



**GULISTAN SPINNING  
MILLS LIMITED**

**ANNUAL REPORT 2020**

# GULISTAN SPINNING MILLS LIMITED

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

**BOARD OF DIRECTORS**

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

**AUDIT COMMITTEE**

Mr. Muhammad Junaid (Chairman)  
Mr. Muhamamd Akhtar Mirza  
Mr. Abid Sattar

**HR & REMUNERATION COMMITTEE**

Mr. Muhammad Asif Akram (Chairman)  
Mr. Muhamamd Akhtar Mirza  
Mr. Abid Sattar

**CHIEF FINANCIAL OFFICER**

Mr. Salman Ali Riaz

**COMPANY SECRETARY**

Mr. Muhammad Ijaz

**AUDITORS**

M/s. Malik Haroon Shahid Safdar & Co  
Chartered Accountants  
Lahore.

**LEGAL ADVISOR**

Akhter Javed-Advocate

**SHARE REGISTRAR OFFICE**

M/s. Hameed Majeed Associates (Pvt) Ltd.  
Karachi Chamber  
Hasrat Mohani Road Karachi  
Ph. 32424826, 32412754, Fax. 32424835

**REGISTERED OFFICE**

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

**REGIONAL OFFICE**

2nd Floor, Garden Heights,  
8Aibak Block, New Garden Town,  
Lahore.

**MILLS**

Unit-II Jumber Khurd Tehsil Chunnian Dist. Kasur

**WEB PRESENCE**

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

- [Home](#)

## **Gulistan Spinning Mills Limited**

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### **CORPORATE VISION / MISSION STATEMENT**



**Vision:**

We aim to re-built the Company.



**Mission:**

To become again a quality manufacturer of textile products.



# **GULISTAN SPINNING MILLS LIMITED**

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that Annual General Meeting of **Gulistan Spinning Mills Limited** (the "Company") will be held at 2<sup>nd</sup> Floor Finlay House, I.I. Chundrigar Road, Karachi on **Saturday 30<sup>th</sup> October, 2021 at 01:00 p.m.**, to transact the following business:

1. To confirm the minutes of the last Annual General Meeting of the Company.
2. To receive, consider and adopt the audited financial statements of the Company for the financial year ended on June 30, 2020 together with Directors' and Auditors' Reports thereon.
3. To appoint auditors of the company for the next financial year 2020-2021 and fix their remuneration. The retiring Auditors M/s Malik Haroon Shahid Safdar & Co, 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 Ijaz**

Company Secretary

Lahore:

October 09, 2021

### **NOTES:**

- 1- The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from **23<sup>rd</sup> October, 2021 to 30<sup>th</sup> October, 2021 (both days inclusive)**.
- 2- A member entitled to attend and vote at the general meeting may appoint any other member as proxy in writing to attend the meeting and vote on his/her behalf. Duly completed form(s) of proxy must be deposited with the Company at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
- 3- CDC Account Holders are requested to bring with them their CNIC along with participant I.D & their account number at the time of meeting in order to facilitate identification. In case of corporate entity, a certified BOD resolution/ valid power of attorney with specimen signature of the nominee be produced at the time of meeting.
- 4- Members are requested to notify immediately changes of their addresses (if any) to our Shares Registrar M/s Hameed Majeed Associates (Pvt) Limited, Karachi Chamber, Hasrat Mohani Road, Karachi.

## گلستان اسپیننگ ملز لمیٹڈ سالانہ جنرل میٹنگ کا نوٹس۔

نوٹس اس طرح دیا گیا ہے کہ گلستان اسپیننگ ملز لمیٹڈ ("کمپنی") کی سالانہ جنرل میٹنگ دوسری منزل فنلے ہاؤس ، I.I میں منعقد ہوگی۔ چندریگر روڈ ، کراچی ہفتہ 30 اکتوبر ، 2021 کو دوپہر 01:00 بجے ، درج ذیل کاروبار کرنے کے لیے:

1. کمپنی کی آخری سالانہ جنرل میٹنگ کے منٹس کی تصدیق کرنا۔
  2. 30 جون 2020 کو ختم ہونے والے مالی سال کے لیے کمپنی کے آڈٹ شدہ مالی بیانات کو وصول کرنے ، ان پر غور کرنے اور ان کو اپنانے کے لیے ڈائریکٹرز اور آڈیٹرز کی رپورٹس کے ساتھ۔
  3. اگلے مالی سال 2020-2021 کے لیے کمپنی کے آڈیٹر مقرر کرنا اور ان کا معاوضہ طے کرنا۔
  - ریٹائر ہونے والے آڈیٹرز میسرز ملک ہارون شاہد صفدر اینڈ کمپنی ، چارٹرڈ اکاؤنٹنٹس ، اہل ہونے کے باوجود ، کمپنی کے آڈیٹر کے طور پر دوبارہ تقرری کے لیے پیش ہوئے ہیں۔
  4. چیئرمین کی اجازت سے کسی دوسرے کاروبار کا لین دین کرنا۔
- بورڈ کے حکم سے۔

محمد اعجاز۔

لاہور: کمپنی سیکرٹری۔

09 اکتوبر 2021۔

نوٹس:

- 1- کمپنی کی شیئر ٹرانسفر بکس بند رہیں گی اور 23 اکتوبر 2021 سے 30 اکتوبر 2021 (دونوں دن شامل) کے رجسٹریشن کے لیے شیئرز کی کوئی منتقلی قبول نہیں کی جائے گی۔
- 2- عام اجلاس میں شرکت اور ووٹ دینے کا حقدار رکن کسی دوسرے ممبر کو تحریری طور پر اجلاس میں شرکت اور اپنی طرف سے ووٹ دینے کے لیے مقرر کر سکتا ہے۔ پراکسی کا مکمل طور پر مکمل شدہ فارم کمپنی کے ساتھ کمپنی کے رجسٹرڈ آفس میں جمع کروانا ضروری ہے جو کہ میٹنگ کے مقررہ وقت سے 48 گھنٹے پہلے نہیں۔
- 3- سی ڈی سی اکاؤنٹ ہولڈرز سے درخواست کی جاتی ہے کہ وہ شناخت کے لیے سہولت کے لیے میٹنگ کے وقت شرکت کنندہ آئی ڈی اور اپنا اکاؤنٹ نمبر کے ساتھ اپنا CNIC ساتھ لائیں۔ کارپوریٹ ادارے کے معاملے میں ، نامزد کے نمونے کے دستخط کے ساتھ ایک مصدقہ BOD ریزولوشن/درست پاور آف اٹارنی میٹنگ کے وقت پیش کی جائے گی۔
- 4- ممبران سے درخواست کی جاتی ہے کہ وہ فوری طور پر اپنے پتے (اگر کوئی ہو) ہمارے شیئرز رجسٹرار میسرز حمید مجید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ ، کراچی چیمبر ، حسرت موہانی روڈ ، کراچی کو مطلع کریں

## **CHAIRMAN REVIEW**

It is my privilege to be serving as a chairman of Board of Directors of M/S Gulistan Spinning Mills Limited (the "Company"). I would like to thank our esteemed shareholders for entrusting me for guiding directions of the company.

The Company is very hopeful that with restructuring and settlement of amounts, the pending issues with financial institutions will be resolved, the financial health of the Company will be improved which will enable the Company to focus on new profitable avenues. The scheme of arrangement with creditors has been signed and submitted in Sindh High court Karachi. The shareholders have already approved the Scheme in the meeting dated 15.07.2019 held by the chairman appointed by the court pursuant to the order dated 21.06.2019. All pending litigations with banks will be withdrawn as per the Scheme of Arrangement.

## **ACKNOWLEDGEMENTS**

The performance of our Board and the services render by the management and staff of the Company is appreciated.



Muhammad Akhtar Mirza

Lahore :- Oct-05-2021

چیئر مین کا جائزہ

میسرز گلستان اسپننگ ملز لمیٹڈ ("کمپنی") کے بورڈ آف ڈائریکٹرز کے چیئرمین کے طور پر خدمات انجام دینا میرا اعزاز ہے۔ میں اپنے معزز شیئر ہولڈرز کا شکریہ ادا کرنا چاہتا ہوں کہ انہوں نے کمپنی کی رہنمائی کے لیے مجھے سونپا۔

کمپنی بہت پر امید ہے کہ رقم کی تنظیم نو اور تصفیہ کے ساتھ مالیاتی اداروں کے زیر التوا مسائل حل ہو جائیں گے، کمپنی کی مالی صحت بہتر ہو جائے گی جس سے کمپنی نئے منافع بخش راستوں پر توجہ دے سکے گی۔ قرض دہندگان کے ساتھ بندوبست کی اسکیم پر دستخط کئے گئے ہیں اور سندھ ہائی کورٹ کراچی میں جمع کرائے گئے ہیں۔ شیئر ہولڈرز نے پہلے ہی 21.06.2019 کے حکم کے مطابق عدالت کے مقرر کردہ چیئرمین مورخہ 15.07.2019 کی میٹنگ میں اس اسکیم کو منظوری دے دی ہے۔

جانکاری۔

ہمارے بورڈ کی کارکردگی اور کمپنی کے انتظام اور عملے کی خدمات کو سراہا جاتا ہے۔

محمد اختر مرزا۔

لاہور: اکتوبر 2021-05



## Gulistan Spinning Mills Limited

2<sup>nd</sup> Floor Finlay House I.I. Chundrigar Road , Karachi (Pakistan)

Tel: (92-42) 37175828

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[www.gulshan.com.pk](http://www.gulshan.com.pk)

### Director's/Chairman 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, 2020 at the Annual General Meeting of Company.

The previous auditors of the company (Retiring Auditor) appointed for the financial year ending June 30, 2020 failed to comply with its statutory duties by not signing the financial statements for the year ending June 30, 2020. Accordingly, the SECP was informed immediately by the company and the company also approached ICAP for redressal of the grievance of the company. Furthermore, the BOD had also immediately upon receipt of the resignation of the Auditor convened the meeting of the BOD wherein, the BOD was pleased to appoint M/S Malik Haroon Shahid Safder and Co. Chartered Accountants as Auditors of the Company ("New Auditor") for the financial year ending June 30, 2020. Therefore, the sole reason for delay in finalization of accounts was on the part of the Retiring Auditor.

### Overview

The litigation with financial institutions forced the Company to initiate restructuring of its debt obligations subject to reconciliation to discharge 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 a Scheme of Arrangement under section 279 to 283 & 285 of the Companies Act 2017 (Scheme of Arrangement) has been signed by majority of the secured creditors and is pending adjudication before the Sindh High Court at Karachi (the "Court"). The shareholders of the company have already passed resolution in favor of the scheme, in a meeting chaired by the chair person appointed by the court pursuant to the directions of (the "court"). After sanction of the Scheme by the Court the litigation will be withdrawn by the creditors in terms of the Scheme.

### Operating & Financial Performance

Operating indicators	2020	2019
	(Rupees)	(Rupees)
Sales	-	-
Cost of goods sold	-	-
Financial cost	(2,144)	(82,827,891)
Pre tax Loss	(44,520,941)	(22,161,230)
Provision for taxation	-	10,115,747
Loss after taxation	(44,520,941)	(12,045,483)

### Future Outlook



## **Gulistan Spinning Mills Limited**

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The restructuring process is expected to be completed soon, once the Scheme of Arrangement is sanctioned by the Court and is implemented, the Company will be in a better position to structure the way forward.

- The Company is very hopeful that with restructuring and settlement of amounts, the pending issues with financial institutions will be resolved, the financial health of the Company will be improved which will enable the Company to focus on new profitable avenues.

### **Auditors' Observations**

- Company has fully provided the amount of mark-up in the annexed financial statement as per the amount confirmed by all the banks/financial institutions in the scheme of arrangement.
- In the annexed financial statement, the amount of loan has taken from the Scheme of Arrangement which is confirmed by all the creditors and submitted in Court for the approval of the Scheme. The auditor shows their reservation only that they have not received the confirmation directly from the banks to them as per their normal audit procedure.
- Stock in trade is not verifiable because various go-downs have been sealed as per the court order(s). Therefore, the go-down will be de-sealed with the permission of the concerned court(s).

