آڈیٹرز

میسرز باقر ٹلی محمود، ادریس قمر، چارٹرڈ اکاؤنٹنٹس نے اپنی کمپنی دوبارہ مقرر کرنے کی پیشکش کی ہے اور آڈٹ کمپنی نے بھی ان کو بطور کمپنی کی بیرونی آڈیٹرز برائے اگلے مالی 2018-2019 عیناتی کی سفارش/منظوری کی ہے۔

## شیئرز ہولڈنگ کا پیٹرن

ضابطہ برائے کارپوریٹ گورننس کے مطابق 30 جون 2018 شیئرز ہولڈنگ کا پیٹرن لف رپورٹ ہذا ہے

## تحسینی اعترافات

خرمیں ہم اس موقع کا فائدہ اٹھاتے ہوئے چاہیں گے کہ اپنے کسٹمرز، اور مالی ادارے/بینکرز کا شکریہ ادا کریں جو کہ انہوں نے کمپنی کی ترقی اور نشوونما کے لئے مسلسل حمایت اور تعاون کیا اور ہم امید کرتے ہیں کہ اس جذبے

(9)

ہم اپنے جذبے سے سرشار ٹیم اور ایگزیکٹوز/ ڈائریکٹرز، دیگر عملے اور کارکنوں کا بھی شکریہ ادا کرتے ہیں جنہوں نے اس تمام عرصہ میں سخت محنت اور لگن سے کام کیا اور ہم آدہ سال میں بھی اس لگن اور محنت کی امید رکھتے ہیں تاکہ ہماری کمپنی پہلے سے بھی زیادہ بہتر نتائج حاصل کرے۔

خرمیں (لیکن بالکل خری نہیں) انتظامیہ اپنے بورڈ کی ہر دفعہ کی طرح اس دفعہ بھی بھرپور تعاون اور رہنمائی کا شکریہ ادا کرتے ہیں جو ہماری کمپنی کے لئے مستقبل کی زبردست منصوبہ بندی، بہتر رہنمائی اور مقاصد کا تعین کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی طرف / منجانب سے

سہیل مقصود  
چیف ایگزیکٹو

مورخہ 05/10/2018



# Gulistan Spinning Mills Limited

1st Floor, Garden Heights, 8-Aibak Block, New Garden Town, Lahore, Pakistan.  
UAN: +92-42-111-200-000, Tel: +92-42-35941819-23 Fax: +92-42-35941737-38  
E-mail: info@gulistangroup.com.pk, G.N. Comtxt: A21PK002



## STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS-2017

Year Ended

June30, 2018

The company has complied with the requirements of listed Companies (Code of Corporate Governance) Regulation-2017 (the regulations) in the following manner

- 1- The total number of directors is seven (including the Chief executive officer). The composition of the board is as follow.

| Category                | Names  |
|-------------------------|--|
| Independent Director    | Mr.Akhtar Aziz and Muhammad Asif Akram   |
| Executive Directors     | Mr.Sohail Maqsood and Mr.Muhammad Ashraf Khan  |
| Non-Executive Directors | Mr. Muhammad Arif, Mr. Muhammad Akhtar Mirza, Mr. Abid Sattar, Mr. Muhammad Asif Akram and Mr. Akhtar Aziz |

1. The directors have confirmed that none of them is serving as a director in more than five (5) listed companies, including this Company.
2. All resident directors are registered as taxpayers except three (under process of registration) and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
3. Casual vacancies occurring in the Board during the period under review were filled statutory period given in the code.
4. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a Vision/Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and term and conditions of employment of the chief executive officer and executive and non-executive directors have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
9. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.



# Gulistan Spinning Mills Limited

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E-mail: info@gulistangroup.com.pk, G.N. Comtext: A21PK002



10. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

11. The Board has formed committees, comprising of members are given below.

A) Audit Committee

|                          |          |
|--------------------------|----------|
| Mr.Akhtar Aziz           | Chairman |
| Mr.Muhammad Akhtar Mirza | Member   |
| Mr.Abid Sattar           | Member   |

B) HR & Remueration Committee

|                          |          |
|--------------------------|----------|
| Mr.Muhammad Asif Akram   | Chairman |
| Mr.Abid Sattar           | Member   |
| Mr.Muhammad Akhtar Mirza | Member   |

12. The term of reference of aforesaid committees have been formed, documented and advised to the committees for compliance.

13. The frequency of the meetings (quarterly / half yearly / annually) ere as per following.

a) Audit Committee Four Meeting were held during the financial year with at least one meeting in each quarter.

b) HR & Remuneration Committee Four Meeting were held during the financial year.

14. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

15. The board has formed an HR and Remuneration Committee. At present it comprises of three board members of whom two are non-executive directors and chairman of the committee is a non-executive director.

16. The Company will appoint female director as per CCG regulation-2017 within the due course of time.

17. The board has set up an effective internal audit function.

18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other requirements of the regulations-2017 have been complied with

On behalf of the board of Directors

Lahore: October 05, 2018

  
(Sohail Maqsood)  
Chief Executive

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBER OF GULISTAN SPINNING  
MILLS LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate  
Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017, ("the Regulations") prepared by the Board of Directors of *Gulistan Spinning Mills Limited* for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Following instances of non-compliance with the requirement(s) of the Regulations were observed which are not stated in the Statement of Compliance:

1. The Company has not appointed any female director on its board.
2. The Company has appointed only one independent director.
3. During the year, no orientation courses were arranged for its directors to apprise them of their duties and responsibilities. The board has ensured arrangement of orientation courses for its directors by the end of June 30, 2019.
4. Nomination committee and risk management committee are not formed by the board.
5. The Company has not prepared, circulated and filed quarterly unaudited financial statements and half yearly financial statements subject to a limited scope review as required by clauses (xviii and xix) of the Code.

Based on our review, except for the above instance(s) of non-compliance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the Regulations as applicable to the Company for the year ended June 30, 2018.

BAKER TILLY MEHMOOD IDREES QAMAR,  
Chartered Accountants  
Name of Engagement Partner: Bilal Ahmed Khan

Lahore  
Date: October 05, 2018

BTLHR/AA/GTSM-69/2018/11  
INDEPENDENT AUDITOR'S REPORT

To the members of Gulistan Spinning Mills Limited  
Report on the Audit of the Financial Statements

**Opinion**

We have audited the annexed financial statements of *Gulistan Spinning Mills Limited (the Company)*, which comprise the statement of financial position as at *June 30, 2018*, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, because of the significance of the matters discussed in basis for adverse opinion paragraph, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof do not conform with the accounting and reporting standards as applicable in Pakistan and do not give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at *June 30, 2018*, and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

**Basis for Adverse Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of *Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

- a) as described in note 1.3 to the financial statements, the financial statements have been prepared on going concern basis. The Company has accumulated loss of Rs. 1,689.53 million as at June 30, 2018, shareholder's equity is negative by Rs. 1,169.97 million and as of that date the Company's current liabilities exceed its current assets by Rs. 1,805.19 million. The Company has closed its operations due to working capital constraints indicating facing financial problems. Further, various banks and financial institutions have filed recovery suits against the Company as detailed in note 29.1 to the financial statements and the ultimate outcome of these suits cannot presently be determined because these matters are pending before various courts. These events indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements and notes thereto do not disclose this fact. The management of the Company also did not provide us its assessment of going concern assumption used in the preparation of the financial statements and

- the future projections indicating the economic viability of the Company. In our opinion, the going concern assumption used in the preparation of these financial statements is inappropriate.
- b) Certain litigations have been filed by / against the Company as disclosed in note 29.1 to these financial statements. Management and the legal counsels of the Company in their respective direct response to our confirmation requests have not provided us their assessment of the potential outcome of these litigations. Accordingly, the Company has not provided for the outcome of these litigations. The mark-up / interest on long-term finances, lease finances and short-term borrowings to the extent aggregating Rs. 943.25 million, including balance of Rs. 122.85 million for the current year, has not been accrued in these financial statements, thereby increasing shareholders' equity and current liabilities by Rs. 943.25 million, and reducing loss for the current year by Rs. 122.855 million as fully detailed in note 25.1 to the financial statements.
- c) we have not received year end confirmations from banks and financial institutions in respect of bank balances aggregating Rs. 6.104 million (note 16.1) and short-term borrowings aggregating Rs. 1,144.495 million (note 26.4). No confirmations have been received in respect of lease deposits (note 8), long-term finances from banking companies (note 21 and 27), liabilities against assets subject to finance lease (note 22 and 27), payable against overdue letter of credit (note 24.2), and accrued mark-up / interest (note 25 and 14). Further, year-end bank statements from various banks and financial institutions in respect of bank balances and short-term borrowings were also not available.
- d) as discussed in note 6 and 19 to the accompanying financial statements, freehold and leasehold land, buildings on freehold and leasehold land, plant and machinery, electric installation and mills equipment are carried at revaluation model. The Company has not carried out revaluation exercise of the said items of property, plant and equipment. Accordingly, we remained unable to ascertain whether the carrying value of the items of property, plant and equipment and related surplus on revaluation of property, plant and equipment and disclosures thereof, is sufficient in the financial statements.
- e) Stock-in-trade aggregating Rs. 52.379 million has not been verified; and

#### Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the basis for Adverse Opinion section, we have determined the following matters to be the key audit matters to be communicated in our report.

| Key audit matter   | How the matter was addressed in our audit.  |
|--|---|
| <p><b>1. Valuation of trade debts</b></p> <p>Refer to note 11 to the financial statements and accounting policy in note 5.15 to the financial statements.</p> <p>The company has significant balance of trade debts. Provision against doubtful trade debts is based on management judgment to determine the appropriate level of provision against balances</p> | <p>Our audit procedure to assess the valuation of trade debts amongst others, include the following:</p> <ul style="list-style-type: none"> <li>- Obtaining an understanding of the management's basis for the determination of the provision required at the year end and the receivables collection process.</li> </ul> |

|  |   |
|--|---|
| <p>which may not ultimately be recovered.</p> <p>We identified recoverability of trade debts as a key audit matter as it involves significant management judgment in determining the recoverable amount of trade debts.</p>  | <ul style="list-style-type: none"> <li>- On sample basis, closing balances confirmed by circularization of confirmation and compared the responses received with balances as per clients' record.</li> <li>- For a sample trade debts, tested the adequacy of the provision for the doubtful debts recorded against the trade debts while taking into account the ageing of receivables at year end and cash receivable after year end as well as assessing the judgment made by the management in relation to the credit worthiness of the debtors.</li> <li>- Testing the accuracy of the data on sample basis extracted from the Company accounting systems which is used to calculate the ageing of trade receivables; and</li> <li>- Assessing the historical accuracy of provisions for doubtful debts recorded by examining the utilization or release of previously recorded provisions.</li> </ul> |
| <p><b>2. Change in accounting policy as a result of changes in the Companies Act, 2017.</b></p> <p>As referred to in note 5.1 to the accompanying financial statements, the Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018.</p> <p>Due to the above, the Company has changed its accounting policy to account for surplus on revaluation of plant and machinery (refer note 6) with retrospective effect. Previously, surplus on revaluation was presented in the financial statements below the equity and change in surplus was taken directly to equity. Due to change in accounting policy, surplus on revaluation will be part of the equity and revaluation changes will be taken through other comprehensive income.</p> <p>The impact of said change in accounting policy has been disclosed in note 5.1 to the accompanying financial statements.</p> | <p>Our audit procedures include the following:</p> <ul style="list-style-type: none"> <li>- We assessed the procedures applied by the management for identification of changes required in the financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements;</li> <li>- Re-performed the calculations based on the working and valuation reports of the respective year to ensure that values of plant and machinery, and surplus on revaluation of plant and machinery have been properly restated in the financial statements; and</li> </ul>   |

|   |  |
|---|--|
| <p>We have considered the above as a key audit matter due to the significant amount of surplus on revaluation of plant and machinery, requirements to apply changes retrospectively in compliance with IAS 8 - Accounting Policies and Changes in Accounting Estimates and Errors, and involvement of expert for valuation of plant and machinery by management.</p>  | <ul style="list-style-type: none"> <li>- In respect of the change in accounting policy for the accounting and presentation of revaluation surplus as referred to in note 5.1, 6 and 19 to the accompanying financial statements; we assessed the accounting implications and disclosures in the financial statements in accordance with the applicable accounting and reporting standards.</li> </ul>  |
| <p><b>3. Current and deferred tax</b></p> <p>As discussed in note 5.10, 23 and 36 to the accompanying financial statements, the Company has recorded reversal of temporary difference that resulted in reduction of tax expense amounting to Rs. 10.565 million.</p> <p>We considered the above matters to be a key audit matter due to the judgments and estimates inherent in the calculation of tax expense.</p>   | <p>Our audit procedures included the followings:</p> <ul style="list-style-type: none"> <li>- Developed an understanding of management process for calculating tax expense;</li> <li>- Assessed the extent to which provisions are supported by underlying circumstances and determined that they are being made on basis consistent with previous years;</li> <li>- Assessed the appropriateness of provisions recorded in the financial statements by using our specialists tax knowledge and reviewing the latest tax returns filed by the Company;</li> <li>- Critically analyzed and challenged the assumptions used by the management in calculating tax expense; and</li> <li>- Ensured that the tax calculated is in accordance with the requirements of IAS 12 and the Income Tax Ordinance, 2001.</li> </ul> |
| <p><b>4. Preparation of financial statements under the Companies Act, 2017</b></p> <p>The Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribe the nature and contents of disclosures in relation to various elements of the financial statements.</p> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>- We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act.</li> <li>- We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements.</li> </ul>   |

|   |   |
|---|---|
| <p>In case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements.</p> <p>The above changes and enhancements in the financial statements or considered important and key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.</p> <p>For further information, refer to note 3.1 to the financial statements.</p> | <p>- We verified on test basis the supporting evidences for the additional disclosures and ensured appropriateness of the disclosures made.</p> |
|---|---|

#### **Information Other than the Financial Statements and Auditors Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and requirements of Companies Act, 2017, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt in the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communications.

#### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of accounts have been kept by the Company as required by the Companies Act, 2017;
- b) because of the matters described in Basis for Adverse Opinion section, the statement of financial position, the statement of profit or loss and other comprehensive income, the

statement of changes in equity and the statement of cash flows together with the notes thereon have not been drawn-up in conformity with the Companies Act, 2017, and however, the same are in agreement with the books of accounts and returns;

- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (VIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Bilal Ahmed Khan.

