GULSHAN SPINNING MILLS LIMITED

ANNUAL REPORT 2018

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GULSHAN SPINNING MILLS LIMITED
COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Muhammad Akhtar Mirza (Chairman) Mr. Sohail Maqsood (Chief Executive) Mr. Muhammad Ashraf Khan Mr. Abid Sattar Mr. Iftikhar Ali Mr. Hussain Ather Mr. Muhammad Maqbool Anjum
AUDIT COMMITTEE	Mr. Hussain Ather(Chairman) Mr. Muhammad Maqbool Anjum Mr. Muhammad Akhtar Mirza
HR & REMUNERATION COMMITTEE	Mr. Iftikhar Ali (Chairman) Mr. Abid Sattar Mr. Muhammad Akhtar Mirza
CHIEF FINANCIAL OFFICER	Mr. Muhammad Shahid
COMPANY SECRETARY	Mr. Muhammad Junaid Akhtar
AUDITORS	M/s. Baker Tilly Mehmood Idress Qamar Chartered Accountants Lahore.
LEGAL ADVISOR	Akhtar 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-I Tibba Sultanpur, Dist. Vehari Unit-II Jumber Khurd Tehsil Chunnian Dist. Kasur Unit-III Warburton Dist. Nankana Sahib
WEB PRESENCE	http://www.gulshan.com.pk/corporate/gulshan.html

GULSHAN 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 Conpany 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.

GULSHAN SPINNING MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of **Gulshan Spinning Mills Limited** (the "Company") will be held at 2nd Floor Finlay House, I.I. Chundrigar Road, Karachi on **Saturday 27th October, 2018 at 12:00 noon,** 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 Junaid 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 **20th October, 2018 to 27th 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.

گلشن سپننگ ملز لمیٹڈ

اطلاع برائے سالانہ مجلس عاملہ

اطلاع دی جاتی ہے کہ گلشن سپننگ ملز لمیٹڈ کمپنی کے سالانہ مجلس عاملہ کا اجلاس منعقد کیا جا رہا ہے جو کہ مورخہ 27 اکتوبر 2018 بروز ہفتہ کو بوقت 12:00 بجے صبح بمقام سیکنڈ فلور فنلے ہاؤس آئی آئی چندریگر روڈ 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 اور آڈیٹرز کی رپورٹس کو وصول کیا جائے گا۔ (انکی نقول بورڈ ارکان کو بانٹی جائیں گی) اور ان میں موجود سفارشات، مشاہدات اعتراضات پر جائزہ/غور اور فیصلے کیے جائیں گے۔

3- اگلے مالی سال 2018-2019 کے لئے کمپنی کے اڈیٹرز کو مقرر کیا جائے گا اور ان کی معاونت کا تعین کیا جائے گا۔ برخاست شدہ اڈیٹرز میسرز باقر ٹلی محمود، ادریس قمر، چارٹرڈ اکاؤنٹس نے اپنی کمپنی کو 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 نپٹایا جائے گا۔

6 اکتوبر 2018، لاہور

جاری کیا گیا بذریعہ آرڈر ازاں بورڈ آف ڈائریکٹرز

محمد جنید اختر (کمپنی سیکرٹری)

اہم اطلاع۔

1- کمپنی کے شیئرٹرانسفر بکس بند کردیئے جائیں گے اور 20 **اکتوبر**2018 تا 27**اکتوبر**2018 تک (بیچ کے دونوں 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 کرسکتا 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 گذارش ہے کہ وہ سالانہ مجلس عاملہ/میٹنگ میں ووٹ دیتے وقت اپنے اصل شناختی کارڈ/ پاسپورٹ پیش کریں۔ تاکہ ان کی شناخت ہوسکے بصورت دیگر وہ اپنے شناختی کارڈ/ پاسپورٹ کی تصدیق شدہ نقل پیش کریں گے۔ کارپوریٹ کمپنی کی صورت میں بورڈ آف ڈائریکٹرز کی قرار داد کا سٹیفکیٹ/ قابل قبول مختار نامہ جس میں مختار دہندہ اور نمائندے/مختار کنندہ کے specimen دستخط ثبت ہوں پیش کیا جائے۔

4- ارکان سے گذارش ہے کہ وہ اپنے کسی بھی موقع پر پتہ کی تبدیلی کی صورت میں میسرز حمید مجید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، کراچی چیمبر، حسرت موہانی روڈ کراچی کے شیئر رجسٹرار کو فوری طور پر آگاہ کریں۔

GULSHAN 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 raw material to run the mill.

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 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.

Operating & Financial Performance

Operating indicators	2018	2017
	(Rupees)	(Rupees)
Sales	-	15,332,888
Cost of goods sold	(93,941,809/-)	(122,382,808/-)
Financial cost	(449,292/-)	(605,981/-)
Pre tax Loss	(47,040,187/-)	(72,633,070/-)
Provision for taxation	2,200,240/-	45,897,624/-
Loss after taxation	(44,839,947/-)	(26,735,446/-)

Future Outlook

The restructuring process is expected to be completed soon and this will result in better utilization of production capacities. Once the ongoing reconciliation & restructuring process is completed, we would be in a better position to run the operations of the Company in a befitting manner.

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 advance 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 misfortunes. 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.

Value of investment in Gujranwala Energy Limited (GEL) under equity method has been determined based on the unaudited financial statements of GEL.GEL was unable to complete its audit due to non-appointment of CEO by Energy Infrastructure Holding (Pvt) Ltd (EIHPL), which is 50% shareholder in GEL was required to nominate the CEO for GEL ,however ,the same was not nominated by EIHPL for several years despite reminders to EIHPL by GEL as a result of which GEL was unable to complete its audit.

Corporate Governance

Your 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:

Name of Director	No of meeting attended
Mr.Muhammad Maqbool Anjum	2
Mr. Sohail Maqsood	4
Mr. Hussain Ather	3
Mr. Iftikhar Ali	4
Mr. Muhammad Akhtar Mirza	4
Mr. Ashraf Khan	4
Mr. Abid Sattar	4

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:

Name of Members	No of meeting attended
Mr. Hussain Ather	4
Mr.Muhammad Maqbool Anjum	2
Mr. Muhammad Akhtar Mirza	4

HR & Remuneration Committee

The Board of Directors of the Company in compliance with the Code of Corporate Governance has also establishedHR & 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, 2018 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. (2.02) as compared to the previous year of Rs. (1.20)

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

Your company is responsible corporate citizen and fully recognizes its responsibility towards community, emplo: ees and environment.

Web presence

Annual and periodical financial statements of the Company are also available on the Company website 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:

Name	Opening Balance as on 01.07.2017	Purchases	Sales	Closing Balance as on 30.06.2018
	Nill			

Statement on Value of Staff Retirement Benefit

As on June 30, 2018 deferred liability for gratuity is Rs. 22,099,921/-

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

We express thanks to our valued customers & financial institutions for their cooperation and support.

The Board also acknowledges the hardwork and continuous dedication of all the employees of the Company.

On behalf of the Board

SOHAIL MAQSOOD
CHIEF EXECUTIVE

Lahore
05.10.2018

گلشن سپننگ ملز لمیٹڈ

شیئرز ہولڈرز کو دی گئی ڈائریکٹر کی رپورٹ

گلشن سپننگ ملز لمیٹڈ کی سالانہ جنرل میٹنگ کے موقع پر کمپنی کے ڈائریکٹرز کمپنی کے مالی بیانات کی رپورٹ پیش کرر ہے ہیں جو کہ ایڈیٹرز کی رپورٹ کے ساتھ منسلک ہے یہ کہ رپورٹ زیر جائزہ مالی سال مورخہ 30 جون 2018 پیش کا جار ہا 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 دالے 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 حدتک 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۔نیتجتاً ہماری سیلز ٹرن اوور پر اور 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 سرتوڑ کوشس کرر ہی ہے

قرضہ بڑھانے کی سخت شرائط بلند شرح سود، منسلکہ لیکیوئیڈٹی کے مسائل نے کمپنی کو مجبور کیا کہ وہ اپنے فرض اور واجبات کی ادائیگیوں کے لئے مزید وقت حاصل کرے جو کہ گفت وشنید کے بعد اس شرط پر کہ وہ اپنے قرضہ جات وقت پر ادا کریگی 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 وضوابط اور منصوبہ بندی کی دستاویزی شکل مین تیاری اپنے آخری مراحل میں ہے اور بیشتر مالی اداروں نے ہمارے قرض کے حصول کی منصوبہ

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 آپریشنز 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 پرعظم ہے اور اپنی اعلی پیشہ ورانہ صلاحیتیوں کو بروئے کار لاتے ہوئے اپنے آپریشنز/سرگرمیوں کو مضبوط کریگی 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

کام کی نوعیت	2018	2017
سیلز		15,332,888
فروخت کئے گئے سامان پر اٹھنے والی لاگت (اخراجات)	(93,941,809/-)	(122,382,808/-)
مالیاتی لاگت	(449,292/-)	(605,981/-)
ٹیکس دینے سے پہلے کا نقصان	(47,040,187/-)	(72,633,070/-)
ٹیکس	2,200,240/-	45,897,624/-
ٹیکس دینے کے بعد کا نقصان	(44,839,947/-)	(26,735,446/-)

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، دوعدد افراط زر اور بجلی طویل لوڈشیڈنگ 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 حالات کا اندیشہ ہے

اس کے برعکس کمپنی کی توجہ اپنے کسٹمرز کے ساتھ تعلقات کو مستحکم کرنے پر اور اپنے پیداواری حجم کو معقول کرنے اور

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 وشنید کا مرحلہ کامیابی سے مکمل ہوگیا تو ہم خام مال کو بروقت اور بہتر کم قیمت میں خرید سکیں گے۔

منافع میں اضافہ ار کارکردگی میں ترقی کے لئے کمپنی کی طرف سے طویل المدت اور اہم اقدامات لاگو کئے جارہے 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 کردیگی۔ 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

آڈیٹر نے اس معاملے میں تشویش کا اظہار کیا ہے کہ کمپنی نے ابھی تک بینک ہائے و دیگر مالی اداروں کے سایہ قرضوں کے حصول کے سلسلہ میں گفت وشنید 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 آخری مراحل میں ہے اور جس کا ڈرافٹ ہمارے مالی امور کے قانونی ماہرین بنا رہے ہیں اور سندھ ہائی کورٹ کی منظور کے بعد ایک معاہدہ مابین فریقین برائے حصول

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

اور اس معاہدہ کی شرائط وضوابط کے مطابق کمپنی اور اسکی مخالف اداروں کے درمیان جاری تمام قانونی کاروائیاں ختم ہو جائیں گی اور فریقین ہر طرح کی قانونی کاروائی سے دستبردار ہو جائیں گے۔

انتظامیہ ہر ممکن کوشس 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 تا کہ 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 الا دا ادائیگیوں کے حصول کے لئے قانونی کاروائی 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 الا دا پیسوں کو کنفرم نہیں کیا ہے جو کہ پیسے پہلے سے کمپنی ہذا نے متنازعہ قرار دیئے ہوئے ہیں۔

کمپنی کو یہ امید واثق ہے کہ ان متنازعہ رقوم کے سلسلہ میں اگر مفاہمت ہو گی 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 گورنینس

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 توازن 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 ہی۔

نام ڈائریکٹر	میٹنگ میں حاضری
سہیل مقصود	4
مقبول انجم	2
حسین اطہر	3
افتخار علی	4
اشرف خان	4
اختر مرزا	4
عابد ستار	4

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

آڈٹ کمیٹی

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

رکن کا نام	میٹنگ میں شرکت کی تعداد
حسین اطہر	4
اختر مرزا	4
مقبول انجم	2

انسانی وسائل اورانکے معاوضے کی کمیٹی

حکومت کی طرف سے جاری کردہ ضابطہ پر عمل پیرا ہوتے ہوئے کمپنی کے بورڈ آف ڈائریکٹرز نے ایک انسانی

وسائل اوران کے معاوضے کی کمیٹی تشکیل دی اوران ارکان کی تفصیل لف رپورٹ ہذا ہے۔

انٹرنل آڈٹ کا طریقہ کار(فرائض)