### **Corporate Governance**

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

### **Board meetings and attendance**

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

<b>Name of Director</b>	<b>No of meeting attended</b>
Mr. Sohail Maqsood	4
Mr. Abid Sattar	4
Mr. Muhammad Akhtar Mirza	4
Mr Muhammad Ashraf Khan	4
Mr. Akhtar Aziz	3
Mr. Muhammad Asif Akram	4
Mr. Muhammad Arif	4

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

### **Audit Committees**

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

<b>Name of Members</b>	<b>No of meeting attended</b>
Mr. Akhtar Aziz	4



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Mr. Abid Sattar

4

Mr. M. Akhtar Mirza

4

### **HR & Remuneration Committee**

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

### **Internal Audit Function**

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

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

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

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

- The financial statements prepared by the Management of the Company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound and has been effectively implemented and monitored.
- 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, 2020 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, 2020 was Rs. (3.04) as compared to the previous year of Rs. (0.82)





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### **Dividends**

Due to circumstances discussed above, the Board of Directors does not recommend dividend for the year ended on June 30, 2020.

### **Corporate Social Responsibility**

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

### **Web presence**

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

### **Related Party Transactions**

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

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

During the year under review, there is no trading in shares of the Company by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouse and minor children.

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

As on June 30, 2020 deferred liability for gratuity is Rs.425,451/-

### **Auditors**

Messrs Malik Haroon Shahid Safder & Co., 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 2020 - 2021.

### **Pattern of Shareholding**

The pattern of shareholding as at June 30, 2020 including the information under the code of corporate of governance is annexed.

### **Acknowledgement**

The Board wishes to place on record its appreciation for the employees, members of management team for their efforts, commitment and hard work and to the shareholders who have accepted the Scheme of Arrangement in the meeting held pursuant to the orders of the Sindh High Court.

On behalf of the Board

  
**SOHAIL MAQSOOD**  
CHIEF EXECUTIVE



  
**MUHAMMAD AKHTAR MIRZA**  
CHAIRMAN

Lahore October 05, 2021



شیئر ہولڈرز کو ڈائریکٹر/چیئرمین رپورٹ۔

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2020 کو ختم ہونے والے سال کے لیے کمپنی کی سالانہ جنرل میٹنگ میں آڈیٹر کی رپورٹ اور آڈٹ شدہ مالی بیانات کے ساتھ اپنی رپورٹ پیش کرنے پر خوش ہیں۔

30 جون 2020 کو ختم ہونے والے مالی سال کے لیے مقرر کردہ کمپنی کے سابقہ آڈیٹرز (ریٹائرنگ آڈیٹر) 30 جون 2020 کو ختم ہونے والے سال کے مالیاتی بیانات پر دستخط نہ کر کے اپنے قانونی فرائض کی تعمیل کرنے میں ناکام رہے۔ کمپنی اور کمپنی نے کمپنی کی شکایت کے ازالے کے لیے ICAP سے بھی رجوع کیا۔ مزید برآں ، بی او ڈی نے آڈیٹر کے استعفیٰ کی وصولی کے فوراً بعد بی او ڈی کا اجلاس طلب کیا جس میں بی او ڈی نے میسرز ملک ہارون شاہد صفدر اور کمپنی چارٹرڈ اکاؤنٹنٹس کو کمپنی کا آڈیٹر مقرر کیا ("نیا آڈیٹر 30 جون 2020 کو ختم ہونے والے مالی سال کے لیے۔

#### جائزہ

مالیاتی اداروں کے ساتھ قانونی چارہ جوئی نے کمپنی کو مجبور کیا کہ وہ اپنے قرضوں کی ذمہ داریوں کی ازسرنو تشکیل شروع کرے جو اپنے قرض دہندگان کے ساتھ اپنے وعدوں کو پورا کرنے کے لیے مفاہمت سے مشروط ہے۔ کمپنی نے اہم قرض دینے والے مالیاتی اداروں کی مدد سے قرضوں کی تنظیم نو کا عمل شروع کیا ہے۔ اس سلسلے میں کمپنیز ایکٹ 2017 (سکیم آف ارینجمنٹ) کے سیکشن 279 سے 283 اور 285 کے تحت انتظام کی ایک اسکیم کو محفوظ قرض دہندگان کی اکثریت نے دستخط کیے ہیں اور یہ سندھ ہائی کورٹ کراچی ("عدالت") میں فیصلہ کے لیے زیر التوا ہے۔ ("عدالت") کی ہدایات کے مطابق عدالت کے مقرر کردہ چیئر پرسن کی صدارت میں ایک اجلاس میں کمپنی کے حصص یافتگان پہلے ہی اسکیم کے حق میں قرارداد منظور کر چکے ہیں۔ عدالت کی طرف سے اسکیم کی منظوری کے بعد قرض دہندگان اسکیم کے لحاظ سے مقدمہ واپس لے لیں گے۔

آپریٹنگ اور مالی کارکردگی

Operating indicators	2020	2019
	(Rupees)	(Rupees)
Sales	-	-
Cost of goods sold	-	-
Financial cost	(2,144)	(82,827,891)
Pre tax Loss	(44,520,941)	(22,161,230)
Provision for taxation	-	10,115,747
Loss after taxation	(44,520,941)	(12,045,483)

مستقبل کا آؤٹ لک۔

تنظیم نو کا عمل جلد ہی مکمل ہونے کی توقع ہے ، ایک بار جب اسکیم آف آرینجمنٹ کی عدالت سے منظوری مل جائے گی اور اس پر عمل درآمد ہو جائے گا ، کمپنی آگے کی راہ کو بہتر بنانے کے لیے بہتر پوزیشن میں ہو گی۔

very کمپنی بہت پر امید ہے کہ رقم کی تنظیم نو اور تصفیہ کے ساتھ مالیاتی اداروں کے زیر التوا مسائل حل ہو جائیں گے ، کمپنی کی مالی صحت بہتر ہو جائے گی جس سے کمپنی نئے منافع بخش راستوں پر توجہ دے سکے گی۔

آڈیٹرز کے مشاہدات

۱۔ کمپنی نے ضم شدہ مالیاتی بیان میں مارک اپ کی رقم مکمل طور پر فراہم کی ہے جیسا کہ تمام بینکوں/مالیاتی اداروں کی طرف سے ترتیب شدہ اسکیم میں تصدیق شدہ رقم ہے۔

financial ضم شدہ مالیاتی بیان میں ، قرض کی رقم اسکیم آف آرینجمنٹ سے لی گئی ہے جس کی تصدیق تمام قرض دہندگان کرتے ہیں اور اسکیم کی منظوری کے لیے عدالت میں جمع کرواتے ہیں۔ آڈیٹر اپنی ریزرویشن کو صرف یہ ظاہر کرتا ہے کہ انہیں

اپنے معمول کے آڈٹ طریقہ کار کے مطابق براہ راست بینکوں سے تصدیق نہیں ملی ہے۔

trade تجارت میں اسٹاک کی توثیق نہیں ہوتی کیونکہ عدالتی حکم (ے) کے مطابق مختلف سطحوں پر مہر لگا دی گئی ہے۔ لہذا متعلقہ عدالت کی اجازت سے گو ڈاون کو سیل کر دیا جائے گا۔ کارپوریٹ گورننس۔

کمپنی سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے قواعد و ضوابط کی تعمیل کرتی رہی ہے اور مزید سخت چیک اور بیلنس کے ساتھ بہتر داخلی کنٹرول پالیسیاں نافذ کی ہیں۔

بورڈ کے اجلاس اور حاضری۔  
بورڈ آف ڈائریکٹرز کے چار (4) اجلاس منعقد ہوئے اور ہر ڈائریکٹر کی طرف سے اس کی حاضری مندرجہ ذیل ہے۔  
ڈائریکٹر کا نام اجلاس میں شرکت کی تعداد

جناب سہیل مقصود 4۔

جناب عابد ستار 4۔

جناب محمد اختر مرزا 4۔

مسٹر محمد اشرف خان 4۔

مسٹر اختر عزیز 3۔

جناب محمد آصف اکرم 4۔

جناب محمد عارف 4۔

غیر حاضری کی چھٹیاں ان ممبران کو دی گئیں جو اجلاسوں میں شرکت نہیں کر سکتے تھے۔

آڈٹ کمیٹیاں۔

کمپنی کے بورڈ آف ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس کی تعمیل کرتے ہوئے ایک آڈٹ کمیٹی قائم کی ہے۔ آڈٹ کمیٹی کے چار (4) اجلاس منعقد ہوئے اور ہر ممبر کی طرف سے اس کی حاضری مندرجہ ذیل ہے۔

ممبران کے نام اجلاس میں شرکت کی تعداد

جناب اختر عزیز 4۔

جناب عابد ستار 4۔

مسٹر ایم اختر مرزا 4۔

HR اور معاوضہ کمیٹی

کمپنی کے بورڈ آف ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس کی تعمیل میں HR & اجرت کمیٹی بھی قائم کی ہے۔ اس کے ارکان کے نام کمپنی کی معلومات میں دیے گئے ہیں۔

اندرونی آڈٹ فنکشن

بورڈ نے ایک مستحکم اور موثر داخلی کنٹرول سسٹم نافذ کیا ہے جس میں آپریشنل ، مالیاتی اور کمپلائنس کنٹرول شامل ہیں تاکہ کمپنی کے کاروبار کو ایک کنٹرول شدہ ماحول میں کمپنی کے بنیادی مقاصد کو پورا کرنے کے لیے موثر انداز میں چلایا جا سکے۔

اندرونی آڈٹ کے نتائج کا آڈٹ کمیٹی جائزہ لیتی ہے ، جہاں ضروری ہو اندرونی آڈٹ رپورٹوں میں شامل سفارشات کی بنیاد پر کارروائی کی جاتی ہے۔

کارپوریٹ گورننس اور مالیاتی رپورٹنگ فریم ورک

جیسا کہ کارپوریٹ گورننس کے کوڈ کی ضرورت ہے ، ڈائریکٹرز یہ اطلاع دیتے ہوئے خوش ہیں کہ:

of کمپنی کے مینجمنٹ کی طرف سے تیار کردہ مالی بیانات اس کے معاملات کی صحیح حالت ، اس کے آپریشن کے نتائج ، نقد بہاؤ اور ایکونٹی میں تبدیلیاں پیش کرتے ہیں۔

the کمپنی کے اکاؤنٹ کی مناسب کتابیں برقرار رکھی گئی ہیں۔

account مناسب حساب کتاب کی پالیسیوں کو مالی بیانات کی تیاری میں مستقل طور

پر لاگو کیا گیا ہے اور اکاؤنٹنگ کا تخمینہ معقول اور سمجھدار فیصلے پر مبنی ہے۔

• بین الاقوامی اکاؤنٹنگ معیارات ، جیسا کہ پاکستان میں لاگو ہوتا ہے ، مالی بیانات کی تیاری میں عمل کیا گیا ہے۔

internal اندرونی کنٹرول کا نظام درست ہے اور اسے موثر طریقے سے نافذ اور

مانیٹر کیا گیا ہے۔

corporate کارپوریٹ گورننس کے بہترین طریقوں سے کوئی مادی روانگی نہیں ہونی ہے جیسا کہ اسٹاک ایکسچینجز کے لسٹنگ کے ضوابط میں تفصیل سے بیان کیا گیا ہے۔

six پچھلے چھ سالوں کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔ taxes ٹیکسوں ، ڈیوٹیوں ، لیویز اور چارجز کی وجہ سے کوئی قانونی ادائیگی نہیں ہے جو 30 جون 2020 تک بقایا ہے سوائے ان کے جو مالی بیانات میں ظاہر کیے گئے ہیں۔

آپ کی کمپنی کی مالی پوزیشن کو متاثر کرنے والی کوئی مادی تبدیلیاں اور وعدے مالی سال کے اختتام کے درمیان نہیں ہوئے ہیں جس سے اس بیلنس شیٹ کا تعلق ہے اور ڈائریکٹرز کی رپورٹ کی تاریخ ، سوائے اس کے کہ مالی بیانات میں انکشاف کیا گیا ہو۔

کمائی/(نقصان) فی شیئر۔

30 جون 2020 کو ختم ہونے والی مدت کے لیے کمپنی کا فی حصص نقصان روپے تھا۔ (3.04) روپے کے پچھلے سال کے مقابلے میں (0.82)

#### منافع

مذکورہ بالا حالات کی وجہ سے ، بورڈ آف ڈائریکٹرز 30 جون 2020 کو ختم ہونے والے سال کے لیے منافع کی سفارش نہیں کرتے ہیں۔

کارپوریٹ سماجی ذمہ داری

کمپنی ذمہ دار کارپوریٹ شہری ہے اور کمیونٹی ، ملازمین اور ماحول کے حوالے سے اپنی ذمہ داری کو پوری طرح تسلیم کرتی ہے۔ ویب کی موجودگی۔