BAKER TILLY MEHMOOD IDREES QAMAR,  
Chartered Accountants

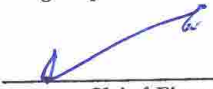
Lahore  
Date: October 05, 2018

GULISTAN SPINNING MILLS LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2018

|   | Note | 2018<br>Rupees  | 2017<br>Restated<br>Rupees | 2016<br>Restated<br>Rupees |
|---|------|-----------------|----------------------------|----------------------------|
| <b>ASSETS</b>   |      |                 |                            |                            |
| <b>NON-CURRENT ASSETS</b>                               |      |                 |                            |                            |
| Property, plant and equipment                           | 6    | 844,863,223     | 869,698,395                | 896,048,764                |
| Long-term investments                                   | 7    | 19,466,439      | 17,357,499                 | 15,471,666                 |
| Long-term deposits                                      | 8    | 2,061,925       | 2,061,925                  | 2,780,500                  |
|   |      | 866,391,587     | 889,117,819                | 914,300,930                |
| <b>CURRENT ASSETS</b>                                   |      |                 |                            |                            |
| Stores, spare parts and loose tools                     | 9    | 2,550,990       | 3,401,320                  | 4,535,094                  |
| Stock-in-trade  | 10   | 52,379,543      | 70,242,593                 | 93,522,390                 |
| Trade debts   | 11   | 3,548,833       | 9,396,038                  | 12,075,000                 |
| Loans and advances                                      | 12   | -               | 104,004                    | 464,126                    |
| Trade deposits and short-term prepayments               | 13   | 4,386,414       | 4,516,500                  | 4,813,105                  |
| Accrued mark-up / interest                              | 14   | 349,994         | 349,994                    | 349,994                    |
| Tax refunds due from Government                         | 15   | 6,607,367       | 6,607,355                  | 6,606,851                  |
| Cash and bank balances                                  | 16   | 6,106,142       | 6,502,337                  | 6,118,962                  |
|   |      | 75,929,283      | 101,120,141                | 128,485,522                |
|   |      | 942,320,870     | 990,237,960                | 1,042,786,452              |
| <b>TOTAL ASSETS</b>                                     |      |                 |                            |                            |
| <b>EQUITY AND LIABILITIES</b>                           |      |                 |                            |                            |
| <b>SHARE CAPITAL AND RESERVES</b>                       |      |                 |                            |                            |
| Authorized capital                                      | 17   | 150,000,000     | 150,000,000                | 150,000,000                |
| Issued, subscribed and paid-up capital                  | 17   | 146,410,000     | 146,410,000                | 146,410,000                |
| Reserves  | 18   | 24,983,168      | 24,983,168                 | 24,983,168                 |
| Surplus on revaluation of property, plant and equipment | 19   | 351,794,393     | 357,363,998                | 366,954,801                |
| Accumulated losses                                      |      | (1,693,166,719) | (1,669,780,261)            | (1,646,597,518)            |
| Total equity  |      | (1,169,979,158) | (1,141,023,095)            | (1,108,249,549)            |
| Sub-ordinated loan                                      | 20   | 103,000,000     | 103,000,000                | 103,000,000                |
| <b>NON-CURRENT LIABILITIES</b>                          |      |                 |                            |                            |
| Long-term financing                                     | 21   | -               | -                          | -                          |
| Liabilities against assets subject to finance lease     | 22   | -               | -                          | -                          |
| Deferred liabilities                                    | 23   | 128,178,268     | 142,373,142                | 159,359,780                |
|   |      | 128,178,268     | 142,373,142                | 159,359,780                |
| <b>CURRENT LIABILITIES</b>                              |      |                 |                            |                            |
| Trade and other payables                                | 24   | 430,220,759     | 434,978,873                | 441,178,373                |
| Accrued mark-up / interest                              | 25   | 39,778,395      | 39,778,395                 | 35,775,002                 |
| Short-term borrowings                                   | 26   | 1,145,119,666   | 1,145,127,705              | 1,145,119,665              |
| Current portion of non-current liabilities              | 27   | 260,934,641     | 260,934,641                | 261,534,122                |
| Provision for taxation                                  | 28   | 5,068,299       | 5,068,299                  | 5,069,059                  |
|   |      | 1,881,121,760   | 1,885,887,913              | 1,888,676,221              |
| <b>CONTINGENCIES AND COMMITMENTS</b>                    |      |                 |                            |                            |
|   | 29   | -               | -                          | -                          |
| <b>TOTAL EQUITY AND LIABILITIES</b>                     |      | 942,320,870     | 990,237,960                | 1,042,786,452              |

The annexed notes from 1 to 47 form an integral part of these financial statements.

  
Chief Executive

  
Chief Financial Officer

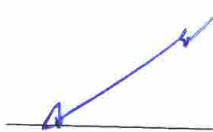
  
Director

GULISTAN SPINNING MILLS LIMITED  
 STATEMENT OF PROFIT OR LOSS  
 FOR THE YEAR ENDED JUNE 30, 2018

|   | Note | 2018<br>Rupees      | 2017<br>Rupees      |
|---|------|---------------------|---------------------|
| Sales - net                               | 30   | -                   | 11,700,000          |
| Cost of sales                             | 31   | (43,905,441)        | (55,070,749)        |
| <b>Gross loss</b>                         |      | <u>(43,905,441)</u> | <u>(43,370,749)</u> |
| Administrative expenses                   | 32   | 1,223,604           | 3,066,218           |
| Other expenses                            | 33   | -                   | 390,123             |
|   |      | <u>(1,223,604)</u>  | <u>(3,456,341)</u>  |
| <b>Loss from operations</b>               |      | <u>(45,129,045)</u> | <u>(46,827,090)</u> |
| Other income                              | 34   | 2,108,940           | 2,269,180           |
| Finance cost                              | 35   | (130,833)           | (4,493,413)         |
| <b>Loss before taxation</b>               |      | <u>(43,150,938)</u> | <u>(49,051,323)</u> |
| Taxation                                  | 36   | 10,565,379          | 16,277,777          |
| <b>Loss after taxation</b>                |      | <u>(32,585,559)</u> | <u>(32,773,546)</u> |
| <b>Loss per share - basic and diluted</b> | 37   | <u>(2.23)</u>       | <u>(2.24)</u>       |

The annexed notes from 1 to 47 form an integral part of these financial statements.

  
 Chief Executive

  
 Chief Financial Officer

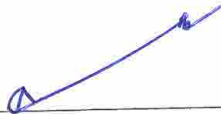
  
 Director

GULISTAN SPINNING MILLS LIMITED  
STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2018

|                                       | 2018<br>Rupees      | 2017<br>Rupees      |
|---------------------------------------|---------------------|---------------------|
| Loss after taxation                   | (32,585,559)        | (32,773,546)        |
| Other comprehensive income            | -                   | -                   |
| Total comprehensive loss for the year | <u>(32,585,559)</u> | <u>(32,773,546)</u> |

The annexed notes from 1 to 47 form an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive


  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

GULISTAN SPINNING MILLS LIMITED  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2018

|   | Note | 2018<br>Rupees     | 2017<br>Rupees   |
|---|------|--------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                   |      |                    |                  |
| Loss before taxation  |      | (43,150,938)       | (49,051,321)     |
| <b>Adjustments for non-cash charges and other items:</b>                      |      |                    |                  |
| Depreciation  |      | 24,835,173         | 26,152,271       |
| Provision for slow moving stores and spares                                   |      | 850,330            | 1,133,771        |
| NRV loss on stock-in-trade  |      | 17,863,050         | 23,279,791       |
| Finance cost  |      | 130,833            | 4,493,411        |
| Gain on disposal of property, plant and equipment                             |      | -                  | (383,341)        |
| Interest accrued  |      | (2,108,940)        | (1,885,831)      |
| <b>Cash flows before working capital changes</b>                              |      | <b>(1,580,492)</b> | <b>3,738,751</b> |
| Net changes in working capital  | 38   | 1,323,169          | (3,376,061)      |
| <b>Cash (used in) / generated from operations</b>                             |      | <b>(257,323)</b>   | <b>362,691</b>   |
| Finance cost paid   |      | (130,832)          | (490,021)        |
| Staff retirement benefits - gratuity paid                                     |      | -                  | (197,111)        |
| Income tax paid   |      | -                  | (760)            |
| <b>Net cash used in operating activities</b>                                  |      | <b>(388,155)</b>   | <b>(325,198)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                   |      |                    |                  |
| Proceeds from sale of property, plant and equipment                           |      | -                  | 581,440          |
| Receipt of security deposit   |      | -                  | 718,575          |
| <b>Net cash from investing activities</b>                                     |      | <b>-</b>           | <b>1,300,014</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                   |      |                    |                  |
| Repayment of liabilities against assets subject to finance lease              |      | -                  | (599,481)        |
| <b>Net cash used in financing activities</b>                                  |      | <b>-</b>           | <b>(599,481)</b> |
| <b>Net (decrease) / increase in cash and cash equivalents during the year</b> |      | <b>(388,155)</b>   | <b>375,335</b>   |
| Cash and cash equivalents at beginning of the year                            |      | 5,870,374          | 5,495,039        |
| Cash and cash equivalents at end of the year                                  | 40   | 5,482,219          | 5,870,374        |

The annexed notes from 1 to 47 form an integral part of these financial statements.

  
 Chief Executive

  
 Chief Financial Officer

  
 Director

GULISTAN SPINNING MILLS LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2018

|   | Reserves      |               |   | Accumulated losses | Capital reserve - Revaluation surplus | Total           |
|---|---------------|---------------|---|--------------------|---------------------------------------|-----------------|
|   | Share capital | Share premium | Un-realized loss on re-measurement of available for sale investment |                    |                                       |                 |
| Rupees  |               |               |   |                    |                                       |                 |
| Balance as at June 30, 2016 - as previously reported  | 146,410,000   | 25,000,000    | (16,832)  | (1,646,597,518)    | -                                     | (1,475,204,350) |
| Effect of change in accounting policy   | -             | -             | -   | -                  | 366,954,801                           | 366,954,801     |
| Balance as at July 1, 2016 - restated   | 146,410,000   | 25,000,000    | (16,832)  | (1,646,597,518)    | 366,954,801                           | (1,108,249,549) |
| Surplus on revaluation of property, plant and equipment realized the year on account of depreciation - net of tax | -             | -             | -   | 9,590,803          | (9,590,803)                           | -               |
| Total comprehensive loss for the year   | -             | -             | -   | (32,773,546)       |                                       | (32,773,546)    |
| Balance as at June 30, 2017 - restated  | 146,410,000   | 25,000,000    | (16,832)  | (1,669,780,261)    | 357,363,998                           | (1,141,023,095) |
| Surplus on revaluation of property, plant and equipment realized the year on account of depreciation - net of tax | -             | -             | -   | 9,199,100          | (9,199,100)                           | -               |
| Total comprehensive loss for the year   | -             | -             | -   | (32,585,559)       |                                       | (32,585,559)    |
| Balance as at June 30, 2018   | 146,410,000   | 25,000,000    | (16,832)  | (1,693,166,719)    | 348,164,898                           | (1,173,608,653) |

The annexed notes from 1 to 47 form an integral part of these financial statements.

  
Chief Executive

  
Chief Financial Officer

  
Director

GULISTAN SPINNING MILLS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

1 LEGAL STATUS AND OPERATIONS

- 1.1 Gulistan Spinning Mills Limited ("the Company") was incorporated in Pakistan on February 25, 1987, under the Companies Ordinance, 1984, as a public limited company and is quoted on stock exchanges at Karachi and Lahore (now Pakistan Stock Exchange Limited). 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 The Board of Directors of the Company in its meeting held on April 05, 2011, approved the scheme of merger by amalgamation of Gulistan Spinning Mills Limited and Gulshan Spinning Mills Limited into Paramount Spinning Mills Limited along-with the approval of share swap ratio in relation thereto. The Company on orders of the Honourable Sindh High Court called Extraordinary General Meeting on August 01, 2011 in which the said scheme was approved by the shareholders of the Company. The Company filed an application for withdrawal of merger petition. The Honourable High Court of Sindh vide order dated December 21, 2017, dismissed the merger petition as withdrawn on the application filed by the Company.
- 1.3 Going concern assumption

The Company has accumulated losses of Rs. 1,689.53 million as at June 30, 2018, and as at that date its current liabilities exceed its current assets by Rs. 1,805.19 million. This is mainly due to under utilization of capacity because of insufficiency of working capital lines. All the working capital lines and other finances have been blocked by respective banks and financial institutions due to litigations with these lenders as detailed in note 29.1.1 to these financial statements. These conditions along with other adverse key financial ratios and the pending litigations with the banking companies and financial institutions render the Company unable to operate its manufacturing facilities in normal manners. This indicates existence of material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. These financial statements, however, have been prepared under the going concern assumption due to the following reasons;

(i) **Restructuring / rescheduling of existing debt / loan facilities availed by the Company**

The Company along with its restructuring agent (a leading bank) and a few other lending banks, had proposed an indicative term sheet to its lending financial institutions on June 28, 2013 in order to restructure the outstanding debt obligations of the Company. The proposed term sheet is still in the process of finalization. Once finalized, it will be signed by all parties and legal documentation will be executed to restructure outstanding debts of the Company. Salient features of this indicative term sheet are as follows;

- the existing facilities will be restructured and consolidated into a long-term finance facility and aggregate principal outstanding will be repaid over 8 years. The sponsors will inject equity amounting Rs. 200.00 million within one year of the effective date of debt restructuring through sale of various assets. Balance of the outstanding facility amount will be repaid in instalments over a period of 8 years on quarterly basis as per the agreed repayment schedule;
- total accrued and outstanding mark-up due/payable till June 30, 2018, by the Company to its existing lenders will be repaid starting immediately after the expiry of 8 years time period of principal repayment on quarterly basis over a 2 years period (accrued mark-up period); and

mark-up rate shall be 5.00% per annum (referred as beginning tenor mark-up) for the first 2 years of repayment tenor, however, a mark-up of 0.25% per annum shall be paid by the Company during the first two years of the beginning tenor mark-up period; whereas the remaining differential mark-up amount i.e. 4.75% shall be accumulated and paid thereafter quarterly, starting immediately after the accrued mark-up period. For the remaining 6 years of the restructured facility, mark-up shall be charged and repaid on quarterly basis at the rate of 5.00% per annum.

- (ii) the management has made arrangements whereby third party cotton is being processed against processing fee for utilization of unutilized capacity.
- (iii) the management has also undertaken adequate steps towards the reduction of fixed cost and expenses. Such steps include, but not limited to, right sizing of the man power, resource conservation, close monitoring of other fixed cost etc.

The indicative term sheet as referred above, has not been agreed upon to date, by majority of the lending financial institutions. Despite this, the management optimistically anticipates that in future all lending institutions would agree the proposed terms, hence, this proposed restructuring along with the above-mentioned steps will not only bring the Company out of the existing financial crisis, but also contribute significantly towards the profitability of the Company in the foreseeable future. Therefore, these financial statements do not include any adjustment that might result, should the Company not being able to continue as a going concern.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except for certain classes of property, plant and equipment which have been included at revalued/recoverable amounts, certain financial assets which are carried at fair values and staff retirement benefit which has been recognised at present value as determined by the management.

### **2.3 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All financial information presented in Pak Rupee has been rounded-off to the nearest Rupee except stated otherwise.

## **3 STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED DURING THE YEAR**

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

### **3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018**

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative.

Effective from accounting period beginning on or after January 01, 2017.

Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses.

Effective from accounting period beginning on or after January 01, 2017.

Certain annual improvements have also been made to a number of IFRSs.

The Companies Act, 2017, (the Act) has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes also include change in respect of recognition criteria of surplus on revaluation of Property, Plant and Equipment. Further, the disclosure requirements contained in the Fourth Schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of significant additional disclosures.

### 3.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IFRS 2 - Share-based Payment - Clarification on the classification and measurement of share-based payment transactions.

Effective from accounting period beginning on or after January 01, 2018.

