

GULISTAN TEXTILE MILLS LIMITED

ANNUAL REPORT 2020

CONTENTS

<i>COMPANY INFORMATION-----</i>	02
<i>CORPORATE VISION / MISSION REPORT-----</i>	03
<i>NOTICE OF ANNUAL GENERAL MEETING-----</i>	04
<i>NOTICE OF ANNUAL GENERAL MEETING - URDU-----</i>	05-06
<i>CHAIRMAN REPORT-----</i>	07
<i>CHAIRMAN REPORT - URDU-----</i>	08
<i>DIRECTOR'S REPORT-----</i>	09-13
<i>DIRECTOR'S REPORT - URDU-----</i>	14-20
<i>STATEMENT OF COMPLIANCE-----</i>	21-22
<i>REVIEW REPORT-----</i>	23
<i>AUDITOR'S REPORT-----</i>	24-29
<i>BALANCE SHEET-----</i>	30
<i>PROFIT & LOSS ACCOUNT-----</i>	31
<i>STATEMENT OF COMPREHENSIVE INCOME-----</i>	32
<i>STATEMENT OF CHANGES IN EQUITY-----</i>	33
<i>CASH FLOW STATEMENT-----</i>	34
<i>NOTES TO THE FINANCIAL STATEMENTS-----</i>	35-60
<i>KEY OPERATING AND FINANCIAL RESULTS-----</i>	61
<i>PATTERN OF SHAREHOLDING-----</i>	62-63
<i>FORM OF PROXY-----</i>	64
<i>FORM OF PROXY - URDU-----</i>	65
<i>JAMA PUNJI-----</i>	66

GULISTAN TEXTILE MILLS LIMITED
COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Waqar Ahmed (Chairman)
Mr. Naseer Ahmed (CEO)
Mr. Muhammad Younus
Mr. Muhammad Arif
Mr. Mian Khalid Nasim
Mr. Zubair Hussain Akhtar
Mr. Basharat Mahmood Khalid

AUDIT COMMITTEE

Mr. Zubair Hussain Akhtar (chairman)
Mr. Waqar Ahmed
Mr. Basharat Mahmood Khalid

HR & REMUNERATION COMMITTEE

Mr. Mian Khalid Nasim (Chairman)
Mr. Waqar Ahmed
Mr. Basharat Mahmood Khalid

CHIEF FINANCIAL OFFICER

Mr. Akhtar Aziz

COMPANY SECRETARY

Mr. Asmar Tariq

AUDITORS

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

LEGAL ADVISOR

M/s. A.K. Brohi & Company-Advocate

SHARE REGISTRAR OFFICE

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

REGISTERED OFFICE

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

REGIONAL OFFICE

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

MILLS

Unit I - Sama satta, Distt. Bahawalpur
Unit II & III Tibba Sultanpur, Distt. Vehari
Unit IV - Ferozwatwan, Distt. Sheikhpura

WEB PRESENCE

www.gulistan.com.pk/corporate/gulistan.html

CORPORATE VISION / MISSION STATEMENT

VISION

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

MISSION

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

GULISTAN TEXTILE MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of **Gulistan Textile Mills Limited** (the "Company") will be held at 2nd Floor Finlay House, I.I. Chundrigar Road, Karachi on **Saturday 30th October, 2021 at 01:45 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 Safder & 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

Asmar Tariq

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 **23rd October, 2021 to 30th 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 ٹیکسٹائل ملز لمیٹڈ

سالانہ جنرل میٹنگ کا نوٹس۔

نوٹس اس طرح دیا گیا ہے کہ گلستان ٹیکسٹائل ملز لمیٹڈ ("کمپنی") کی سالانہ جنرل میٹنگ دوسری منزل فنلے ہاؤس ، I.I میں منعقد ہوگی۔ چندریگر روڈ ، کراچی ہفتہ 30 اکتوبر ، 2021 کو 01:45 بجے ، درج ذیل کاروبار کے لین دین 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 کوئی دوسرا کاروبار کرنا۔
بورڈ کے حکم سے۔

اسمار طارق۔

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 لیے 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 رکن 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 ان کا 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۔

GULSITAN TEXTILE MILLS LIMITED

CHAIRMAN REVIEW

It is my privilege to be serving as a chairman of Board of Directors of M/S Gulistan Textile 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 under section 279 of the Companies Act 2017 has been submitted to the Honorable Sindh High Court at Karachi. The liability of the Company will be settled in terms of the Scheme of Arrangement. 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.

Waqar Ahmad

Lahore :- Oct-05-2021

گلستان ٹیکسٹائل ملز لمیٹڈ

چیئر مین کا جائزہ

یہ میری خوش قسمتی ہے کہ میسرز گلستان ٹیکسٹائل ملز لمیٹڈ ("کمپنی") کے بورڈ آف ڈائریکٹرز کے طور پر خدمات انجام دے رہا ہوں۔ 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۔ کمپنیز ایکٹ 2017 کے سیکشن 279 کے تحت انتظام کی اسکیم معزز سندھ ہائی کورٹ کراچی میں جمع کرائی گئی ہے۔ کمپنی کی ذمہ داری اسکیم آف آرینجمنٹ کے لحاظ سے طے کی جائے گی۔ انتظامات کی اسکیم کے مطابق بینکوں کے ساتھ تمام زیر التوا مقدمات واپس لے لیے جائیں گے۔

جانکاری۔

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

وقار احمد۔

لاہور: اکتوبر 2021-05

GULSITAN TEXTILE MILLS LIMITED

Director's Report to Shareholders

The year under review has also been proved difficult period. The on-going financial impediments have obstructed the operations of the Company. The root cause for this obstruction had been non-availability of working capital facilities which were blocked by the banks/financial institutions unilaterally, and resultantly the Company could not purchase raw material to run the mills.

The debt amortization profile, higher interest cost and associated liquidity problems have forced the Company to initiate restructuring of its debt obligations subject to reconciliation 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 approved and signed by majority of the secured creditors and duly filed before the Sindh High Court at Karachi (Court). The meeting of the Share holders of the Company has also been held as per direction of the Court wherein the Scheme of Arrangement was duly approved by the requisite majority and the report in this behalf was duly submitted by the Chairman appointed by the Court. As per the Scheme of Arrangement all the litigation will be withdrawn by all the creditors.