کمپنی کے سالانہ اور متواتر مالی بیانات کمپنی کی ویب سائٹ

www.gulshan.com.pk پر شیئر ہولڈرز اور دیگر کی معلومات کے لیے بھی

دستیاب ہیں۔

متعلقہ پارٹی لین دین

متعلقہ فریقوں کے درمیان لین دین آرمز کی لمبائی کی قیمتوں پر کیا گیا جس کا تعین "موازنہ شدہ بے قابو قیمت کے طریقہ کار" کے مطابق کیا گیا۔ کمپنی نے پاکستان میں اسٹاک ایکسچینجز کی لسٹنگ کے ضوابط کے مطابق ٹرانسفر پرائسنگ کے بہترین طریقوں کی مکمل تعمیل کی ہے۔

کمپنی کے حصص میں تجارت۔  
زیر نظر سال کے دوران ، ڈائریکٹرز ، چیف ایگزیکٹو آفیسر ، شیف فنانشل آفیسر ، کمپنی سیکریٹری اور ان کے شریک حیات اور نابالغ بچوں کی طرف سے کمپنی کے حصص میں کوئی تجارت نہیں ہوتی۔  
سٹاف ریٹائرمنٹ بینیفٹ کی قیمت پر بیان۔

30 جون ، 2020 تک گریجوٹی کی التواء ذمہ داری 425،451/- ہے  
آڈیٹرز۔

میسرز ملک ہارون شاہد صفدر اینڈ کمپنی ، چارٹرڈ اکاؤنٹنٹس اہل ہونے کے باوجود خود کو دوبارہ تقرری کے لیے پیش کر چکے ہیں۔ آڈٹ کمیٹی نے اگلے مالی سال 2020-2021 کے لیے کمپنی کے بیرونی آڈیٹر کے طور پر ان کی تقرری کی بھی سفارش کی ہے۔

شیئر ہولڈنگ کا نمونہ۔

30 جون 2020 کو شیئر ہولڈنگ کا نمونہ بشمول کوڈ آف کارپوریٹ آف گورننس کی معلومات کو ضم کیا گیا ہے۔

اعتراف

بورڈ ملازمین ، مینجمنٹ ٹیم کے اراکین کی کوششوں ، عزم اور محنت کے لیے اور سندھ ہائی کورٹ کے احکامات کے مطابق منعقدہ اجلاس میں ان شیئر ہولڈرز کے لیے ریکارڈ کی تعریف کرنا چاہتا ہے جنہوں نے اسکیم آف آرینجمنٹ کو قبول کیا ہے۔  
بورڈ کی جانب سے۔

سہیل مقصود محمد اختر مرزا۔

چیف ایگزیکٹو چیئرمین۔

لاہور 05 اکتوبر 2021



# Gulistan Spinning Mills Limited

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



## STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS-2019

Year Ended

**June30, 2020**

The company has complied with the requirements of listed Companies (Code of Corporate Governance) Regulation-2019 (the regulations) in the following manner

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

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

- 2- The directors have confirmed that none of them is serving as a director in more than Seven listed companies, including this Company.
- 3- None of the directors have defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4- No Casual vacancies occur in the Board during the period under review.
- 5- The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- 6- The Board has developed a Vision/Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7- All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and term and conditions of employment of the chief executive officer and executive and non-executive directors have been taken by the Board.
- 8- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9- The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
- 10- The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.





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

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

A) Audit Committee

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

B) HR & Remueration Committee

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

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

14- The frequency of the meetings (quarterly / half yearly / annually) are as per following.

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

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

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

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

17- The Company will appoint female director as per CCG regulation-2019 within the due course of time and will conduct directors training programe before June 30, 2022.

18- The board has set up an effective internal audit function.

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

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

21- We confirm that all requirements of the regulations 3, 6, 8, 27, 32, 33 and 36 of the regulations have been complied with.

On behalf of the board of Directors

  
(Sohail Maqsood)  
Chief Executive



  
Chairman

Lahore: - -----



# MALIK HAROON SHAHID SAFDER & CO.

Chartered Accountants

An Independent Member of



## Independent Auditor's Review Report To the Members of "Gulistan Spinning Mills Limited"

### Review Report on the Statement of Compliance Contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Gulistan Spinning Mills Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 36 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.

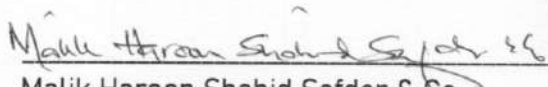
As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control 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. 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 draw attention to paragraph 17 of the statement of compliance, which states that the Company will appoint the female director as per CCG regulation-2019 within the due course. Our conclusion is not modified in respect of this matter.

Based on our review, 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

Lahore  
October 05, 2021

  
Malik Haroon Shahid Safder & Co.  
Chartered Accountants



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## INDEPENDENT AUDITOR'S REPORT

to the Members of Gulistan Spinning Mills Limited

Report on the Audit of the Financial Statements

### Qualified Opinion

We have audited the annexed financial statements of Gulistan Spinning Mills Limited (the Company), which comprise the statement of financial position as of June 30, 2020, and the statement of profit or loss, the statement of 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.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as applicable in Pakistan.

### Basis for Qualified Opinion

1. We were unable to satisfy ourselves regarding the existence and valuation of property, plant, and equipment having carrying values as of June 30, 2020, and 2019 amounting to Rs. 2.150 million and Rs. 2.445 million respectively.
2. We were not appointed as auditors of the Company until after June 30, 2020, and thus did not observe the counting of physical inventories at the beginning and end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held on June 30, 2020, and 2019, which are stated in the financial statements at cost of Rs. 52.379 million and Rs. 52.379 million, respectively.
3. We have not received confirmations from banks and financial institutions. Accordingly, we were unable to verify bank balances aggregating to Rs. 4.458 million (2019: Rs. 4.481 million) and investments amounting to Rs. 23.415 million (2019: Rs. 21.832 million).
4. We were unable to satisfy ourselves regarding balances payable in respect of post-employment benefits payables, Trade, and other payables, and unclaimed dividends amounting to Rs. 0.425 million (2019: 0.425 million), Rs. 13.203 million (2019: Rs. 12.893 million) and Rs. 0.619 million (2019: 0.619 million), respectively.
5. Since the opening balances affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for 2019 in respect of the above matters. Our audit opinion on the opening balances as described in the above paragraphs is also modified accordingly.

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

*MHSS & CO*



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## Emphasis of Matter

We draw attention to notes 1.3 and 2.2 of the financial statements, which state that the Company along with its restructuring agent – United Bank Limited, and the majority of the leading financial institutions has signed a "Scheme of Arrangement" under sections 279 to 283 read with section 285 of the Companies Act, 2017 ("the Act") and the directors have determined that the going concern basis of preparation is no longer appropriate. Accordingly, the financial statements have been prepared on a liquidation/break-up value basis. Our opinion is not modified in respect of this matter.

## Key Audit Matters

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, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Sr. No	Matter	How the matter was addressed in our audit
1	Valuation of disposal group under the scheme of arrangement	
	<p>Refer to in note 12 to the accompanying financial statements, the directors have decided to settle the Company's liabilities to secured creditors through the sale of items of property, plant, and equipment under the scheme of arrangement.</p> <p>We identified this area as a key audit matter because the disposal group under the scheme of arrangement constitutes 94% of the total assets of the Company as of June 30, 2020, and determining an appropriate carrying value as a result of impairment involves management judgment and estimation.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"><li>• Inquired and discussed with management to develop an understanding of management for classification of items of property, plant, and equipment as disposal group under the scheme of arrangement;</li><li>• Read minutes of the meeting of the board of directors for the approval of items of property, plant, and equipment as disposal group under the scheme of arrangement;</li><li>• Obtained copy of the scheme of the arrangement, duly signed by a majority of secured creditors (banking companies) to establish a complete understanding of the Scheme;</li><li>• Check that the valuer is registered on penal of state bank of Pakistan.</li><li>• Obtained the revaluation report carried out by the restructuring agent – United Bank Limited from management to verify that carrying values disclosed in the financial statements are appropriate.</li></ul>

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Sr. No	Matter	How the matter was addressed in our audit
2.	Tax refund due from Government	
	<p>Refer to note 10 to the financial statements</p> <p>The Company has a significant balance of sales tax refundable comprising sales tax refunds, which have been outstanding for many years</p> <p>We identified the recoverability of sales tax amount as a key matter as it involves significant management judgment in determining the recoverable amount, timing, and involvement of fiscal laws.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"><li>• Obtained the copy of the sales tax return for June 2020 to verify refundable amount;</li><li>• Checked the relevant provisions of the Sales Tax Act, 1990 to establish the amount, timing, and other matters incidental to the refundability of the sales tax.</li></ul>
3.	Contingencies and commitments	
	<p>Refer to note 22 to the financial statements;</p> <p>The Company has significant litigations in respect of claims lodged by various parties.</p> <p>Given the nature and amount involved in such cases and the appellate forums at which these are pending and the non-receipt of confirmation from a legal advisor, the outcome and resultant accounting in financial statements are subject to significant judgment, which can change over time as new fact emerged and each legal case progresses, and therefore, we have identified this as key matter.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"><li>• Read the scheme of arrangement and ensure that all the litigation as mentioned in the scheme and approved by the banks are properly disclosed in the financial statements.</li><li>• Read the minutes of the meeting and evaluate whether the provision of the scheme regarding the withdrawal of the filed litigations is still appropriate.</li></ul>

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Sr. No	Matter	How the matter was addressed in our audit
4.	Payable to banking companies under the scheme of arrangement and accrued mark up.  Refer to notes 17 and 21 to the financial statements; We identified payable to banking companies under the scheme of arrangement as a key matter as it constitutes 87% of total liabilities and involves multiple litigations.	Our audit procedures include the following; <ul style="list-style-type: none"><li>• Discuss the matter with management and understand the matter.</li><li>• Collaborate the figures with the amounts disclosed in the scheme of arrangement as approved by the representatives of the creditors.</li><li>• Read the scheme to ensure that no further liability in respect of this balance is expected to arise.</li></ul>

## Information Other than the Financial Statements and Auditor's 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 auditor's 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 the requirements of the Companies Act, 2017 (XIX of 2017) and 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 related 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.

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

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## 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 on 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 during 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 period 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 reasonably be expected to outweigh the public interest benefits of such communication.

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## Report on Other Legal and Regulatory Requirements

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

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no Zakat was deductible at source under the Zakat and Usher ordinance, 1980 (XVIII 1980).

## Other Matter

The financial statements of the Company for the year ended June 30, 2019, were audited by another firm of chartered accountants, who had expressed an adverse opinion thereon through their Report dated October 02, 2019.

The engagement partner on the audit resulting in this independent auditor's report is *Malik Haroon Ahmad, FCA*.



Lahore  
October 05, 2020

*Malik Haroon Shahid Safder & Co.*  
Malik Haroon Shahid Safder & Co.  
Chartered Accountants



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**GULISTAN SPINNING MILLS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**



	Note	2020 Rupees	2019 Rupees
<b>ASSETS</b>			
Property, plant and equipment	5	2,149,905	2,444,819
Investments	6	23,414,979	21,831,611
Stock-in-trade	7	52,379,543	52,379,543
Trade debts	8	-	-
Trade deposits and short-term prepayments	9	145,097	456,097
Tax refunds due from Government	10	9,411,245	9,411,245
Cash and bank balances	11	4,468,533	4,481,008
Disposal group under scheme of arrangement	12	660,366,450	705,542,370
<b>TOTAL ASSETS</b>		<b>752,335,752</b>	<b>796,546,693</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	13	146,410,000	146,410,000
Reserves	14	24,983,168	24,983,168
Surplus on revaluation of property, plant and equipment	15	351,461,447	351,461,447
Sub-ordinated loan	16	103,000,000	103,000,000
Accumulated losses		(2,087,493,276)	(2,042,972,335)
Total equity		(1,461,638,661)	(1,417,117,720)
<b>LIABILITIES</b>			
Loan from associates and others	17	280,134,534	280,134,534
Post employment benefits payables	18	425,451	425,451
Trade and other payables	19	13,203,900	12,893,900
Unclaimed dividend		619,529	619,529
Payable to banking companies under scheme of arrangement	20	1,919,590,999	1,919,590,999
		2,213,974,413	2,213,664,413
<b>CONTINGENCIES AND COMMITMENTS</b>	21		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>752,335,752</b>	<b>796,546,693</b>

The annexed notes from 1 to 37 form an integral part of these financial statements.