IFRS 4 'Insurance Contracts'. Amendments regarding the interaction of IFRS 4 and IFRS 9.

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after January 01, 2018.

IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 'Financial Instruments: Recognition and Measurement' upon its effective date.

Effective from accounting period beginning on or after July 01, 2018.

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.

Effective from accounting period beginning on or after January 01, 2019.

IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.

Effective from accounting period beginning on or after July 01, 2018.

IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.

Effective from accounting period beginning on or after January 01, 2019.

Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.

Effective from accounting period beginning on or after January 01, 2019.

Amendments to IAS 28 'Investments in Associates and Joint Ventures'- Amendments regarding long-term interest in associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Effective from accounting period beginning on or after January 01, 2019.

Amendments to IAS 40 'Investment Property' - Clarification on transfers of property to or from investment property.

Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.

Amendments to IFRIC 22 'Foreign Currency Transactions and Advance Consideration'

Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

Effective from accounting period beginning on or after January 01, 2019.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 First Time Adoption of International Financial Reporting Standards
- IFRS 14 Regulatory Deferral accounts
- IFRS 17 Insurance Contracts

#### 4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgements were exercised in application of accounting policies are as follows;

- (i) Estimate of useful lives, residual values of property, plant and equipment and recoverable values to account for impairment loss (note 5.2 and 5.16);
- (ii) Net realisable values of stores, spares and loose tools and stock-in-trade (notes 5.7 and 5.8);
- (iii) Provision for impairment of trade debts (note 5.15);
- (iv) Provision for staff retirement benefit - gratuity (note 5.9); and
- (v) Provision for taxation (note 5.10).

#### 5 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. Except for the changes as described in note 5.1 below, the accounting policies have been consistently applied to all the years presented.

## 5.1 Change in accounting policy

The promulgation of the Companies Act, 2017 (*the Act*) has repealed the Companies Ordinance 1984 (*the Ordinance*) and hence, Section 235 of the Ordinance relating to accounting treatment and presentation of the surplus on revaluation of Property, Plant and Equipment has not been carried forward in the Act. Consequently, in accordance with the requirements of the International Financial Reporting Standards (IFRSs) - IAS 16 "Property, Plant and Equipment", the said surplus on revaluation of Property, Plant and Equipment would be presented under equity.

As a result of this change, increases in the carrying amounts arising on revaluation of Property, Plant and Equipment to be recognised, net of tax, in other comprehensive income and its accumulated reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase would first be recognised in profit or loss. Decreases that reverse previous increases of the same asset would first be recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset, and other decreases would be charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, would be reclassified from the revaluation surplus or Property, Plant and Equipment to retained earnings.

Surplus on revaluation of Property, Plant and Equipment would now form part of reserves and the change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarised below:

|   | 2017                 |             |               | 2016                 |             |               |
|---|----------------------|-------------|---------------|----------------------|-------------|---------------|
|   | As previously stated | As restated | Restatement   | As previously stated | As restated | Restatement   |
|   | Rupees               |             |               |                      |             |               |
| Effect on Statement of Financial position               |                      |             |               |                      |             |               |
| Surplus on revaluation of Property, Plant and Equipment | 357,363,998          | -           | (357,363,998) | 366,954,801          | -           | (366,954,801) |
| Share capital and reserves                              | -                    | 357,363,998 | 357,363,998   | -                    | 366,954,801 | 366,954,801   |
| Effect on Statement of Changes in Equity                |                      |             |               |                      |             |               |
| Capital reserve   | -                    | 357,363,998 | 357,363,998   | -                    | 366,954,801 | 366,954,801   |

## 5.2 Property, plant and equipment - owned

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land which is measured at revalued amount less accumulated impairment losses, buildings, plant and machinery, power house, electric installation, factory equipment, air conditioner and lease hold power house which are measured at revalued amount less accumulated depreciation and accumulated impairment losses.

Capital work-in-progress is stated at cost less any identified impairment loss. Transfers are made to relevant fixed assets category as and when assets are available for use.

Cost of items of property, plant and equipment comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation. Major renewals and improvements to an item of property, plant and equipment are recognised in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the company and the cost of renewal or improvement can be measured reliably. The cost of day to day servicing of property, plant and equipment are recognised in profit and loss as incurred.

Surplus arising on revaluation of an item of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment, except to the extent that it reverses deficit on revaluation of the same assets previously recognised in profit and loss, in which case the surplus is credited to profit and loss to the extent of deficit previously charged to income. Deficit on revaluation of an item of property, plant and equipment is charged to profit and loss to the extent that it exceeds the balance, if any held in surplus on revaluation of property, plant and equipment relating to previous revaluation of that item.

On subsequent sale or retirement of revalued item of property, plant and equipment, the attributable surplus net of deferred tax, if any, remaining in the surplus on revaluation of property, plant and equipment is transferred directly to unappropriated profit. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to unappropriated profit every year.

Depreciation on all items of property, plant and equipment except for freehold land is charged to profit and loss applying the reducing balance method over the useful life of each item at the rates specified in the respective note. Depreciation on additions is charged from the day on which the asset is available for use, while on disposals depreciation is charged up to the date of disposal or when the item is classified as held for disposal.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with expected pattern of economic benefits from items of property, plant and equipment.

An item of property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the assets) is recognised in profit and loss in the year in which the asset is derecognised.

### **5.3 Accounting for leases and assets subject to finance lease**

#### **Finance lease**

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are initially recognised at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss. The related rental obligations, net off finance cost, are included in liabilities against assets subject to finance lease.

Lease payments are allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to income over the lease term.

Assets acquired under a finance lease are depreciated in the same manner and at the same rates used for similar owned assets, so as to depreciate these assets over their estimated useful lives in view of certainty of ownership of these assets at the end of lease term. Depreciation of the leased assets is charged to income.

#### **Operating lease**

Leases where significant portion of the risk and rewards of ownership are retained by the lessor are classified as a operating lease. Payments made under operating lease are charged to the income on straight line basis over the period of lease.

### **5.4 Non-current assets classified as held for sale**

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are not depreciated once classified as held for sale. Assets classified as held for sale and liabilities directly associated with the assets classified as held for sale to be presented separately in the balance sheet. Any Impairment loss on reclassification is recognised in the profit and loss account and any gain on disposal is also recognised in profit and loss account.

## 5.5 Investments

### Regular way purchase or sale of investments

All purchases and sales of investments are recognised using trade date accounting. Trade date is the date that the Company commits to purchase or sell the investment.

### Investments in equity instruments of associated companies

Investments in associated companies are accounted for by using equity basis of accounting, under which the investments in associated companies are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Company's share of profit or loss of the associated companies after the date of acquisition. The Company's share of profit or loss of the associated companies is recognised in the Company's profit or loss. Distributions received from the associated companies reduce the carrying amounts of investments.

Adjustments to the carrying amounts are also made for changes in the Company's proportionate interest in the associated companies arising from changes in the associated companies' equity that have not been recognised in the associated companies' profit or loss. The Company's share of those changes is recognised directly in equity of the Company. Where Company's share of losses of associated companies equals or exceeds its interest in the associates, the Company discontinues recognising its share of further losses except to the extent that Company has incurred legal or constructive obligation or has made payment on behalf of the associates. If the associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profit equals the share of losses not recognised.

### Available for sale investments

These investments are initially measured at their fair value plus directly attributable transaction cost and at subsequent reporting dates, measured at fair values and gains or losses from changes in fair values other than impairment loss are recognised in other comprehensive income until disposal at which time these are recycled to profit or loss. Impairment loss on investments available for sale is recognised in the profit or loss.

### Other investments

Other investments like defence saving certificates are held to maturity. Interest is accrued on these investments according to the rate provided by the issuer.

Investments with fixed maturity that the management has the positive intent and ability to hold till maturity, are classified as 'held to maturity' and are initially measured at cost and at subsequent reporting dates measured at amortized cost using the effective yield method.

All investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

## 5.6 Long-term deposits

These are stated at cost which represents the fair value of consideration given.

## 5.7 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at lower of cost and net realizable value. Cost is determined by moving average method less provision for obsolescence. Items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

## 5.8 Stock-in-trade

These are valued at lower of cost and net realizable value except waste which is valued at net realizable value. Cost is determined as follows;

### Raw material

- |              |  |
|--------------|--|
| - in-hand    | Weighted average cost.   |
| - in-transit | Cost comprising invoice value plus other charges incurred thereon. |

**Finished goods and work-in-process** Raw material cost plus appropriate manufacturing overheads.

**Waste** Net realizable value.

Net realizable value signifies the estimated selling prices in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sales.

## 5.9 Staff retirement benefits - gratuity

The Company operates an unfunded gratuity scheme covering for all its permanent employees who have completed the minimum qualification period for entitlement to the gratuity.

Provision is made annually to cover the obligation on the basis of actuarial valuation and charged to income currently. Expense comprising of current service cost and interest cost is recorded in profit and loss account, whereas any re-measurements due to actuarial assumptions are charged to other comprehensive income as and when they arise.

## 5.10 Taxation

Income tax expense represents the sum of current tax payable, adjustments, if any, to provision for tax made in previous years arising from assessments framed during the year for such years and deferred tax.

### Current

Provision for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credit and tax rebates available, if any. The charge for current tax includes any adjustment to past years liabilities.

### Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the reporting date.

## 5.11 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognised and only disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

#### **5.12 Borrowing cost**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which they are incurred.

#### **5.13 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis;

- Local sales are recognised on dispatch of goods to customers and export sales are recognised on bill of lading date.
- Dividend income from the investments is recognised, when the Company's right to receive dividend has been established.
- Mark-up on loans to related parties and profit on saving accounts is accrued on time basis, by reference to the principal outstanding and at the effective profit rate applicable.

#### **5.14 Foreign currency translations**

Transactions in foreign currencies are translated into Pak Rupee, using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the reporting date. All arising exchange gains and losses are recognised in the profit and loss account.

#### **5.15 Financial instruments**

##### **Non-derivative financial assets**

The Company classifies non-derivative financial assets as available for sale (note 7.2), loans and other receivables. Loans and receivables comprise investments classified as loans and receivables, cash and cash equivalents and trade and other receivables.

##### **Trade debts, other receivables and other financial assets**

Trade debts and other receivables are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using effective interest method, less any impairment losses. Known bad debts are written off, when identified.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash-in-hand, cash with banks in current, saving and deposit accounts, bank overdraft and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

##### **Non-derivative financial liabilities**

The Company initially recognizes non-derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities comprise mark-up bearing borrowings including obligations under finance lease, bank overdrafts and trade and other payables.

### Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the balance sheet when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

#### 5.16 Impairment loss

The carrying amounts of the Company's assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account and in case revalued assets are tested for impairment, then impairment loss up to the extent of revaluation surplus shall be recognised in revaluation surplus and remaining loss, if any shall be recognised in profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

#### 5.17 Related party transactions

All transactions with related parties are carried out by the Company at arms' length price using the method prescribed under the Companies Act, 2017, (comparable uncontrolled price method) with the exception of loan taken from related parties which is interest / mark-up free.

#### 5.18 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

|  | Note | 2018<br>Rupees     | 2017<br>Rupees     |
|--|------|--------------------|--------------------|
| <b>6 PROPERTY, PLANT AND EQUIPMENT</b> |      |                    |                    |
| Property, plant and equipment          | 6.1  | <u>844,863,223</u> | <u>869,698,395</u> |

Note 6.1

Cost

|  | Owned assets  |                           |                     |             |                       |                   |                        |                         |                  |                        | Leased assets       |           |             | Total     |               |
|--|---------------|---------------------------|---------------------|-------------|-----------------------|-------------------|------------------------|-------------------------|------------------|------------------------|---------------------|-----------|-------------|-----------|---------------|
|  | Freehold land | Building on freehold land | Plant and machinery | Power house | Electric installation | Factory equipment | Air conditioning plant | Telephone installations | Office equipment | Furniture and fixtures | Arms and ammunition | Vehicles  | Power house |           | Vehicles      |
| Balance as at July 01, 2016            | 121,888,000   | 326,175,471               | 806,764,530         | 28,160,000  | 94,338,448            | 92,669,999        | 103,000,000            | 180,000                 | 4,842,384        | 4,378,524              | 6,230               | 7,312,065 | 60,000,000  | 6,156,000 | 1,655,851,621 |
| Addition during the year               |               |                           |                     |             |                       |                   |                        |                         |                  |                        |                     |           |             |           |               |
| Disposal                               |               |                           |                     |             |                       |                   |                        |                         |                  |                        |                     |           |             |           |               |
| Balance as at June 30, 2017            | 121,888,000   | 326,175,471               | 806,764,530         | 28,160,000  | 94,338,448            | 92,669,999        | 103,000,000            | 180,000                 | 4,842,384        | 4,378,524              | 6,230               | 7,312,065 | 60,000,000  | 4,994,000 | (1,662,000)   |
| Addition during the year               |               |                           |                     |             |                       |                   |                        |                         |                  |                        |                     |           |             |           |               |
| Disposal                               |               |                           |                     |             |                       |                   |                        |                         |                  |                        |                     |           |             |           |               |
| Balance as at June 30, 2018            | 121,888,000   | 326,175,471               | 806,764,530         | 28,160,000  | 94,338,448            | 92,669,999        | 103,000,000            | 180,000                 | 4,842,384        | 4,378,524              | 6,230               | 7,312,065 | 60,000,000  | 4,994,000 | 1,654,189,621 |
| Depreciation                           |               |                           |                     |             |                       |                   |                        |                         |                  |                        |                     |           |             |           |               |
| Balance as at July 01, 2016            |               | 30,658,851                | 68,349,370          | 3,744,117   | 15,181,351            | 28,457,249        | 31,667,330             | 150,703                 | 3,115,246        | 3,453,939              | 5,720               | 6,387,042 | 7,977,525   | 5,009,534 | 284,757,665   |
| Charge for the year                    |               | 6,632,119                 | 9,113,352           | 478,352     | 1,928,186             | 3,041,657         | 3,378,915              | 930                     | 172,714          | 92,493                 | 51                  | 64,999    | 1,019,216   | 229,293   | 26,152,277    |
| Depreciation on disposal               |               |                           |                     |             |                       |                   |                        |                         |                  |                        |                     |           |             |           |               |
| Balance as at June 30, 2017            |               | 37,290,970                | 77,462,722          | 4,222,469   | 17,109,537            | 31,498,906        | 35,046,265             | 151,633                 | 3,287,960        | 3,546,432              | 5,771               | 7,052,041 | 8,996,739   | 3,774,930 | (1,463,907)   |
| Balance as at July 01, 2017            |               | 37,290,970                | 77,462,722          | 4,222,469   | 17,109,537            | 31,498,906        | 35,046,265             | 151,633                 | 3,287,960        | 3,546,432              | 5,771               | 7,052,041 | 8,996,739   | 3,774,930 | 29,446,024    |
| Charge for the year                    |               | 6,466,316                 | 8,885,518           | 459,218     | 1,831,776             | 2,757,991         | 3,041,024              | 837                     | 155,442          | 83,343                 | 46                  | 51,999    | 978,447     | 143,816   | 24,035,173    |
| Depreciation on disposal               |               |                           |                     |             |                       |                   |                        |                         |                  |                        |                     |           |             |           |               |
| Rate of depreciation                   |               | 2.5%                      | 2.5%                | 4%          | 5%                    | 10%               | 10%                    | 10%                     | 10%              | 10%                    | 10%                 | 20%       | 4%          | 20%       |               |
| Balance as at June 30, 2018            |               | 43,757,286                | 86,348,240          | 4,681,687   | 18,941,313            | 34,256,897        | 38,087,289             | 152,470                 | 3,443,402        | 3,629,835              | 5,817               | 7,104,040 | 9,975,186   | 3,918,736 | 254,261,197   |
| Impairment                             |               |                           |                     |             |                       |                   |                        |                         |                  |                        |                     |           |             |           |               |
| Balance as at June 30, 2016            |               | 30,251,879                | 373,881,093         | 12,457,083  | 40,597,283            | 33,796,184        | 37,543,500             |                         |                  |                        |                     |           | 26,542,080  |           | 558,045,202   |
| Charge for the year                    |               |                           |                     |             |                       |                   |                        |                         |                  |                        |                     |           |             |           |               |
| Balance as at June 30, 2017            |               | 30,251,879                | 373,881,093         | 12,457,083  | 40,597,283            | 33,796,184        | 37,543,500             |                         |                  |                        |                     |           | 26,542,080  |           | 558,045,202   |
| Charge for the year                    |               |                           |                     |             |                       |                   |                        |                         |                  |                        |                     |           |             |           |               |
| Balance as at June 30, 2018            |               | 30,251,879                | 373,881,093         | 12,457,083  | 40,597,283            | 33,796,184        | 37,543,500             |                         |                  |                        |                     |           | 26,542,080  |           | 558,045,202   |
| Written down value as at June 30, 2017 | 121,888,000   | 258,652,622               | 353,420,715         | 11,489,448  | 36,665,228            | 27,574,909        | 30,310,235             | 8,367                   | 1,554,424        | 832,432                | 459                 | 259,994   | 24,461,181  | 719,680   | 869,698,395   |
| Written down value as at June 30, 2018 | 121,888,000   | 252,186,336               | 346,535,197         | 11,021,230  | 34,800,752            | 24,637,413        | 27,589,211             | 7,550                   | 1,398,962        | 749,188                | 413                 | 247,006   | 24,461,181  | 719,680   | 869,698,395   |