Operating & Financial Performance

Operating indicators	2020	2019
	(Rupees)	(Rupees)
Sales	-	-
Gross loss/Operating cost	(135,459,672)	(90,832,830)
Financial cost	(11,638)	(584,184,324)
Pre tax Profit/(Loss)	(498,926,191)	(1,385,192,707)
Provision for taxation	-	9,257,793
Profit / (Loss) after taxation	(498,926,191)	(1,375,934,914)

Future Outlook

The restructuring process is expected to be completed soon, once the ongoing reconciliation & restructuring process is completed, we would be in better position to structure the way forward.

Auditors' Observations

- Auditors' Observation regarding going concern, It is worth noting that the Scheme of Arrangement is not only signed by the majority of the banks/financial institutions, but has also been approved by the requisite majority of the members pursuant to the orders of the Court. All pending litigation by or against the Company will be withdrawn by the respective parties as contemplated in the Scheme of Arrangement, subject to sanction of the Scheme of Arrangement.
- The Management is making utmost efforts to recover from the present financial crises and has made its best and maximum possible efforts to come out from the prevailing crisis. Reluctantly, the Management has to retrench most of their manpower strength and has taken steps towards resource conservations. The Management therefore is of the view that after restructuring of debts going concern observation will be resolved.
- Company during this year 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 the secured creditors and submitted in Sindh High Court for approval of the Scheme of Arrangement. 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.
- The Company is very hopeful that with restructuring and settlement of amounts, release of security in post settlement scenario, the financial health of the Company will be improved which will enable the Company to focus on new profitable avenues.
- Stock in trade is not verifiable due to various godowns are sealed as per the court order(s). The godown will be de-sealed after approval of the Scheme of Arrangement.

Corporate Governance

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

Board meetings and attendance

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

Name of Director	No of meeting attended
Mr. Naseer Ahmed	4
Mr. Muhammad Arshad	4
Mr. Waqar Ahmad	4

Mr. Mian Muhammad Khalid Nasim	3
Mr. Muhammad Arif	3
Mr. Zafar iqbal	4
Mr. ZubairHussain Akhtar	4

Audit Committee

The Board of Directors of the Company in compliance with the Code of Corporate Governance has established an Audit Committee. The names of its members are given in the Company information.

HR & Remuneration Committee

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

Internal Audit Function

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

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

Corporate Governance & Financial Reporting Framework

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

- The financial statements prepared by the Management of the Company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound and has been effectively implemented and monitored.
- The Board is satisfied that there is no concern as regard to going concern under the Code and as duly explained in note 1.2 of Financial Statements.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- Key operating and financial data for the last six years is annexed.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 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 Profit / (loss) per share of the Company for the year ended June 30, 2020 was Rs. (26.28) as compared to the previous year of Rs. (72.48).

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

Your 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.gulistan.com.pk for information of the shareholders and others.

Related Party Transactions

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

Trading in Company's Shares

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

Name	Opening Balance as on 01.07.2019	Purchases	Sales	Closing Balance as on 30.06.2020
NIL	NIL	NIL	NIL	NIL

Statement on Value of Staff Retirement Benefit

As on June 30, 2020 deferred liability for gratuity is Rs. 131,058,702/=

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

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

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

October 05, 2021

On behalf of the Board

NASEER AHMED
CHIEF EXECUTIVE

WAQAR AHMAD
CHAIRMAN

شیئر ہولڈرز کو ڈائریکٹر کی رپورٹ۔

زیر نظر سال بھی مشکل دور ثابت ہوا ہے۔ جاری مالی رکاوٹوں نے کمپنی کے کاموں میں رکاوٹ ڈالی ہے۔ اس رکاوٹ کی بنیادی وجہ ورکنگ کیپیٹل سہولیات کی عدم دستیابی تھی جسے بینکوں/مالیاتی اداروں نے یکطرفہ طور پر مسدود کر دیا تھا ، اور اس کے نتیجے میں کمپنی ملوں کو چلانے کے لیے خام مال نہیں خرید سکی۔

قرض میں تخفیف پروفائل ، زیادہ سود کی لاگت اور متعلقہ لیکویڈیٹی کے مسائل نے کمپنی کو مجبور کیا ہے کہ وہ اپنے قرضوں کی ذمہ داریوں کی از سر نو تشکیل شروع کرے جو کہ اپنے قرض دہندگان کے ساتھ کیے گئے وعدوں کو پورا کرے۔ 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 انتظامات کی ایک سکیم کو محفوظ کریڈٹرز کی اکثریت نے منظور اور دستخط کیا ہے اور سندھ ہائی کورٹ کراچی میں عدالت میں پیش کیا ہے۔ کمپنی کے شیئر ہولڈرز کی میٹنگ بھی عدالت کی ہدایت کے مطابق منعقد کی گئی ہے جس میں اسکیم آف آریجمنٹ کو مطلوبہ اکثریت نے باقاعدہ طور پر منظور کیا تھا اور اس کی طرف سے رپورٹ عدالت کے مقرر کردہ چیئرمین نے مناسب طریقے سے پیش کی تھی۔ اہتمام کی اسکیم کے مطابق تمام قرض دہندگان تمام قانونی چارہ جوئی واپس لے لیں گے۔

آپریٹنگ اور مالی کارکردگی

آپریٹنگ انڈیکیٹرز	2020	2019
	(Rupees)	(Rupees)
Sales	-	-
Gross loss/Operating cost	(135,459,672)	(90,832,830)
Financial cost	(11,638)	(584,184,324)

Pre tax Profit/(Loss)	(498,926,191)	(1,385,192,707)
Provision for taxation	-	9,257,793
Profit / (Loss) after taxation	(498,926,191)	(1,375,934,914)

مستقبل کا آؤٹ لک۔

تشکیل نو کا عمل جلد مکمل ہونے کی توقع ہے ، ایک بار جب جاری مفاہمت اور تنظیم نو کا عمل مکمل ہو جائے گا ، ہم آگے کی راہ کو بہتر بنانے کے لیے بہتر پوزیشن میں ہوں گے۔

آڈیٹرز کے مشاہدات

concern تشویش کے بارے میں آڈیٹرز کا مشاہدہ ، یہ بات قابل غور ہے کہ اسکیم آف آرینجمنٹ پر نہ صرف بینکوں/مالیاتی اداروں کی اکثریت دستخط کرتی ہے ، بلکہ عدالت کے احکامات کے مطابق ممبران کی مطلوبہ اکثریت سے اس کی منظوری بھی دی جاتی ہے۔ . کمپنی کی طرف سے یا اس کے خلاف تمام زیر التوا مقدمات متعلقہ فریقوں کی طرف سے واپس لے لیے جائیں گے جیسا کہ ترتیب کے منصوبے میں سوچا گیا ہے ، جو کہ اسکیم آف آرینجمنٹ کی منظوری سے مشروط ہے۔