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*Sahil M*  
**CHIEF EXECUTIVE**

*[Signature]*  
**CHIEF FINANCIAL OFFICER**

*Ahmad Sattar*  
**DIRECTOR**



**GULISTAN SPINNING MILLS LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2020**



	Note	2020 Rupees	2019 Rupees
Sales		-	-
Cost of sales		-	-
<b>Gross loss</b>		-	-
Operating cost	22	-	(16,960,358)
Administrative expenses	23	(926,245)	(3,419,048)
Other operating expenses	24	(45,175,920)	(14,469,008)
		<b>(46,102,165)</b>	<b>(34,848,414)</b>
<b>Loss from operations</b>		<b>(46,102,165)</b>	<b>(34,848,414)</b>
Other income	25	1,583,368	95,515,075
Finance cost	26	(2,144)	(82,827,891)
<b>Loss before taxation</b>		<b>(44,520,941)</b>	<b>(22,161,230)</b>
Taxation	27	-	10,115,747
<b>Loss after taxation</b>		<b>(44,520,941)</b>	<b>(12,045,483)</b>
<b>Loss per share - basic and diluted</b>	28	<b>(3.04)</b>	<b>(0.82)</b>

The annexed notes from 1 to 37 form an integral part of these financial statements.

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*Sohail M*  
**CHIEF EXECUTIVE**

*[Signature]*  
**CHIEF FINANCIAL OFFICER**

*Abd Sattar*  
**DIRECTOR**

**GULISTAN SPINNING MILLS LIMITED**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2020**



	Note	2020 Rupees	2019 Rupees
<b>Loss after taxation</b>		<b>(44,520,941)</b>	<b>(12,045,483)</b>
<b>Other comprehensive income;</b>			
Impairment loss on operating fixed assets		-	(113,452,152)
Reversal of deferred tax liability related to surplus on revaluation		-	32,901,124
Derecognition of deferred tax liability on surplus on revaluation		-	85,161,397
		-	4,610,369
<b>Total comprehensive loss for the year</b>		<b>(44,520,941)</b>	<b>(7,435,114)</b>

The annexed notes from 1 to 37 form an integral part of these financial statements.

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*Schail M*  
**CHIEF EXECUTIVE**

*[Signature]*  
**CHIEF FINANCIAL OFFICER**

*Abid Sattar*  
**DIRECTOR**

GULISTAN SPINNING MILLS LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2020



	Share capital	Capital reserve			Revenue reserve		Sub-ordinated loan from directors	Total
		Share premium	Unrealized loss on available for sale investment	Revaluation surplus	Accumulated losses			
Rupees								
Balance as at July 01, 2018 -as restated	146,410,000	25,000,000	(16,832)	351,794,393	(2,035,870,167)	103,000,000	(1,409,682,606)	
Loss for the year	-	-	-	-	(12,045,483)	-	(12,045,483)	
Other comprehensive loss	-	-	-	4,610,369	-	-	4,610,369	
Surplus on revaluation of operating fixed assets realized on account of incremental depreciation for the year	-	-	-	4,610,369	(12,045,483)	-	(7,435,114)	
Balance as at July 01, 2018 -as restated	146,410,000	25,000,000	(16,832)	351,461,447	(2,042,972,335)	103,000,000	(1,417,117,720)	
Income for the year	-	-	-	-	(44,520,941)	-	(44,520,941)	
Other comprehensive loss	-	-	-	-	(44,520,941)	-	(44,520,941)	
Surplus on revaluation of operating fixed assets realized on account of incremental depreciation for the year	-	-	-	-	-	-	-	
Balance as at June 30, 2020	146,410,000	25,000,000	(16,832)	351,461,447	(2,087,493,276)	103,000,000	(1,461,638,661)	

The annexed notes from 1 to 37 form an integral part of these financial statements.

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*Sahid M*  
CHIEF EXECUTIVE

*1*  
CHIEF FINANCIAL OFFICER

*Maid Sultan*  
DIRECTOR

**GULISTAN SPINNING MILLS LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2020**



	Note	2020 Rupees	2019 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(44,520,941)	(22,161,230)
<b>Adjustments for non-cash charges and other items:</b>			
Depreciation		294,914	14,502,464
Provision for slow moving stores and spares		-	2,550,990
Finance cost		2,144	82,827,891
Debtors written-off		-	3,036,919
Receivables written-off		-	2,663,536
Reversal of provision against trade debts		-	(219,637)
Impairment loss		45,175,920	8,768,553
Gain on disposal of property, plant and equipment		-	(1,067,300)
Liabilities written-off		-	(91,862,966)
Interest accrued		(1,583,368)	(2,365,172)
<b>Cash flows before working capital changes</b>		<b>(631,331)</b>	<b>(3,325,952)</b>
<b>(Increase) / decrease in assets</b>			
Trade debtors		-	731,551
Trade deposits and short-term prepayments		311,000	-
<b>Increase / (decrease) in liabilities</b>			
Trade and other payables		310,000	258,500
<b>Cash generated from operations</b>		<b>(10,331)</b>	<b>(2,335,901)</b>
Finance cost paid		(2,144)	(1,664,402)
Staff retirement benefits - gratuity paid		-	(86,300)
Income tax paid		-	(2,385)
<b>Net cash flows from operating activities</b>		<b>(12,475)</b>	<b>(4,088,988)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		-	1,220,165
Decrease in security deposit		-	846,725
<b>Net cash flows from investing activities</b>		<b>-</b>	<b>2,066,890</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipt against loan from associates and other parties		-	778,800
Repayment of short-term financing - net		-	(381,836)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>396,964</b>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>		<b>(12,475)</b>	<b>(1,625,134)</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>4,481,008</b>	<b>6,106,142</b>
<b>Cash and cash equivalents at the end of year</b>	15	<b>4,468,533</b>	<b>4,481,008</b>

The annexed notes from 1 to 37 form an integral part of these financial statements.

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*Sobair M*  
**CHIEF EXECUTIVE**

*[Signature]*  
**CHIEF FINANCIAL OFFICER**

*Ahsan Sattar*  
**DIRECTOR**

**Notes**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** Gulistan Spinning Mills Limited ("the Company") was incorporated in Pakistan on February 25, 1987 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as a public limited company and quoted on stock exchanges at Karachi and Lahore (now Pakistan Stock Exchange Limited).

**Geographical location and addresses of all business units and offices are as follows:**

<b>Manufacturing units and offices</b>	<b>Address</b>
Land	Near Qutabpur Saddat Chwok, Vehari.
Manufacturing unit	64 Km Lahore - Multan road, Pattoki, Kasur.
Registered office	2nd Floor, Finlay House, I.I Chundrigar Road, Karachi.
Regional office	2nd Floor, Garden Heights, New Garden Town, Lahore.

**1.2 Scheme of arrangement with secured creditors**

The Company along with its restructuring agent - United Bank Limited and majority of the lending financial institutions has signed a "Scheme of Arrangement" under sections 279 to 283 read with section 285 of the Companies Act, 2017 ("the Act"). Under this Scheme, the existing financial obligations / liabilities of the Company towards the secured creditors shall be settled by way of sale of moveable and immovable charged assets of the Company as detailed in the scheme and payment of the proceeds thereof to the secured creditors as contemplated under the scheme of arrangement. In terms of the order dated June 21, 2019 passed by the Sindh High Court in CMA No.112/19 in J.C.M No. 15/19 the meeting of the members / shareholders of the company was convened. The members of the company having 99.99% in value of share, present in person or by proxy passed the resolution for approval of the scheme and a detailed report was submitted before the Court by the chairman duly appointed by the Court. A meeting of the secured creditors of the company will also be held and conducted by the chairman, report whereof shall also be submitted to the court by the said chairman. The Scheme, if agreed-upon by the requisite majority of the secured creditors of the Company as stipulated in the Act, and sanctioned by the Honorable high court by an order passed in this respect, would be binding on the Company, along with all the shareholders, creditors - secured or otherwise, stakeholders and any other regulatory / statutory bodies of/ or with respect to the Company. The Scheme seeks to record the terms and conditions of a legally binding compromise and arrangement between the secured creditors on one part and the Company and its directors and sponsors on the other part, for ensuring, inter alia, the settlement of the existing liabilities and ancillary measures as follows:

- Constitution of an Assets Sales Committee having such powers and undertaking such functions as stated in the Scheme;
- Settlement and repayment of the existing liabilities pursuant to the sale of all moveable and immovable assets of the company as contemplated in the scheme, by and under the auspices of the Asset Sale Committee, the proceeds from which are to be distributed inter se the secured creditors in accordance with the provisions of the Scheme;
- Pooling of securities over the charged assets which are available with the secured creditors, to be shared amongst all the secured creditors on a pari passu basis in proportion to their share of the existing liabilities - principal portion (irrespective of charge), upon the release of the security interests over the charged assets for the purposes of consummating the sales thereof in the manner prescribed under the Scheme;
- Release of the charged stock, and sales thereof for the purposes specified under the Scheme;
- Provision of the additional Security by the Company to form part of the Sale Assets ("charged assets") which shall be sold in the manner detailed in the Scheme;
- The withdrawal of all legal proceedings (refer to note 22.1), which shall be subject to the sale of the Sale Assets and charged stocks and completion of all relevant formalities, in accordance with the provisions of the Scheme; and

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**Notes**

- g) The Scheme shall become binding, operative and effective as soon as an order is passed by the Court under Section 279 / 282 of the Act, sanctioning the Scheme and making any necessary provisions under Section 282 of the Act, or such other date as stipulated by the Court (the "Completion Date").

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

There are no significant transaction and event affecting the Company's financials position and performance during the year, other than those which are disclosed in notes to the financial statements.

**1.4 Impact of COVID -19 on the financial statements**

As the Company's business operations are suspended the management of the Company believes that there would be no significant impact of COVID - 19 that will adversely affect its businesses, results of operations and financial condition in future period.

**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**

Due to the Scheme as described in note 1.2 to these financial statements, the directors have determined that the going concern basis of preparation (as applied in previous years) is no longer appropriate.

Accordingly, the financial statements have been prepared on liquidation/break-up value basis, following the intention of the parties to settle the liabilities through proceeds of disposal of assets of the company as contemplated in the scheme.

**Impact of adopting the net realizable value basis of preparation on measurement, classification of assets and liabilities, and disclosures in the financial statements.**

Under the net realizable value basis of preparation, assets and liabilities are measured at their net realizable value. Net realizable value is based on the proceeds receivable on disposal less cost to sell as detailed in the accounting policies noted below. The net realizable value of liabilities is the expected settlement amount as detailed in the accounting policies noted below. Any gains or losses resulting from measuring assets and liabilities to the net realizable value are recognized in profit or loss or otherwise under the auspices of approved accounting standards.

Under the net realizable value basis of accounting, all assets and liabilities are classified as current. In adopting the net realizable value basis, the directors have continued to apply the disclosure requirements of approved accounting standards to the extent they are relevant to the liquidation basis, and have modified them where this is considered appropriate.

The accounting policies adopted are consistent with those of the previous financial year except for changes specified related to the adoption of the liquidation basis of preparation and to the extent described below.

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**Notes**

Following table shows how individual account heads are dealt in these financial statements:

Sr. No.	Account head	Basis of measurement
1	Property, plant and equipment	Fair market value which approximate the net book value at reporting date
2	Investments	Estimated fair value
3	Stock-in-trade	Net realizable value.
4	Trade debts	Realizable values based on probability of recovery
5	Trade deposits and short-term prepayments	Realizable values based on probability of recovery
6	Tax refunds due from Government	Realizable value based on probability of recovery
7	Bank balances	Undisputed / irrevocable balances.
8	Disposal group under scheme of arrangement	Force sale value
9	Surplus on revaluation of operating fixed assets	On net book value.
10	Sub-ordinated loan	On expected settlement value
11	Loan from associates and other parties	On expected settlement value
12	Post employment benefits	On expected settlement value
13	Trade and other payables	On expected settlement value
14	Unclaimed dividend	On expected settlement value
15	Payable to banking companies under scheme of arrangement	On expected settlement value as given in Scheme of Arrangement

**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, AMENDMENTS AND IMPROVEMENTS APPLICABLE TO FINANCIAL STATEMENTS**

**3.1 New standards, amendments and improvements effective during the year**

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2019 but are considered not to be relevant or to have any significant effect on the company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except the following:

**Leases - IFRS 16**

IFRS 16 primarily affects the accounting by lessees and results in the recognition of almost all leases on statement of financial position. The standard removes distinction between operating and finance leases and requires recognition of an asset (the right of use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessors has not significantly changed. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16 the Company recognizes right of use assets and lease liabilities for leases - i.e. these leases are now disclosed in the Statement of Financial Position.