Written down value as at June 30, 2017

Written down value as at June 30, 2018

|   | Note | 2018<br>Rupees    | 2017<br>Rupees    |
|---|------|-------------------|-------------------|
| <b>6.2 Depreciation charge has been allocated as follows;</b> |      |                   |                   |
| Cost of sales   |      | 24,400,673        | 25,592,778        |
| Administrative expenses                                       |      | 434,500           | 559,499           |
|   |      | <u>24,835,173</u> | <u>26,152,277</u> |

6.3 The Company revalued its freehold land, buildings on freehold land, plant and machinery, power house, electric installation, factory equipment, air conditioning plant and leased power house on June 30, 2012. Had the property, plant and equipment been recognised under the cost model, the carrying amount of each revalued class of property, plant and equipment would have been as follows;

|                            | Note | 2018<br>Rupees     | 2017<br>Rupees     |
|----------------------------|------|--------------------|--------------------|
| <b>Owned assets</b>        |      |                    |                    |
| Freehold land              |      | 3,180,032          | 3,180,032          |
| Buildings on freehold land |      | 56,277,234         | 57,720,240         |
| Plant and machinery        |      | 235,143,045        | 241,172,354        |
| Power house                |      | 17,361,345         | 18,084,734         |
| Electric installation      |      | 27,903,860         | 29,372,484         |
| Factory equipment          |      | 9,244,162          | 10,271,291         |
| Air conditioning plant     |      | 363,468            | 403,853            |
|                            |      | <u>349,473,146</u> | <u>360,204,988</u> |
| <b>Leased assets</b>       |      |                    |                    |
| Power house                |      | 24,685,359         | 25,713,916         |
|                            |      | <u>374,158,505</u> | <u>385,918,904</u> |

## 7 LONG-TERM INVESTMENTS

|   |     |                   |                   |
|---|-----|-------------------|-------------------|
| Investment in associate - under equity method | 7.1 | -                 | -                 |
| Other investments - available for sale        | 7.2 | -                 | -                 |
| Defence saving certificates                   | 7.3 | 19,466,439        | 17,357,499        |
|   |     | <u>19,466,439</u> | <u>17,357,499</u> |

### 7.1 Investments in associates - under equity method

#### Quoted companies

|                                |       |          |          |
|--------------------------------|-------|----------|----------|
| Gulshan Spinning Mills Limited | 7.1.1 | -        | -        |
|                                |       | <u>-</u> | <u>-</u> |

#### 7.1.1 Gulshan Spinning Mills Limited (GSML)

10,303 (2017: 10,303) ordinary shares of Rs. 10 each - cost

Equity held 0.046% (2017: 0.046%)

Accumulated share of post acquisition loss

Share of surplus on revaluation of property, plant and equipment

Impairment charged on investment

Opening balance

Charged / (adjusted) in the year

Carrying value of shares

|  |                  |                  |
|--|------------------|------------------|
|  | 238,887          | 238,887          |
|  | (1,133,913)      | (1,133,913)      |
|  | 1,146,108        | 1,146,108        |
|  | 12,195           | 12,195           |
|  | <u>251,082</u>   | <u>251,082</u>   |
|  | (251,082)        | (251,082)        |
|  | -                | -                |
|  | <u>(251,082)</u> | <u>(251,082)</u> |
|  | -                | -                |

The impairment charge represents the writing down of the carrying value of the investment to its recoverable amount in accordance with the International Accounting Standard (IAS 36, Impairment of Assets). The recoverable amount is the higher of fair value less cost to sell or the value in use. The recoverable amount has been calculated as the value in use which equates to Rs. nil (2017: Rs. nil) per share aggregating to Rs. nil (2017: Rs. nil) after considering the Company's share of present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment as opposed to the fair value less cost to sell. Principal assumptions and critical judgements regarding the valuation of the investment have been discussed in note 41 of the financial statements.

The market value of investment in Gulshan Spinning Mills Limited is Rs. nil (2017: Rs. nil) as the equity of the company is negative.

7.1.2 Summarized financial information of the associated company as at June 30, 2018, based on unaudited financial statements is as follows;

|   | Note  | 2018<br>Rupees | 2017<br>Rupees |
|---|-------|----------------|----------------|
| <b>Gulshan Spinning Mills Limited</b>             |       |                |                |
| Liabilities                                       |       | 2,557,565,397  | 2,656,978,479  |
| Assets  |       | 2,557,565,397  | 2,656,978,479  |
| Revenue   |       | -              | 15,332,888     |
| Loss after tax                                    |       | 36,553,711     | 26,735,446     |
| <b>7.2 Other investments - available for sale</b> |       |                |                |
| Gulistan Textile Mills Limited                    | 7.2.1 | -              | -              |
| Gulshan Weaving Mills Limited                     | 7.2.2 | -              | -              |
|   |       | -              | -              |
| <b>7.2.1 Gulistan Textile Mills Limited</b>       |       |                |                |
| Opening balance                                   |       | -              | -              |
| Fair value adjustment                             |       | -              | -              |
|   |       | -              | -              |

The market value of investment in Gulistan Textile Mills Limited as at year end is not available as trading in shares of the company has been suspended on the stock exchanges for the time being. The fair value adjustment is computed on the basis of latest available rates pertaining to June 30, 2013.

|  | Note | 2018<br>Rupees | 2017<br>Rupees |
|--|------|----------------|----------------|
| <b>7.2.2 Gulshan Weaving Mills Limited</b> |      |                |                |
| Opening balance                            |      | -              | -              |
| Fair value adjustment                      |      | -              | -              |
|  |      | -              | -              |

7.3 It represents investment in defence saving certificate purchased from the Government of Pakistan under ten years maturity scheme. The certificates are encashable at par at any time. However, no profit is paid if encashment is made before completion of one year. It carries effective rate of return 12.15% percent per annum. The certificates of investments are under lien regarding guarantees provided by various financial institutions.

|                                  | Note | 2018<br>Rupees   | 2017<br>Rupees   |
|----------------------------------|------|------------------|------------------|
| <b>8 LONG-TERM DEPOSITS</b>      |      |                  |                  |
| Lease key money                  | 8.1  | 3,038,662        | 3,038,662        |
| Other security deposits          | 8.2  | 2,061,925        | 2,061,925        |
|                                  |      | 5,100,587        | 5,100,587        |
| Less: transfer to current assets | 13   | (3,038,662)      | (3,038,662)      |
|                                  |      | <u>2,061,925</u> | <u>2,061,925</u> |

8.1 These are interest-free deposits given to various leasing companies, modarabas and banking companies. As detailed in note 29.1.1 of the financial statements that the Company is in litigation with several banking companies and financial institutions and due to the pending litigations, but without prejudice to the Company's stance in the said litigations, the Company's financial arrangements with the banking companies and financial institutions are disputed and in line with the provisions of International Accounting Standard on Presentation of Financial Statements (IAS - 1), all liabilities under these lease agreements have been classified as current liabilities. Based on the above mentioned fact, lease deposits amounting Rs. 3.038 million relating to the lease liabilities have also been presented under the current assets. Due to on-going litigations the confirmation from financial institutions have not been received.

8.2 These are interest-free refundable deposits and are not receivable in the next year.

|  | Note | 2018<br>Rupees    | 2017<br>Rupees    |
|--|------|-------------------|-------------------|
| <b>9 STORES, SPARE PARTS AND LOOSE TOOLS</b> |      |                   |                   |
| Stores                                       |      | 7,808,531         | 7,808,531         |
| Spare parts                                  |      | 4,166,097         | 4,166,097         |
| Loose tools                                  |      | 656,857           | 656,857           |
|  |      | 12,631,485        | 12,631,485        |
| Less: provision for obsolete stores          |      | (10,080,495)      | (9,230,165)       |
|  |      | <u>2,550,990</u>  | <u>3,401,320</u>  |
| <b>10 STOCK-IN-TRADE</b>                     |      |                   |                   |
| Raw material                                 | 10.1 | 43,644,278        | 58,192,370        |
| Finished goods                               | 10.2 | 8,735,265         | 11,647,020        |
| Waste  |      | -                 | 403,203           |
|  |      | <u>52,379,543</u> | <u>70,242,593</u> |

10.1 Raw material stock costing Rs. 58,192,370 (2017: Rs. 77,589,827) has been written down at their replacement cost of Rs. 43,644,277 (2017: Rs. 58,192,370). The amount charged to profit and loss in respect of stock written down to their replacement cost is Rs. 14,548,093 (2017: Rs. 19,397,457).

10.2 Finished goods costing Rs. 11,647,020 (2017: Rs. 15,529,360) has been written down at their net realizable value of Rs. 8,735,265 (2017: Rs. 11,647,020). The amount charged to profit and loss in respect of stocks written down to their net realizable value Rs. 2,911,755 (2017: Rs. 3,882,340).

10.3 All of the current assets of the Company are under banks' charge as security of short-term borrowings (note 26.1). The Company filed a global suit in the Lahore High Court against all banks / financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001. Further various banks and financial institutions have also filed suits before Banking Court, Sindh High Court and Lahore High Court for recovery of their financial liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties as fully explained in note 29.1.1.

|  | Note | 2018<br>Rupees   | 2017<br>Rupees   |
|--|------|------------------|------------------|
| <b>11 TRADE DEBTS - unsecured</b>  |      |                  |                  |
| <b>Considered good</b>   |      |                  |                  |
| Processing party   |      | 598,178          | 5,383,778        |
| <b>Considered doubtful</b>   |      |                  |                  |
| Yarn debtors   |      | 3,170,292        | 4,231,897        |
|  |      | 3,768,470        | 9,615,675        |
| Provision for doubtful debts   |      | (219,637)        | (219,637)        |
|  |      | <u>3,548,833</u> | <u>9,396,038</u> |
| <b>12 LOANS AND ADVANCES - unsecured and considered good</b>   |      |                  |                  |
| Advances to non-executive staff  |      | -                | 104,004          |
| <b>13 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>  |      |                  |                  |
| Short-term prepayments   |      | 891,655          | 1,021,741        |
| Current portion of long-term deposits  | 8.1  | 3,038,662        | 3,038,662        |
| Other receivables  | 13.1 | 456,097          | 456,097          |
|  |      | <u>4,386,414</u> | <u>4,516,500</u> |
| 13.1 This represents receivable from Gulistan Textile Mills Limited, ex-associated company, on account of sale of fixed assets amounting to Rs. 456,097 (2017: Rs. 456,097).   |      |                  |                  |
| <b>14 ACCRUED MARK-UP / INTEREST</b>   |      |                  |                  |
| Interest accrued on;   |      |                  |                  |
| - PLS term deposits  |      | 349,994          | 349,994          |
| During the year Company has not charged any profit on term deposits because these are under lien regarding guarantees provided by various financial institutions and carry mark-up ranging from 5.6% to 10.50% per annum (2017: 5.6% to 10.50% per annum). |      |                  |                  |
| <b>15 TAX REFUNDS DUE FROM GOVERNMENT</b>  |      |                  |                  |
| Export rebate  |      | 556,681          | 556,681          |
| Sales tax  |      | 6,050,686        | 6,050,674        |
| Advance income tax   | 15.1 | -                | -                |
|  |      | <u>6,607,367</u> | <u>6,607,355</u> |
| <b>15.1 Advance income tax</b>   |      |                  |                  |
| Opening balance  |      | -                | -                |
| Deducted during the year   |      | -                | 760              |
|  |      | -                | 760              |
| Adjusted against provision for taxation  | 28   | -                | (760)            |
| Closing balance  |      | -                | -                |
| <b>16 CASH AND BANK BALANCES</b>   |      |                  |                  |
| Cash-in-hand   |      | 1,500            | 1,500            |
| Balance with banks in;   |      |                  |                  |
| - current accounts   |      | 1,689,585        | 2,085,780        |
| - saving accounts  |      | 52,687           | 52,687           |
| - certificates of deposit  | 16.2 | 4,362,370        | 4,362,370        |
|  |      | <u>6,106,142</u> | <u>6,502,337</u> |

16.1 Majority of the Company's bank accounts operations have been blocked by the respective banks due to on-going litigations with these banks as detailed in note 29.1.1 to the financial statements. Further, due to the litigation and blockage of bank accounts, bank statements and balance confirmation for the year ended June 30, 2018 from various banks having balances aggregating to Rs. 6,104,642 (2017: Rs. 6,391,729) is not available to ensure balances held with these banks.

16.2 These are under lien regarding guarantees provided by various financial institutions and carry mark-up ranging from 5.6% to 10.50% (2017: 5.6% to 10.50%) per annum.