Management انتظامیہ موجودہ مالی بحرانوں سے نکلنے کے لیے بھرپور کوششیں کر رہی ہے اور موجودہ بحران سے نکلنے کے لیے اپنی بہترین اور زیادہ سے زیادہ ممکنہ کوششیں کی ہیں۔ ہچکچاتے ہوئے ، مینجمنٹ کو اپنی زیادہ تر افرادی قوت کو کم کرنا پڑتا ہے اور اس نے وسائل کے تحفظ کے لیے اقدامات کیے ہیں۔ اس لیے انتظامیہ کا خیال ہے کہ قرضوں کی تنظیم نو کے بعد تشویش کا مشاہدہ کیا جائے گا۔

— کمپنی نے اس سال کے دوران ضم شدہ مالیاتی بیان میں مارک اپ کی رقم مکمل طور پر فراہم کی ہے جیسا کہ تمام بینکوں/مالیاتی اداروں نے اسکیم آف ارینجمنٹ میں تصدیق کی ہے۔

financial ضم شدہ مالی بیان میں ، قرض کی رقم اسکیم آف ارینجمنٹ سے لی گئی ہے جس کی تصدیق محفوظ قرض دہندگان کرتے ہیں اور سندھ ہائی کورٹ میں اسکیم آف ارینجمنٹ کی منظوری کے لیے جمع کرائی جاتی ہے۔ آڈیٹر اپنی ریزرویشن کو صرف یہ ظاہر کرتا ہے کہ انہیں اپنے معمول کے آڈٹ طریقہ کار کے مطابق بینکوں سے براہ راست تصدیق نہیں ملی ہے۔

very کمپنی بہت پر امید ہے کہ رقوم کی تنظیم نو اور تصفیہ کے بعد ، تصفیہ کے بعد کے منظر نامے میں سیکورٹی کے اجراء سے ، کمپنی کی مالی صحت بہتر ہو جائے گی جس سے کمپنی نئے منافع بخش راستوں پر توجہ دے سکے گی۔

trade تجارت میں اسٹاک قابل تصدیق نہیں ہے کیونکہ مختلف گوداموں کو عدالت کے حکم کے مطابق سیل کر دیا گیا ہے۔ بندوبست کی اسکیم کی منظوری کے بعد گارڈ کو ڈی سیل کر دیا جائے گا کارپوریٹ گورننس۔

آپ کی کمپنی سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے قواعد و ضوابط کی تعمیل کرتی رہی ہے اور مزید سخت چیک اور بیلنس کے ساتھ اندرونی کنٹرول کی بہتر 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 نصیر احمد 4۔

جناب محمد ارشد 4۔

جناب وقار احمد 4۔

جناب میاں محمد خالد نسیم 3۔

جناب محمد عارف 3۔

جناب ظفر اقبال 4۔

جناب زبیر حسین اختر 4۔

حساب کتاب کا گروہ یا لوگ

کمپنی کے بورڈ آف ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس کی تعمیل کرتے ہوئے ایک آڈٹ کمیٹی قائم کی ہے۔ اس کے ارکان کے نام کمپنی کی معلومات میں دیے گئے ہیں۔
HR اور معاوضہ کمیٹی

کمپنی کے بورڈ آف ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس کی تعمیل کرتے ہوئے ایچ آر اور معاوضہ 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 ایکوئٹی 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 مؤثر طریقے سے نافذ اور مانیٹر کیا گیا ہے۔

satisfied بورڈ مطمئن ہے کہ کوڈ کے تحت تشویش کے حوالے سے کوئی تشویش نہیں ہے اور جیسا کہ مالی بیانات کے نوٹ 1.2 میں مناسب طریقے سے بیان کیا گیا ہے۔ corporate کارپوریٹ گورننس کے بہترین طریقوں سے کوئی مادی روانگی نہیں ہوئی 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۔ فی حصص آمدنی/نقصان۔

30 جون 2020 کو ختم ہونے والے سال کے لیے کمپنی کا فی حصص منافع / (نقصان) روپے تھا۔ (26.28) روپے کے پچھلے سال کے مقابلے میں (72.48)۔

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

آپ کی 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.gulistan.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 جائزہ سال کے دوران ڈائریکٹرز ، چیف ایگزیکٹو آفیسر ، چیف فنانسئل آفیسر ، کمپنی سیکریٹری اور ان کے شریک حیات اور نابالغ بچوں کی طرف سے کمپنی کے حصص کی ٹریڈنگ مندرجہ ذیل ہے۔

01.07.2019 کو نام کھولنے کا بیلنس 30.06.2020 کو فروخت بند ہونے والا بیلنس

NIL NILNILNILNIL

سٹاف ریٹائرمنٹ بینیفٹ کی قیمت پر بیان۔

30 جون 2020 تک گریجوٹی کے لیے موخر ذمہ داری روپے ہے۔ 131,058,702/=۔
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

آخر میں ، بورڈ اپنے قابل قدر صارفین اور مالیاتی اداروں کا شکریہ ادا کرنے کا یہ موقع حاصل کرتا ہے جن کے ایمان اور تعاون نے کئی سالوں سے باہمی فائدہ مند تعلقات کو فروغ دیا جس نے ہماری مصنوعات کی خدمات اور معیشت میں شراکت کو بہتر بنانے میں اہم کردار ادا کیا۔

بورڈ مینجمنٹ ٹیم کے ملازمین کی کاوشوں ، عزم اور محنت کے لیے اور اس میں موجود
اعتماد اور اعتماد کے لیے شیئر ہولڈرز کی تعریف کو ریکارڈ پر رکھنا چاہتا ہے۔
05 اکتوبر ، 2021۔
بورڈ کی جانب سے۔

وقار احمد
چیئرمین۔

نصیر احمد
چیف ایگزیکٹو



Gulistan Textile Mills Limited

1st Floor Garden Heights, 8-Aibak Block, New Garden Town Lahore. Pakistan.

UAN: +92-42-111-200-000, 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
Executive Directors	Mr. Naseer Ahmed and Mr. Muhammad Younas
Independent Director	Mr. Zubair Hussain Akhtar, Mr. Mian Khalid Nasim
Non-Executive Directors	Mr. Zafar Iqbal, Mr. Muhammad Arif, Mr. Waqar Ahmad, Mr. Mian Khalid Nasim, Mr. Zubair Hussain Akhtar

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 them has defaulted in payment of any loan to a banking company, a DFI or an NBFII 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 atleast 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.
11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
12. The Board has formed an committees, comprising of members are given below.