بورڈ آف ڈائریکٹرز نے مناسب اورموثر داخلی مالی کنٹرول سسٹم بنایا ہے اوراس پر سختی سے عمل پیرا ہیں جس میں، آپریشنل،فنانشنل اور کمپنی کے کاروباری معاملات سے متعلقہ حکمت عملی پر مناسب طریقے سے عملدرآمد بنایا جا سکے تا کہ کمپنی کے بنیادی اصول کے مقاصد کو حاصل کیا جا سکے۔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 مین مناسب کاروائی کی۔

کارپوریٹ گورننس اور مالیاتی رپورٹنگ کے فریم ورک

کارپوریٹ گورننس کے ضابطہ کے مطابق ڈائریکٹرز کو بخوش اسلوبی مندرجہ ذیل امورسرانجام 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 آپریشن کے نتائج / ماحاصل/منافع/نقصان،کیش فلو اور ایکوئٹی 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 اوراسکی روشنی میں مالی امور کے بیان اور مالی تخمینہ جات کی تیاری اوراس سلسلہ میں معقول اوردانشمندانہ 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 ونظم وضبط کا کنٹرول کا سسٹم موثر اور مستحکم ہواسکا نفاذ کا مناسب مانیٹرنگ سسٹم موجود ہو۔

6- بورڈ کے ڈائریکٹرز کو مالی امور کے بیان کے پیرانمبر 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 آپریٹنگ اور مالی امور کا کلیدی ڈیٹا لف ہذا ہے۔

9- ٹیکسز، ڈیوٹیز، 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 (2.02) روپے ہے جو کہ پچھلے سال (1.20) 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۔

کارپوریٹو سماجی ذمہ داری

آپ کی کمپنی کارپوریٹو سماجی 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 شیئرز ہولڈرز اور دیگران کی آگاہی کے لئے موجود ہے۔

متعلقہ فریقین کے ساتھ لین دین

متعلقہ فریقین کے ساتھ لین دین کو آرمزلنگتھ قیمت کے قانون کے مطابق کیا جاتا ہے جو کہ "کمپنیز ان کنٹرولڈ پرائس

میتھڈ" کے مطابق طے شدہ ہے۔ کمپنی ہذا کارپوریٹ گورننس کے بہترین طریقوں کو اختیار کیے ہوئے ہے جن کا ذکر سٹاک ایکسچینج کے قوانین میں ہے۔

کمپنی کے شیئرز کی ٹریڈنگ

زیرجائزہ سال میں چیف ایگزیکٹو آفیسران، چیف فنانشل آفیسر، کمپنی سیکرٹری، ڈائریکٹرز اوران کی ازواج/خاوند اوربچوں 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 بینفٹ کی قیمت کا بیان۔

دورانیہ برائے مورخہ 30 جون 2018 ڈیفرڈ لائبلٹی برائے گریجویٹی کی مد 2,099,921 روپے مختص کی گئی ہے۔

آڈیٹرز

میسرز باقر ٹلی محمود، ادریس قمر، چارٹرا کاؤنٹنٹس نے اپنی کمپنی دوبارہ مقرر کرنے کی پیشکش کی ہےاور آڈٹ کمپنی نے بھی ان کو بطور کمپنی کی بیرونی آڈیٹرز برائے اگلے مالی 2018-2017 یناتی کی سفارش/منظوری کی ہے۔

شیئرز ہولڈنگ کا پیٹرن

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

تحسینی اعترافات

آخر میں 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 سے بھی تعاون اور حمایت جاری رہے گی۔

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 آمدہ سال میں بھی اس لگن اور محنت کی امید رکھتے ہیں تاکہ ہماری کمپنی پہلے سے بھی زیادہ بہتر نتائج حاصل کرے۔

آخر میں (لیکن بالکل آخری نہیں) انتظامیہ اپنے بورڈ کی ہر دفعہ کی طرح اس دفعہ بھی بھرپور تعاون اور رہنمائی کا شکرایہ 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

BTLHR/AA/GSM-79/2018/30

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBER OF GULSHAN 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 *Gulshan 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. 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.
2. Nomination committee and risk management committee are not formed by the board.
3. 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/GSM-79/2018/29

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the annexed financial statements of ***Gulshan 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 of 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. 2,866.228 million as at June 30, 2018, shareholder's equity is negative by Rs. 1,416.943 million and as of that date the Company's current liabilities exceed its current assets by Rs. 3,123.806 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 28.1 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 28.1 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. 1,908.045 million, including balance of Rs. 244.30 million for the current year, has not been accrued in these financial statements, thereby increasing shareholders' equity and current liabilities by Rs. 1,908.045 million, and reducing loss for the current year by Rs. 244.358 million as fully detailed in note 25.2 to the financial statements;

c) we have not received year end confirmations from banks and financial institutions in respect of bank balances aggregating Rs. 12.366 million (note 16.1) and short-term borrowings aggregating Rs. 2,735.002 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 24.1), 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. In addition, the depreciation rates applied by the Company are significantly below the market average of the industry. These circumstances rendered us 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, depreciation and accumulated depreciation and disclosures thereof and related deferred tax liability, is sufficient in the financial statements;

e) Stock-in-trade and stores, spares and loose tools aggregating collectively Rs. 111.014 million along with provision for obsolete inventory and related net realizable value write down has not been verified; and

f) the Company has not provided for provision for irrecoverable markup receivable from associated companies owing to operational and financial difficulties of respective associated companies that cast significant doubt on recoverability of the said markup;

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.

1. Valuation of trade debts Refer to note 11 to the financial statements and accounting policy in note 5.8 to the financial statements. 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 which may not ultimately be recovered. 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.	Our audit procedure to assess the valuation of trade debts amongst others, include the following: – Obtaining an understanding of the management's basis for the determination of the provision required at the year end and the receivables collection process. – On sample basis, closing balances confirmed by circularization of confirmation and compared the responses received with balances as per clients' record. – For 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 receivables after year end as well as assessing the judgment made by the management in relation to the credit worthiness of the debtors. – 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 – Assessing the historical accuracy of provisions for doubtful debts recorded by examining the utilization or release of previously recorded provisions.
2. Change in accounting policy as a result of changes in the Companies Act, 2017. 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. Due to the above, the Company has changed its accounting policy to account for surplus on revaluation of plant and machinery (refer note 6)	Our audit procedures include the following: – 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;

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. The impact of said change in accounting policy has been disclosed in note 5.1 to the accompanying financial statements. 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.	– 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 – 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.
3. Current and deferred tax As discussed in note 5.14, 23 and 35 to the accompanying financial statements, the Company has recorded reversal of temporary difference that resulted in reduction of tax expense amounting to Rs. 2.200 million. We considered the above matters to be a key audit matter due to the judgments and estimates inherent in the calculation of tax expense.	Our audit procedures included the followings: – Developed an understanding of management process for calculating tax expense; – Assessed the extent to which provisions are supported by underlying circumstances and determined that they are being made on basis consistent with previous years; – 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; – Critically analyzed and challenged the assumptions used by the management in calculating tax expense; and – Ensured that the tax calculated is in accordance with the requirements of IAS - 12 and the Income Tax Ordinance, 2001.

4. **Preparation of financial statements under the Companies Act, 2017**	Our procedures included, but were not limited to:
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. 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. In case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements. 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. For further information, refer to note 3.1 to the financial statements.	– 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. – We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. – We verified on test basis the supporting evidences for the additional disclosures and ensured appropriateness of the disclosures made.

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

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

	Note	2018 Rupees	2017 Restated Rupees	2016 Restated Rupees
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	6	2,101,317,712	2,151,494,285	2,203,633,647
Long-term investments	7	132,302,532	126,125,291	119,284,405
Long-term deposits	8	8,476,563	8,476,563	8,476,563
		2,242,096,807	2,286,096,139	2,331,394,615
CURRENT ASSETS				
Stores, spare parts and loose tools	9	11,814,020	15,752,027	21,002,703
Stock-in-trade	10	99,200,095	132,266,793	189,358,169
Trade debtors	11	32,510,762	33,662,468	46,510,111
Loans and advances	12	83,314,144	82,259,244	86,771,970
Trade deposits and short-term prepayments	13	5,646,915	5,956,271	6,410,483
Accrued mark-up / interest	14	62,688,063	62,688,063	58,729,962
Other receivables	15	7,813,322	7,782,270	7,486,189
Cash and bank balances	16	12,475,326	30,515,204	18,981,703
		315,462,647	370,882,340	435,251,290
TOTAL ASSETS		2,557,559,454	2,656,978,479	2,766,645,905
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital	17	222,250,380	222,250,380	222,250,380
Reserves	18	272,000,000	272,000,000	272,000,000
Surplus on revaluation of property, plant and equipment	19	955,034,725	962,779,557	979,901,557
Accumulated losses		(2,866,228,637)	(2,838,295,382)	(2,828,681,937)
		(1,416,943,532)	(1,381,265,445)	(1,354,529,999)
Sub-ordinated loan	20	250,000,000	250,000,000	250,000,000
NON-CURRENT LIABILITIES				
Long-term financing	21	-	-	-
Liabilities against assets subject to finance lease	22	-	-	-
Deferred liabilities	23	285,234,278	319,959,641	366,027,814
		285,234,278	319,959,641	366,027,814
CURRENT LIABILITIES				
Trade and other payables	24	541,593,973	569,639,248	601,149,826
Accrued mark-up / interest	25	18,899,265	18,899,265	18,899,265
Unclaimed dividend		1,037,103	1,037,103	1,037,103
Short-term borrowings	26	2,735,002,095	2,735,371,446	2,739,963,695
Current portion of non-current liabilities	27	132,070,142	132,652,993	133,305,565
Provision for taxation		10,666,130	10,684,228	10,792,637
		3,439,268,708	3,468,284,283	3,505,148,091
CONTINGENCIES AND COMMITMENTS	28	-	-	-
TOTAL EQUITY AND LIABILITIES		2,557,559,454	2,656,978,479	2,766,645,905

The annexed notes from 1 to 46 form an integral part of these financial statements.

CHIEF EXECUTIVE　　CHIEF FINANCIAL OFFICER　　DIRECTOR

GULSHAN SPINNING MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Sales - net	29	-	15,332,888
Cost of sales	30	(93,941,809)	(122,382,808)
Gross loss		(93,941,809)	(107,049,920)
Distribution cost	31	(700,603)	(922,916)
Administrative expenses	32	(15,622,878)	(39,879,137)
		(16,323,481)	(40,802,053)
Loss from operations		(110,265,290)	(147,851,973)
Other income	33	63,674,395	75,824,884
Finance cost	34	(449,292)	(605,981)
Loss before taxation		(47,040,187)	(72,633,070)
Taxation	35	2,200,240	45,897,624
Loss after taxation		(44,839,947)	(26,735,446)
Loss per share - basic and diluted	36	(2.02)	(1.20)

The annexed notes from 1 to 46 form an integral part of these financial statements.

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR

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

	2018 Rupees	2017 Rupees
Loss after taxation	**(44,839,947)**	(26,735,446)
Other comprehensive income;		
Effect of change of rate enacted	**9,161,861**	-
Total comprehensive loss for the year	**(35,678,086)**	(26,735,446)

The annexed notes from 1 to 46 form an integral part of these financial statements.

CHIEF EXECUTIVE   CHIEF FINANCIAL OFFICER   DIRECTOR

GULSHAN SPINNING MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(47,040,187)	(72,633,070)
Adjustments for non-cash charges and other items:			
Depreciation		50,176,573	51,992,194
NRV loss on stock-in-trade		33,066,698	49,112,623
Provision for obsolete Stores		3,938,007	5,250,676
Provision for staff retirement benefits - gratuity		-	522,920
Finance cost		449,292	605,981
Interest income		(6,197,059)	(9,602,237)
Reversal of provision for doubtful debts		(57,477,336)	(65,795,530)
Gain on disposal of property, plant and equipment		-	(427,117)
Cash flows before working capital changes		(23,084,013)	(40,973,560)
Net changes in working capital	37	7,707,250	59,782,205
Cash generated from operations		(15,376,763)	18,808,645
Interest received		19,818	136,138
Finance cost paid		(449,292)	(605,981)
Staff retirement benefits - gratuity paid		(1,263,341)	(693,469)
Income tax paid		(18,098)	(108,409)
Net cash from operating activities		(17,087,676)	17,536,924
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		-	627,285
Addition to property, plant and equipment		-	(53,000)
Investment on order of court		-	(1,332,888)
Net cash used in investing activities		-	(758,603)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of liabilities against assets subject to finance lease		(582,851)	(652,572)
Repayment of short-term financing - net		(369,351)	(4,592,249)
Net cash used in financing activities		(952,202)	(5,244,821)
Net decrease in cash and cash equivalents during the year		(18,039,878)	11,533,501
Cash and cash equivalents at the beginning of year		30,515,204	18,981,703
Cash and cash equivalents at the end of year	16	12,475,326	30,515,204

The annexed notes from 1 to 46 form an integral part of these financial statements.