## 17 SHARE CAPITAL

| 2018<br>Numbers   | 2017<br>Numbers   |   | 2018<br>Rupees     | 2017<br>Rupees     |
|-------------------|-------------------|---|--------------------|--------------------|
| <u>15,000,000</u> | <u>15,000,000</u> | <b>Authorized share capital</b>                             | <u>150,000,000</u> | <u>150,000,000</u> |
|                   |                   | Ordinary shares of Rs. 10 each                              |                    |                    |
|                   |                   | <b>Issued, subscribed and paid-up capital</b>               |                    |                    |
| 6,838,330         | 6,838,330         | Ordinary shares of Rs. 10 each issued as fully paid in cash | 68,383,300         | 68,383,300         |
| 7,802,670         | 7,802,670         | Ordinary shares of Rs. 10 each issued as fully bonus shares | 78,026,700         | 78,026,700         |
| <u>14,641,000</u> | <u>14,641,000</u> |   | <u>146,410,000</u> | <u>146,410,000</u> |

### 17.1 Ordinary shares held by the related party at the year end:

Paramount Spinning Mills Limited

| Note | 2018<br>Number | 2017<br>Number |
|------|----------------|----------------|
|      | <u>202,777</u> | <u>202,777</u> |

## 18 RESERVES

### Capital reserve

Share premium

Un-realised loss on re-measurement of available for sale investment

| Note | 2018<br>Rupees    | 2017<br>Rupees    |
|------|-------------------|-------------------|
| 18.1 | 25,000,000        | 25,000,000        |
|      | (16,832)          | (16,832)          |
|      | <u>24,983,168</u> | <u>24,983,168</u> |

18.1 This represents share premium received on 5,000,000 ordinary shares of Rs. 10 each issued in 1994 at a premium of Rs. 5 per share.

## 19 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Balance at the beginning of the year

Transfer to unappropriated profit in respect of incremental depreciation on;

- surplus on revaluation of property, plant and equipment

- related deferred tax liability

Surplus on revaluation at the end of the year - gross

Related deferred tax liabilities on:

- revaluation at the beginning of the year

- incremental depreciation on revalued assets

- effect of change of rate enacted

Surplus on revaluation at the end of the year - net of tax

| Note | 2018<br>Rupees     | 2017<br>Rupees     |
|------|--------------------|--------------------|
| 19.1 | 484,832,494        | 498,533,641        |
|      | (9,199,100)        | (9,590,803)        |
|      | (3,757,379)        | (4,110,344)        |
|      | (12,956,479)       | (13,701,147)       |
|      | 471,876,015        | 484,832,494        |
|      | 127,468,496        | 131,578,840        |
|      | (3,757,379)        | (4,110,344)        |
|      | (3,629,495)        | -                  |
|      | 120,081,622        | 127,468,496        |
|      | <u>351,794,393</u> | <u>357,363,998</u> |

19.1 This represents surplus over book values resulting from the revaluation of property, plant and equipment (free hold land) carried out on June 30, 2006, December 31, 2008 and February 03, 2009 by an independent valuer "Consultancy Support and Services". Further, the Company has incorporated a surplus on revaluation amounting to Rs. 1,108,315,411 on freehold land, building on freehold land, plant and machinery and power house, electric installation, factory equipment, air conditioner and leased hold power house based on valuation report by an independent valuer "Maricon Consultants (Private) Limited" in the year ended June 30, 2012. The valuation was based on fair value.

|   | Note | 2018<br>Rupees       | 2017<br>Rupees       |
|---|------|----------------------|----------------------|
| <b>20 SUB-ORDINATED LOAN - unsecured</b>  |      |                      |                      |
| Sub-ordinated loan  |      | <u>103,000,000</u>   | <u>103,000,000</u>   |
| This is an interest-free loan obtained from Director of the Company in previous years, This loan is subordinated to the finances provided by secured creditors and does not carry mark-up. The loan shall not be repaid without obtaining consent from the secured creditors. During the year ended June 30, 2015 this loan has been reclassified in equity as per technical release (TR-32) of the Institute of Chartered Accountants of Pakistan (ICAP).  |      |                      |                      |
|   | Note | 2018<br>Rupees       | 2017<br>Rupees       |
| <b>21 LONG-TERM FINANCING</b>   |      |                      |                      |
| <b>From banking company - secured</b>   |      |                      |                      |
| Faysal Bank Limited   | 21.1 | -                    | -                    |
| <b>From financial institution company - secured</b>   |      |                      |                      |
| PAIR Investment Company Limited   | 21.2 | -                    | -                    |
| <b>From related party - unsecured</b>   |      |                      |                      |
| Gulistan Fibres Limited   | 21.5 | -                    | -                    |
|   |      | <u>-</u>             | <u>-</u>             |
| <b>21.1 Faysal Bank Limited</b>   |      |                      |                      |
| Balance at beginning of the year  |      | 21,428,572           | 21,428,572           |
| Less: current portion:  |      |                      |                      |
| - over due instalments  |      | <u>(21,428,572)</u>  | <u>(21,428,572)</u>  |
| Balance at end of the year  |      | <u>-</u>             | <u>-</u>             |
| The short-term borrowing of the Company were converted into long-term finance loan of Rs. 30 million from Faysal Bank Limited during the financial year ended June 30, 2012. The loan was repayable in 4 years in 7 equal semi-annual instalments including the grace period of six month commencing from July 30, 2012. It is secured by way of demand promissory note of Rs. 48,757,339, first pari passu equitable mortgage and hypothecation charge on fixed assets of Company and memorandum of constructive deposit of title deeds amounting to Rs.100.00 million. As an additional security measure the Sponsors/Directors loans was subordinated via formal subordination agreement. The loan carries mark-up at the rate of 3 month KIBOR plus 2.5% per annum payable quarterly. The charge is commonly shared for short-term borrowing also as detailed in note 26.1. |      |                      |                      |
|   | Note | 2018<br>Rupees       | 2017<br>Rupees       |
| <b>21.2 PAIR Investment Company Limited</b>   |      |                      |                      |
| Balance at beginning of the year  |      | 150,000,000          | 150,000,000          |
| Less: current portion:  |      |                      |                      |
| - over due instalments  |      | <u>(150,000,000)</u> | <u>(150,000,000)</u> |
| Balance at end of the year  |      | <u>-</u>             | <u>-</u>             |

During the year ended June 30, 2012, the Company obtained long-term facility of Rs. 150.00 million from PAIR Investment Company Limited (formerly Pak Iran Joint Investment Company Limited) for the debt swap and balancing, modernizing and replacement (BMR). The said loan was repayable in 5 year, in 16 equal quarterly instalments including the grace period of 12 months commencing from June 30, 2013. The long-term facility carries mark-up at rate of 3 month KIBOR plus 350 bps.

The loan is secured by way of letter of hypothecation of Rs 467.00 million inclusive of margin of 25% over fixed asset of the Company and a letter of hypothecation of Rs. 267.00 million over current assets of the Company in favour of PAIR. These charges shall be subordinated to the existing charges created in favour of the existing creditors. The charge over the fixed assets shall be upgraded to pari passu charge ranking pari passu with the charges created in favour of the existing creditor within 90 day of the date of first draw down.

- 21.3 The Company filed a suit in the Honorable Lahore High Court against all banks / financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for rendition of accounts and damages and lending banks have also filed suits before different high courts for recovery of their long-term and short-term liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties as fully disclosed in note 29.1.1. Due to these litigations, year-end confirmations amounting to Rs. 150.00 million from all lenders have not been received.
- 21.4 Due to the above mentioned litigations, the Company's financial arrangements with these banking companies are disputed and these liabilities have become payable on demand, so the entire amount of long-term finance has been grouped in current portion of non-current liabilities in accordance with the requirements of International Accounting Standard (IAS-1) 'Financial Statement Presentation'.

|                                     | Note | 2018<br>Rupees | 2017<br>Rupees |
|-------------------------------------|------|----------------|----------------|
| <b>21.5 Gulistan Fibres Limited</b> |      |                |                |
| Balance at beginning of the year    |      | 74,818,341     | 74,818,341     |
| Less: current portion:              |      |                |                |
| - over due instalments              |      | (74,818,341)   | (74,818,341)   |
| Balance at end of the year          |      | -              | -              |

This loan has been created in accordance with the settlement agreement and agreement to sell dated December 30, 2013 executed between Silk Bank Limited (the Lender), Gulshan Spinning Mills Limited (an associated company), Paramount Spinning Mills Limited (an associated company), Gulistan Fibres Limited (an associated company) and the Company. As per these agreements, short-term borrowings and outstanding bills payables aggregating Rs. 99.00 million of the Company have been adjusted by the Lender against mortgaged property of the Gulistan Fibres Limited, under the debt-property swap arrangement.

This loan is unsecured and was repayable within period of two years from the date of creation i.e. April 18, 2014. This loan carries mark-up at the rate of 3 months KIBOR plus 2% plus 50 bps.

|   | Note | 2018<br>Rupees | 2017<br>Rupees |
|---|------|----------------|----------------|
| <b>22 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b> |      |                |                |
| Balance at the beginning of year                              |      | 14,687,728     | 15,287,209     |
| Less: payments made during the year                           |      | -              | (599,481)      |
|   |      | 14,687,728     | 14,687,728     |
| Less: current portion;  |      |                |                |
| - overdue instalment  | 22.2 | (14,687,728)   | (14,687,728)   |
| Balance at end of the year                                    |      | -              | -              |

- 22.1 The Company had acquired plant and machinery and vehicles under finance lease arrangements from leasing companies, modaraba and banks. These liabilities, during the year, were subject to finance cost at the rates ranging from 7.00% to 16.77% (2017: 7.00% to 16.77%) per annum. The Company intends to exercise its option to purchase the leased assets upon completion of the lease term. The lease finance facilities are secured against title of the leased assets in the name of lessors.
- 22.2 The Company filed a suit in the Honorable Lahore High Court against all banks / financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001. Further, various lessors have also filed suits before banking court and the Honorable High Court of Sindh for recovery of lease finance through attachment and sale of charged properties as fully disclosed in note 29.1.1. Due to these litigations, year-end confirmations from all lessors have not been received.
- 22.3 Due to the facts explained in note 22.2 above, the entire amounts of the lease finances have become payable on demand, therefore, the amount of future finance cost is not ascertainable as at June 30, 2018 and June 30, 2017. The disclosures of future minimum lease payments is prepared according to existing repayment schedules and provided only to comply with the disclosure requirement of IAS - 17 'Leases'. According to the existing repayment schedules, the future minimum lease payments under these lease finance agreements are due as follows;

|  | 2018                   |                                    |   | 2017                   |                                    |   |
|--|------------------------|------------------------------------|---|------------------------|------------------------------------|---|
|  | Minimum lease payments | Finance charges for future periods | Present value of minimum lease payments | Minimum lease payments | Finance charges for future periods | Present value of minimum lease payments |
|  | Rupees                 |                                    |   | Rupees                 |                                    |   |
| Payable within one year                              | 15,599,823             | 912,095                            | 14,687,728                              | 15,599,823             | 912,095                            | 14,687,728                              |
| Payable after one year but not later than five years | -                      | -                                  | -                                       | -                      | -                                  | -                                       |
|  | <u>15,599,823</u>      | <u>912,095</u>                     | <u>14,687,728</u>                       | <u>15,599,823</u>      | <u>912,095</u>                     | <u>14,687,728</u>                       |

|   | Note | 2018<br>Rupees      | 2017<br>Rupees      |
|---|------|---------------------|---------------------|
| <b>23 DEFERRED LIABILITIES</b>  |      |                     |                     |
| Deferred taxation   | 23.1 | <u>128,178,268</u>  | <u>142,373,142</u>  |
| <b>23.1 Deferred taxation</b>   |      |                     |                     |
| The net liability for deferred taxation comprises timing differences relating to; |      |                     |                     |
| <b>Taxable temporary differences (deferred tax liabilities)</b>                   |      |                     |                     |
| Accelerated tax depreciation - owned assets                                       |      | 81,120,865          | 83,935,526          |
| Surplus on property, plant and equipment  |      | 101,575,401         | 108,884,851         |
| Assets subject to finance lease   |      | 6,976,819           | 7,554,078           |
| <b>Deductible temporary differences (deferred tax assets)</b>                     |      |                     |                     |
| Staff retirement benefits - gratuity  |      | (148,408)           | (153,525)           |
| Provisions and allowances   |      | (57,086,968)        | (53,441,470)        |
| Liabilities against assets subject to finance lease                               |      | (4,259,441)         | (4,406,318)         |
|   |      | <u>128,178,268</u>  | <u>142,373,142</u>  |
| Opening balance   |      | 142,373,142         | 158,650,919         |
| Charged / adjusted during the year  |      |                     |                     |
| - Origination/reversal of temporary differences                                   |      | 9,449,103           | 11,160,005          |
| - Effect of change of rate enacted  |      | 4,745,771           | 5,117,772           |
|   |      | <u>(14,194,874)</u> | <u>(16,277,777)</u> |
| Closing balance   |      | <u>128,178,268</u>  | <u>142,373,142</u>  |

Deferred tax asset in respect of the unused tax losses amounting Rs. 302,975,652 (2017: Rs. 234,916,312) has not been recognised in these financial statements, being prudent. The management of the Company is of view that recognition of deferred tax asset will be reassessed as at June 30, 2018.

|                                    | Note | 2018<br>Rupees     | 2017<br>Rupees     |
|------------------------------------|------|--------------------|--------------------|
| <b>24 TRADE AND OTHER PAYABLES</b> |      |                    |                    |
| Creditors                          | 24.1 | 163,784,624        | 172,084,623        |
| Foreign bills payable              | 24.2 | 57,087,619         | 57,087,619         |
| Advance from related parties       | 24.4 | 48,071,401         | 47,292,601         |
| Advance from processing party      |      | 2,023,857          | 2,023,857          |
| Accrued liabilities                | 24.3 | 7,275,764          | 7,625,653          |
| Gratuity payable                   | 24.5 | 511,751            | 511,751            |
| Unclaimed dividend                 |      | 619,529            | 619,529            |
| Tax deducted at source             |      | 64,714             | 64,714             |
| Other payable                      |      | 150,781,500        | 147,668,526        |
|                                    |      | <u>430,220,759</u> | <u>434,978,873</u> |

24.1 Creditors include Rs. 110,830,493 (2017: Rs. 110,830,493) against local LC payable. These amounts are overdue and under litigation with banking companies / financial institutions as disclosed in note 29.1.1. Financial institutions have not provided the confirmation of Rs. 110,830,493 (2017: Rs. 110,830,493) despite of repeated requests.

24.2 The amount is denominated in US dollar. The outstanding amount as at June 30, 2018 is US \$ 546,293 (2017: US \$ 546,293) aggregating to Rs. 57,087,619 (2017: Rs. 57,087,619). These amounts are overdue and under litigation with banking companies / financial institutions as disclosed in note 29.1.1. Financial institutions have not provided the confirmation despite of repeated requests.

24.3 Accrued liabilities includes the amount of Electric duty payable amounting to Rs. 1,906,625 (2017: Rs. 1,906,625). The Company has obtained stay order from the Honourable Lahore High Court against the payment of electric duty to LESCO as detailed in note 29.1.3.