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**Notes**

**3.2 Standards, amendments and improvements to approved accounting standards that are not yet effective**

The following new standards and amendments to approved accounting standards are not yet effective for the financial year beginning on July 1, 2019 and have not been early adopted by the

**IAS 1 & 8 - Definition of material**

**Effective date: January 1, 2020**

Amendments to IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' are intended to make the definition of material in IAS-1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards. Refined definition of materiality - Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

**IAS 1 - Presentation of Financial Statements**

**Effective date: January 1, 2020**

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of this amendment, the requirement for a right to be unconditional has been removed and instead, the amendment requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

**4 SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied over previous years before preparing financial statements on liquidated basis are;

**4.1 Property, plant and equipment - owned**

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

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

Cost of items of property, plant and equipment comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the company and the cost of renewal or improvement can be measured reliably. The cost of day to day servicing of property, plant and equipment are recognized in profit and loss as incurred.

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

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Notes

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

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

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

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

**4.2 Right of use assets and related liabilities**

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. At initial recognition, liabilities were discounted using the Company's incremental borrowing rate. The lease liabilities are subsequently measured at amortized cost using the effective interest rate.

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any. At transition, the Company recognised right to use assets equal to the present value of lease payments.

**4.3 Assets classified as disposal group**

Assets held for disposal are classified as disposal group if there carrying amounts will be recovered principally through a sale/ disposal rather than through continuing use. Such non-current assets are measured at the lower of their carrying amount and fair value less cost to sell. Property and equipment and intangibles assets once classified as held for sale / disposal are not depreciated or amortized.

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**Notes**

**4.4 Investments**

**Regular way purchase or sale of investments**

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

**Investments in equity instruments of associated companies**

Investments in associated companies are accounted for by using equity basis of accounting, under which the investments in associated companies are initially recognized at cost and the carrying amounts are increased or decreased to recognize 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 recognized 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 recognized in the associated companies' profit or loss. The Company's share of those changes is recognized 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 recognizing 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 reports profits, the Company resumes recognizing its share of those profits only after its share of the profit equals the share of losses not recognized.

**Available for sale investments**

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

**Other investments**

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

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 date measured at amortized cost using the effective yield method.

**4.5 Stores, spare parts and loose tools**

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

**4.6 Stock-in-trade**

Stock-in-trade is valued at lower of weighted average cost and net realizable value (NRV) except waste, which is valued at NRV.

Net realizable 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.

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**Notes**

**4.7 Trade debts and other receivables**

Trade debts are initially recognized 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.

**4.8 Post-employment benefits - gratuity**

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

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

**4.9 Taxation**

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

**Current**

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

**Deferred**

Deferred tax is recognized 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.

**4.10 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.

**4.11 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.

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**Notes**

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

**4.13 Foreign currency translations**

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

**4.14 Financial instruments**

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

Trade debts and other receivables are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using effective interest method, less any impairment losses. Known bad debts are written off, when identified. Any receipt against previously written off debtors is recognized as income in the year in which amount is received.

**Cash and cash equivalents**

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

**Off-setting of financial assets and liabilities**

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

**4.15 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.

**4.16 Impairment loss**

The carrying amounts of the Company's assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognized 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 recognized 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.

**4.17 Dividend and appropriation to reserves**

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

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**Notes**

**4.18 Significant accounting estimates and judgments**

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 4.1)
- (ii) Net realisable values of stores, spares and loose tools and stock-in-trade. (note 4.5 and 4.6)
- (iii) Provision for impairment of trade debts. (note 4.16)
- (iv) Provision for staff retirement benefit - gratuity. (note 4.8)
- (v) Provision for taxation (note 4.9)

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5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

Particulars	Owned											Right of use assets			
	Freehold land	Buildings on free hold land	Plant and machinery	Power houses	Electric installation	Factory equipment	Air conditioning	Telephone installations	Office equipment	Furniture & fixture	Arms and ammunition	Vehicles	Power houses	Vehicles	Total
As at July 01, 2019	-	-	-	-	-	-	-	6,777	1,259,085	674,271	371	132,323	-	371,992	2,444,819
Opening net book value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals/Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	-	-	-	-	-	-	(678)	(125,909)	(67,427)	(37)	(26,465)	-	(74,398)	(294,914)
Closing net book value June 30, 2020	-	-	-	-	-	-	-	6,099	1,133,176	606,844	334	105,858	-	297,594	2,149,905
Revaluation / Cost	121,888,000	295,943,592	432,883,437	15,702,917	53,745,065	58,873,815	65,456,500	160,000	4,842,384	4,378,524	6,230	6,318,035	33,457,920	3,435,000	1,097,091,419
Less: accumulated depreciation	-	(47,960,392)	(91,447,116)	(4,940,594)	(19,961,817)	(35,670,648)	(39,680,570)	(153,901)	(3,709,208)	(3,771,680)	(5,896)	(6,212,177)	(10,526,834)	(3,137,406)	(267,178,439)
Impairment	(16,920,125)	-	(78,293,899)	(2,477,494)	(7,797,203)	(5,426,052)	(6,027,692)	-	-	-	-	-	(5,278,750)	-	(132,220,705)
classified as held for sale	(104,967,875)	(247,983,200)	(263,142,732)	(8,284,829)	(25,986,045)	(17,777,115)	(19,748,238)	-	-	-	-	-	(17,652,336)	-	(705,542,370)
Net book value June 30, 2020	-	-	-	-	-	-	-	6,099	1,133,176	606,844	334	105,858	-	297,594	2,149,905
Rate of depreciation	2.5%	25%	25%	4%	5%	10%	10%	10%	10%	10%	10%	20%	4%	20%	

Particulars	Owned										Right of use assets			Total	
	Freehold land	Buildings on free hold land	Plant and machinery	Power houses	Electric installation	Factory equipment	Air conditioning	Telephone installations	Office equipment	Furniture & fixture	Arms and ammunitions	Vehicles	Power houses		Vehicles
2019															
As at July 01, 2018	121,888,000	252,186,306	346,535,197	11,021,230	34,803,752	24,637,418	27,369,211	7,530	1,398,983	749,190	413	207,995	23,482,734	575,264	844,863,223
Opening net book value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,053,000)
Disposals/Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,900,135
- cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	948,726
- accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	951,409
Depreciation charge	-	-	(5,099,976)	(258,907)	(1,030,504)	(1,434,251)	(1,593,201)	-	-	-	-	-	-	-	(42,591)
Impairment	(16,920,125)	-	(78,293,899)	(2,477,494)	(7,797,203)	(5,426,052)	(6,027,692)	(753)	(139,998)	(74,919)	(42)	(33,081)	(551,648)	(92,998)	(14,502,464)
Classified as held for sale	(104,967,875)	(247,983,200)	(263,142,732)	(8,284,829)	(25,986,045)	(17,777,115)	(19,748,238)	-	-	-	-	-	(5,278,750)	-	(122,220,705)
Classing net book value June 30, 2019	-	-	-	-	-	-	-	6,777	1,259,085	674,271	371	132,323	-	371,992	2,444,819

5.1 Depreciation charged during the year has been allocated as follows:

Particulars	2020	2019
Operating cost	22	14,161,568
Administrative expenses	23	340,896
	224,914	14,502,464

5.2 No impairment relating to property, plant and equipments has been recognized in the current year. (2019: 122,220,705/-).

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**GULISTAN SPINNING MILLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**



	Note	2020 Rupees	2019 Rupees
<b>6 INVESTMENTS</b>			
Investment in associate - under equity method	6.1	-	-
Other investments in equity shares	6.2	-	-
Defence saving certificates	6.3	23,414,979	21,831,611
		<u>23,414,979</u>	<u>21,831,611</u>
<b>6.1 Investments in associates - under equity method</b>			
<b>Quoted companies</b>			
Gulshan Spinning Mills Limited	6.1.1	-	-
<b>6.1.1 Gulshan Spinning Mills Limited (GSML)</b>			
10,303 (2019: 10,303) ordinary shares of Rs. 10 each - cost		238,887	238,887
Equity held 0.046% (2019: 0.046%)			
Accumulated share of post acquisition loss		(1,133,913)	(1,133,913)
Share of surplus on revaluation of property, plant and equipment		1,146,108	1,146,108
		<u>12,195</u>	<u>12,195</u>
		<u>251,082</u>	<u>251,082</u>
<b>Impairment charged on investment</b>			
Opening balance		(251,082)	(251,082)
Charged / (adjusted) in the year		-	-
		<u>(251,082)</u>	<u>(251,082)</u>
<b>Carrying value of shares</b>		-	-
<p>The impairment charge represents the writing down of the carrying value of the investment to its recoverable amount in accordance with the International Accounting Standard (IAS) 36, Impairment of Assets. The recoverable amount is the higher of fair value less cost to sell or the value in use. The recoverable amount has been calculated as the value in use which equates to Rs. Nil (2019: Rs. Nil) per share aggregating to Rs. Nil (2019: Rs. Nil) after considering the company's share of present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment as opposed to the fair value less cost to sell. Principal assumptions and critical judgements regarding the valuation of the investment have been discussed in note 31 of the financial statements.</p>			
<p>The market value of investment in Gulshan Spinning Mills Limited is Rs. Nil (2019: Rs. Nil).</p>			
<b>6.1.2 Summarized financial information of the associated company as at June 30, based on unaudited financial statements is as follows;</b>			
<b>Gulshan Spinning Mills Limited</b>			
Liabilities		4,702,705,900	4,739,688,441
Assets		1,819,879,992	1,876,020,256
Revenue		-	-
Loss after tax		(19,157,723)	(656,427,170)
<b>6.2 Other investments in equity shares</b>			
This represents the investments in equity shares of:		<b>Number of share of Rs. 10 each</b>	
- Gulistan Textile Mills Limited		1,049	1,049
- Gulshan Weaving Mills Limited		778,900	778,900
<p>Due the closure of business of both the entities the fair values of both the investments have been reduced to Rs. nil and hence fully charged off.</p>			
<b>6.3</b>			
<p>It represents investment in defence saving certificate purchased from the Government of Pakistan under ten years maturity scheme. The certificates of investments are under lien regarding guarantees provided by various financial institutions.</p>			

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**GULISTAN SPINNING MILLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**



	Note	2020 Rupees	2019 Rupees
<b>7 STOCK-IN-TRADE</b>			
Raw material		43,644,278	43,644,278
Finished goods		8,735,265	8,735,265
Less: provision for slow moving stock		-	-
		<b>52,379,543</b>	<b>52,379,543</b>
<b>7.1</b>	All of the current assets of the Company are under banks' charge as security of short-term borrowings. The Company filed a suit in the Lahore High Court against all banks / financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001. Further various banks and financial institutions have also filed suits before Banking Court, Sindh High Court and Lahore High Court for recovery of their financial liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties as fully explained in note 21.1 "litigation with banks and financial institutions".		
<b>8 TRADE DEBTS - unsecured</b>			
Considered good		-	-
Considered doubtful	8.1	-	-
Less: provision for doubtful debts	8.2	-	-
		<b>-</b>	<b>-</b>
<b>8.1</b>	Doubtful trade debts has been written-off as probability of recoverability is remote as on reporting date.		
<b>8.2 Movement in provision for doubtful debts</b>			
Balance at beginning of the year		-	219,637
Less: reversal during the year		-	(219,637)
		<b>-</b>	<b>-</b>
<b>9 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Short-term prepayments		-	-
Other receivables	9.1	145,097	456,097
		<b>145,097</b>	<b>456,097</b>
<b>9.1</b>	This represents receivable from Gulistan Textile Mills Limited, ex-associated company, on account of sale of fixed assets.		
<b>10 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Advance income tax	10.1	-	-
Sales tax		9,411,245	9,411,245
		<b>9,411,245</b>	<b>9,411,245</b>
<b>10.1 Advance income tax</b>			
Opening balance		-	-
Deducted during the year		-	2,385
		-	2,385
Adjusted against provision for taxation		-	(2,385)
Closing balance		-	-
<b>11 CASH AND BANK BALANCES</b>			
Cash-in-hand		-	-
Balances with banks - current accounts		63,212	75,687
Balances with banks - saving accounts		42,951	42,951
- certificates of deposit	11.2	4,362,370	4,362,370
		<b>4,468,533</b>	<b>4,481,008</b>
<b>11.1</b>	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 21.1 to the financial statements.		
<b>11.2</b>	These are under lien with respect to guarantees provided on behalf of the company by various financial institutions.		