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR

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

	Share capital	Capital reserves		Revenue reserves		Total
		Share premium	Revaluation surplus	General reserve	Accumulated loss	
	Rupees					
Balance as at July 1, 2016 - as previusly reported	222,250,380	66,000,000	-	206,000,000	(2,828,681,937)	(2,334,431,557)
Effect of change in accounting policy	-	-	979,901,557	-	-	979,901,557
Balance as at July 1, 2016 - restated	222,250,380	66,000,000	979,901,557	206,000,000	(2,828,681,937)	(1,354,530,000)
Surplus on revaluation of property, plant and equipment, realized during the year on account of incremental depreciation - net of tax - restated	-	-	(17,122,001)	-	17,122,001	-
Total comprehensive loss for the year	-	-	-	-	(26,735,446)	(26,735,446)
Balance as at June 30, 2017 - restated	222,250,380	66,000,000	962,779,556	206,000,000	(2,838,295,382)	(1,381,265,446)
Surplus on revaluation of property, plant and equipment, realized during the year on account of incremental depreciation - net of tax	-	-	(16,906,692)	-	16,906,692	-
Loss for the year	-	-	-	-	(44,839,947)	(44,839,947)
Other comprehensive income	-	-	9,161,861	-	-	9,161,861
	-	-	9,161,861	-	(44,839,947)	(35,678,086)
Balance as at June 30, 2018	222,250,380	66,000,000	955,034,725	206,000,000	(2,866,228,637)	(1,416,943,532)

The annexed notes from 1 to 46 form an integral part of these financial statements.

Schail.M
CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

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

1 LEGAL STATUS AND OPERATIONS

1.1 Gulshan Spinning Mills Limited ("the Company") was incorporated on June 13, 1979, as a public limited company in Pakistan under the Companies Ordinance, 1984. The shares of the Company are listed 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. Its main business is manufacturing and sale of yarn. The manufacturing units of the Company are located at District Kasur, Vehari and Nankana Sahib 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 the Company and Gulistan Spinning Mills Limited with and into Paramount Spinning Mills Limited along-with the approval of share swap ratio in relation thereto. The Company on orders of the Honourable High Court of Sindh called Extra Ordinary General Meeting on August 01, 2011, in which the said scheme was approved by 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. 2,866.228 million as at June 30, 2018, and as at that date its current liabilities exceed its current assets by Rs. 3,123.806 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 28.1.1 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 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 9 years. The sponsors will inject equity amounting Rs. 400.00 million within one year of the effective date of debt restructuring through sale of power generation units and/or the farm houses. Balance of the outstanding facility amount will be repaid in instalments over a period of 9 years in arrears 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 9 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 0.5% 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. 4.5% shall be accumulated and paid thereafter quarterly, starting immediately after the accrued mark-up period. For the remaining 7 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 et cetra.

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.

1.4 Summary of significant transactions and events affecting the Company's financial position and performance

There are no significant event and transaction affecting the Company's financial position and performance during the year.

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 (IFRS's) 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 benefits 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	**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 5.17);

(ii) Net realisable values of stores, spares and loose tools and stock-in-trade (notes 5.6 and 5.7);

(iii) Provision for doubtful trade debtors (note 5.8);

(iv) Provision for staff retirement benefits - gratuity (note 5.12); and

(v) Provision for taxation (note 5.14).

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 polices 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 in 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, all 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 on 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	962,779,557	-	(962,779,557)	979,901,557	-	(979,901,557)
Share capital and reserves	-	962,779,557	962,779,557	-	979,901,557	979,901,557
Effect on Statement of Changes in Equity						
Capital reserve	-	962,779,557	962,779,557	-	979,901,557	979,901,557

5.2 Property, plant and equipment - owned

Property, plant and equipment except for freehold land, factory and residential buildings, plant and machinery, electric installations, gas power generators and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at revalued amount whereas factory and residential buildings, plant and machinery, electric installation and gas power generators are stated at revalued amounts less accumulated depreciation and impairment loss, if any.

Capital work-in-progress is stated at cost less impairment, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate assets, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to expenses as and when incurred.

Depreciation on assets is charged to income applying the reducing balance method at the rates stated in note 6.1 after taking into account residual values, if any. Depreciation on additions is charged from the month in which the assets become available for use, while on disposals depreciation is charged upto the month of deletion.

The depreciation method and useful lives of items of property, plant and equipment are reviewed at each reporting date and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future years.

Gains or losses on disposal or retirement of operating fixed assets are determined as the difference between the sale proceeds and carrying amount of assets and are included in the profit and loss account.

Surplus arising on revaluation of property, plant and equipment is credited to surplus on revaluation account. Valuations are performed frequently enough to ensure that the fair values of the revalued assets do not differ materially from their carrying amounts.

The Company assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of the asset.

5.3 Accounting for leases and assets subject to finance lease

Finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets. The related obligation of leases is accounted for as liability. Finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Depreciation is charged to income at the rates stated in note 6.1 applying reducing balance method to write-off the carrying amount of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

Finance cost and depreciation on leased assets are charged to income currently.

5.4 Investments

Investment in an associated company

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 associates subsequently report profits, the Company resumes recognising its share of those profit only after its share of the profit equals the share of losses not recognised.

Investment held to maturity

Investment 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.

Investment in joint venture

Joint venture are those entities over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Joint control entity is accounted for by using the equity method and is recognized initially at cost. The financial statements include the Company's shares of the income and the expenses and equity movements of equity accounted investees, after adjustment to align the accounting policies with those of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interests reduced to nil and the recognition of further losses is discontinued except of the extent that the Company has an obligation or made payments on behalf of the investee.

At fair value through profit and loss

Investments which are acquired principally for the purpose of selling in the near term exhibiting short-term profit taking are classified as investments are fair value through profit or loss. All transaction costs are recognised directly in profit and loss account. These are stated at fair value with any resulting gains or losses recognised directly in the profit and loss account.

5.5 Long-term deposits

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

5.6 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at lower of cost and net realizable value. The cost of inventory is based on weighted average cost less provision for obsolescence. Items in transit are stated at cost comprising invoice value plus other charges thereon accumulated up to the reporting date.

5.7 Stock-in-trade

Stock-in-trade is valued at lower of weighted average cost and net realisable value (NRV) except waste, which is valued at NRV. (Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale). Cost of raw materials, packing materials and components represent invoice values plus other charges paid thereon.

Cost in relation to work-in-process and finished goods represents direct cost of raw materials, wages and appropriate manufacturing overheads.

Goods in transit are valued at cost comprising of invoice value plus other charges accumulated up to the reporting date.

5.8 Trade debtors and other receivables

Trade debtors are initially recognised at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts. Carrying amounts of trade and other receivables are assessed at each reporting date and a provision is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

5.9 Short-term investment

Investments which are acquired principally for the purpose of selling in the near term exhibiting short-term profit taking are classified as investments at fair value through profit or loss. All transaction cost are recognised directly in profit and loss account. These are stated at fair value with any resulting gains or losses recognised directly in the profit and loss account.

5.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and balances with banks.

5.11 Interest / mark-up bearing loans and borrowings

Interest / mark-up bearing loans and borrowings are recorded at the proceeds received. Finance charges are accounted for on accrual basis.

5.12 Staff retirement benefits - gratuity

The Company operates an unfunded gratuity scheme covering all of its permanent employees who have completed minimum qualification period for entitlement to gratuity. Provision is made on the basis of actuarial valuation. The recent actuarial valuation was carried-out on June 30, 2014

The amount arising as a result of re-measurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur. Past-service cost, if any, are recognised immediately in the profit and loss account.

5.13 Trade and other payables

Trade and other payables are stated at their cost which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the Company.

5.14 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 year's taxation is based on taxable income for the year at current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under the presumptive tax regime.

Deferred

Deferred tax is recognized using the balance sheet 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 recognized 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 utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized 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 realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the reporting date.

5.15 Provisions, contingent assets and contingent liabilities

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

5.16 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet includes deposits, trade debtors, loans and advances, accrued mark-up / interest, short-term investments, other receivables, cash and bank balances, long-term finances, liabilities against assets subject to finance lease, trade and other payables, accrued mark-up / interest and short-term borrowings.

All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

5.17 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 recognized in profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

5.18 Off-setting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset 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.

5.19 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 recognized in the profit and loss account.

5.20 Revenue recognition

Revenue is recognized 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.
- Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.
- Dividend income from the investments is recognised, when the Company's right to receive dividend has been established.
- Gain or loss on sale of investments is accounted for, when the commitment (trade date) for sale is made.

5.21 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.

5.22 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

5.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

5.24 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.

5.25 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.

	Note	2018 Rupees	2017 Rupees
6 PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment	**6.1**	**2,101,317,712**	2,151,494,285

6.1 Property, plant and equipment

	Owned										Leased		Total
	Freehold Land	Factory buildings	Residential buildings	Plant and machinery	Electric installation	Gas power generator	Mills equipment	Office equipment	Furniture and fixtures	Vehicles	Plant and machinery	Vehicles	
	Rupees												
Cost													
Balance as at July 01, 2016	324,384,000	717,049,866	137,432,425	2,122,686,407	161,516,942	271,222,362	105,586,068	18,556,402	22,015,174	24,897,563	221,173,227	18,517,665	4,145,038,101
Addition during the year	-	-	-	-	-	-	-	53,000	-	-	-	-	53,000
Disposal	-	-	-	-	-	-	-	-	-	-	-	(1,669,000)	(1,669,000)
Balance as at June 30, 2017	324,384,000	717,049,866	137,432,425	2,122,686,407	161,516,942	271,222,362	105,586,068	18,609,402	22,015,174	24,897,563	221,173,227	16,848,665	4,143,422,101
Balance as at July 01, 2017	324,384,000	717,049,866	137,432,425	2,122,686,407	161,516,942	271,222,362	105,586,068	18,609,402	22,015,174	24,897,563	221,173,227	16,848,665	4,143,422,101
Addition during the year	-	-	-	-	-	-	-		-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-	-	-		-
Transfer / adjustment	-	-	-	-	-	-	-	-	-	3,200,000	-	(3,200,000)	-
Balance as at June 30, 2018	**324,384,000**	**717,049,866**	**137,432,425**	**2,122,686,407**	**161,516,942**	**271,222,362**	**105,586,068**	**18,609,402**	**22,015,174**	**28,097,563**	**221,173,227**	**13,648,665**	**4,143,422,101**
Depreciation													
Balance as at July 01, 2016	-	67,400,468	22,612,084	271,718,515	13,801,065	36,061,379	81,637,491	14,671,638	16,906,186	23,687,429	18,739,204	15,101,702	582,337,161
Charge for the year	-	14,579,728	1,417,086	22,844,224	1,823,076	4,607,236	2,394,858	393,776	510,899	242,027	2,498,395	680,889	51,992,194
Depreciation on disposal	-	-	-	-	-	-	-	-	-	-	-	(1,468,832)	(1,468,832)
Balance as at June 30, 2017	-	81,980,196	24,029,170	294,562,739	15,624,141	40,668,615	84,032,349	15,065,414	17,417,085	23,929,456	21,237,599	14,313,759	632,860,523
Balance as at July 01, 2017	-	81,980,196	24,029,170	294,562,739	15,624,141	40,668,615	84,032,349	15,065,414	17,417,085	23,929,456	21,237,599	14,313,759	632,860,524
Charge for the year	-	14,215,234	1,381,659	22,273,118	1,777,499	4,422,946	2,155,372	354,399	459,809	223,972	2,435,935	476,630	50,176,573
Depreciation on disposal	-	-	-	-	-	-	-	-	-	-	-		-
Transfer / adjustment	-	-	-	-	-	-	-	-	-	2,858,550	-	(2,858,550)	-
Rate of depreciation		2.5%	2.5%	2.5%	2.5%	4%	10%	10%	10%	20%	2.5%	20%	
Balance as at June 30, 2018	**-**	**96,195,430**	**25,410,829**	**316,835,857**	**17,401,640**	**45,091,561**	**86,187,721**	**15,419,813**	**17,876,894**	**27,011,978**	**23,673,534**	**11,931,839**	**683,037,096**
Impairment													
Balance as at July 01, 2016	-	66,460,297	58,136,882	937,198,933	74,792,849	119,980,093	-	-	-	-	102,498,240	-	1,359,067,293
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2017	-	66,460,297	58,136,882	937,198,933	74,792,849	119,980,093	-	-	-	-	102,498,240	-	1,359,067,293
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2018	**-**	**66,460,297**	**58,136,882**	**937,198,933**	**74,792,849**	**119,980,093**	**-**	**-**	**-**	**-**	**102,498,240**	**-**	**1,359,067,293**
Written down value as at June 30, 2017	324,384,000	568,609,373	55,266,373	890,924,735	71,099,952	110,573,654	21,553,719	3,543,988	4,598,089	968,107	97,437,388	2,534,906	2,151,494,285
Written down value as at June 30, 2018	**324,384,000**	**554,394,139**	**53,884,714**	**868,651,617**	**69,322,453**	**106,150,708**	**19,398,347**	**3,189,589**	**4,138,280**	**1,085,585**	**95,001,453**	**1,716,826**	**2,101,317,712**