24.4 Advance from related parties include advances received from;

|                                     | Note | 2018<br>Rupees    | 2017<br>Rupees    |
|-------------------------------------|------|-------------------|-------------------|
| Gulshan Spinning Mills Limited,     |      | 46,590,280        | 45,811,480        |
| Paramount Spining Mills Limited and |      | 558,836           | 558,836           |
| Mr. Tanveer Ahmed                   |      | 922,285           | 922,285           |
|                                     |      | <u>48,071,401</u> | <u>47,292,601</u> |

24.5 Gratuity payable

**24.5.1 Movement in the net liability recognised  
in the balance sheet**

|  |                |                |
|--|----------------|----------------|
| Net liability at beginning of the year | 511,751        | 708,861        |
| Benefits paid during the year          | -              | (197,110)      |
| Closing net liability                  | <u>511,751</u> | <u>511,751</u> |

**25 ACCRUED MARK-UP / INTEREST**

Mark-up / interest accrued on :

|   |      |                   |                   |
|---|------|-------------------|-------------------|
| - long-term financing from banking companies          | 25.1 | -                 | -                 |
| - long-term financing from associated undertaking     | 25.2 | 16,923,158        | 16,923,158        |
| - liabilities against assets subject to finance lease | 25.1 | -                 | -                 |
| - short-term borrowings                               | 25.1 | -                 | -                 |
| - payables to associated undertaking                  | 25.3 | 22,855,237        | 22,855,237        |
|   |      | <u>39,778,395</u> | <u>39,778,395</u> |

25.1 During the year ended June 30, 2018, the Company has not provided mark-up / interest on its long-term finances, lease finances and short-term borrowings to the extent of Rs. 15.53 million, Rs. 0.149 million and Rs. 107.17 million respectively (2017: 15.53 million, Rs. 0.114 million and Rs. 105.711 million respectively) due to pending litigations with the financial institutions as detailed in note 29.1.1.

Further, as detailed in note 1.3, the management is in the process of finalisation of restructuring of its debts and as per indicative restructuring term sheet total accrued and outstanding mark-up due / payable till June 30, 2014 will be repaid on quarterly basis over a period of 2 years immediately after the completion of repayment term of principal i.e. 8 years. Un-provided mark-up / interest upto the balance sheet date aggregate to Rs. 943.25 million (2017: Rs. 820.40 million). This non-provisioning is in contravention with the requirements of IAS 23 - Borrowing Costs. The exact amount of un-provided mark-up / interest could not be ascertained because of non-availability of relevant information and documents due to on-going litigations with banks and financial institutions.

25.2 This amount represents mark-up payable to Gulistan Fibres Limited, an associated company, on long-term loan as per note 21.5

25.3 This represents amount of mark-up payable to associated undertakings on balances due over the normal credit terms. The mark-up is charged on the basis of average borrowing rate of the lender, effective rate of 8.10% (2017: 8.10).

|   | Note | 2018<br>Rupees       | 2017<br>Rupees       |
|---|------|----------------------|----------------------|
| <b>26 SHORT-TERM BORROWINGS</b>                         |      |                      |                      |
| From banking companies and other financial institutions |      |                      |                      |
| Short-term borrowings - secured                         | 26.1 | 1,144,495,742        | 1,144,495,742        |
| Bank overdraft  | 26.2 | 623,923              | 631,963              |
|   |      | <u>1,145,119,666</u> | <u>1,145,127,705</u> |

26.1 The Company had obtained aggregate borrowing facilities of Rs. 1,307.00 million (2017: Rs. 1,307.00 million). Short-term borrowing are secured against charge of stocks with a margin of 10% to 25%, hypothecation, moveable and trade debts, work-in-process, stores, lien on export bills receivable, charge against fixed assets, current assets of the Company and personal guarantees of some of the directors. These carried mark-up at the rate of 11.29% to 12.40% (2017: 11.29% to 12.40%) per annum payable quarterly.

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

26.3 The abovementioned balances are against expired finance facilities and have not been renewed by the respective banks / financial institutions. These banks and financial institutions have filed suits before different civil courts, banking courts and high courts for recovery of their financial liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The Company had also filed a suit in the Honorable Lahore High Court for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs as more fully detailed in note 29.1.1.

26.4 Year end balance confirmations aggregating Rs. 1,145,119,666 (2017: Rs. 1,145,127,705) of the lending banks / financial institutions have not been received due to above-mentioned litigation with them. Further, due to these litigations, bank statements for current financial year from all banks / financial institutions were also not available to ensure year end balances of these finance facilities.

|  | Note | 2018<br>Rupees     | 2017<br>Rupees     |
|--|------|--------------------|--------------------|
| <b>27 CURRENT PORTION OF NON-CURRENT LIABILITIES</b> |      |                    |                    |
| Long-term finances                                   |      |                    |                    |
| Faysal Bank Limited                                  | 21.1 | 21,428,572         | 21,428,572         |
| PAIR Investment Company Limited                      | 21.2 | 150,000,000        | 150,000,000        |
| Gulistan Fibres Limited                              | 21.5 | 74,818,341         | 74,818,341         |
| Liabilities against assets subject to finance lease  | 22   | 14,687,728         | 14,687,728         |
|  |      | <u>260,934,641</u> | <u>260,934,641</u> |
| <b>28 PROVISION FOR TAXATION</b>                     |      |                    |                    |
| Opening balance                                      |      | 5,068,299          | 5,069,059          |
| Provided during the year                             |      | -                  | -                  |
|  |      | <u>5,068,299</u>   | <u>5,069,059</u>   |
| Tax adjusted   |      | -                  | (760)              |
| Closing balance                                      |      | <u>5,068,299</u>   | <u>5,068,299</u>   |

## 29 CONTINGENCIES AND COMMITMENTS

### 29.1 Contingencies

#### 29.1.1 Liabilities towards banks and financial institutions disclosed in note 21, 22, 24, 25 and 26

(a) Various banks and financial institutions have filed recovery suits before the banking courts, the Honourable High Court of Sindh and the Honourable Lahore High Court for recovery of their long-term and short-term liabilities and lease liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The aggregate amount of these claims is Rs. 1,862.081 million (2017: Rs. 1,862.081 million).

The management is strongly contesting the above mentioned suits on the merits as well as cogent factual and legal grounds available to the Company under the law. Since, all the cases are pending before various Courts therefore the ultimate outcome of these cases can not be established. Among all the case referred above, the most notables cases by or against the Company are explained in the following sub-notes.

(b) The Company filed a global suit in the Honourable Lahore High Court (LHC) against all banks / financial institutions under Section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 (the Ordinance) for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs. The Lahore High Court vide its interim order dated October 25, 2012 ordered not to disturb the present position of current assets and fixed assets of the Company and no coercive action shall be taken against the Company. The Lahore High Court through its order dated September 11, 2013 dismissed the case on legal grounds. The Company filed appeal before Divisional Bench of the Lahore High Court against the above-mentioned order. The Divisional Bench passed an order, dated November 27, 2013, that respondent banks will not liquidate the Company's assets and operation of impugned judgement and decree dated September 11, 2013 will remain suspended meanwhile.

29.1.2 The Company has not provided for Rs. 6.8 million (2017: Rs. 6.8 million) in respect of infrastructure cess levied by the Government of Sindh. The case was decided against the Company by a single judge of the Honourable Sindh High Court. The decision was challenged before a bench of same High Court and stay for collection of cess was allowed. The Honourable High Court of Sindh decided the case by declaring that the levy and collection of infrastructure fee prior to December 28, 2006 was illegal and ultra vires and after that it was legal. The Company filed an appeal in the Honourable Supreme Court of Pakistan against the above-mentioned judgement of the Honourable High Court of Sindh. Further, the Government of Sindh also filed appeal against part of judgement decided against them.

The above appeals were disposed-off in May 2011 with a joint statement of the parties that during the pendency of the appeals, another law came into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from the High Court before approaching the Honourable Supreme Court of Pakistan with the right to appeal. Accordingly, the petition was filed in the Honourable High Court of Sindh in respect of the above view. During the pendency of this appeal an interim arrangement was agreed whereby bank guarantees furnished for consignments cleared upto December 27, 2006 were returned and bank guarantees were furnished for 50% of the levy for consignment released subsequent to December 27, 2006 while payment was made against the balance amount.

As at June 30, 2018, the Company has provided bank guarantees aggregating Rs.8.95 million (2017: Rs. 8.95 million) in favour of the Excise and Taxation Department. The bank guarantees given by various banks on behalf of the Company to various parties remain intact with the respective banks.

- 29.1.3 The Company has obtained stay order from Honourable Lahore High Court against the payment of electric duty to LESCO. However, an amount of Rs. 1,906,625 (2017: Rs. 1,906,625) had been provided in the accounts on account of electric duty.
- 29.1.4 The Bank of Punjab has filed a suit COS No. 50/ 2013 for recovery of Rs. 168.426 million on account of working capital facilities provided to the Company. The Company filed PLA No. 148-B/2013, in response to the summons issued by the Honourable Lahore High Court. The learned counsel of defendant in application to leave for defence raised many questions i.e. legality of plaintiff's claim and the authority of person, who filed the suit. After due consideration of PLA filed by the Company, it was established that objections raised by the Company's learned counsel were baseless and unreasonable. The Honourable Lahore High Court dismissed the application and decreed in favour of the plaintiff bank to the extent of Rs. 168.426 million. The Company has filed appeal in the divisional bench of the Honourable Lahore High Court, and the case is being contested on merit. The execution order of impugned judgement have not been received by the Company during the reporting period.
- 29.1.5 Askari Bank Limited has filed a suit COS No. 40/2013 for recovery of Rs. 148.25 million. The Company filed PLA No. 105-B /2013, in response to the summon issued by the Honourable Lahore High Court. The court refuted all objections raised by the Company's learned counsel, and dismissed their application for leave to defend. Section 10 (1) of Financial Institutions (Recovery of Finances) Ordinance, 2001, states that. "the dismissal of the application for leave to defend means that all the allegations made in the plaint shall be deemed to be accepted and the banking court is obliged to pass a decree thereon". Therefore, the Honourable Banking Court decreed in favour of Plaintiff Bank, together with the costs of funds as contemplated by section 3 of above mentioned ordinance. The Company has filed appeal in the Divisional Bench of the Honourable Lahore High Court, and the case is still subjudice.
- 29.1.6 First Treet Manufacturing Modaraba has filed suit J.Misc. No. 02 of 2015 for winding-up of the Company. The said petition was disposed of by the Honourable High Court of Sindh, through its order dated April 18, 2017, since the parties have resolved the dispute amicably in an out-of-court settlement agreement dated February 28, 2016 executed at Lahore. All the parties to this agreement settled that outstanding amount will be paid in monthly installments till the entire payment is made. The management has not recognised the impact of the said agreement in these financial statements.
- 29.1.7 First National Bank Modaraba has filed a suit against the Company for recovery of Rs. 51.842 million. The said suit was decreed vide judgment dated August 01, 2017 against the Company and the same was converted into execution proceedings by the court under section 19 of Financial Institutions (Recovery of Finances) Ordinance, 2001. First National Bank Modaraba has filed an Execution petition which is now pending adjudication before

the Banking Court No.1, Lahore, wherein we have already filed an objection petition. This case is being vigorously and diligently contested by the Company.

|   | Note | 2018<br>Rupees    | 2017<br>Rupees    |
|---|------|-------------------|-------------------|
| <b>29.1.8 Bank guarantees issued on behalf of the company;</b>  |      |                   |                   |
| Sui Northern Gas Pipelines Limited  |      | 19,862,200        | 19,862,200        |
| Director of Excise and Taxation   |      | 8,957,572         | 8,957,572         |
|   |      | <u>28,819,772</u> | <u>28,819,772</u> |
| The bank guarantees given by various banks on behalf of the Company to various parties remain intact with the respective banks. |      |                   |                   |
| <b>29.2 Commitments</b>   |      |                   |                   |
| There is no capital commitment as at June 30, 2018 (2017: nil).   |      |                   |                   |
| <b>30 SALES - NET</b>   |      | -                 | 11,700,000        |
| Processing income   |      |                   |                   |
| <b>31 COST OF SALES</b>   |      |                   |                   |
| Raw material written-off  | 31.1 | 14,548,093        | 19,397,457        |
| Stores and spare parts provision  | 31.2 | 850,330           | 1,133,774         |
| Waste material written-off  |      | 403,203           | -                 |
| Salaries, wages and benefits  | 31.3 | 636,000           | 464,400           |
| Repair and maintenance  |      | -                 | 4,000,000         |
| Depreciation  | 6.2  | 24,400,674        | 25,592,778        |
| Others  |      | 155,386           | 600,000           |
|   |      | <u>40,993,686</u> | <u>51,188,409</u> |
| Stocks at beginning of the year   |      | 12,050,223        | 15,932,563        |
| Stocks at end of the year   |      | (9,138,468)       | (12,050,223)      |
|   |      | <u>2,911,755</u>  | <u>3,882,340</u>  |
|   |      | <u>43,905,441</u> | <u>55,070,749</u> |
| <b>31.1 Raw material consumed</b>   |      |                   |                   |
| Stocks at beginning of the year   |      | 58,192,370        | 77,589,827        |
| Stocks at the end of the year   |      | (43,644,278)      | (58,192,370)      |
|   |      | <u>14,548,092</u> | <u>19,397,457</u> |

31.2 Store and spare parts provision represents the provision for obsolete items amounting to Rs. 850,330 (2017: Rs. 1,133,774).