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	Note	2020 Rupees	2019 Rupees
<b>12 DISPOSAL GROUP UNDER SCHEME OF ARRANGEMENT</b>			
<b>Owned:</b>			
Freehold land		110,320,750	104,967,875
Building on free hold land		247,983,200	247,983,200
Plant and machinery		212,613,937	263,142,732
Power house		8,284,829	8,284,829
Electric installation		25,986,045	25,986,045
Factory equipment		17,777,115	17,777,115
Air conditioning plant		19,748,238	19,748,238
<b>Right of use asset:</b>			
Power houses		17,652,336	17,652,336
		<b>660,366,450</b>	<b>705,542,370</b>

**12.1 Particulars of immovable fixed assets are as follows:**

Particulars	Address	Area of land (Kanals)	
Land	Near Qutabpur Saddat Chwok, Vehari.	34.35	34.35
Manufacturing unit	64 Km Lahore - Multan road, Pattoki, Kasur.	125.95	125.95
		<b>160.30</b>	<b>160.30</b>

**12.2** The Company along with its restructuring agent - United Bank Limited and majority of the lending financial institutions has signed a "Scheme of Arrangement" under sections 279 to 283 read with section 285 of the Companies Act, 2017 ("the Act") as detailed in note 1.2. Hence, above mentioned assets has been classified and presented under disposal group under scheme of arrangement.

**12.3** Valuation report of an independent valuer, Oriental Engineering Services, dated 04 February 2021, indicates that the force sell value of freehold land, building on free hold land has increased by Rs. 5,352,875 and Rs. 14,590,960, respectively and value of other plant and machinery has decreased by Rs. 50,528,795. The management believes that there is no material difference between the forced sale value of these assets as on reporting date and date of valuation report and hence are properly accounted for in these financial statements in accordance with guideline of IFRS 5. However, the upward increase in "building on free hold land" amounting to Rs. 14,590,960 is not accounted for in these financial statements.

**13 SHARE CAPITAL**

Numbers	Numbers		Rupees	Rupees
<b>Authorized capital</b>				
<b>15,000,000</b>	15,000,000	Ordinary shares of Rs. 10 each	<b>150,000,000</b>	150,000,000
<b>Issued, subscribed and paid-up capital</b>				
<b>6,838,330</b>	6,838,330	Ordinary shares of Rs. 10 each issued as fully paid in cash	<b>68,383,300</b>	68,383,300
<b>7,802,670</b>	7,802,670	Ordinary shares of Rs. 10 each issued as fully bonus shares	<b>78,026,700</b>	78,026,700
<b>14,641,000</b>	<b>14,641,000</b>		<b>146,410,000</b>	<b>146,410,000</b>
<b>13.1</b>	<b>Ordinary shares held by the related party at the year end:</b>			
	Paramount Spinning Mills Limited		<b>202,777</b>	<b>202,777</b>

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	Note	2020 Rupees	2019 Rupees
<b>14 RESERVES</b>			
<b>Capital reserve</b>			
Share premium	14.1	25,000,000	25,000,000
Un-realized loss on remeasurement of investment available for sale		(16,832)	(16,832)
		<b>24,983,168</b>	<b>24,983,168</b>
14.1 This represents share premium received on 5,000,000 ordinary shares of Rs. 10 each issued in 1994 at a premium of Rs. 5 per share.			
<b>15 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
<b>Balance at the beginning of the year</b>		<b>351,461,447</b>	<b>471,876,015</b>
Transfer to unappropriated profits in respect of;			
- incremental depreciation for the year		-	(6,962,416)
Less: impairment charged		-	(113,452,152)
		-	(120,414,568)
<b>Surplus on revaluation at the end of the year - gross</b>		<b>351,461,447</b>	<b>351,461,447</b>
Related deferred tax liabilities on;			
- revaluation at the beginning of the year		-	120,081,622
- Incremental depreciation on revalued assets		-	(2,019,101)
- Impairment on fixed assets		-	(32,901,124)
- derecognition of deferred tax liability		-	(85,161,397)
- effect of change of rate enacted		-	-
		-	-
<b>Surplus on revaluation at the end of the year - net of tax</b>		<b>351,461,447</b>	<b>351,461,447</b>
The Company has revalued its free hold land, buildings on free hold land, plant and machinery, power house, electric installation, factory equipment, air conditioning and lease hold power house on October 22, 2018. Impairment loss has been charged to surplus on revaluation on those assets against which surplus was available. Deferred tax arisen on surplus on revaluation has been adjusted due to financial statements are prepared on liquidation / break-up value basis.			
<b>16 SUB-ORDINATED LOAN - unsecured</b>		<b>103,000,000</b>	<b>103,000,000</b>
This is an interest-free loan obtained from Ex-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 (ICAP).			

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	Note	2020 Rupees	2019 Rupees
<b>17 LOAN FROM ASSOCIATES AND OTHERS</b>			
Gulistan Fibers Limited	17.1	74,818,341	74,818,341
Gulshan Spinning Mills Limited	17.2	6,950,441	47,369,080
Gulshan Weaving Mills Limited		14,999,930	14,999,930
Interest free loan from other parties - unsecured	17.3	183,365,822	142,947,183
		<b>280,134,534</b>	<b>280,134,534</b>
<b>17.1</b>	This loan has been created in accordance with the settlement agreement and agreement to sell dated December 30, 2013, executed between Silk Bank Limited (the Lender), Gulshan Spinning Mills Limited (an associated company), Paramount Spinning Mills Limited (an associated company), Gulistan Fibers Limited (an associated company) and the Company. As per these agreements, short term borrowings and outstanding bills payables aggregating Rs. 99.00 million of the Company have been adjusted by the Lender against mortgaged property of the Gulistan Fibers Limited, under the debt-property swap arrangement. Accordingly, the Company has booked this loan as payable to Gulistan Fibers Limited by adjusting its short-term borrowings and bills payable. This loan is unsecured and carries mark-up at the half percent above the borrowing cost of the lending company. The said loan is classified as short-term on account of non-payment with the agreed period of time due to non-availability of funds and the Company did not charge interest on the same as well.		
<b>17.2</b>	During the year the company entered into a triparty agreement with Gulshan Spinning Mills Limited and other parties (as mentioned in note 17.3). According to the terms of agreement the company has taken up liability of balances payable by the Gulshan Spinning Mills Limited to related parties amounting to Rs. 40,418,639.		
<b>17.3</b>	These loans were advanced by Spouse of the Ex-Chief Executive and his other relatives in order to meet working capital requirements.		
<b>18 POST EMPLOYMENT BENEFITS PAYABLES</b>			
Post employment benefits payables	18.1	425,451	425,451
<b>18.1 Movement in post employment benefits payable</b>			
Net liability at beginning of the year		425,451	511,751
Add: charge to profit and loss account		-	-
Less: benefits paid		-	(86,300)
Net liability at end of the year		<b>425,451</b>	<b>425,451</b>
The Company has not hired an actuary to carry out evaluation of its defined benefit obligation for this reporting year.			
<b>19 TRADE AND OTHER PAYABLES</b>			
Creditors		-	-
Accrued liabilities	19.1	4,734,516	4,424,516
Other payable		8,469,384	8,469,384
		<b>13,203,900</b>	<b>12,893,900</b>
<b>19.1</b>	Accrued liabilities includes the amount of Electric duty payable amounting to Rs. 1,906,625 (2019: Rs. 1,906,625). The Company has obtained stay order from the Honorable Lahore High Court against the payment of electric duty to LESCO as detailed in note 22.1.4.		

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**GULISTAN SPINNING MILLS LIMITED**  
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	Note	2020 Rupees	2019 Rupees
<b>20 PAYABLE TO BANKING COMPANIES UNDER SCHEME OF ARRANGEMENT</b>			
United Bank Limited		28,184,000	28,184,000
Faysal Bank Limited		128,420,000	128,420,000
Habib Bank Limited		47,123,000	47,123,000
Askari Bank Limited		151,397,000	151,397,000
Bank Alfalah Limited		161,359,000	161,359,000
MCB Bank Limited		70,911,000	70,911,000
Al-Baraka Bank Limited		153,610,000	153,610,000
Habib Metropolitan Bank Limited		48,079,000	48,079,000
Bank Island Pakistan Limited		17,000,000	17,000,000
Pair Investment Company Limited		350,000,000	350,000,000
The Bank of Punjab		148,058,000	148,058,000
National Bank of Pakistan		167,914,000	167,914,000
First National Bank Modaraba		50,000,000	50,000,000
Mark-up payable under scheme of arrangement	20.2	397,535,999	397,535,999
		<b>1,919,590,999</b>	<b>1,919,590,999</b>

20.1 This represents payable to banking companies under scheme of arrangement as detailed below:

The Company along with its restructuring agent – United Bank Limited and majority of the lending financial institutions has signed a “Scheme of Arrangement” under sections 279 to 283 read with section 285 of the Companies Act, 2017 (“the Act”). Under this Scheme, the existing financial obligations / liabilities of the Company towards the secured creditors shall be settled by way of sale of moveable and immovable charged assets of the Company as detailed in the scheme and payment of the proceeds thereof to the secured creditors as contemplated under the scheme of arrangement. In terms of the order dated June 21, 2019 passed by the Sindh High Court in CMA No.112/19 in J.C.M No. 15/19 the meeting of the members / shareholders of the company was convened. The members of the company having 99.99% in value of share, present in person or by proxy passed the resolution for approval of the scheme and a detailed report was submitted before the Court by the chairman duly appointed by the Court. A meeting of the secured creditors of the company will also be held and conducted by the chairman, report whereof shall also be submitted to the court by the said chairman.

The Scheme, if agreed-upon by the requisite majority of the secured creditors of the Company as stipulated in the Act, and sanctioned by the Honorable high court by an order passed in this respect, would be binding on the Company, along with all the shareholders, creditors – secured or otherwise, stakeholders and any other regulatory / statutory bodies of/ or with respect to the Company. The Scheme seeks to record the terms and conditions of a legally binding compromise and arrangement between the secured creditors on one part and the Company and its directors and sponsors on the other part, for ensuring, inter alia, the settlement of the existing liabilities and ancillary measures as mentioned in note 1.2 to these financial statements.

20.2 Due to the long outstanding multiple litigations with banks the mark up expense for the year can not be reliably estimated, hence no provision for the markup for one and half year is recognised in these financial statements.

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	Note	2020	2019
		Rupees	Rupees

## **21 CONTINGENCIES AND COMMITMENTS**

### **Contingencies**

#### **21.1 Litigation with banks and financial institutions**

**21.1.1** The Company along with its restructuring agent – United Bank Limited and majority of the lending financial institutions has signed a "Scheme of Arrangement" under sections 279 to 283 read with section 285 of the Companies Act, 2017 ("the Act"). Under this Scheme, the existing financial obligations / liabilities of the Company towards the secured creditors shall be settled by way of sale of moveable and immovable charged assets of the Company as detailed in the scheme and payment of the proceeds thereof to the secured creditors as contemplated under the scheme of arrangement. In terms of the order dated June 21, 2019 passed by the Sindh High Court in CMA No.112/19 in J.C.M No. 15/19 the meeting of the members / shareholders of the company was convened. The members of the company having 99.99% in value of share, present in person or by proxy passed the resolution for approval of the scheme and a detailed report was submitted before the Court by the chairman duly appointed by the Court. A meeting of the secured creditors of the company will also be held and conducted by the chairman, report whereof shall also be submitted to the court by the said chairman.

This Scheme, if agreed-upon by the requisite majority of the secured creditors of the Company as stipulated in the Act, and sanctioned by the Honorable high court by an order passed in this respect, would be binding on the Company, along with all the shareholders, creditors, stakeholders and any other regulatory/statutory bodies of/or with respects to the Company. The Scheme seeks to record the terms and conditions of a legally binding compromise and arrangement between the secured creditors on one part and the Company and its directors and sponsors on the other part, for ensuring, inter alia, the settlement of the existing liabilities and ancillary measures as mentioned in note 1.2 to these financial statements.

**21.1.2** Various banks and financial institutions have filed recovery suits before the banking courts, the Honorable High Court of Sindh and the Honorable Lahore High Court, for recovery of their long-term and short-term liabilities and lease liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The aggregate amount of these claims is Rs. 1,919.59 million (2019: Rs. 1,919.59 million).

The management is strongly contesting 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.

**21.1.3** The Company filed a suit in the Honorable Lahore High Court (LHC) against its all secured creditors / 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 order dated September 11, 2013, dismissed the case on legal grounds. The Company filed appeal before Divisional Bench of the LHC against the above-mentioned order. The Divisional Bench passed an order, dated November 27, 2013 that respondent banks will not liquidate the Company's assets and operation of impugned judgement and decree dated September 11, 2013, will remain suspended meanwhile. The Appeal filed by the company was allowed vide order dated 04.11.2020, whereby the case was remanded to the learned single judge to decide the application for leave to defend.