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A) Audit Committee

Mr. Zubair Hussain Akhtar	Chairman
Mr. Waqar Ahmad	Member
Mr. Mian Bashrat Mahmood	Member

B) HR & Remuneration Committee

Mr. Mian Khalid Nasim	Chairman
Mr. Waqar Ahmad	Member
Mr. Mian Bashrat Mahmood	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 programme 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.

Chief Executive Officer

Chairman

Lahore:- October 05, 2021

MALIK HAROON SHAHID SAFDER & CO.

Chartered Accountants

An Independent Member of



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Independent Auditor's Review Report To the Members of "Gulistan Textile 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 Textile 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.

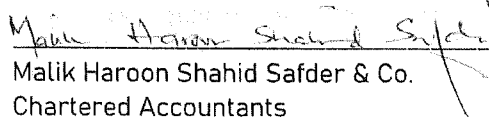
As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control 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.

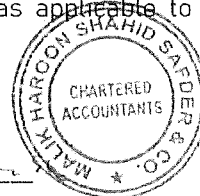
The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent 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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Accounting Legal and Business Advisors
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New York Mexico

INDEPENDENT AUDITOR'S REPORT

to the Members of Gulistan Textile Mills Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of Gulistan Textile 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 Rs5.408 million and Rs. 6.314 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 quantities of stores, spare parts and loose tools held on June 30, 2020, and 2019, which are stated in the financial statements at cost of Rs. 97.157 million (2019:Rs. 97.157 million), and the related provision for obsolete stocks amounting to Rs. 97.157 million (2019:Rs. 97.157 million) and quantities of stock in trade held on June 30, 2020 and 2019 which are stated in the financial statements at cost of Rs. 135.46 (2019:Rs. 169.324 million), and the related provision for obsolete stocks amounting to Rs. 135.46 million (2019:RS 33.865 million), respectively.
3. We were unable to verify the balance in respect of Trade deposits and other receivables amounting to Rs. 7.50 million.
4. We had not received confirmations from banks and financial institutions. Accordingly, we are unable to verify bank balances aggregating to Rs. 23.750 million (2019: Rs. 23.751 million).
5. 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. 131.058 million (2019: 130.801 million), Rs. 64.531 million (2019: Rs. 63.257 million) and Rs. 0.3 million (2019: 0.3 million), respectively.
6. Refer note 21.2, which describe the reason for non-recognition of mark up on bank liabilities. We however, did not concur with management's view point.
7. 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.

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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.

Emphasis of Matter

We draw attention to notes 1.2 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 Refer to in note 6 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. We identified this area as a key audit matter because the disposal group under the scheme of arrangement constitutes 95% 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.	Our audit procedures, amongst others, included the following: <ul style="list-style-type: none">• 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;• 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;• 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;

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Sr. No	Matter	How the matter was addressed in our audit
		<ul style="list-style-type: none"> • Check that the valuer is registered on penal of state bank of Pakistan. • 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.
2.	Tax refund due from Government Refer to note 12 to the financial statements The Company has a significant balance of sales tax refundable comprising sales tax refunds, which have been outstanding for many years 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.	Our audit procedures, amongst others, included the following: <ul style="list-style-type: none"> • Obtained the copy of the sales tax return for June 2020 to verify refundable amount; • 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.
3.	Contingencies and commitments Refer to note 23 to the financial statements; The Company has significant litigations in respect of claims lodged by various banks regarding loan facilities. 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.	Our audit procedures included the following: <ul style="list-style-type: none"> • 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. • Read the minutes of the meeting and evaluate whether the provision of the scheme regarding the withdrawal of the filed litigations is still appropriate.

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Sr. No	Matter	How the matter was addressed in our audit
4.	<p>Payable to banking companies under the scheme of arrangement and accrued mark up.</p> <p>Refer to notes 18 and 19 to the financial statements; We identified payable to banking companies under the scheme of arrangement as a key matter as it constitutes 98% of total liabilities and involves multiple litigations.</p>	<p>Our audit procedures include the following;</p> <ul style="list-style-type: none">• Discuss the matter with management and understand the matter.• Collaborate the figures with the amounts disclosed in the scheme of arrangement as approved by the representatives of the creditors.• Read the scheme to ensure that no further liability in respect of this balance is expected to arise.

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

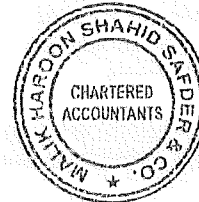
Based on our audit, we further report that in our opinion:

- 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, 2021

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

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



	Note	2020 Rupees	2019 Rupees
ASSETS			
Property, plant and equipment	5	5,408,073	6,313,731
Investments	6	-	-
Stores, spare parts and loose tools	7	-	-
Stock-in-trade	8	-	135,459,672
Trade debtors	9	-	485,000
Trade deposits and other receivable	10	36,403,073	36,403,073
Tax refunds due from Government	11	19,652,607	19,652,607
Cash and bank balances	12	23,840,920	23,751,128
Disposal group under scheme of arrangement	13	1,417,034,779	1,777,607,362
TOTAL ASSETS		1,502,339,452	1,999,672,573
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	14	189,838,990	189,838,990
Reserves	15	576,748,715	576,748,715
Surplus on revaluation of property, plant and equipment	16	910,658,520	910,658,520
Sub-ordinated loan	17	423,800,000	423,800,000
Accumulated losses		(11,194,708,755)	(10,695,782,564)
Total equity		(9,093,662,530)	(8,594,736,339)
LIABILITIES			
Loan from associates and others	18	28,830,445	29,178,399
Post employment benefits payables	19	131,058,702	130,801,480
Trade and other payables	20	64,940,893	63,257,091
Unclaimed dividend		300,942	300,942
Payable to banking companies under scheme of arrangement	21	10,370,871,000	10,370,871,000
		10,596,001,982	10,594,408,912
CONTINGENCIES AND COMMITMENTS	22		
TOTAL EQUITY AND LIABILITIES		1,502,339,452	1,999,672,573

The annexed notes from 1 to 39 form an integral part of these financial statements.