	Note	2018 Rupees	2017 Rupees
6.2 Depreciation charge has been allocated as follows;			
Cost of goods manufactured	30.1	48,656,814	50,164,603
Distribution cost	31	700,603	922,916
Administrative expenses	32	819,156	904,675
		50,176,573	51,992,194

6.3 The Company has revalued its freehold land, factory buildings, residential buildings, owned and leased plant and machinery, electric installation and gas and power generator 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 Rupees	2017 Rupees
Owned			
Freehold land		14,878,943	14,878,943
Factory buildings		86,360,556	88,574,929
Residential buildings		58,630,530	60,133,877
Plant and machinery		537,833,880	551,624,492
Electric installations		46,849,823	48,051,100
Gas power generators		60,064,831	62,567,532
Leased			
Plant and machinery		66,034,629	67,727,825
		870,653,192	893,558,698

7 LONG-TERM INVESTMENTS

	Note	2018 Rupees	2017 Rupees
Long-term investments in;			
- Joint venture	7.1	-	-
- Defence Saving Certificates	7.2	57,018,604	50,841,363
- Investment on order of court	7.3	75,283,928	75,283,928
		132,302,532	126,125,291
7.1 Investments in a Joint venture - under equity method			
Gujranwala Energy Limited			
7,500,000 (2017: 7,500,000) ordinary shares of Rs.10 each - **cost**	7.1.1	75,000,000	75,000,000
Accumulated share of post acquisition loss		(75,000,000)	(75,000,000)
Share of loss for the year		-	-
		(75,000,000)	(75,000,000)
		-	-

7.1.1 This represent 50% interest in Gujranwala Energy Limited (GEL) , a joint venture , between the Company and Energy Infrastructure Holdings Limited for setting up 200 MW power project at Sungo-Wali, Tehsil Wazirabad, District Gujranwala. Un-audited financial statements for the year ended June 30, 2018, of GEL have been used by the management to determine the value of its investments in joint venture under the equity method. Further, the audited financial statements for the years ended June 30, 2018, 2017, 2016, 2015, 2014, 2013, 2012 and 2011 of GEL were also not available and values of this investment of that years are based on un-audited financial statements. Following disclosures are also based on the above mentioned un-audited financial statements.

7.1.2 GEL in order to achieve the financial close, has mandated National Bank of Pakistan (NBP) to arrange Rs.14,135.00 million. The aforesaid mandate was executed on April 14, 2008. However, due to deteriorating law and order situation, circular debt issue, etc., the financial close could not be achieved within the envisaged time period. GEL, as a result thereof, approached Private Power and Infrastructure Board (PPIB) with the request to make certain amendments in the power purchase agreement to facilitate the financial close but PPIB did not respond positively towards the GEL's request and as a consequence thereof GEL has filed a petition in the Honourable High Court of Sindh to protect itself from the repercussions of not achieving the financial close with in stipulated time period including encashment of performance guarantee amounting to U.S. $ 1,000,000/- extended to PPIB.

7.1.3 Arrangements for commercial operations date including the availability of finance and import of engines is not finalised. Due to failure of National Bank of Pakistan (the arranger) to arrange requisite finance within cut-out date i.e. June 15, 2009. GEL proposed amendments in Implementation Act and Power Purchase Agreement and sought extension in financial close date in prevailing force majeure. Neither such amendments was addressed nor the date of financial close extended. Consequently on these grounds GEL filed a suit in the Honourable High Court of Sindh at Karachi for redressal of its grievances. The Honourable High Court has ordered the plaintiff (GEL) to keep alive guarantee and has restricted PPIB from en-cashing the guarantee till the adjudication of application filed by the GEL.

7.1.4 With reference to (note 7.1.2) and (note 7.1.3) GEL has also extended commitment bank guarantee amounting to Euro €. 3,000,000/- in favour of Wartsila, Finland (supplier of engines). During the financial year ended June 30, 2010, GEL could not raise the requisite funds and deposit initial mobilization advance with Wartsila and accordingly, Wartsila approached the concerned bank for encashment of guarantee. However, GEL filed a petition in Honourable High Court of Sindh to protect encashment of such guarantee. The Honourable High Court has restricted Wartsila from en-cashment of guarantee till the adjudication of the application filed by GEL.

7.1.5 The Joint Venture Partners of GEL (i.e. the Company and Energy Infrastructure Holdings Limited) are responsible to the extent of 50% each in respect of the liabilities and obligations of GEL, including any obligation under the guarantees mentioned under note 7.1.3 and 7.1.4 above.

7.1.6 The Honorable High Court of Sindh via its order dated July 22, 2015 dismissed the stay order previously granted in favour of GEL against encashment of guarantees. The management of the Company has made necessary adjustments to these financial statements in light of the above-mentioned court decision by booking its share of loss.

7.2 This represents investment in Defence Savings Certificates, having aggregate face value of Rs. 21.00 million (2017: Rs. 21.00 million). These certificates are maturing on various dates by March 5, 2020. These carried mark-up at the effective rate of 12.15% per annum (2017: 12.15% per annum). Accrued mark-up aggregating Rs. 35.349 million (2017: Rs. 29.841 million) is included in the carrying value. These are under lien with a bank against guarantee amounting Rs. 19.504 million (2017: Rs. 19.504 million).

7.3 The Honorable High Court of Sindh via its order against suite no. B-64 of 2012 dated July 04, 2015 allowed a plaintiff bank the sale of pledged goods, cotton bales and stocks through public auction at the best market rate available. The Court assigned Official Assignee to sell the pledged goods through the public auction conducted August 28, 2015 in accordance with the law/rules and ordered the sales proceeds to be invested in some government profitable scheme upon realization. The Offcial Assignee via its report dated December 15, 2015 informed the Court of the sale of pledged stock and investment of sale proceeds in some government profitable scheme.

		Note	2018 Rupees	2017 Rupees
8	**LONG-TERM DEPOSITS**			
	Utilities		8,231,998	8,231,998
	Lease deposits		3,417,885	3,577,885
	Others		244,565	244,565
			11,894,448	12,054,448
	Less: transferred to current assets - deposits pertaining to over due portion of lease liabilities		(3,417,885)	(3,577,885)
			8,476,563	8,476,563
9	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		45,946,268	45,946,268
	Spare parts		7,914,197	7,914,197
	Loose tools		2,648,630	2,648,630
	Packing material		5,940,962	5,940,962
			62,450,057	62,450,057
	Less: provision for obsolete inventory		(50,636,037)	(46,698,030)
			11,814,020	15,752,027
10	**STOCK-IN-TRADE**			
	Raw materials	10.1	61,706,635	82,275,513
	Finished goods	10.2	37,493,460	49,991,280
			99,200,095	132,266,793

10.1 Raw materials include items costing Rs. 82.275 million (2017: Rs. 109.700 million) stated at their replacement cost aggregating Rs. 61.706 million (2017: Rs. 82.275 million). The amount charged to the profit and loss account for the year in respect of raw materials written down to their replacement cost is Rs. 20.568 million (2017: Rs. 27.425 million).

10.2 Finished goods include items having net realizable value (NRV) Rs. 49.99 million (2017: Rs. 66.655 million) stated at their NRV aggregating Rs. 37.493 million (2017: Rs. 49.991 million). The amount charged to the profit and loss account for the year in respect of stocks written down to their net realisable values was Rs. 12.497 million (2017: Rs. 16.663 million).

10.3 All of the current assets of the Company are under banks' charge as security of short-term borrowings as disclosed in note 26 to these financial statements. 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 courts and high courts for recovery of their financial liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties as fully disclosed in note 28.1.1.

		Note	2018 Rupees	2017 Rupees
11	**TRADE DEBTORS - unsecured**			
	Local - considered good	11.1	32,510,762	33,662,468
	Local - considered doubtful		113,983,771	171,461,107
			146,494,533	205,123,575
	Provision for doubtful debts		(113,983,771)	(171,461,107)
			32,510,762	33,662,468
11.1	**This includes following amounts which pertain to related parties;**			
	Paramount Spinning Mills Limited	11.1.1	883,261	1,992,457
	Gulistan Spinning Mills Limited	11.1.2	5,910,478	5,910,478
			6,793,739	7,902,935

11.1.1 The maximum amount due as at the end of any month during the year was Rs. 1,992,457/- (2017: Rs. 1,992,457/-).

11.1.2 The maximum amount due as at the end of any month during the year was Rs. 5,910,478/- (2017: Rs. 5,910,478/-).

11.1.3 As at June 30, 2018, trade debts due from related parties amounting to Rs. 6.793 million (2017: Rs. 7.902 million) were past due but not impaired. The age analysis of these trade debts is as follows;

	Note	2018 Rupees	2017 Rupees
Upto 1 month		-	-
1 to 2 months		-	-
2 to 3 months		-	-
4 to 12 months		-	-
More then 12 months		6,793,739	7,902,935
		6,793,739	7,902,935

12 LOANS AND ADVANCES - unsecured and considered good

		2018 Rupees	2017 Rupees
Advances to/against;			
- employees/non-executive staff		5,225,838	5,665,738
- suppliers		37,408,504	36,692,504
- others		40,679,802	39,901,002
		83,314,144	82,259,244

12.1 This represents advaces to Gulistan Spinning Mills Limited, a related party. The maximum amount due as at the end of any month during the year was Rs. 40,679,802/- (2017: Rs. 39,901,002/-).

12.2 As at June 30, 2018, advances to related party amounting to Rs. 40.679 million (2017: Rs. 39.901 million) were past due but not impaired. The age analysis of these advances is as follows;

	Note	2018 Rupees	2017 Rupees
Upto 1 month		-	-
1 to 2 months		-	-
2 to 3 months		-	-
4 to 12 months		-	-
More then 12 months		40,679,802	39,901,002
		40,679,802	39,901,002

13 DEPOSITS AND PREPAYMENTS

	Note	2018 Rupees	2017 Rupees
Current portion of lease deposits	8	3,417,885	3,577,885
Margins against letter of credit and bank guarantees		2,229,030	2,229,030
Prepayments		-	149,356
		5,646,915	5,956,271

14 ACCRUED MARK-UP / INTEREST

	Note	2018 Rupees	2017 Rupees
Mark-up / interest accrued on;			
- term deposit receipts		1,837,286	1,837,286
- over due receivable balances of associated companies	14.1	60,850,777	60,850,777
		62,688,063	62,688,063

14.1 This includes interest receivable from Gulistan Spinning Mills Limited, a related party, amounting to Rs. 42,862,303/- (2017: Rs. 42,862,303/-). The maximum amount receivable as at the end of any month during the year was Rs. 42,862,303/- (2017: Rs. 42,862,303/-).