31.3 Salaries, wages and benefits include staff retirement benefits amounting to Rs. nil (2017: Rs. nil).

|                                   | Note | 2018<br>Rupees   | 2017<br>Rupees   |
|-----------------------------------|------|------------------|------------------|
| <b>32 ADMINISTRATIVE EXPENSES</b> |      |                  |                  |
| Staff salaries and benefits       | 32.1 | 142,800          | -                |
| Printing and stationery           |      | 40,000           | -                |
| Postage and telephone             |      | -                | 6,978            |
| Legal and professional            |      | 100,000          | 2,174,500        |
| Auditor's remuneration            | 32.2 | 250,000          | 250,000          |
| Fee and subscription              |      | 65,000           | 60,000           |
| Depreciation                      | 6.2  | 434,500          | 559,499          |
| Others                            |      | 191,304          | 15,241           |
|                                   |      | <u>1,223,604</u> | <u>3,066,218</u> |

32.1 Staff salaries and benefits include staff retirement benefits amounting to Rs. nil (2017: Rs. nil).

|   | Note | 2018<br>Rupees      | 2017<br>Rupees      |
|---|------|---------------------|---------------------|
| <b>32.2 Auditor's remuneration</b>  |      |                     |                     |
| Annual audit  |      | 240,000             | 240,000             |
| Compliance report on code of corporate governance   |      | 10,000              | 10,000              |
|   |      | <u>250,000</u>      | <u>250,000</u>      |
|   |      | 2018                | 2017                |
|   | Note | Rupees              | Rupees              |
| <b>33 OTHER EXPENSES</b>  |      |                     |                     |
| Bad debt and other balances written off   |      | -                   | 390,123             |
| <b>34 OTHER INCOME</b>  |      |                     |                     |
| <b>Income from financial assets</b>   |      |                     |                     |
| Profit on defence saving certificates   |      | 2,108,940           | 1,885,833           |
| <b>Income from non-financial assets</b>   |      |                     |                     |
| Gain on disposal of property, plant and equipment   |      | -                   | 383,347             |
|   |      | <u>2,108,940</u>    | <u>2,269,180</u>    |
| <b>35 FINANCE COST</b>  |      |                     |                     |
| Mark-up / interest on;  |      |                     |                     |
| - liabilities against assets subject to finance lease   |      | -                   | 65,409              |
| - overdue payable balances of associated undertaking  |      | -                   | 4,003,393           |
| Bank charges  |      | 130,833             | 424,611             |
|   |      | <u>130,833</u>      | <u>4,493,413</u>    |
| <b>36 TAXATION</b>  |      |                     |                     |
| Current   | 36.1 | -                   | -                   |
| Deferred  | 23.1 | (14,194,874)        | (16,277,777)        |
|   |      | <u>(14,194,874)</u> | <u>(16,277,777)</u> |
| 36.1 The provision of minimum tax under section 113 of the Income Tax Ordinance, 2001 has not been provided in these financial statements because the Company has suffered gross loss before depreciation and other inadmissible expenses. Further, no provision for alternative corporate tax under section 113C of Income Tax Ordinance, 2001, is incorporated as the company has suffered an accounting loss. Numeric tax rate reconciliation is, therefore, not required. |      |                     |                     |
|   |      | 2018                | 2017                |
| <b>37 LOSS PER SHARE - BASIC AND DILUTED</b>  |      |                     |                     |
| Loss after taxation (Rupees)  |      | <u>(32,585,559)</u> | <u>(32,773,546)</u> |
| Weighted average number of ordinary shares outstanding during the period (Number)   |      | <u>14,641,000</u>   | <u>14,641,000</u>   |
| Loss per share - basic and diluted (Rupees)   |      | <u>(2.23)</u>       | <u>(2.24)</u>       |
| There is no dilutive effect on the basic loss per share of the Company.   |      |                     |                     |
|   |      | 2018                | 2017                |
|   |      | Rupees              | Rupees              |
| <b>38 CHANGES IN WORKING CAPITAL</b>  |      |                     |                     |
| Decrease / (increase) in current assets:  |      |                     |                     |
| Trade debts   |      | 5,847,205           | 2,678,962           |
| Loans and advances  |      | 104,004             | 360,122             |
| Trade deposits and short-term prepayments   |      | 130,086             | 296,605             |
| Tax refunds due from Government   |      | (12)                | (504)               |
|   |      | <u>6,081,283</u>    | <u>3,335,185</u>    |
| Decrease in trade and other payables  |      | <u>(4,758,114)</u>  | <u>(6,711,251)</u>  |
|   |      | <u>1,323,169</u>    | <u>(3,376,066)</u>  |

39 **REMUNERATION OF CHIEF EXECUTIVE OFFICER,  
DIRECTORS AND EXECUTIVES**

No remuneration was paid to chief executive officer and directors. However, the monetary value of the benefit given to director is Rs. nil (2017: Rs. nil)

|                                     | Note | 2018<br>Rupees   | 2017<br>Rupees   |
|-------------------------------------|------|------------------|------------------|
| 40 <b>CASH AND CASH EQUIVALENTS</b> |      |                  |                  |
| Cash-in-hand                        |      | 1,500            | 1,500            |
| Cash with banks;                    |      |                  |                  |
| - current accounts                  |      | 1,689,585        | 2,085,780        |
| - saving accounts                   |      | 52,687           | 52,687           |
| - certificates of deposit           |      | 4,362,370        | 4,362,370        |
|                                     |      | 6,104,642        | 6,500,837        |
| Bank overdraft                      |      | (623,923)        | (631,963)        |
|                                     |      | <u>5,482,219</u> | <u>5,870,374</u> |

41 **FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

41.1 **Fair values of financial instruments**

Fair value is the amount for which an asset could be exchanged or liability be settled between knowledgeable willing parties in an arm's length transaction. As at the reporting date, fair values of all financial instruments are considered to approximate their carrying amounts.

41.2 **Methods of determining fair values**

Fair values of financial instruments, with the exception of investment in associates, for which prices are available from the active market are measured by reference to those market prices. Fair values of financial assets and liabilities with no active market and those of investments in subsidiaries are determined in accordance with generally accepted pricing models based on discounted cash flow analysis based on inputs from other than observable market.

41.3 **Discount / interest rates used for determining fair values**

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

41.4 **Significant assumptions used in determining fair values**

Fair values of financial asset and liabilities that are measured at fair value subsequent to initial recognition are determined by using discounted cash flow analysis. This analysis requires management to make significant assumptions and estimates which may cause material adjustments to the carrying amounts of financial assets and financial liabilities in future periods. These assumptions are not fully supportable by observable market prices or rates. The Company uses various significant assumptions for determining fair value of financial assets and liabilities and incorporates information about other estimation uncertainties as well.

41.5 **Significance of fair value accounting estimates to the Company's financial position and performance**

The Company uses fair value accounting for its financial instruments in determining its overall financial position and in making decisions about individual financial instruments. This approach reflects the judgement of the Company about the present value of expected future cash flows relating to an instrument. The management believes that fair value information is relevant to many decisions made by users of financial statements as it permits comparison of financial instruments having substantially the same economic characteristics and provides neutral basis for assessing the management's stewardship by indicating effects of its decisions to acquire, sell or hold financial assets and to incur, maintain or discharge financial liabilities.

42 **FINANCIAL RISK EXPOSURE AND MANAGEMENT**

The Company has exposure to the following risk from its use of financial statements;

- credit risk,
- liquidity risk and
- market risk

The board of directors has overall responsibility for the establishment and oversight of Company's risk management framework. The board is also responsible for developing and monitoring the Company's risk management policies.

#### 42.1 Credit risk

##### 42.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the long-term deposits, trade debts, trade deposits and other receivable, accrued mark-up and cash and bank balances. Out of total financial assets of Rs. 15.5 million (2017: 21.8 million), the financial assets which are subject to credit risk aggregate to Rs. 9.45 million (2017: 15.30 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows;

|   | Note | 2018<br>Rupees    | 2017<br>Rupees    |
|---|------|-------------------|-------------------|
| Long-term deposits  |      | 2,061,925         | 2,061,925         |
| Trade debts   |      | 3,548,833         | 9,396,038         |
| Trade deposits and other receivables                          |      | 3,494,759         | 3,494,759         |
| Accrued mark-up   |      | 349,994           | 349,994           |
| Bank balances   |      | 6,106,142         | 6,500,837         |
|   |      | <u>15,561,654</u> | <u>21,803,553</u> |
| <b>42.1.2 Concentration of risk - geographical dispersion</b> |      |                   |                   |
| Local debtors   |      | <u>3,548,833</u>  | <u>9,396,038</u>  |
| <b>42.1.3 Concentration of risk - type of customer</b>        |      |                   |                   |
| Yarn  |      | 2,950,655         | 4,012,260         |
| Processing  |      | 598,178           | 5,383,778         |
|   |      | <u>3,548,833</u>  | <u>9,396,038</u>  |
| <b>42.1.4 Ageing of trade debts at the reporting date:</b>    |      |                   |                   |
| Not past due  |      | -                 | 5,383,778         |
| More than one year  |      | 3,768,470         | 4,231,897         |
|   |      | <u>3,768,470</u>  | <u>9,615,675</u>  |

#### 42.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The Company is facing difficulty in maintaining sufficient level of liquidity due to financial problems as all the banks and financial institutions have blocked / ceased their finance facilities and filed suits for recovery of these finances.

|  | 2018                 |                      |                    | 2017                 |                      |                    |
|--|----------------------|----------------------|--------------------|----------------------|----------------------|--------------------|
|  | Carrying amount      | Due within one year  | Due after one year | Carrying amount      | Due within one year  | Due after one year |
|  | Rupees               |                      |                    |                      |                      |                    |
| <b>Non-derivative Financial liabilities</b>        |                      |                      |                    |                      |                      |                    |
| Liabilities against asset subject to finance lease | 14,687,728           | 14,687,728           | -                  | 14,687,728           | 14,687,728           | -                  |
| Trade and other payables                           | 430,220,759          | 430,220,759          | -                  | 434,978,873          | 434,978,873          | -                  |
| Accrued mark-up / interest                         | 39,778,395           | 39,778,395           | -                  | 39,778,395           | 39,778,395           | -                  |
| Short-term borrowings                              | 1,145,119,666        | 1,145,119,666        | -                  | 1,145,127,705        | 1,145,127,705        | -                  |
|  | <u>1,629,806,548</u> | <u>1,629,806,548</u> | -                  | <u>1,634,572,701</u> | <u>1,634,572,701</u> | -                  |

In order to manage liquidity risk, the management along with its restructuring agent (a leading bank) and a few other banks are negotiating with banks / financial institutions for restructuring of principal and mark-up / interest and rescheduling of repayment terms as detailed in note 1.3 to the financial statements and the management envisages that sufficient financial resources will be available to manage the liquidity risk.

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at June 30. The rates of mark-up have been disclosed in relevant notes to these financial statements.

#### 42.3 Market risk

Market risk is the risk that the value of the financial instruments may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk and interest rate risk only.

##### (a) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk on import of raw material and stores that are denominated in currency other than the respective functional currency of the company, primarily in U.S.Dollar. The currencies in which these transaction primarily denominated in U.S.Dollar. The Company's exposure to foreign currency is as follows;

|                               | US\$    | Others | Rupees     |
|-------------------------------|---------|--------|------------|
| Trade and other payables 2018 | 546,293 | -      | 57,087,619 |
| Trade and other payables 2017 | 546,293 | -      | 57,087,619 |

The following significant exchange rates applied during the year;

|                        | 2018<br>Average rates | 2017<br>Average rates | 2018<br>Reporting date rates | 2017<br>Reporting date rates |
|------------------------|-----------------------|-----------------------|------------------------------|------------------------------|
| US Dollar to Pak Rupee | 121.15                | 104.69                | 121.60                       | 104.80                       |

##### Sensitivity analysis

At the reporting date, if Pak Rupee has strengthened by 10% against the U.S.\$ with all other variables held constant, loss for the year would have been increased/(decreased) by the amounts shown below mainly as a result of net foreign exchange gain/loss on translation of financial assets and liabilities.

|  | 2018<br>Rupees | 2017<br>Rupees |
|--|----------------|----------------|
| Effect on loss for the year<br>US Dollar to Rupees | 5,822,936      | 5,889,038      |

The sensitivity analysis prepared is not necessarily indicative of the effects on the profit for the year and liabilities of the Company. The weakening of the Rupee against U.S Dollar would have had an equal but opposite impact on profit for the year. The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

##### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. Majority of the interest rate exposure arises from short and long-term borrowing from banks and term deposits in PLS saving accounts with banks. At the balance sheet date, the interest rate profile of Company's interest bearing financial instrument is as follows;

|                           | 2018<br>Rupees | 2017<br>Rupees |
|---------------------------|----------------|----------------|
| Fixed rate instruments    |                |                |
| Financial assets          | 19,466,439     | 17,357,499     |
| Variable rate instruments |                |                |
| Financial assets          | 4,415,057      | 4,415,057      |
| Financial liabilities     | 1,159,183,470  | 1,159,183,470  |

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for its fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

#### Cash flow sensitivity analysis for variable rate instruments

Cash flow sensitivity analysis for variable rate instruments is not presented as the Company is not providing for mark-up / interest due to litigation with banks and financial institutions.

#### 42.4 Fair value of financial assets and liabilities

As at June 30, 2018, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except investment in an associated company which is valued under equity method of accounting. Further, staff loans which are valued at their original cost less repayments.

|   | 2018<br>Rupees    | 2017<br>Rupees    |
|---|-------------------|-------------------|
| 42.5 Off balance sheet items                          |                   |                   |
| Bank guarantees issued in ordinary course of business | <u>28,819,772</u> | <u>28,819,772</u> |

42.6 The effective rate of interest / mark-up for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

#### 42.7 Capital risk management

The Company's prime objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change in the Company's approach to capital management during the year. Further, the Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance which the Company could not comply as at the reporting date.

43 Related parties comprise of associated companies, directors of the Company, key management personnel, companies in which directors, key management personnel and close members of the families of the directors and key management personnel are interested. The Company, in the normal course of business, carries out transactions with various related parties. Remuneration of the key management personnel is disclosed in note 39. Amounts due from and to related parties are shown under receivables and payables. Other significant transactions with related parties are as follows:

| Nature of transaction   | 2018<br>Rupees | 2017<br>Rupees |
|---|----------------|----------------|
| Related parties due to significant influence                        |                |                |
| Interest expense  | -              | 4,003,393      |
| Loan received   | 778,000        | 973,073        |
| Loan paid   | -              | 6,084,000      |
| All material transactions with related parties are at arm's length. |                |                |

#### 44 CAPACITY AND PRODUCTION

|  | 2018          | 2017      |
|--|---------------|-----------|
| Number of spindles installed   | 24,096        | 24,096    |
| Installed capacity in kilograms after conversion<br>into 20/s counts | Kg. 8,029,854 | 8,029,854 |