MASS & CO

Nasir Ahmed

CHIEF EXECUTIVE OFFICER

Abdul

CHIEF FINANCIAL OFFICER

Abdul

DIRECTOR

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



	Note	2020	2019
		Rupees	Rupees
Sales		-	-
Cost of sales		-	-
Gross loss		-	-
Operating cost	23	(135,459,672)	(90,832,830)
Administrative expenses	24	(7,433,588)	(9,076,624)
Other operating expenses	25	(362,094,583)	(929,655,490)
		(504,987,843)	(1,029,564,944)
Loss from operations		(504,987,843)	(1,029,564,944)
Other income	26	6,073,290	228,556,561
Finance cost	27	(11,638)	(584,184,324)
Loss before taxation		(498,926,191)	(1,385,192,707)
Taxation	28	-	9,257,793
Loss after taxation		(498,926,191)	(1,375,934,914)
Loss per share - basic and diluted	29	(26.28)	(72.48)

The annexed notes from 1 to 39 form an integral part of these financial statements.

MAHSS & CO

Naseer Ahmed

CHIEF EXECUTIVE OFFICER

A. H. H.

CHIEF FINANCIAL OFFICER

Farid

DIRECTOR


GULISTAN TEXTILE MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

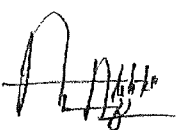


	Note	2020 Rupees	2019 Rupees
Loss after taxation		(498,926,191)	(1,375,934,914)
Other comprehensive income:			
Impairment loss on operating fixed assets		-	(623,694,810)
Reversal of deferred tax liability related to surplus on revaluation		-	180,871,495
Derecognition of deferred tax liability on surplus on revaluation		-	120,889,313
Effect of change of rate enacted		-	-
		-	(321,934,002)
Total comprehensive loss for the year		(498,926,191)	(1,697,868,916)

The annexed notes from 1 to 39 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

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



	Share capital	Share premium	Capital reserve		Revenue reserve		Subordinated loan from directors	Total
			Unrealized loss on available for sale investment	Revaluation surplus	General reserve	Accumulated losses		
Balance as at July 01, 2018 - as restated	189,838,990	379,080,000	(6,252,679)	1,248,863,145	203,921,394	(9,336,118,273)	423,800,000	(6,896,867,423)
Transfer from surplus on revaluation of property, plant and equipment on account of Loss for the year	-	-	-	(16,270,623)	-	16,270,623	-	-
Other comprehensive loss	-	-	-	(321,934,002)	-	(1,375,934,914)	-	(1,375,934,914)
	-	-	-	(321,934,002)	-	-	-	(321,934,002)
Balance as at July 01, 2019	189,838,990	379,080,000	(6,252,679)	910,658,520	203,921,394	(10,695,782,564)	423,800,000	(8,594,736,339)
Transfer from surplus on revaluation of property, plant and equipment on account of Loss for the year	-	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	(498,926,191)	-	(498,926,191)
	-	-	-	-	-	(498,926,191)	-	(498,926,191)
Balance as at June 30, 2020	189,838,990	379,080,000	(6,252,679)	910,658,520	203,921,394	(11,194,708,755)	423,800,000	(9,093,662,530)

The annexed notes from 1 to 39 form an integral part of these financial statements.

1,100,000,000

Naseer Ahmed

CHIEF EXECUTIVE OFFICER

A. H. H. H.

CHIEF FINANCIAL OFFICER

[Signature]

DIRECTOR

GULISTAN TEXTILE MILLS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020



	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(498,926,191)	(1,385,192,707)
Adjustments for non-cash charges and other items:			
Depreciation	5.1	905,658	48,048,441
Impairment loss	25	360,572,583	880,094,251
Provision for slow moving stores and spares	23	-	10,012,335
NRV loss on stock-in-trade	23	135,459,672	33,865,075
Provision for staff retirement benefits - gratuity	19.1	257,222	293,223
Finance cost	27	11,638	584,184,324
Reversal of provision against trade debts	26	-	(10,132,700)
Receivables written-off	25	-	8,972,814
Debtors written-off	25	-	40,360,726
Liabilities written-off	26	-	(218,423,861)
Cash flows before working capital changes		(1,719,418)	(7,918,079)
(Increase) / decrease in assets			
Trade debtors	9	485,000	12,944,040
Increase / (decrease) in liabilities			
Trade and other payables	20	1,683,802	(5,801,812)
Cash generated from / (used in) operations		449,384	(775,851)
Finance cost paid	27	(11,638)	(34,728,756)
Staff retirement benefits - gratuity paid	19	-	(10,001)
Income tax paid	28	-	(14,391)
Net cash flows from operating activities		437,746	(35,528,999)
CASH FLOWS FROM INVESTING ACTIVITIES			
		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt against loan from associates and other parties		-	288,343
Repayment of financing - net	18	(347,954)	-
Net cash flows from financing activities		(347,954)	288,343
Net increase / (decrease) in cash and cash equivalents		89,792	(35,240,656)
Cash and cash equivalents at the beginning of year		23,751,128	58,991,784
Cash and cash equivalents at the end of year	15	23,840,920	23,751,128

The annexed notes from 1 to 39 form an integral part of these financial statements.

AKHS & CO

Nasir Ahmed

CHIEF EXECUTIVE OFFICER

A. H. H.

CHIEF FINANCIAL OFFICER

Dr. A. H. H.

DIRECTOR

Notes

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Gulistan Textile Mills Limited ("the Company") was incorporated on February 02, 1966 in Pakistan as a private company limited by shares and was converted into public limited company on April 11, 1966. The shares of the Company are listed on Pakistan Stock Exchange Limited (PSX). The Company was principally engaged in the manufacturing and sale of yarn, fabrics and other ancillary products.

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

Sr. #	Manufacturing units and offices	Address
1	Spinning unit-I	18 K.M Sama Satta, District Bahawalpur, Pakistan.
2	Spinning unit-II	Tibba Sultanpur, Chowk Metla, District Vehari, Pakistan.
3	Spinning unit-IV	26K.M, Sheikhpura FSD Road, Ferozwatwan, Sheikhpura, Pakistan.
4	Registered office	2nd Floor, Finlay House, I.I Chundrigar Road, Karachi, Pakistan.
5	Regional office	2nd Floor, Garden Heights, New Garden Town, Lahore, Pakistan.

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 items of property, plant and equipment ("charged assets") of the Company and payment of the proceeds thereof to the secured creditors as contemplated under this Scheme along with incidental ancillary matters, thereto.