14.2 As at June 30, 2018, mark-up receivable from related party amounting to Rs. 42.862 million (2017: Rs. 42.862 million) were past due but not impaired. The age analysis of these trade debts is as follows;

	Note	2018 Rupees	2017 Rupees
Upto 1 month		-	-
1 to 2 months		-	-
2 to 3 months		-	-
4 to 12 months		-	-
More then 12 months		**42,862,303**	42,862,303
		42,862,303	42,862,303

15 OTHER RECEIVABLES - unsecured and considered good

	2018 Rupees	2017 Rupees
Sales tax	**6,122,252**	6,091,200
Rebate receivable	**1,691,070**	1,691,070
	7,813,322	7,782,270

16 CASH AND BANK BALANCES

	Note	2018 Rupees	2017 Rupees
Cash-in-hand		**109,073**	109,073
Balances with banks in;			
- current accounts		**3,511,473**	21,551,351
- deposit accounts		**96,371**	96,371
- term deposit receipts	16.1	**8,758,409**	8,758,409
		12,366,253	30,406,131
		12,475,326	30,515,204

16.1 Term deposit receipts aggregating Rs. 5.617 million (2017: Rs. 5.617 million) are under banks' charge against guarantees aggregating Rs. 55.069 million. (2017: Rs. 55.069 million).

16.2 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 28.1.1 to these financial statements. Further, due to the litigation and blockage of bank accounts, bankstatements for the year ended June 30, 2018, from various banks having balances aggregating to Rs. 3.253 million (2017: Rs. 3.09 million) were not available to ensure balances held with these banks. Further, year end balance confirmation of banks having balances aggregating to Rs. 12.366 million (2017: Rs. 19.917 million) have also not been received due to litigation.

17 SHARE CAPITAL

2018 Numbers	2017 Numbers		2018 Rupees	2017 Rupees
		Authorized capital		
25,000,000	25,000,000	Ordinary shares of Rs. 10 each	250,000,000	250,000,000
		Issued, subscribed and paid-up capital		
9,300,000	9,300,000	Ordinary shares of Rs. 10 each issued as fully paid in cash	93,000,000	93,000,000
12,925,038	12,925,038	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	129,250,380	129,250,380
22,225,038	22,225,038		222,250,380	222,250,380

17.1 Ordinary shares held by the related parties at the year end;

	2018	2017
Gulistan Spinning Mills Limited - Number	**10,302**	10,302

		Note	2018 Rupees	2017 Rupees
18	**RESERVES**			
	Capital reserve			
	Share premium	**18.1**	**66,000,000**	66,000,000
	Revenue reserve			
	General reserve		**206,000,000**	206,000,000
			272,000,000	272,000,000

18.1 This represents excess of consideration received on issue of ordinary shares over face value on ordinary shares issued.

		Note	2018 Rupees	2017 Rupees
19	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**			
	Balance at the beginning of the year		**1,224,278,186**	1,248,738,187
	Transfer to unappropriated profit in respect of;			
	- incremental depreciation		**(23,812,242)**	(24,460,001)
	Surplus on revaluation at the end of the year - gross		**1,200,465,944**	1,224,278,186
	Related deferred tax liabilities on:			
	Revaluation at the beginning of the year		**261,498,630**	268,836,630
	Incremental depreciation on revalued assets		**(6,905,550)**	(7,338,000)
	Effect of change of rate enacted		**(9,161,861)**	-
			245,431,219	261,498,630
	Surplus on revaluation at the end of the year - net of tax		**955,034,725**	962,779,557

19.1 The Company had revalued its freehold land on the basis of market value on February 3, 2009. Freehold land was revalued by an independent valuer - M/s Consultancy Support and Services, Karachi and resulted in revaluation surplus of Rs 227.54 million.

Further, The Company had revalued its freehold land, factory building, residential buildings, leased and owned plant and machinery, electric installations and gas power generator as on June 30, 2012. The revaluation exercise was carried-out by an independent valuer - Maricon Consultants (Private) Limited, Engineers, authorized valuers of the Pakistan Banking Association and the Leasing Association of Pakistan, Beaumont Road, Karachi. Freehold land has been revalued on the basis of current market value whereas buildings, plant and machinery, electrical installations and gas power generators have been revalued on the basis of depreciated replacement values. The net appraisal surplus arisen on this revaluation aggregating Rs. 2,597.577 million has been credited to this account to comply with the requirements of the Companies Act, 2017.

		2018 Rupees	2017 Rupees
20	**SUB-ORDINATED LOAN** - unsecured	**250,000,000**	250,000,000

This is an interest-free loan obtained from Director of the Company in previous years. This loan is sub-ordinated 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 subject to availability of resources and at discretion of the Company. This loan has been classified in equity as per technical release 'Accounting Directors' Loan (TR-32) of the Institute of Chartered Accountants of Pakistan.

	Note	2018 Rupees	2017 Rupees
21 LONG-TERM FINANCING			
From banking companies - secured			
Faysal Bank Limited - term finance II	21.1	-	-
Standard Chartered Bank - term finance III	21.2	-	-
Bank Alfalah Limited - LTF EOP	21.3	-	-
		-	-

21.1 Faysal Bank Limited - term finance II	2018 Rupees	2017 Rupees
Balance at beginning of the year	35,714,286	35,714,286
Less: current portion:		
- overdue instalmets	(35,714,286)	(35,714,286)
	-	-

The Company, during the financial year ended June 30, 2012, had entered into an agreement with Faysal Bank Limited amounting Rs. 50.00 million to convert its short-term debt into long-term finance. This finance facility carried mark-up at the rate of 3 months KIBOR + 2.50% per annum. Originally, the principal amount under this finance agreement was repayable in 7 equal half yearly instalments ending on August 6, 2015, however, due to factors stated in note 21.5 below, the whole amount has been grouped in current liabilities. This term finance is secured by way of 1st pari passu equitable mortgage and hypothecation charge over fixed assets of the Company upto Rs.100.00 million.

	2018 Rupees	2017 Rupees
21.2 Standard Chartered Bank - term finance III		
Balance at beginning of the year	75,000,000	75,000,000
Less: current portion:		
- overdue instalmets	(75,000,000)	(75,000,000)
	-	-

The Company had availed a term finance amounting Rs. 75.00 million from Standard Chartered Bank (Pakistan) Limited, for balance sheet re-profiling by terming out short-term borrowings. This finance carried mark-up at the rate of 3 months KIBOR + 0.75% payable on quarterly basis. Originally, this term finance was repayable in 16 equal quarterly instalments ending on May 31, 2015, however, due to factors stated in note 21.5 below, the whole amount has been grouped in current liabilities. This term finance is secured against 1st pari passu charge over plant and machinery, ranking charge over present and future current and fixed assets of the Company.

	2018 Rupees	2017 Rupees
21.3 Bank Alfalah Limited - LTF EOP		
Balance at beginning of the year	3,672,477	3,672,477
Less: current portion:		
- overdue instalmets	(3,672,477)	(3,672,477)
	-	-

The Company, being eligible for LTF - EOP promulgated by State Bank of Pakistan (SBP), applied to National bank of Pakistan, United Bank Limited and Bank Alfalah Limited for restructuring for their existing loans and after approval, the banks had transferred their liabilities to this new loan account. This re-financed facility enabled the banks to obtain funds from SBP under the scheme at the specified rates and passed on the benefits to the Company by way of rebated purchase price. Year-end balance represents payable to Bank Alfalah Limited and was repayable in 2 quarterly instalments ended on September 30, 2012. This finance carried mark-up at the rate of 7% per annum. This loan is secured by way of 1st pari passu charge over fixed assets of the Company.

21.4 The Company filed a global 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 28.1.1. Due to these litigations, year-end confirmations from all lending banks have not been received.

21.5 Due to the abovementioned litigations, the Company's financial arrangements with these banking companies are disputed and these liabilities have become payable on demand, so instalments due have been grouped in current portion of non-current liabilities in accordance with the requirements of International Accounting Standard (IAS) 1 'Financial Statement Presentation'.

22 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - secured

	Note	2018 Rupees	2017 Rupees
Balance at beginning of the year		**18,266,231**	18,918,802
Less: payments/adjustments made during the year		**(582,851)**	(652,571)
		17,683,380	18,266,231
Less: current portion:			
- over due instalments		**(17,683,380)**	(18,266,231)
Balance at end of the year		**-**	-

22.1 The Company had acquired plant and machinery and vehicles under finance lease arrangements from leasing companies, modarabas and banks. These liabilities, during the year, were subject to finance cost at the rates ranging from 7.00% to 18.15% (2017: 7.00% to 18.15%) 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/lessors under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001, for rendition of accounts and damages. Further, various lessors have also filed suits before the 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 28.1.1. Due to these litigations, year-end confirmations from all lessors have not been received.

22.3 Due to the facts explained in notes 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	**17,683,380**	**-**	**17,683,380**	18,266,231	-	18,266,231
Minimum lease payments	**17,683,380**	**-**	**17,683,380**	18,266,231	-	18,266,231

23 DEFERRED LIABILITIES

	Note	2018 Rupees	2017 Rupees
Staff retirement benefits - gratuity	**23.1**	**-**	23,363,262
Deferred taxation	**23.2**	**285,234,278**	296,596,379
		285,234,278	319,959,641

23.1 Staff retirement benefits - gratuity

The Company's obligation, as per the assumptions given in the latest actuarial valuation disclosed in annual report of the Company for the year ended June 30, 2014, in respect of defined benefit gratuity plan, is as follows;

		Note	2018 Rupees	2017 Rupees
23.1.1	**Movement in the net liability recognized in the balance sheet**			
	Net liability at beginning of the year		**23,363,262**	23,533,811
	Charge to profit and loss account		**-**	522,920
	Less: benefits paid during the year		**(1,263,341)**	(693,469)
	Less: benefits due but not paid		**(22,099,921)**	-
	Closing net liability		**-**	23,363,262
23.1.2	**Movement in present value of defined benefit obligation**			
	Balance at beginning of the year		**23,363,262**	23,533,811
	Current service cost		**-**	522,920
	Less: benefits paid during the year		**(1,263,341)**	(693,469)
	Less: benefits due but not paid		**(22,099,921)**	-
	Balance at end of the year		**-**	23,363,262
23.1.3	**Expense recognized in the profit and loss account**			
	Current service cost		**-**	522,920
23.1.4	**Expense is allocated as follows;**			
	Cost of sales		**-**	87,350
	Administrative expenses		**-**	435,570
			-	522,920
23.1.5	**Actuarial assumptions used**			
	Discount rate		**13.25%**	13.25%
	Expected rate of growth p.a. in future salaries		**12.25%**	12.25%
	Average expected remaining working life time of employees		**6 years**	6 years
	Mortality rates (for death in service)		**SLIC 2001-2005**	SLIC 2001-2005

	Note	2018 Rupees	2017 Rupees
23.2 Deferred taxation			
The net liability for deferred taxation comprises timing differences relating to;			
Taxable temporary differences (deferred tax liabilities)			
Accelerated tax depreciation - owned assets		**194,878,989**	192,788,218
Surplus on revaluation property, plant and equipment		**250,172,564**	274,855,819
Assets subject to finance lease		**28,048,301**	29,991,688
Deductible temporary differences (deferred tax assets)			
Staff retirement benefits - gratuity		**(6,408,977)**	(7,008,979)
Provisions and allowances		**(176,328,419)**	(188,550,498)
Liabilities against assets subject to finance lease		**(5,128,180)**	(5,479,869)
		285,234,278	296,596,379

	Note	2018 Rupees	2017 Rupees
Opening balance		**296,596,379**	342,494,003
Charged / adjusted during the year;			
Origination/reversal of temporary differences		**(1,475,555)**	(45,897,624)
Effect of change of rate enacted		**(9,886,546)**	-
		(11,362,101)	**(45,897,624)**
		285,234,278	**296,596,379**

Deferred tax asset in respect of the unused tax losses amounting Rs. 1,006.962 million (2017: Rs. 2,539.205 million) 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, 2019.