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	Note	2020	2019
		Rupees	Rupees

- 21.1.4** The Bank of Punjab has filed a suit COS No. 50/ 2013 for recovery of Rs. 168.426 million on account of working capital facilities provided to the Company. The company filed PLA No. 148-B/2013, in response to the summons issued by the Honorable Lahore High Court. The Honorable Lahore High Court dismissed the application and decreed in favor of the plaintiff bank to the extent of Rs. 159.286 million. The Company has filed appeal in the division bench of the Honorable Lahore High Court, and the case is being contested on merit.
- 21.1.5** Askari Bank Limited has filed a suit COS No. 40/2013 for recovery of Rs. 148.25 million. The Company filed PLA No. 105-B/2013, in response to the summon issued by the Honorable Lahore High Court. The court dismissed the application for leave to defend. The Honorable Banking Court decreed in favor of Plaintiff Bank, together with the costs of funds as contemplated by section 3 of above mentioned Ordinance. The Company has filed appeal in the Division Bench of the Honorable Lahore High Court, and the appeal is still subjudice.
- 21.1.6** First Treat Manufacturing Modaraba has filed suit J.Misc. No. 02 of 2015 for winding-up of the Company. The said petition was disposed of by the Honorable High Court of Sindh, through its order dated April 18, 2017, since the parties have resolved the dispute amicably in an out-of-court settlement agreement dated February 28, 2016 executed at Lahore. All the parties to this agreement settled that outstanding amount will be paid in monthly installments till the entire payment is made. The management has not recognised the impact of the said agreement in these financial statements.
- 21.1.7** First National Bank Modarba has filed a suit against the Company for recovery of Rs. 51.842 million. The said suit was decreed vide judgment dated August 01, 2017 against the Company and the same was converted into execution proceedings by the court under section 19 of Financial Institutions (Recovery of Finances) Ordinance, 2001. First National Bank Modaraba has filed an Execution petition which is now pending adjudication before the Banking Court No. 1, Lahore, where in the company has filed an objection petition. This case is also being vigorously and diligently contested by the Company.

**21.2 Litigation with parties other than banks and financial institutions**

- 21.2.1** The company has not provided for Rs.6.8million (2019: Rs. 6.8 million) in respect of infrastructure cess levied by the Government of Sindh. The case was decided against the Company by a single judge of the Honorable Sindh High Court. The decision was challenged before a bench of same High Court and stay for collection of cess was allowed. The Honorable 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 Honorable Supreme Court of Pakistan against the above-mentioned judgement of the Honorable High Court of Sindh. Further, the Government of Sindh also filed appeal against part of judgement decided against them.
- The above appeals were disposed-off in May 2011 with a joint statement of the parties that, during the pendency of the appeals, another law came into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from the High Court before approaching the Honorable Supreme Court of Pakistan with the right to appeal. Accordingly, the petition was filed in the Honorable High Court of Sindh in respect of the above view. During the pendency of this appeal an interim arrangement was agreed where by bank guarantees furnished for consignments cleared upto December 27, 2006 were returned and bank guarantees were furnished for 50% of the levy for consignment released subsequent to December 27, 2006 while payment was made against the balance amount. This petition was disposed off in terms of the consolidated judgment dated June 04, 2021.

As at June 30, 2020, the Company has provided bank guarantees aggregating Rs.8.95 million (2019: Rs. 8.95 million) in favor of the Excise and Taxation Department.

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	Note	2020 Rupees	2019 Rupees
<p><b>21.2.2</b> The company has obtained stay order from Honorable Lahore High Court against the payment of electric duty to LESCO. However, an amount of Rs. 1,906,625/- (2019: Rs. 1,906,625/-) had been provided in the accounts on account of electric duty.</p> <p><b>21.2.3</b> The Company has instituted a suit bearing # 1167/18 before the Honorable High Court of Sindh, wherein, stay has been confirmed vide order dated March 03, 2017. The Honorable Supreme Court of Pakistan in its judgment dated August 13, 2020, passed in Civil Appeals No. 1113 to 1155 of 2017 etc. was pleased to waive off the Late Payment Surcharge and to recover GIDC in 24 equal monthly installments after making proper calculations. However, in the light of the Judgment dated August 13, 2020, read with Sub-section 2 of Section 8 of the GIDC Act 2015, SNGPL is not entitled to recover GIDC from the Company as the company has not collected the GIDC from its clients / customers and even not passed on to its clients / customers. The company has not paid GIDC to SNGPL during the period when injunctive orders were in field and the reported judgment of the Hon'ble Supreme Court of Pakistan in the case of Federation of Pakistan v Durrani Ceramics &amp; Others 2014 SCMR 1630.</p>			
<b>21.3 Other contingencies</b>			
<p><b>21.3.1</b> The scheme of arrangement specify that mark up liability shall be updated on the asset sale date. As mentioned in note 20.2, due to the litigation with banks the mark up expense can not be reliably estimated and accordingly, the mark up expense relating to one and a half year has not been accounted for in these financial statements.</p> <p><b>21.3.2</b> Bank guarantees issued on behalf of the company;</p>			
Sui Northern Gas Pipelines Limited		19,862,200	19,862,200
Director of Excise and Taxation		8,957,572	8,957,572
		<u>28,819,772</u>	<u>28,819,772</u>
Various other bank guarantees are also given by banks on behalf of the company to various parties.			
<b>21.4 Commitments</b>			
There is no capital commitment as at June 30, 2020 (2019: Nil).			
<b>22 OPERATING COST</b>			
Obsolescence of stores and spares		-	2,550,990
Fuel and power consumed		-	50,000
Salaries, wages and benefits	22.1	-	142,800
Depreciation		-	14,161,568
Others		-	55,000
		<u>-</u>	<u>16,960,358</u>
<b>22.1</b> Salaries, wages and benefits include staff retirement benefits amounting to Rs. nil (2019: nil).			
<b>23 ADMINISTRATIVE EXPENSES</b>			
Staff salaries and benefits		-	636,000
Rent, rates and taxes		-	788,925
Printing and stationery		-	31,000
Postage and telephone		14,000	73,619
Advertising		17,700	35,400
Traveling and conveyance		2,970	6,300
Legal and professional		100,000	102,500
Fee and subscription		6,655	48,915
Auditor's remuneration	23.1	410,000	610,000
Depreciation	5.1	294,914	340,896
Others		80,006	745,493
		<u>926,245</u>	<u>3,419,048</u>

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	Note	2020 Rupees	2019 Rupees
<b>23.1 Auditor's remuneration</b>			
Annual audit		400,000	600,000
Compliance report on Code of Corporate Governance		10,000	10,000
		<b>410,000</b>	<b>610,000</b>
<b>24 OTHER EXPENSES</b>			
Doubtful debts written-off		-	3,036,919
Other receivables written-off		-	2,663,536
Impairment loss		45,175,920	8,768,553
		<b>45,175,920</b>	<b>14,469,008</b>
<b>25 OTHER INCOME</b>			
Profit on defence saving certificates		1,583,368	2,365,172
Reversal of bad debts		-	219,637
Gain on sale of property, plant and equipment		-	1,067,300
Liabilities written-off		-	91,862,966
		<b>1,583,368</b>	<b>95,515,075</b>
<b>26 FINANCE COST</b>			
Mark-up under scheme of arrangement		-	54,832,552
Bank charges		2,144	1,253
Mark-up on lease liability		-	40,000
Other financial charges		-	27,954,086
		<b>2,144</b>	<b>82,827,891</b>
<b>27 TAXATION</b>			
Current	27.1	-	-
Deferred		-	10,115,747
		-	<b>10,115,747</b>
<b>27.1</b>	No provision for minimum tax due under section 113 of the Income Tax Ordinance, 2001, is incorporated as the Company has nil turnover during the year. Numeric tax rate reconciliation is, therefore, also not required.		
<b>28 LOSS PER SHARE - BASIC AND DILUTED</b>			
Loss after taxation		<b>(44,520,941)</b>	<b>(12,045,483)</b>
		----- Number of shares -----	
Weighted average number of ordinary shares outstanding during the period		<b>14,641,000</b>	<b>14,641,000</b>
Loss per share - basic and diluted		<b>(3.04)</b>	<b>(0.82)</b>
There is no dilutive effect on the basic loss per share of the Company.			
<b>29 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES</b>			
No remuneration was paid to chief executive officer and directors. Number of executives of the company are Nil (2019:Nil).			
<b>30 FINANCIAL INSTRUMENTS BY CATEGORY</b>			
<i>Financial assets - amortized cost</i>			
Investments		23,414,979	21,831,611
Trade deposit and short term prepayments		145,097	456,097
Cash and bank balances		4,468,533	4,481,008
		<b>28,028,609</b>	<b>26,768,716</b>

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	Note	2020	2019
		Rupees	Rupees
<i>Financial liabilities - amortized cost</i>			
Loan from associates and others		280,134,534	280,134,534
Trade and other payables		13,203,900	12,893,900
Unclaimed dividend		619,529	619,529
Payable to banking companies under scheme of arrangement		1,919,590,999	1,919,590,999
		293,957,963	293,647,963

**30.1 Fair values of financial instruments**

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

**30.2 Methods of determining fair values**

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

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

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

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

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

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

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

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**GULISTAN SPINNING MILLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**



	Note	2020	2019
		Rupees	Rupees

**31 FINANCIAL RISK EXPOSURE AND MANAGEMENT**

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

- credit risk,
- liquidity risk and
- market risk.

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

**31.1 Credit risk**

**31.1.1 Exposure to credit risk**

Credit risk is the risk of financial loss to the company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the long-term deposits, trade debts, trade deposits and other receivable, accrued mark-up and cash and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows;

Trade deposits and other receivable	145,097	456,097
Bank balances	4,468,533	4,481,008
	<b>4,613,630</b>	<b>4,937,105</b>

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Rating	
		Short term	Long term
Habib Bank Limited	JCR-VIS	A-1+	AAA
Standard Chartered Bank Ltd.	PACRA	A1+	AAA
Bank Al Habib Limited	PACRA	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA+
Habib Metropolitan Bank Ltd.	PACRA	A1+	AA+
Sindh Bank Limited	VIS	A1+	AA
Allied Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA

**31.2 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.

	2020			2019		
	Carrying amount	Due within one year	Due after one year	Carrying amount	Due within one year	Due after one year
	Rupees					
Loan from associates and other parties	280,134,534	280,134,534	-	280,134,534	280,134,534	-
Trade and other payables	13,203,900	13,203,900	-	12,893,900	12,893,900	-
Payable under scheme of arrangement	1,919,590,999	1,919,590,999	-	1,919,590,999	1,919,590,999	-
	<b>293,338,434</b>	<b>293,338,434</b>		<b>293,028,434</b>	<b>293,028,434</b>	

In order to manage liquidity risk, the management along with its restructuring agent (a leading bank) and a few other banks are negotiating with banks / financial institutions for restructuring of principal and mark-up / interest and rescheduling of repayment terms as detailed in note 1.2 to the financial statements and the management envisages that sufficient financial resources will be available to manage the liquidity risk.

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**GULISTAN SPINNING MILLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**



	Note	2020	2019
		Rupees	Rupees

**31.3 Market risk.**

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

**(a) Currency risk**

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

At reporting date, the Company is not exposed to currency risk that's why currency risk analysis has not been provided.

**(b) 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 21.1.1 At the reporting date the profile of the Company's interest bearing financial instruments is as follows:

**Fixed rate instruments**

Financial assets	23,414,979	21,831,611
Financial liabilities	-	-

**Variable rate instruments**

Financial assets	4,405,321	4,405,321
Financial liabilities	-	-

**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.

**31.4 Fair value of financial assets and liabilities**

As at June 30, 2020 the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except investment in an associated Company which is valued under equity method of accounting. Further, staff loans which are valued at their original cost less repayments.

**31.5 Off balance sheet items**

Bank guarantees issued in ordinary course of business	28,819,772	28,819,772
---	------------	------------

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

**31.7 Capital risk management**

There was no change in the Company's approach to capital management during the year. Further, the Company is not subject to externally imposed to 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.

MASS & CO

**GULISTAN SPINNING MILLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**



	Note	2020	2019
		Rupees	Rupees

**32 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 36. Amounts due from and to related parties are shown under loan from associate and others. Other significant transactions with related parties are as follows:

Name of related party	Relationship	Transactions	2020 Rupees	2019 Rupees
Gulshan Spinning Mills Limited	Common directorship	Advance / loan provided	-	778,800
	Common directorship	Adjustment of loan	40,418,639	-

**33 CAPACITY AND PRODUCTION**

Number of spindles installed 24,096 24,096  
 Installed capacity in kilograms after conversion into 20/s counts Kg. 8,029,854 8,029,854

**33.1** The Company has not carried out any operations during the current reporting financial year due to the circumstances disclosed in note 1.2 resulting in cessation of operations.