Pursuant to the orders dated August 05, 2020 passed by the Honorable Sindh High Court at Karachi, in J.C.M. Petition No. 9/2020, an extra ordinary general meeting (EOGM) of the company was held on August 18, 2020, wherein the members of the Company passed the scheme of arrangement. The Scheme, has also been passed by the requisite majority of the secured creditors of the Company as required under the Act. The Scheme after sanction from the Court 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 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 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 items of property, plant and equipment of the Company, by and under the supervision of the Asset Sale Committee, the proceeds from which are to be distributed inter se the secured creditors in accordance with the provisions of this 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 pledged 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 plus additional security") which shall be sold in the manner detailed in the Scheme;

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Notes

- f) The withdrawal of all legal proceedings (refer to note litigation with banks and financial institutions), which shall be subject to the sale of the Sale Assets and pledged stocks and completion of all relevant formalities, in accordance with the provisions of this Scheme; and
- g) This 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

2.2 Basis of measurement

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

Accordingly, the financial statements have been prepared on liquidation/break-up value basis, under the "Guideline on the basis of preparation of financial statements for companies that are not considered going concern" issued by Institute of Chartered Accountants of Pakistan (ICAP).

2.3 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 costs to sell as detailed in the accounting policies noted below. The value of liabilities is their 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 net realizable value 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.

Notes

Following table show 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 approximates the net book value at the date of financial statements
2	Long-term investments	On estimated fair value basis
3	Stores, spare parts and loose tools	On estimated net realizable value
4	Stock-in-trade	On estimated net realizable value
5	Trade debtors	Realizable value based on probability of recovery
6	Trade deposits and other receivable	Realizable value based on probability of recovery
7	Tax refunds due from Government	Realizable value based on probability of recovery
8	Loans and advances	Realizable values based on probability of recovery
9	Cash and bank balances	Undisputed / irrevocable balances
10	Disposal group under scheme of arrangement	Forced sale value
11	Surplus on revaluation of operating fixed assets	On net book value
12	Subordinated loan	On expected settlement value
13	Loan from associates and other parties	On expected settlement value
14	Post employment benefits payables	On expected settlement value
15	Trade and other payables	On expected settlement value
16	Unclaimed dividend	On expected settlement value
17	Payable to banking companies under scheme of arrangements	As given in scheme of arrangement

2.4 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.

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Notes

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.

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 Company:

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, 2022

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.

IAS 8 & 16

Notes

4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied over previous years before preparing financial statements on other than going concern 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 lease hold power house which are measured at revalued amount less accumulated depreciation and accumulated impairment losses.

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

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

Major renewals and improvements to an item of property, plant and equipment are 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.

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 / (loss). 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.

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Notes

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 reducing balance method 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

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.

Notes

Other investments

The Company classifies all other investments into following three categories as financial asset:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- amortized cost

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

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.

4.7 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 under the scheme. Expense comprising of current service cost and interest cost is recorded in profit and loss account, whereas any re-measurements due to change in the assumptions are charged to other comprehensive income as and when they arise.

4.8 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 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.

As these financial statements are prepared in accordance with the basis other the going concern basis hence no deferred tax is recognized in these financial statements.

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Notes

4.9 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.

4.10 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.

4.11 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.

4.14 Foreign currency translations

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

4.15 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 statement of financial position 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.

4.16 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.

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4.17 Impairment loss

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

4.18 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.

4.19 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) Expected credit loss of trade debts. (note 4.15)
- (iv) Provision for staff retirement benefit - gratuity. (note 4.7)
- (v) Provision for taxation (note 4.8)

5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

Particulars	Owned						Right of use assets				2020		2019	
	Freehold land	Buildings on free hold land	Buildings on lease hold land	Plant and machinery	Power houses	Tools and equipments	Furniture and fixture	Computers	Vehicles	Lease hold land	Plant and machinery	Power houses	Vehicles	Total
As at July 01, 2019	-	-	-	-	-	-	3,787,842	162,761	1,138,989	-	-	-	1,224,139	6,313,731
Opening net book value	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals/Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	-	-	-	-	-	(3,787,842)	(54,248)	(227,798)	-	-	-	(244,828)	(905,658)
Closing net book value at June 30, 2020	-	-	-	-	-	-	3,409,058	108,513	911,191	-	-	-	979,311	5,408,073
Revalued amount /Cost	590,212,000	761,165,050	204,387,917	1,387,769,561	263,295,512	37,902,812	18,909,460	5,607,088	25,319,081	72,800,000	620,553,546	62,134,974	13,236,108	4,063,293,109
Less: accumulated depreciation	-	(127,350,568)	(34,246,844)	(291,947,361)	(82,243,848)	(32,792,517)	(15,500,402)	(5,498,575)	(24,407,890)	-	(130,743,953)	(19,499,859)	(12,256,797)	(776,488,614)
Impairment	(215,940,885)	(67,794,439)	(18,198,730)	(724,257,982)	(120,075,897)	(3,436,784)	-	-	-	(2,080,000)	(323,728,163)	(28,276,181)	-	(1,503,789,061)
Classified as held for sale	(374,271,115)	(566,020,043)	(151,942,343)	(371,564,218)	(60,975,767)	(1,673,511)	-	-	-	(70,720,000)	(166,081,430)	(14,358,934)	-	(1,777,607,361)
Net book value at June 30, 2020	-	-	-	-	-	-	3,409,058	108,513	911,191	-	-	-	979,311	5,408,073
Rate of depreciation	-	2.5%	2.5%	2.5%	2.5%	4.0%	10%	33.33%	20%	-	2.5%	4.0%	20%	-

Particulars	Owned						Right of use assets				2019		2018	
	Freehold land	Buildings on free hold land	Buildings on lease hold land	Plant and machinery	Power houses	Tools and equipments	Furniture and fixture	Computers	Vehicles	Lease hold land	Plant and machinery	Power houses	Vehicles	Total
As at July 01, 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening net book value	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals/Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment	(215,940,885)	(67,794,439)	(18,198,730)	(724,257,982)	(120,075,897)	(3,436,784)	-	-	-	(2,080,000)	(323,728,163)	(28,276,181)	-	(1,503,789,061)
Classified as held for sale	(374,271,115)	(566,020,043)	(151,942,343)	(371,564,218)	(60,975,767)	(1,673,511)	-	-	-	(70,720,000)	(166,081,430)	(14,358,934)	-	(1,777,607,361)
Closing net book value June 30, 2019	-	-	-	-	-	-	3,787,842	162,761	1,138,989	-	-	-	1,224,139	6,313,731
Revalued amount /Cost	590,212,000	761,165,050	204,387,917	1,387,769,561	263,295,512	37,902,812	18,909,460	5,607,088	25,319,081	72,800,000	620,553,546	62,134,974	13,236,108	4,063,293,109
Less: accumulated depreciation	-	(127,350,568)	(34,246,844)	(291,947,361)	(82,243,848)	(32,792,517)	(15,512,618)	(5,444,327)	(24,480,092)	-	(130,743,953)	(19,499,859)	(12,011,969)	(776,488,614)
Impairment	(215,940,885)	(67,794,439)	(18,198,730)	(724,257,982)	(120,075,897)	(3,436,784)	-	-	-	(2,080,000)	(323,728,163)	(28,276,181)	-	(1,503,789,061)
Classified as held for sale	(374,271,115)	(566,020,043)	(151,942,343)	(371,564,218)	(60,975,767)	(1,673,511)	-	-	-	(70,720,000)	(166,081,430)	(14,358,934)	-	(1,777,607,361)
Net book value at June 30, 2019	-	-	-	-	-	-	3,787,842	162,761	1,138,989	-	-	-	1,224,139	6,313,731
Rate of depreciation	-	2.5%	2.5%	2.5%	2.5%	4.0%	10%	33.33%	20%	-	2.5%	4.0%	20%	-