24 TRADE AND OTHER PAYABLES

	Note	2018 Rupees	2017 Rupees
Creditors		**20,617,249**	26,651,035
Bills payable / letters of credit payable	**24.1**	**455,469,519**	455,469,519
Accrued expenses		**5,125,095**	29,109,756
Staff retirement benefits due but not paid	**23.1.1**	**22,099,921**	-
Income tax payable		**963,575**	2,278,090
Advances from others		**37,318,614**	56,130,848
		541,593,973	569,639,248

24.1 This represents overdue bills payable / letters of credit payable to various financial institutions / banks in respect of letters of credit (LCs) issued by the financial institutions in favour of various local and imported raw material suppliers. The Company is in litigation with banks and financial institutions as detailed in note 28.1.1, so current status and balance confirmation of these bills payable could not be ascertained due to non-availability of relevant documents. Further, no provision of any further commission / interest / mark-up or penalty in respect of overdue LCs has been made in these financial statements. Amount of the un-provided commission / interest / mark-up or penalty is impracticable to determine as at the reporting date.

25 ACCRUED MARK-UP / INTEREST

	Note	2018 Rupees	2017 Rupees
Mark-up / interest accrued on;			
Long-term finances	**25.1**	**12,826,114**	12,826,114
Liabilities against assets subject to finance lease	**25.2**	**-**	-
Short-term borrowings	**25.2**	**-**	-
Security deposit		**6,073,151**	6,073,151
		18,899,265	18,899,265

25.1 This represents mark-up payable to Gulistan Fibres Limited, "an associated company", on long-term loan. The principal amount of the loan was paid.

25.2 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. 8.583 million, Rs. 1.224 million and Rs. 234.551 million respectively (2017: Rs. 8.420 million, Rs. 1.224 million and Rs. 230.662 million respectively) due to pending litigations with the financial institutions. 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, 2018, will be repaid on quarterly basis over a period of 2 years immediately after the completion of principal repayment term. Un-provided mark-up / interest upto the balance sheet date aggregated Rs. 1,908.045 million (2017: Rs. 1,663.687 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 as disclosed fully in note 28.1.1.

25.3 Confirmations in respect of mark-up / interest accrued on long-term finances, lease finances and short-term finances have not been received due to pending litigations with the financial institutions / lenders as disclosed fully in note 28.1.1.

	Note	2018 Rupees	2017 Rupees
26 SHORT-TERM BORROWINGS			
Short-term finances - secured	26.1 & 26.3	1,879,288,871	1,879,288,871
Running finances - secured	26.2 & 26.3	854,985,812	854,985,812
Temporary bank overdraft - unsecured	26.4	727,412	1,096,763
		2,735,002,095	2,735,371,446

26.1 This represents aggregate amount of the short-term finances obtained from various banks/financial institutions against expired facilities. These finances, are secured by way of ranking / hypothecation / floating charge over present and future current assets, pari passu charge over present and future fixed assets, charge over raw cotton and cotton yarn, lien on export letters of credit / sales contracts / documents, trust receipts and personal guarantees of sponsor directors.

26.2 The abovementioned balances are against expired running 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 global 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 28.1.1.

26.3 Year-end balance confirmations aggregating Rs. 2,735.00 million (2017: Rs. 2,735.371 million) from the lending banks / financial institutions have not been received due to above-mentioned litigations 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.

26.4 These have arisen due to issuance of cheques in excess of balance at bank accounts.

	Note	2018 Rupees	2017 Rupees
27 CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long-term finances:			
Faysal Bank Limited - term finance II		35,714,286	35,714,286
Standard Chartered Bank - term finance III		75,000,000	75,000,000
Bank Alfalah Limited - LTF EOP		3,672,476	3,672,476
Liabilities against assets subject to finance lease		17,683,380	18,266,231
		132,070,142	132,652,993

28 CONTINGENCIES AND COMMITMENTS

28.1 Contingencies

28.1.1 Liabilities towards banks and financial institutions disclosed in note 21, 22, 25 and 26

(a) Various banks and financial institutions have filed recovery suits before civil courts, the Honourable Lahore High Court, the Honourable High Court of Sindh and the Banking Court Karachi, for recovery of their long-term, short-term and lease liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The aggregate amount of these claims is Rs. 4,005.232 million (2017: Rs. 4,005.232 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 to the date of these financial statements. Among all the cases referred above, the most notable cases by or against the Company are explained in the following sub-notes.

(b) The Company filed a 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 LHC 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 LHC through its judgement and decree announced on September 11, 2013, rejected the plaint by exercising suo moto powers under order 7 Rule II of CPC. The Company filed appeal before Divisional Bench of the LHC against the above-mentioned judgement and decree. 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.

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. The management expects that entire process will be completed in due course of time and these recovery suits will be settled accordingly.

28.1.2 The Company has not provided for Rs. 12.519 million (2017: Rs. 12.519 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 High Court of Sindh. The decision was challenged before division bench of the same high court and stay for collection of cess was granted. 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 come 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 up to 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, 2017, the Company has provided bank guarantees aggregating Rs. 19.504 million (2017: Rs. 19.504 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.

28.1.3 Gujranwala Energy Limited (GEL) through Standard Chartered Bank Limited ("the Bank") had provided a commitment guarantee of Euro € 3.00 million in favor of Wartsila Finland OY and performance guarantee of US $ 1.00 million in favor of Private Power and Infrastructure Board (PPIB). The Company being 50% joint venture partner in GEL is responsible to the extent of 50% of the said guarantees only. GEL had obtained stay orders against encashment of these guarantees, however, after vacation of stay orders both the guarantees were encashed. However, the suit No. 795/09 filed by GEL against PPIB and Wartsiala Finland OY and others before the Honourable High Court of Sindh at Karachi is still sub-judice wherein the suit will be decided on merits after framing of issues and recording of evidences. The guarantee issued to Wartsila Finland OY was a conditional guarantee and could not have been encashed even after vacation of stay order for which GEL had written letters to the Bank that before fulfillment of the conditions guarantees cannot be encashed. Since, the Bank has not instituted any suit neither against GEL nor against the Company, therefore, no adjustment to effect the same is made in these financial statements. Even otherwise the suits instituted by GEL before the Honourable High Court of Sindh as well as the Civil Court, Lahore are still pending.

28.1.4 Counter guarantees of Rs. 78.363 million (2017: Rs. 78.363 million) were given by the Company to various banks / financial institutions as at June 30, 2018, in respect of guarantees issued in favour of various Government Departments / Institutions and Sui Northern Gas Pipelines Limited. The bank guarantees given by various banks on behalf of the Company to various parties remain intact with the respective banks.

28.1.5 Askari Bank Limited has filed a suit COS No. 37/2013 for recovery of Rs. 295.797 million on account of two facilities i.e. cash finance facility and running finance facility provided to the Company. The Honourable Lahore High Court decreed in favour of the plaintiff bank to the extent of Rs. 295.797 million together with the cost of funds. The Company has filed appeal against the impugned judgment, which is pending adjudication before the Division Bench of the Honourable Lahore High Court. At the same time, the plaintiff bank has filed an execution petition before the single bench of the Lahore High Court, which is pending adjudication.

28.1.6 Meezan Bank Limited has filed a suit COS No. B-09/2013 for recovery of Rs. 46.492 million on account of murabaha finance facilities provided to the Company. The Honourable Banking Court No. II, Karachi decreed the suit vide its judgment dated December 20, 2016, in favour of the plaintiff bank to the extent of Rs. 46.492 million together with the cost of funds. The Company has filed appeal before the Honourable High Court of Sindh against the impugned judgment and the same is pending adjudication before the Honourable High Court of Sindh at Karachi.

28.1.7 First National Bank Modaraba filed a suit hearing # 122/15 against the Company for recovery of Rs. 45.905 million. The Honorable Banking Court Lahore vide its judgement dated September 19, 2017, decreed against the Company in favour of First national Bank Modaraba for recovery of Rs. 45.905 million. The execution proceedings under the said judgement were started under section 19 of the Financial Institutions (Recovery of Finance) Ordinance, 2001. The management has not recognized the impact of the said decree and execution proceedings in these financial statements, since the same is pending adjudication.

28.1.8 Habib Metropolitan Bank Limited has filed a suit against the Company for recovery of Rs. 57.605 million with the Honorable Lahore High Court, Lahore. The Honorable Lahore High Court vide its judgement dated May 27, 2016 decreed the suit agaisnt the Company and the same was converted into execution proceedings by the Court under section 19 of the Financial Institutions (Recovery of Finance) Ordinance, 2001. The Company has not recognized any adjustment to these financial statements. The execution proceeding is pending for adjudication at the Banking Court, Lahore.

28.1.9 Habib Bank Limited (previously First Habib Bank Modaraba) filed a suit against the Company for recovery of Rs. 2,633,486 in the Honorable Banking Court no. 1, Karachi. The said Court decreed suit against the Company vide its judgment dated April 21, 2016. The same was converted into execution proceedings by the court under section 19 of the Financial Institution (Recovery of Finance) Ordinance, 2001. The management of the Company has not recognized any adjustment to these financial statements. The execution proceeding is pending adjudication at the Banking Court, Lahore.

28.1.10 The Honourable Supreme Court of Pakistan, vide judgment dated August 22, 2014, has already declared the Gas Infrastructure Development Cess Act, 2011, ultra-vires to the Constitution and also directed that the entire amount so far recovered from the consumers be refunded. In order to nullify the legal effect of the above judgment of the Supreme Court of Pakistan, the Federal Government promulgated the Gas Infrastructure Development Cess Ordinance, 2014, whereby not only the cess was imposed afresh but all the judgments passed earlier were declared to have no legal effect against the previous recovery of the arrears of Gas Infrastructure Development Cess from the year 2011. The Gas Infrastructure Development Cess Ordinance, 2014, was also challenged before different high courts of Pakistan and in the meanwhile the Gas Infrastructure Development Cess Act, 2015, was imposed to the same effect as that of Gas Infrastructure Development Cess Ordinance, 2014. Yet again, the Gas Infrastructure Development Cess Act, 2015, was challenged before the Honourable Lahore High Court as well as before the Honourable High Court of Sindh. The Honourable High Court of Sindh vide its judgment dated October 26, 2016, decreed the suits in favour of the consumer, whereby the Gas Infrastructure Development Cess Act, 2015, was held to be ultra vires and unconstitutional and further directed Sui Southern Gas Company Limited as well as Sui Northern Gas Pipelines Limited to refund the amounts received under the head of Gas Infrastructure Development Cess from 2011 till date. The matter is still subjudice before the divisional bench of the Honourable High Court of Sindh and we are hopeful that the judgment dated October 26, 2016, passed in favour of the consumers shall be upheld and the Gas Infrastructure Development Cess Act, 2015, shall again be declared ultra vires to the Constitution.

The Company has also instituted a suit hearing # 489/17 before the Hounourable High Court of Sindh, wherein, stay has confirmed vide order dated March 03, 2017. The Company has not passed on gas infrastructure development cess to its consumers and has not paid amount of cess when stay order(s) were in field.

28.1.11 Company has challenged recovery of the Electricity Duty on self-generation of electricity. The Honorable Lahore high Court has passed order in favour of the Company and hence stayed the recovery of the same duty. Company, through this appeal has challenged the recovery of Electricity Duty on self-generation. Supreme court of Pakistan has ordered in favour of the Company and hence stayed the recovery of the same duty.

28.1.12 The Company has instituted a suit against MCB Bank Limited vide COS No. 22/15 wherein along with other prayers, the Company has also prayed for recovery of Rs. 413.094 million on account of acts and omissions committed by the Bank against the Company. The matter is pending adjudication before Lahore High Court, Lahore (LHC). MCB Bank Limited had also instituted a suit for recovery against the Company and others vide COS No. 104/13, before the LHC.
However, the suit was returned vide order dated April 05, 2016 on account of lack of jurisdiction. Thereafter, the Bank instituted a suit bearing No. B-42/16 for recovery before the Sindh High Court at Karachi (SHC) which is also pending adjudication.

28.1.13 Albaraka Bank Limited has filed a suit under section 20 of the Financial Institution Recovery of Finance Ordinance, 2001, ("the Ordinance") against the Company and its management before the Banking Court Lahore and the same is pending adjudication.