**34 NUMBER OF EMPLOYEES**

Number of employees as at June 30, 2020 - 2  
 Average number of employees during the year - 2

**35 CORRESPONDING FIGURES**

Corresponding figures have been re-arranged wherever necessary for purposes of better presentation as follows:

Reclassification from component	Reclassification to component	Rupees
Accrued Markup	Payable to banking companies under scheme of arrangement	397,535,999

**36 EVENTS AFTER REPORTING DATE**

Except for the event as mentioned in note 12.3 of these financial statements, there are no significant adjusting or non adjusting events after the reporting date requiring adjustment or disclosure in financial statements.

**37 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue on 5 OCT 2021 by the Board of Directors of the Company.

*S. J. M.*  
 CHIEF EXECUTIVE

*[Signature]*  
 CHIEF FINANCIAL OFFICER

*A. H. S. S.*  
 DIRECTOR

# GULISTAN SPINNING MILLS LIMITED

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

	2020 RUPEES	2019 RUPEES	2018 RUPEES	2017 RUPEES	2016 RUPEES	2015 RUPEES
			Restated			
<b>OPERATING RESULTS</b>						
Total number of Spindles installed	24,096	24,096	24,096	24,096	24,096	24,096
Total number of Spindles shifts worked	-	-	-	-	-	-
Instal capacity 20's Count	8,029,854	8,029,854	8,029,854	8,029,854	8,029,854	8,029,854
Production converted into 20's Count	-	-	-	-	-	-
Number of shifts worked	-	-	-	-	-	-
Turnover	-	-	-	-	-	-
Gross Profit / (Loss)	-	-	-	(43,370,749)	(31,715,196)	(218,483,763)
Operating Expenses	(926,245)	(20,379,406)	(42,681,836)	(3,456,341)	(5,938,515)	(22,557,019)
Operating Profit / (Loss)	(46,102,165)	(34,848,414)	(43,020,104)	(46,827,090)	(37,653,711)	(241,040,782)
Other Income	1,583,368	95,515,075	2,108,940	2,269,180	14,022,009	6,449,717
Financial & Other Charges	(2,144)	(82,827,891)	(54,963,384)	(4,493,413)	(10,671,391)	(9,821,331)
Profit / (Loss) for the year before taxation	(44,520,941)	(22,161,230)	(97,983,488)	(49,051,323)	(34,303,093)	(244,412,396)
Profit / (Loss) for the year after taxation	(44,520,941)	(12,045,483)	(87,418,109)	(32,773,546)	(37,515,467)	(244,412,396)
<b>APPROPRIATION</b>						
Proposed Dividend	Nil	Nil	Nil	Nil	Nil	Nil
Unappropriated Loss Carried Forward	(2,087,493,276)	(2,042,972,335)	(2,035,870,167)	(1,957,651,158)	(1,646,597,518)	(1,619,094,065)
<b>FINANCIAL POSITION</b>						
Paid up Capital	146,410,000	146,410,000	146,410,000	146,410,000	146,410,000	146,410,000
Share Holder Equity	(1,564,638,661)	(1,520,117,720)	(1,512,682,606)	(1,428,893,992)	(1,475,204,350)	(1,447,700,897)
Long Term Loans	103,000,000	103,000,000	103,000,000	103,000,000	103,000,000	177,818,341
Obligation under Finance Leases	-	-	-	-	15,287,299	15,287,299
Deferred Liabilities	425,451	425,451	128,690,019	142,884,893	159,359,780	158,036,323
Current Liabilities	2,213,548,962	2,213,238,962	2,223,313,456	2,173,247,059	1,888,676,221	1,823,099,904
Fixed Assets	2,149,905	2,444,819	844,605,833	869,698,395	896,048,764	923,854,824
Disposal group under scheme of arrangmer	660,366,450	705,542,370	-	-	-	-
Long term Investments	23,414,979	21,831,611	19,466,439	17,357,499	15,471,666	13,769,021
Long term Deposit	-	-	5,100,587	2,061,925	2,780,500	2,780,500
Current Assets	66,404,418	66,727,893	73,148,011	101,120,141	128,485,522	148,115,841

Gulistan Spinning Mills Limited  
Pattern of Shareholding  
AS AT JUNE 30, 2020

Number of Shareholders	Shareholding		Shares Held	Percentage
	From	To		
995	1	100	14,739	0.10
271	101	500	60,547	0.41
255	501	1,000	195,070	1.33
135	1,001	5,000	347,178	2.37
46	5,001	10,000	346,292	2.37
7	10,001	15,000	88,253	0.60
6	15,001	20,000	106,439	0.73
1	20,001	25,000	21,961	0.15
5	25,001	30,000	133,823	0.91
1	30,001	35,000	31,376	0.21
2	35,001	40,000	74,879	0.51
4	40,001	45,000	168,639	1.15
2	45,001	50,000	96,609	0.66
2	50,001	55,000	103,091	0.70
1	55,001	60,000	60,000	0.41
1	65,001	70,000	67,618	0.46
2	70,001	75,000	146,500	1.00
1	75,001	80,000	76,859	0.52
1	80,001	85,000	81,625	0.56
1	85,001	90,000	89,395	0.61
1	90,001	100,000	92,082	0.63
2	100,001	150,000	298,828	2.04
1	150,001	200,000	169,103	1.15
1	200,001	250,000	202,777	1.38
1	250,001	275,000	254,500	1.74
1	275,001	600,000	277,500	1.90
1	600,001	680,000	619,543	4.23
1	680,001	1,100,000	680,806	4.65
1	1,100,001	1,160,000	1,101,822	7.53
1	1,160,001	1,350,000	1,162,251	7.94
1	1,350,001	1,365,000	1,350,655	9.23
1	1,365,001	1,395,000	1,366,910	9.34
1	1,395,001	1,445,000	1,400,000	9.56
1	1,445,001	1,900,000	1,450,000	9.90
1	1,900,001	1,905,000	1,903,330	13.00
<b>1,755</b>			<b>14,641,000</b>	<b>100.00</b>

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

**GULISTAN SPINNING MILLS LIMITED**  
**CATEGORIES OF SHAREHOLDERS**  
**AS AT JUNE 30, 2020**

Particulars	No. of Share Holders	No. of Shares Held	Percentage
Directors, Chief Executive Officer, Their Spouses and Minor Children	7	4,089	0.03
Associated Companies, Undertakings and Related Parties	1	202,777	1.38
NIT & ICP	2	964	0.01
Banks, Development Finance Institutions, Non- Banking Financial Institutions	3	426,492	2.91
Joint Stock Companies	5	78,550	0.54
General Public (Local)	1,728	8,386,971	57.28
Other Companies	9	5,541,157	37.85
	<b>1,755</b>	<b>14,641,000</b>	<b>100.00</b>

**GULISTAN SPINNING MILLS LIMITED**  
**CATEGORIES OF SHAREHOLDERS**  
**AS AT JUNE 30, 2020**

<b>A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>	<b>SHARES</b>
Paramount Spinning Mills Limited	202,777
<b>B) NIT &amp; ICP</b>	
IDBL (ICP UNIT)	464
Investment Corporation of Pakistan	500
<b>C) DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN</b>	
<u><b>DIRECTORS</b></u>	
Mr. MUHAMMAD JUNAID	500
Mr. Sohail Maqsood	550
Mr. Muhammad Akhtar Mirza	500
Mr. Muhammad Ashraf Khan	986
Mr. Abid Sattar	500
Mr. Muhammad Asif Akram	500
MR. MUHAMMAD ARIF	553
<u><b>SPOUSES</b></u>	
<b>D) BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS &amp; MUTUAL FUNDS</b>	
<u><b>BANKS</b></u>	
National Bank of Pakistan	148,992
The Bank of Punjab, Treasury Division	277,500
<b>E) OTHER COMPANIES</b>	5,541,157
<b>F) JOINT STOCK COMPANIES</b>	78,550
<b>G) GENERAL PUBLIC (LOCAL)</b>	8,386,971
	<b>14,641,000</b>
<b>H) SHAREHOLDERS HOLDING 05% OR MORE</b>	
Mr. Tanveer Ahmed	2,584,136
Mr. Abdul shakoor	1,101,822
Mrs. Naureen Tanveer	1,366,910
Peridot Products (Pvt) Limited	1,350,655
BLESSED CORPORATION (PVT.) LTD.	1,450,000
OPAL (SMC-PRIVATE) LIMITED	1,400,000
<b>I) TRADING IN THE SHARES OF COMPANY DURING THE YEAR BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN</b>	<b>NIL</b>



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# Form of Proxy

## Gulistan Spinning Mills Limited

I/We \_\_\_\_\_ being member of **Gulistan Spinning Mills Limited** holder of \_\_\_\_\_ ordinary shares as per Share Register Folio No. \_\_\_\_\_ and/or CRC participant I.D. No. \_\_\_\_\_ Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ who is also member of **Gulistan Spinning Mills Limited** vide Folio No. \_\_\_\_\_ or CDC participant I.D. No. \_\_\_\_\_ Account No. \_\_\_\_\_ or failing him/her of Mr. \_\_\_\_\_ of \_\_\_\_\_ who is also member of **Gulistan Spinning Mills Limited** vide Folio No. \_\_\_\_\_ or CDC participant I.D. No. / \_\_\_\_\_ Account No. \_\_\_\_\_ as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 30<sup>th</sup> October 2021 at 01:00 P.m and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2021

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

Witness 1:-

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

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

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

Witness 2:-

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

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

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.

Appropriate Revenue Stamp
---------------------------------

**پراکسی فارم**  
**گلستان اسپیننگ ملز لمیٹڈ**

میں / ہم \_\_\_\_\_ بحیثیت گلستان اسپیننگ ملز لمیٹڈ کے رکن ، مالک  
برائے \_\_\_\_\_ عام حصص مطابق رجسٹرڈ فولیو نمبر \_\_\_\_\_ اور / یا \_\_\_\_\_ سی  
آر۔ سی شرکت کنندہ آئی ڈی \_\_\_\_\_ نمبر \_\_\_\_\_ کھاتہ نمبر \_\_\_\_\_ اس طرح مقرر  
کرتا ہوں جناب \_\_\_\_\_ جو کہ گلستان اسپیننگ ملز لمیٹڈ کے رکن بھی ہیں  
، بذریعہ فولیو نمبر \_\_\_\_\_ یا سی ڈی۔ سی شرکت کنندہ آئی۔ ڈی نمبر \_\_\_\_\_  
کھاتہ نمبر \_\_\_\_\_ یا انکی ناکامی کی صورت میں جناب \_\_\_\_\_ برائے  
\_\_\_\_\_ جو کہ گلستان اسپیننگ ملز لمیٹڈ کے رکن بھی ہیں ، بذریعہ فولیو  
نمبر \_\_\_\_\_ یا سی ڈی۔ سی شرکت کنندہ آئی۔ ڈی نمبر \_\_\_\_\_ کھاتہ نمبر \_\_\_\_\_  
جیسا کہ میری / ہماری پراکسی میں شرکت کرنے کے لئے، بات کرنے کے لئے  
اور ووٹ ڈالنے کے لئے اکتوبر 2021  
کو دوپہر 01:00 بجے اور اس کے کسی بھی تعاقب میں منعقد ہونے والی کمپنی کے سالانہ  
اجلاس میں۔

میرے / ہمارے ہاتھ 2021 کے \_\_\_\_\_ دن کا گواہ ہونے کے طور پر  
کہا \_\_\_\_\_ کی نشاندہی  
گواہ 1: -

نام: - \_\_\_\_\_  
پتہ: - \_\_\_\_\_  
CNIC: - \_\_\_\_\_  
گواہ 2: -  
نام: - \_\_\_\_\_  
پتہ: - \_\_\_\_\_  
CNIC: - \_\_\_\_\_

نوٹ:

1. پراکسی درست ہونا لازمی طور پر مہربند، دستخط اور گواہی دی جاسکتی ہے اور کمپنی کے  
ساتھ اجلاس کے قیام کے وقت سے 48 گھنٹوں کے بعد جمع نہیں ہونا چاہئے۔
2. پراکسی کمپنی کا ایک رکن ہونا ضروری ہے۔
3. دستخط اس کمپنی کے ساتھ رجسٹرڈ نمونہ دستخط سے متفق ہونا چاہئے۔
4. اس اجلاس میں شرکت اور ووٹ لینے کے حق میں سی ڈی سی کے حصے دار، اپنی شناخت  
کو ثابت کرنے کے لئے اصل قومی شناختی کارڈ / پاسپورٹ لائے، اور پراکسی کی صورت میں  
انکو اپنے این آئی سی یا پاسپورٹ کی کاپی کی تصدیق کروانا ضروری ہے۔
5. کارپوریٹ ارکان کے نمائندے کو اس مقصد کے لئے ضروری دستاویزات اپنے ساتھ لانا چاہئے۔