# GULISTAN SPINNING MILLS LIMITED

## KEY OPERATING & FINANCIAL DATA FOR THE LAST SIX YEAR

|  | 2018<br>RUPEES  | 2017<br>RUPEES  | 2016<br>RUPEES  | 2015<br>RUPEES  | 2014<br>RUPEES  | 2013<br>RUPEES  |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>OPERATING RESULTS</b>               |                 |                 |                 |                 |                 |                 |
|  |                 |                 |                 |                 |                 | Restated        |
| Total number of Spindles installed     | 24,096          | 24,096          | 24,096          | 24,096          | 24,096          | 24,096          |
| Total number of Spindles shifts worked | 0               | 0               | 0               | 0               | 12,640,903      | 16,734,898      |
| Instal capacity 20's Count             | 8,029,854       | 8,029,854       | 8,029,854       | 8,029,854       | 8,029,854       | 8,029,854       |
| Production converted into 20's Count   | 0               | 0               | 0               | 0               | 2,040,769       | 3,953,027       |
| Number of shifts worked                | 0               | 0               | 0               | 0               | 906             | 695             |
| <b>PROFIT &amp; LOSS STATEMENT</b>     |                 |                 |                 |                 |                 |                 |
| Turnover                               | -               | -               | -               | -               | 316,169,386     | 603,481,851     |
| Gross Profit                           | (24,913,989)    | (43,370,749)    | (31,715,196)    | (218,483,763)   | (83,047,742)    | (53,995,998)    |
| Operating Expenses                     | 896,620         | 3,456,341       | 5,938,515       | 22,557,019      | 27,434,865      | 53,913,080      |
| Operating Profit                       | (25,810,609)    | (46,827,090)    | (37,653,711)    | (241,040,782)   | (110,482,606)   | (107,841,712)   |
| Other Income                           | 1,885,833       | 2,269,180       | 14,022,009      | 6,449,717       | 6,058,009       | 9,190,855       |
| Financial & Other Charges              | 981             | 4,493,413       | 10,671,391      | 9,821,331       | 5,897,274       | 14,329,639      |
| Profit for the year before taxation    | (23,925,757)    | (49,051,323)    | (34,303,093)    | (244,412,396)   | (110,351,599)   | (116,337,870)   |
| <b>PROVISION FOR TAXATION</b>          |                 |                 |                 |                 |                 |                 |
| Current year                           | -               | -               | -               | -               | -               | 1,570,088       |
| Proir year                             | -               | -               | -               | -               | 457,564         | -               |
| taxation                               | (18,157,641)    | (16,277,777)    | (3,212,374)     | (7,055,004)     | (13,058,558)    | (13,147,379)    |
| Profit for the year after taxation     | (5,768,116)     | (32,773,546)    | (37,515,467)    | (251,467,400)   | 97,293,041      | (103,190,491)   |
| Unappropriated Profit brought forward  | (1,669,780,261) | (1,646,597,518) | (1,619,094,065) | (1,390,272,121) | (1,386,387,904) | (1,324,770,734) |
| Profit available for appropriation     | (1,669,780,261) | (1,669,780,261) | (1,646,597,518) | (1,619,094,065) | (1,390,272,121) | (1,386,387,904) |
| <b>APPROPRIATION</b>                   |                 |                 |                 |                 |                 |                 |
| Proposed Dividend                      | Nil             | Nil             | Nil             | Nil             | Nil             | Nil             |
| Unappropriated Profit Carried Forward  | (1,708,339,907) | (1,669,780,261) | (1,646,597,518) | (1,619,094,065) | (1,390,272,121) | (1,386,387,904) |
| <b>FINANCIAL POSITION</b>              |                 |                 |                 |                 |                 |                 |
| Paid up Capital                        | 146,410,000     | 146,410,000     | 146,410,000     | 146,410,000     | 146,410,000     | 146,410,000     |
| Share Holder Equity                    | 1,498,387,093   | 1,498,387,093   | (1,475,204,350) | (1,447,700,897) | (1,218,863,218) | (1,214,977,904) |
| Long Term Loans                        | 103,000,000     | 103,000,000     | 103,000,000     | 177,818,341     | 177,818,341     | 171,428,572     |
| Obligation under Finance Leases        | 14,687,728      | 14,687,728      | 15,287,299      | 15,287,299      | 17,199,239      | 17,595,397      |
| Deferred Liabilities                   | 142,373,142     | 142,373,142     | 159,359,780     | 158,036,323     | 340,273,708     | 370,509,613     |
| Current Liabilities                    | 1,880,552,567   | 1,885,887,913   | 1,888,676,221   | 1,823,099,904   | 1,786,091,300   | 1,847,576,521   |
| Fixed Assets                           | 844,605,833     | 869,698,395     | 896,048,764     | 923,854,824     | 1,531,854,852   | 1,584,120,727   |
| Long term Investments                  | 19,243,332      | 17,357,499      | 15,471,666      | 13,769,021      | 10,735,485      | 9,838,228       |
| Long term Deposit                      | 2,061,925       | 2,061,925       | 2,780,500       | 2,780,500       | 2,780,500       | 1,273,000       |
| Current Assets                         | 94,735,633      | 101,120,141     | 128,485,522     | 148,115,841     | 316,992,301     | 368,854,776     |

an Spinning Mills Limited  
 n of Shareholding  
 JUNE 30, 2018

| Number of Shareholders | Shareholding |           | Shares Held       | Percentage    |
|------------------------|--------------|-----------|-------------------|---------------|
|                        | From         | To        |                   |               |
| 995                    | 1            | 100       | 14,739            | 0.10          |
| 269                    | 101          | 500       | 59,061            | 0.40          |
| 255                    | 501          | 1,000     | 195,070           | 1.33          |
| 136                    | 1,001        | 5,000     | 348,664           | 2.38          |
| 46                     | 5,001        | 10,000    | 346,292           | 2.37          |
| 7                      | 10,001       | 15,000    | 88,253            | 0.60          |
| 6                      | 15,001       | 20,000    | 106,439           | 0.73          |
| 1                      | 20,001       | 25,000    | 21,961            | 0.15          |
| 5                      | 25,001       | 30,000    | 133,823           | 0.91          |
| 1                      | 30,001       | 35,000    | 31,376            | 0.21          |
| 2                      | 35,001       | 40,000    | 74,879            | 0.51          |
| 4                      | 40,001       | 45,000    | 168,639           | 1.15          |
| 2                      | 45,001       | 50,000    | 96,609            | 0.66          |
| 2                      | 50,001       | 55,000    | 103,091           | 0.70          |
| 1                      | 55,001       | 60,000    | 60,000            | 0.41          |
| 1                      | 65,001       | 70,000    | 67,618            | 0.46          |
| 2                      | 70,001       | 75,000    | 146,500           | 1.00          |
| 1                      | 75,001       | 80,000    | 76,859            | 0.52          |
| 1                      | 80,001       | 85,000    | 81,625            | 0.56          |
| 1                      | 85,001       | 90,000    | 89,395            | 0.61          |
| 1                      | 90,001       | 100,000   | 92,082            | 0.63          |
| 2                      | 100,001      | 150,000   | 298,828           | 2.04          |
| 1                      | 150,001      | 200,000   | 169,103           | 1.15          |
| 1                      | 200,001      | 250,000   | 202,777           | 1.38          |
| 1                      | 250,001      | 275,000   | 254,500           | 1.74          |
| 1                      | 275,001      | 600,000   | 277,500           | 1.90          |
| 1                      | 600,001      | 680,000   | 619,543           | 4.23          |
| 1                      | 680,001      | 1,100,000 | 680,806           | 4.65          |
| 1                      | 1,100,001    | 1,160,000 | 1,101,822         | 7.53          |
| 1                      | 1,160,001    | 1,350,000 | 1,162,251         | 7.94          |
| 1                      | 1,350,001    | 1,365,000 | 1,350,655         | 9.23          |
| 1                      | 1,365,001    | 1,395,000 | 1,366,910         | 9.34          |
| 1                      | 1,395,001    | 1,445,000 | 1,400,000         | 9.56          |
| 1                      | 1,445,001    | 1,900,000 | 1,450,000         | 9.90          |
| 1                      | 1,900,001    | 1,905,000 | 1,903,330         | 13.00         |
| <b>1,754</b>           |              |           | <b>14,641,000</b> | <b>100.00</b> |

\* Note: There is no shareholding in the slab not mentioned

**GULISTAN SPINNING MILLS LIMITED**  
**CATEGORIES OF SHAREHOLDERS**  
**AS AT JUNE 30, 2018**

| Particulars  | No. of Share Holders | No. of Shares Held | Percentage    |
|--|----------------------|--------------------|---------------|
| Directors, Chief Executive Officer, Their Spouses and Minor Children         | 9                    | 3,955,135          | 27.01         |
| Associated Companies, Undertakings and Related Parties                       | 1                    | 202,777            | 1.38          |
| NIT & ICP  | 2                    | 964                | 0.01          |
| Banks, Development Finance Institutions, Non- Banking Financial Institutions | 3                    | 426,492            | 2.91          |
| Joint Stock Companies  | 5                    | 78,550             | 0.54          |
| General Public (Local)   | 1,725                | 4,435,925          | 30.30         |
| Other Companies  | 9                    | 5,541,157          | 37.85         |
|  | <b>1,754</b>         | <b>14,641,000</b>  | <b>100.00</b> |

**GULISTAN SPINNING MILLS LIMITED**  
**CATEGORIES OF SHAREHOLDERS**  
**AS AT JUNE 30, 2018**

|   | <b>SHARES</b>            |
|---|--------------------------|
| <b>A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>  |                          |
| Paramount Spinning Mills Limited  | 202,777                  |
| <b>B) NIT &amp; ICP</b>   |                          |
| IDBL (ICP UNIT)   | 464                      |
| Investment Corporation of Pakistan  | 500                      |
| <b>C) DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN</b>  |                          |
| <b><u>DIRECTORS</u></b>   |                          |
| Mr. Tanveer Ahmed (Resigned on 10.04.2017)  | 2,584,136                |
| Mr. Riaz Ahmed (Resigned on 10.03.2017)   | -                        |
| Mr. MAQSOOD UL HAQ  | 500                      |
| Mr. Sohail Maqsood  | 550                      |
| Mr. Muhammad Akhtar Mirza   | 500                      |
| Mr. Muhammad Ashraf Khan (appointed on 10.03.2017)  | 986                      |
| Mr. Abid Sattar (appointed on 10.04.2017)   | 500                      |
| Mr. Iftikhar Ali  | 500                      |
| Mr. Muhammad Yousuf   | 553                      |
| <b><u>SPOUSES</u></b>   |                          |
| Mrs. Naureen Tanveer up to 10.04.2107   | 1,366,910                |
| Mr. Ebrahim Shakoor up to 10.04.2017  | 169,103                  |
| <b>D) BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS &amp; MUTUAL FUNDS</b>  |                          |
| <b><u>BANKS</u></b>   |                          |
| National Bank of Pakistan   | 148,992                  |
| The Bank of Punjab, Treasury Division   | 277,500                  |
| <b>E) OTHER COMPANIES</b>   | 5,541,157                |
| <b>F) JOINT STOCK COMPANIES</b>   | 78,550                   |
| <b>G) GENERAL PUBLIC (LOCAL)</b>  | 4,266,822                |
|   | <u><u>14,641,000</u></u> |
| <b>H) SHAREHOLDERS HOLDING 05% OR MORE</b>  |                          |
| Mr. Tanveer Ahmed   | 2,584,136                |
| Mr. Abdul shakoor   | 1,101,822                |
| Mrs. Naureen Tanveer  | 1,366,910                |
| Peridot Products (Pvt) Limited  | 1,350,655                |
| BLESSED CORPORATION (PVT.) LTD.   | 1,450,000                |
| OPAL (SMC-PRIVATE) LIMITED  | 1,400,000                |
| <b>I) TRADING IN THE SHARES OF COMPANY DURING THE YEAR BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN</b> | NIL                      |

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- 📄 Company Verification
- 📄 Insurance & Investment Checklist
- 📄 FAQs Answered

- 📈 Stock trading simulator  
(based on live feed from KSE)
- 📄 Knowledge center
- 📄 Risk profiler\*
- 📄 Financial calculator
- 📄 Subscription to Alerts (event  
notifications, corporate and  
regulatory actions)
- 📄 Jamapunji application for  
mobile device
- 📄 Online Quizzes



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\*Mobile apps are also available for download for android and ios devices.

فارم برائے پرو کسی ممبر

﴿ گلستان سپنگ ملز لمیٹڈ ﴾

میں گلشن سپنگ ملز لمیٹڈ کے \_\_\_\_\_ عدد عام شیئرز کا مالک / رکھتا ہوں جو کہ شیئر رجسٹر کے فولیو

نمبر \_\_\_\_\_ پر درج ہے اور یا سی آر سی کے امیدوار شناختی کارڈ نمبر \_\_\_\_\_

اکاؤنٹ نمبر \_\_\_\_\_ کے مطابق درج ہے۔ میں مسمی \_\_\_\_\_

جو کہ بھی بذریعہ نمبر \_\_\_\_\_ یا سی ڈی سی امیدوار شناختی کارڈ نمبر \_\_\_\_\_

اکاؤنٹ نمبر \_\_\_\_\_ گلشن سپنگ ملز لمیٹڈ کارکن / شیئرز ہولڈر ہے، کو میں اپنا پرو کسی / شراکت

کنندہ / نمائندہ مقرر کرتا ہوں یا اسکے ناکام ہو جانے / پیش ہونے میں ناکام ہونے کے بعد دوسرے شخص

مسمی \_\_\_\_\_ جو کہ بھی بذریعہ فولیو نمبر \_\_\_\_\_ سی ڈی سی امیدوار شناختی

کارڈ نمبر \_\_\_\_\_ اکاؤنٹ نمبر \_\_\_\_\_ گلشن سپنگ ملز لمیٹڈ کارکن

/ شیئرز ہولڈرز ہے کو اپنا پرو کسی / شراکت کنندہ / نمائندہ میں مقرر کرونگا جو میری جگہ سالانہ کمپنی کو مجلس عاملہ جو کہ

27 اکتوبر 2018 کو بوقت 11:30 بجے یا کسی دیگر وقت وجگہ پر منعقد ہوگی پیش / شرکت کرے گا اور میری

جگہ بیان اور ووٹ دے گا۔

دستخط و ممبر پر کسی ممبر

میں آج کے دن \_\_\_\_\_ مورخہ \_\_\_\_\_ 2018 کو اپنے بیان کی تصدیق کرتا

گواہ نمبر 1

گواہ نمبر 2

|                        |                        |
|------------------------|------------------------|
| نام _____              | نام _____              |
| پتہ _____              | پتہ _____              |
| شناختی کارڈ نمبر _____ | شناختی کارڈ نمبر _____ |

**نوٹ:**

- 1- پرو کسی فارم پریسیڈنٹ ہولڈر اور گواہوں کی مہر، دستخط مثبت ہونگے اور فارم سالانہ مجلس عاملہ/میٹنگ کے انعقاد کے 48 گھنٹوں سے پہلے پیش کرنا ہوگا۔
- 2- پرو کسی کنندہ کمپنی کاشیئر ہولڈر/رکن ہوگا۔
- 3- پرو کسی کنندہ کے دستخط کمپنی میں رجسٹرڈ شدہ دستخط سے مشابہہ ہونگے۔
- 4- سی ڈی سی شیمز ہولڈر ووٹ دینے کے مستحق ہونگے اور وہ سالانہ مجلس عاملہ/میٹنگ میں ووٹ دیتے وقت اپنے اصل شناختی کارڈ/پاسپورٹ پیش کریں گے تاکہ ان کی شناخت ہو سکے۔ بصورت دیگر وہ اپنے شناختی کارڈ/پاسپورٹ کی تصدیق شدہ نقل پیش کریں گے۔
- 5- کارپوریٹ ممبرز کے نمائندے اپنے متعلقہ کاغذات پیش کریں گے۔

\*\*\*\*\*

# Form of Proxy

## Gulistan Spinning Mills Limited

I/We \_\_\_\_\_ being member of **Gulistan Spinning Mills Limited** holder of \_\_\_\_\_ ordinary shares as per Share Register Folio No. \_\_\_\_\_ and/or \_\_\_\_\_ CRC participant I.D. No. \_\_\_\_\_ Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ who is also member of **Gulistan Spinning Mills Limited** vide Folio No. \_\_\_\_\_ or \_\_\_\_\_ CDC participant I.D. No. \_\_\_\_\_ Account No. \_\_\_\_\_ or failing him/her of Mr. \_\_\_\_\_ of \_\_\_\_\_ who is also member of **Gulistan Spinning Mills Limited** vide Folio No. \_\_\_\_\_ or CDC participant I.D. No. / \_\_\_\_\_ Account No. \_\_\_\_\_ as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 27 October 2018 at 11:30 a.m and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2018

Signed by the said \_\_\_\_\_

Witness 1:-

Name:- \_\_\_\_\_

Address:- \_\_\_\_\_

CNIC:- \_\_\_\_\_

Witness 2:-

Name:- \_\_\_\_\_

Address:- \_\_\_\_\_

CNIC:- \_\_\_\_\_

Appropriate  
Revenue  
Stamp

### Notes:

1. The Proxy in order to be valid must be duly stamped, signed and witnessed and be deposited with the Company not later than 48 hours before the time of holding of Meeting.
2. The proxy must be a member of the Company.
3. Signature should agree with the specimen signature, registered with the Company.
4. CDC Shareholders, entitled to attend and vote at this meeting, must bring with them their National Identity Card/Passport in original to prove his/her identity, and in case of Proxy must enclose an attested copy of his/her NIC or passport.
5. Representative of corporate members should bring the usual documents required for such purpose.