28.1.14 Bank of Punjab instituted a suit for recovery of Rs. 501.719 million before the Honourable Lahore High Court, Lahore ("LHC") under section 9 of the Financial Institution Recovery of Finance Ordinance, 2001, ("the Ordinance") against the Company and others bearing COS No. 48/13. The suit was decreed vide judgment and decree dated March 28, 2018. However, the Company has filed an appeal before the LHC against the Judgment and decree dated March 28, 2018, which is also pending adjudication before the LHC. The Execution Petition No. 233642/18 for the same amount as decreed is also pending adjudication before the LHC.

28.2 Commitments

There is no capital commitment as at June 30, 2018, and June 30, 2017.

	Note	2018 Rupees	2017 Rupees
29 SALES - net			
Local sales			
- Sale	29.1	-	1,332,888
- Processing income		-	14,000,000
		-	15,332,888
Less: sales tax		-	-
		-	15,332,888

29.1 Local sales include waste sales and cotton sales of Rs. nil (2017: Rs. nil) and Rs. nil (2017: Rs. 1.332 million) respectively.

	Note	2018 Rupees	2017 Rupees
30 COST OF SALES			
Stocks at beginning of the year (finished goods and waste)		49,991,280	71,678,732
Cost of goods manufactured	30.1	81,443,989	100,695,356
		131,435,269	172,374,088
Stocks at the end of the year (finished goods and waste)		(37,493,460)	(49,991,280)
		93,941,809	122,382,808
30.1 Cost of goods manufactured			
Raw materials written-off	30.2	20,568,878	35,403,924
Provision for obsolete store		3,938,007	5,250,676
Salaries and other benefits		105,233	5,410,288
Gratuity		-	87,350
Fuel and power		7,867,737	358,265
Repair and maintenance		-	4,000,000
Travelling and conveyance		-	20,250
Depreciation	6.2	48,656,814	50,164,603
Other manufacturing expenses		307,320	-
		81,443,989	100,695,356
Work-in-process adjustment		-	-
		81,443,989	100,695,356
30.2 Raw materials written-off			
Stocks at beginning of the year		82,275,513	117,679,437
Stocks at end of the year		(61,706,635)	(82,275,513)
		20,568,878	35,403,924

30.3 This represents the provision for obsolete stores, spares and loose tools amounting to Rs. 3,938,007/- (2017: Rs. 5,250,676).

		Note	2018 Rupees	2017 Rupees
31	**DISTRIBUTION COST**			
	Depreciation	6.2	700,603	922,916
32	**ADMINISTRATIVE EXPENSES**			
	Directors' meeting fee		-	-
	Salaries and other benefits		246,717	11,868,224
	Gratuity		-	435,570
	Rent, rates and taxes		2,887,710	5,361,381
	Gas and electricity		1,605,697	1,967,266
	Fee and subscriptions		672,163	5,230,789
	Travelling and conveyance		511,327	1,117,779
	Printing and stationery		7,141	83,884
	Auditor's remuneration	32.1	250,000	250,000
	Repair and maintenance		333,240	458,862
	Entertainment		22,147	383,089
	Insurance		45,282	-
	Communication		481,707	298,716
	Legal and professional charges		7,441,500	10,722,500
	Computer expenses		5,000	24,250
	Depreciation	6.2	819,156	904,675
	Other administrative expenses		294,091	772,152
			15,622,878	39,879,137
	32.1 Auditor's remuneration			
	Audit fee		240,000	240,000
	Review report on Code of Corporate Governance		10,000	10,000
			250,000	250,000
33	**OTHER INCOME**			
	Income from financial assets			
	Interest on;			
	- term-deposit receipts		4,077	69,150
	- deposit accounts		15,741	66,988
	- Defence Saving Certificates		6,177,241	5,507,998
	- over due receivable balances of associated companies		-	3,958,101
	Reversal of bad debts		57,477,336	65,795,530
			63,674,395	75,397,767
	Income from non-financial assets			
	Gain on sale of property, plant and equipment		-	427,117
			63,674,395	75,824,884
34	**FINANCE COST**			
	Mark-up / interest on;			
	- liabilities against asset subject to finance lease		177,149	58,164
	Bank charges		272,143	547,817
			449,292	605,981

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 respectively aggregating Rs. 8.583 million (2017: Rs. 8.420 million), Rs. 1.224 million (2017: Rs. 1.224 million), Rs. 234.551 million (2017: Rs. 230.662 million) due to pending litigations with the financial institutions as detailed in note 25.

	Note	2018 Rupees	2017 Rupees
35 TAXATION			
Current	35.1	-	-
Deferred		11,362,101	45,897,624
		11,362,101	45,897,624

35.1 No provision for minimum tax due under section 113 of the Income Tax Ordinance, 2001, is incorporated, as the Company has suffered gross loss before depreciation and other inadmissible expenses due to non-operation of Company's manufacturing facilities. Further, no provision for alternative corporate tax under section 113C of Income Tax Ordinance, 2001, is incorporated, as the Company has suffered accounting loss.

	2018	2017
36 LOSS PER SHARE - BASIC AND DILUTED		
Loss after taxation - (Rupees)	(44,839,947)	(26,735,446)
Weighted average number of ordinary shares outstanding during the year - (Number)	22,225,038	22,225,038
Basic loss per share - basic and diluted - (Rupees)	(2.02)	(1.20)

Diluted earnings / loss per share

A diluted earnings / loss per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2018 and June 30, 2017 which would have any effect on the loss per share if the option to convert is exercised.

	Note	2018 Rupees	2017 Rupees
37 NET CHANGES IN WORKING CAPITAL			
Decrease / (increase) in current assets:			
Stock-in-trade		-	7,978,753
Trade debtors		58,629,042	78,643,173
Loans and advances		(1,054,900)	4,512,726
Trade deposits and short-term prepayments		309,356	454,212
Other receivables		(31,052)	(296,081)
		57,852,446	91,292,783
Decrease in trade and other payables		(50,145,196)	(31,510,578)
		7,707,250	59,782,205

38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief executive		Directors		Executive	
	2018	2017	2018	2017	2018	2017
	Rupees					
Managerial remuneration and other benefits	-	-	-	-	-	1,261,740
Gratuity	-	-	-	-	-	127,614
	-	-	-	-	-	1,389,354
No. of persons				-	-	1

38.1 Chief executive, directors and executives are also provided with free use of Company maintained vehicles in accordance with the Company's policy.

38.2 Meeting fees of Rs. nil (2017: Rs nil) were also paid to a director during the year.

	2018 Number	2017 Number
39 CAPACITY AND PRODUCTION		
Numbers of spindles installed	44,784	44,784
Numbers of rotors installed	1,440	1,440

Financial institutions and banks have curtailed and blocked the short-term limits, froze the funds in current accounts to clear mark-up and other dues and attempted to realize their securities. These factors created liquidity crises due to which the Company could not run its operations.

40 FINANCIAL RISK MANAGEMENT

The Company has exposures to the following risks from its use of financial instruments;

- 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 of Directors is also responsible for developing and monitoring the Company's risk management policies.

40.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted / fail to discharge an obligation / commitment that it has entered into with the Company.

Credit risk mainly arises from deposits and margins, trade debtors, accrued mark-up / interest, short-term investments, and balances with banks. The carrying amounts of financial assets that represent the Company's maximum credit exposure as at the reporting date are as follows;

	Note	**2018**	2017
		Rupees	Rupees
Deposits and margins		**14,123,478**	14,283,478
Trade debtors		**32,510,762**	33,662,468
Accrued mark-up / interest		**62,688,063**	62,688,063
Bank balances		**12,366,253**	30,406,131
		121,688,556	141,040,140
Ageing of trade debtors at the reporting date is as follows:			
Not past due		-	-
Past due 1-90 days		-	-
Past due 91-180 days		-	-
Past due 181-365 days		-	-
More than one year		**32,150,761**	33,662,468
		32,150,761	33,662,468

Based on past experience and keeping in view subsequent realisations, provision for doubtful debts aggregating Rs. 113.98 million (2017: Rs.171.46 million) has been kept as at the reporting date in respect of doubtful trade debtors and for other debtors, there are reasonable grounds to believe that the amounts will be realised in short course of time.

The credit risk on deposits maintained with banks is limited as such banks enjoy reasonably high credit rating. Accordingly, the management does not expect any counter party to fail in meeting their obligations.

40.2 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.

	June 30, 2018			June 30, 2017		
	Carrying amount	Due within one year	Due after one year	Carrying amount	Due within one year	Due after one year
	---------- Rupees ----------			---------- Rupees ----------		
Long-term finances	114,386,762	114,386,762	-	114,386,762	114,386,762	-
Liabilities against assets subject to finance lease	17,683,380	17,683,380	-	18,266,231	18,266,231	-
Trade and other payables	541,593,973	541,593,973	-	569,639,248	569,639,248	-
Accrued mark-up / interest	18,899,265	18,899,265	-	18,899,265	18,899,265	-
Short-term borrowings	2,735,002,095	2,735,002,095	-	2,735,371,446	2,735,371,446	-
	3,427,565,475	3,427,565,475	-	3,456,562,952	3,456,562,952	-

In order to manage liquidity risk, the management alongwith 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 in future.

40.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices, which affect the Company's income or the value of its holdings of financial instruments.

(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 materials, stores and spare parts, plant and machinery, export of goods and foreign currency bank accounts mainly denominated in U.S. Dollars. The Company's exposure to foreign currency risk is as follows;

	June 30, 2018		June 30, 2017	
	Rupees	U.S.$	Rupees	U.S.$
Bank balance	232,085	2,357	232,085	2,357
Net balance sheet exposure	232,085	2,357	232,085	2,357

The following significant exchange rate applied during the year;

	Average rate		Reporting date rate	
	2018	2017	2018	2017
U.S. Dollar to Rupee	113.20	104.69	121.6	104.80

(b) Sensitivity analysis

At the reporting date, if Rupee had strengthened by 10% against U.S. Dollar 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.

	Note	2018 Rupees	2017 Rupees
Effect on loss for the year:			
U.S. Dollar to Rupee		26,681	4,801,041

The weakening of the Rupee against U.S Dollar would have had an equal but opposite impact on loss 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.

(c) **Interest rate risk**

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Majority of the interest rate risk of the Company arises from short and long-term borrowings from banks and deposits with banks. However, the Company is not providing for mark-up / interest on its long-term finances, liabilities against assets subject to finance lease and short-term borrowings due to litigation with banks and financial institutions as detailed in note 28.1.1. At the reporting date, the profile of the Company's interest bearing financial instruments is as follows;

	2018 Rupees	2017 Rupees
Fixed rate instruments		
Financial assets	**57,018,604**	50,841,363
Financial liabilities	**3,672,477**	3,672,477
Variable rate instruments		
Financial assets	**15,552,148**	16,661,344
Financial liabilities	**2,885,971,502**	2,886,923,704

The rates of mark-up / interest have been disclosed in the respective notes to these financial statements.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any 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.

40.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between carrying values and the fair value estimates.

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 Defence Savings Certificates that are stated at amortized cost.

40.5 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 changes 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.

41 RELATED PARTY TRANSACTIONS

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 38. Amounts due from and to related parties are shown under receivables and payables. Other significant transactions with related parties are as follows:

Name of related party	Relationship	Transactions	2018 Rupees	2017 Rupees
Paramount Spinning Mills Limited	Common directorship	Advance / loan provided	616,080	-
		Advance / loan received	1,725,276	-
Guilstan Spinning Mills Limited	Common directorship	Advance / loan provided	778,800	937,073
		Advance / loan received	-	6,084,000
		Mark-up charged	-	3,958,101

42 SEGMENT INFORMATION

These financial statements have been prepared on the basis of a single reportable segment.

(a) Cotton sale represents 0% (2017: 9%) of the total sales of the Company.

(b) All of the Company's sales relate to customers in Pakistan.

(c) All non-current assets of the Company at June 30, 2018 and June 30, 2017 are located in Pakistan.

43 NUMBER OF EMPLOYEES

	2018 Number	2017 Number
Number of employees as at June 30,		
- Permanent	11	12
Average number of employees during the year		
- Permanent	12	13

44 EVENTS AFTER THE REPORTING DATE

There are no significant adjusting or non adjusting event after the reporting date requiring adjustment or disclosure in financial statements.