Depreciation charged during the year has been allocated as follows:

	2020	2019
Operating cost	23	23
Administrative expenses	24	24
	905,658	905,658
	48,043,442	48,043,442

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



	Note	2020 Rupees	2019 Rupees
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6 INVESTMENTS

6.1 Quoted Shares

This represents an investment of 967,907 (2019: 967,907) share in Paramount Spinning Mills Limited amounting to Rs. 3,679,589 (2019: Rs. 3,679,589). The fair market value per share is Nil (2019: Nil) as on reporting date.

6.2 Unquoted Shares

This represents an investment of 616,890 (2019: 616,890) share in Gulshan Weaving Mills Limited amounting to Rs. 6,410,793 (2019: Rs. 6,410,793). The fair market value per share is Nil (2019: Nil) as on reporting date.

7 STORES, SPARE PARTS AND LOOSE TOOLS

Stores, spare parts and loose tools
Less: provision for slow moving stores

97,157,444	97,157,444
(97,157,444)	(97,157,444)

Store, spare parts and loose tools has been fully written down on account of obsolesce as mills operations has been suspended since March 2014.

8 STOCK-IN-TRADE

Raw material
Less: provision for obsolete raw material

101,783,353	127,229,350
(101,783,353)	(25,445,997)

Finished goods
Less: provision for obsolete finished goods

-	101,783,353
33,676,319	42,095,398
(33,676,319)	(8,419,079)
-	33,676,319
-	135,459,672

8.1 Stock-in-trade has been fully written down on account of obsolesce as mills operations has been suspended since March 2014.

8.2 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 22.1 Litigation with banks and financial institutions.

9 TRADE DEBTS

Considered good
Considered doubtful
Less : Provision for expected credit loss

-	485,000
-	-
9.1	-
-	485,000

9.1 Movement in provision for expected credit loss

Balance at beginning of the year
Less: reversal during the year
written-off during the year
Balance at end of the year

-	200,841,547
-	(10,132,700)
-	(190,708,847)
-	-

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



Note	2020 Rupees	2019 Rupees
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10 TRADE DEPOSITS AND OTHER RECEIVABLE

Associated Companies:

Paramount Spinning Mills Limited

Peridot (Private) Limited

28,903,073	28,903,073
7,500,000	7,500,000
36,403,073	36,403,073

The maximum aggregate amount due from Paramount Spinning Mills Limited and Peridot (Private) Limited at end of any month during the year was Rs. 28,903,073 and Rs. 7,500,000 respectively (2019: Rs. 28,903,073 and Rs. 7,500,000).

11 TAX REFUNDS DUE FROM GOVERNMENT

Advance income tax

Sales tax

-	-
19,652,607	19,652,607
19,652,607	19,652,607

12 CASH AND BANK BALANCES

Cash-in-hand

Balances with banks in;

- current accounts

- deposit accounts

- term deposit receipts

310	-
12.1 95,958	6,476
155	155
12.2 23,744,497	23,744,497
23,840,920	23,751,128

12.1 Majority of the Company's bank accounts operations have been blocked by the respective banks due to on-going litigations with these banks as detailed in notes to the financial statements.

12.2 These are under lien regarding guarantees provided to different government departments.

13 DISPOSAL GROUP UNDER SCHEME OF ARRANGEMENT

Owned:

Freehold land

Building on free hold land

Building on lease hold land

Plant and machinery

Power houses

Tools and equipments

Lease hold:

Lease hold land

Plant and machinery

Power houses

Impairment

374,271,117	374,271,117
566,020,040	566,020,040
151,942,344	151,942,344
371,564,219	371,564,219
60,975,768	60,975,768
1,673,510	1,673,510
70,720,000	70,720,000
166,081,430	166,081,430
14,358,934	14,358,934
(360,572,583)	-
1,417,034,779	1,777,607,362

13.1 Particulars of immovable fixed assets are as follows:

Particulars	Address	Area of land (Kanals)	
Land	Qutab Pur, Lodhran, Pakistan.	78.8	78.8
Spinning unit - I	18 K.M Sama Satta, District Bahawalpur, Pakistan.	265.8	265.8
Spinning unit - II & III	Tibba Sultanpur, District Vehari, Pakistan.	104.1	104.1
Spinning unit - IV	Ferozwatwan, Sheikhpura, Pakistan.	215.4	215.4
		664.1	664.1

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



Note	2020 Rupees	2019 Rupees
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13.2 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 as per requirements of IFRS-5.

13.3 Valuation report of an independent valuer, Medallion Services Private Limited, dated 24 May 2021, indicates that the force sale value of land, building and plant and machinery has decreased by Rs. 44,631,717, Rs. 81,567,004 and Rs. 234,373,862, respectively. 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.

14 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Numbers	Numbers		Rupees	Rupees
Authorized capital				
30,000,000	30,000,000	Ordinary shares of Rs. 10	300,000,000	300,000,000
Issued, subscribed and paid-up capital				
4,771,715	4,771,715	Ordinary shares of Rs. 10 each issued as fully paid in cash	47,717,150	47,717,150
14,212,184	14,212,184	Ordinary shares of Rs. 10 each	142,121,840	142,121,840
18,983,899	18,983,899		189,838,990	189,838,990

15 RESERVES

Capital reserve				
Share premium	15.1	379,080,000	379,080,000	
Un-realized loss on remeasurement of investment available for sale		(6,252,679)	(6,252,679)	
Revenue reserve				
General reserve		203,921,394	203,921,394	
		576,748,715	576,748,715	

15.1 This represents share premium received on 4,212,000 ordinary shares of Rs. 10 each issued at premium of Rs. 90 per share.