45 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison and better presentation. These have been done mainly due to adoption of revised format of the financial statements under Companies Act, 2017, as disclosed in respective notes. No other significant rearrangements or reclassifications have been made in these financial statements in the current year.

46 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 05/10/2018 by the Board of Directors of the Company.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

KEY OPERATING & FINANCIAL DATA FOR THE LAST SIX YEARS

	2018 Rupees	2017 Rupees	2016 Rupees	2015 Rupees	2014 Rupees
OPERATING RESULTS					
Total number of spindle installed	44,784	44,784	44,784	44,784	44,784
Average number of spindles worked				13,495	26,649
Total number of rotors installed	1,440	1,440	1,440	1,440	1,440
Average number of rotors worked				244	533
Installed capcity after conversion into 20's	18,140,662	18,140,662	18,140,662	18,140,662	18,140,662
Actual production after conversion into 20's				4,600,071	7,279,250
Sales	-	15,332,888	85,557,040	24,761,805	991,069,459
Gross (loss)/profit	(93,941,809)	(107,049,920)	(103,418,915)	(394,530,507)	(332,522,608)
Operating (loss)/profit	(110,265,290)	(147,851,973)	(164,186,044)	(476,810,795)	(200,370,481)
Financial Expenses	(449,292)	(605,981)	6,969,097	12,174,790	6,661,350
(Loss)/Profit before tax	(47,040,187)	(72,633,070)	(184,624,989)	(498,146,217)	(208,802,457)
(Loss)/Profit for the year after taxation	(44,839,947)	(26,735,446)	(186,047,987)	(417,126,338)	(202,745,411)
Unappropreated profit carried forward	**(2,866,228,637)**	(2,838,295,382)	(2,805,061,306)	(2,659,970,836)	(2,390,322,759)
FINANCIAL POSITION					
Paid up capital	222,250,380	222,250,380	222,250,380	222,250,380	222,250,380
Share holder's equity	(1,416,943,532)	(1,381,265,445)	(1,354,529,999)	(2,270,812,574)	(1,896,072,379)
Long term loans				114,386,763	114,386,763
Obligation under finance lease				18,918,802	19,602,910
Deffered Liabilities	285,234,278	319,959,641	366,027,814	364,370,612	884,906,999
Current Liabilities	3,439,268,708	3,468,284,283	3,505,148,091	3,624,659,939	3,475,917,156
Fixed Assets	2,101,317,712	2,151,494,285	2,203,633,647	2,257,518,874	3,709,851,590
Long term investment	132,302,532	126,125,291	119,284,405	95,352,143	92,044,601
Long term deposits	8,476,563	8,476,563	8,476,563	8,476,563	8,666,608
Current Assets	315,462,647	370,882,340	435,251,290	604,108,840	939,875,957

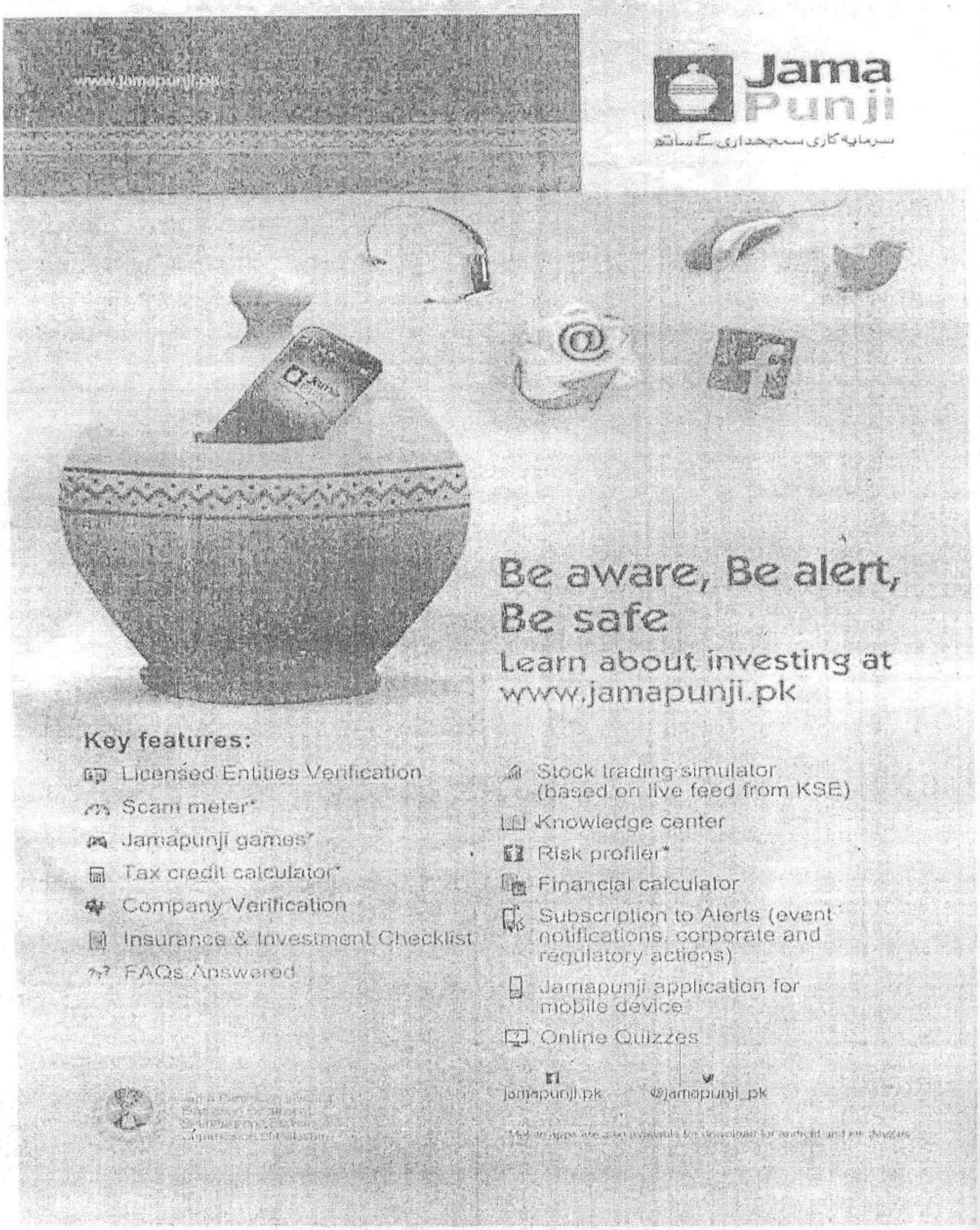
GULSHAN SPINNING MILLS LIMITED
CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2018

A)	**ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES**	**SHARES**
	Gulistan Spinning Mills Limited	10,302
	Peridot Products (Pvt.) Limited	2,065,470
B)	**NIT & ICP**	
	IDBP (ICP UNIT)	106
	National Bank of Pakistan Trustee Department	550
	CDC - Trustee National Investment (Unit) Trust	1,203,474
C)	**DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN**	
	DIRECTORS	
	Mr. Tanveer Ahmed (Resigned on 10.04.17)	2,077,979
	Mr. Riaz Ahmed (Resigned on 10.03.17)	-
	Mr. Muhammad Akhtar Mirza	500
	Mr.Abid Sattar	500
	Mr. Sohail Maqsood	650
	Mr. Iftikhar Ali	500
	Mr.Muhammad Maqbool Anjum (Appointed on 10.04.17)	500
	Mr.Muhammad Ashraf Khan (Appointed on 10.03.17)	610
	Mr. Hussain Ather	570
	SPOUSE	
	Mrs. Naureen Tanveer	933,046
D)	**BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS**	
	BANKS	
	National Bank of Pakistan	313,865
	NIB Bank Limited	19,496
	Islamic Investment Bank Limited	9,345
	Al-Faysal Investment Bank Limited	50
	INSURANCE	
	State Life Insurance Corporation of Pakistan	263,326
E)	**Other Companies**	7,684,729
F)	**Joint Stock Companies**	75,761
G)	**General Public (Local)**	7,563,709
		22,225,038

G)	**SHAREHOLDERS HOLDING 05% OR MORE**	
	Mr. Tanveer Ahmed	2,077,979
	Mr. Abdul Shakoor	2,098,071
	OPAL (SMC-PRIVATE) LIMITED	2,200,000
	BLESSED CORPORATION (PVT.) LTD.	1,925,000
	Gulistan Textile Mills Limited	2,112,655
	Peridot Products (Pvt.) Limited	2,065,470
	National Bank of Pakistan Trustee Department	1,203,474
H)	**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**	NIL

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

Particulars	No. of Shares Holders	No. of Shares Held	Percentage
Directors, Chief Executive Officer and their spouse and minor children	11	3,014,855	13.57
Associated Companies, Undertakings and Related Parties	2	2,075,772	9.34
NIT & ICP	3	1,204,130	5.42
Banks, Development Finance Institutions, Non- Banking Financial Institutions	5	342,756	1.54
Insurance Companies	1	263,326	1.18
Joint Stock Companies	7	75,761	0.34
General Public (Local)	3,484	7,563,709	34.03
Other Companies	10	7,684,729	34.58
	3,523	**22,225,038**	**100.00**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فارم برائے پروکسی ممبر

﴿گلشن سپننگ ملز لمیٹڈ﴾

میں گلشن سپننگ 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 سپننگ ملز لمیٹڈ کا رکن/شیئرز ہولڈر ہے، کو میں اپنا پروکسی/شراکت کنندہ/نمائندہ مقرر کرتا ہوں یا اسکے ناکام ہوجانے/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 سپننگ ملز لمیٹڈ کا رکن /شیئرز ہولڈرز ہے کو اپنا پروکسی/شراکت کنندہ/نمائندہ میں مقرر کرونگا جو میری جگہ سالانہ کمپنی کو مجلس عاملہ جو کہ 27 اکتوبر 2018 12:00 بجے یا کسی دیگر وقت وجگہ پر منعقد ہوگی پیش/شرکت کرے گا اور میری جگہ بیان اور ووٹ دے گا۔

دستخط وممبر پراکسی ممبر

میں آج کے دن __________ مورخہ __________ 2018 کو اپنے بیان کی تصدیق کرتا ہوں اور اپنے دستخط کرتا ہوں۔

گواہ نمبر 1

نام__________

گواہ نمبر 2

نام__________

پتہ_______________________ پتہ_______________________

شناختی کارڈنمبر___________________ شناختی کارڈنمبر___________________

نوٹ۔

1- پروکسی فارم پرشیئر ہولڈراورگواہوں کی مہر، دستخط ثبت ہونگے اورفارم سالانہ مجلس عاملہ/ میٹنگ کے انعقاد کے 48 گھنٹوں سے پہلے پہلے پیش کرنا ہوگا۔

2- پروکسی کنندہ کمپنی کاشیئر ہولڈر/ رکن ہوگا۔

3- پروکسی کنندہ کے دستخط کمپنی میں رجسٹرڈ شدہ دستخط سے مشابہہ ہونگے۔

4- سی ڈی سی شیئر ہولڈرووٹ دینے کے مستحق ہونگے اوروہ سالانہ مجلس عاملہ/ میٹنگ میں ووٹ دیتے وقت اپنے اصل شناختی کارڈ/ پاسپورٹ پیش کرینگے تاکہ ان کی شناخت ہوسکے۔بصورت دیگروہ اپنے شناختی کارڈ/ پاسپورٹ کی تصدیق شدہ نقل پیش کریں گے۔

5- کارپوریٹ ممبرز کے نمائندے اپنے متعلقہ کاغذات پیش کرینگے۔

****

Form of Proxy

Gulshan Spinning Mills Limited

I/We ____________________________being member of **Gulshan 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 **Gulshan 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 **Gulshan 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 27th October 2018 at 12:00 noon and at any adjournment thereof.

As witness my/our hand this_______day of ____________2018

Signed by the said ______________________________________

Appropriate Revenue Stamp

Witness 1:-

Name:-____

Adress:-____

CNIC:-____

Witness 2:-

Name:-____

Adress:-____

CNIC:-____

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.