16 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Balance at the beginning of the year	910,658,520	1,550,623,953
Transfer to unappropriated profits in respect of:		
- incremental depreciation	-	(16,270,623)
Less: impairment charged	-	(623,694,810)
Balance at the beginning of the year - gross	910,658,520	910,658,520
Related deferred tax liabilities on:		
- revaluation at the beginning of the year	-	301,760,808
- incremental depreciation on revalued assets	-	(4,718,481)
- impairment on fixed assets	-	(180,871,495)
- derecognition of deferred tax liability	-	(116,170,832)
	-	-
Surplus on revaluation at the end of the year - net of tax	910,658,520	910,658,520

14/05/20

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



	Note	2020 Rupees	2019 Rupees
17 SUB-ORDINATED LOAN - unsecured		423,800,000	423,800,000
This is an interest-free loan obtained from Director of the Company in previous years. This loan is sub-ordinated to the finances provided by secured creditors and does not carry mark-up. The loan shall not be repaid without obtaining consent from the secured creditors subject to availability of resources and at discretion of the Company. This loan has been classified in equity as per technical release 'Accounting Directors' Loan (TR-32) of the Institute of Chartered Accountants of Pakistan.			
18 LOAN FROM ASSOCIATES AND OTHERS			
Gulshan Spinning Mills Limited		6,827,087	6,827,087
Gulistan Spinning Mills Limited		145,097	456,097
Gulistan Power Generation		4,730,279	4,730,279
Interest free loan from other parties - unsecured	18.1	17,127,982	17,164,936
		28,830,445	29,178,399
18.1 Interest free loans from other parties - unsecured			
Balance at beginning of the year		17,164,936	16,876,593
Add: funds received during the year		-	434,073
Less: adjustments/repayments made during the year		(36,954)	(145,730)
		17,127,982	17,164,936
These loans were advanced by spouse of the Chief Executive and his other relatives in order to meet working capital requirements. The repayment terms have not yet been finalized by the parties.			
19 POST EMPLOYMENT BENEFITS PAYABLES			
Post employment benefits payables	19.1	131,058,702	130,801,480
19.1 Movement in post employment benefits payable			
Net liability at beginning of the year		130,801,480	130,518,258
Add: charge to profit and loss account		257,222	293,223
Less: benefits paid		-	(10,001)
Net liability at end of the year		131,058,702	130,801,480
The Company has not hired an actuary to carry out evaluation of its defined benefit obligation for this reporting year.			
20 TRADE AND OTHER PAYABLES			
Creditors		-	85,000
Accrued liabilities		33,234,231	31,549,901
Income tax deducted at source		84,472	-
Sindh development fund payable		31,622,190	31,622,190
		64,940,893	63,257,091

11/05/20

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



	Note	2020 Rupees	2019 Rupees
21 PAYABLE TO BANKING COMPANIES UNDER SCHEME OF ARRANGEMENT			
The Bank of Punjab		404,157,000	404,157,000
National Bank of Pakistan		979,891,000	979,891,000
United Bank Limited		708,071,000	708,071,000
Faysal Bank Limited		322,543,000	322,543,000
Habib Bank Limited		303,142,000	303,142,000
Askari Bank Limited		496,556,000	496,556,000
Bank Alfalah Limited		305,896,000	305,896,000
MCB Bank Limited		483,267,000	483,267,000
Al-Baraka Bank (Pakistan) Limited		418,970,000	418,970,000
Allied Bank Limited		290,000,000	290,000,000
Standard Chartered Bank (Pakistan) Limited		466,691,000	466,691,000
Silk Bank Limited		469,853,000	469,853,000
Habib Metropolitan Bank Limited		253,323,000	253,323,000
Bank Islamic Pakistan Limited		418,000,000	418,000,000
Meezan Bank Limited		275,280,000	275,280,000
The Bank Of Khyber		324,848,000	324,848,000
Summit Bank Limited		286,854,000	286,854,000
JS Bank Limited		155,000,000	155,000,000
First Women Bank Limited		181,149,000	181,149,000
Pak Libiya Holding Company (Private)Limited		84,509,000	84,509,000
Dubai Islamic Bank Pakistan Limited		75,000,000	75,000,000
Soneri Bank Limited		51,756,000	51,756,000
Orix Leasing Pakistan Limited		22,119,000	22,119,000
First Habib Modarba		17,350,000	17,350,000
Accrued mark up		2,576,646,000	2,576,646,000
		10,370,871,000	10,370,871,000

21.1 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"). The said Scheme has been approved by the Board of the Company on September 10, 2019. 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 items of property, plant and equipment ("charged assets") of the Company and payment of the proceeds thereof to the secured creditors as contemplated under this Scheme along with incidental ancillary matters, thereto. This Scheme, if agreed-upon by the requisite majority of the secured creditors of the Company as stipulated in the Act, 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 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.

21.2 Due to 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.

MHSS & CO

Note	2020 Rupees	2019 Rupees
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22 CONTINGENCIES AND COMMITMENTS

22.1 Litigation with banks and financial institutions

22.1.1 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"). The said Scheme has been approved by the Board of the Company on September 10, 2019, and by members of the Company on September 08, 2020. 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 items of property, plant and equipment ("charged assets") of the Company and payment of the proceeds thereof to the secured creditors as contemplated under this Scheme along with incidental ancillary matters, thereto.

On approval of the Scheme as detailed in note 1.2 to these financial statements, all the below-mentioned litigations towards banks and financial institutions will be withdrawn subject to the sale of Sale Assets and Pledged Stocks and completion of all relevant formalities, in accordance with the provisions of the Scheme. This Scheme, inter alia, affects the outcome of following litigation by or against the Company with various financial institutions.

22.1.2 Various banks and financial institutions have filed recovery suits before various courts in Pakistan inter alia for recovery of their alleged 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. 8,812.18 million (2019: Rs. 8,812.18 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. Among all the cases referred above, the most notable cases by or against the Company are explained in the following sub notes.

22.1.3 The Company filed a suit in the Honorable Lahore High Court (LHC) against almost all banks / financial institutions it was dealing with 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 filed by the defendant banks.

22.1.4 The Bank of Khyber has filed a suit COS No. 140/ 2012 for recovery of Rs. 341.532 million on account of cash finance facilities provided to the Company. The Company filed PLA, however, the same was dismissed after hearing the parties and the suit was decreed in favor of the plaintiff bank to the extent of Rs. 338.879 million together with cost of funds. The Company has filed appeal in the Divisional Bench of Honorable Lahore High Court, and the case is being contested on merits.

L/1155 & Co

	Note	2020 Rupees	2019 Rupees
<p>22.1.5 The Bank Alfalah Limited has filed a suit COS No. 91/2013 before the Honorable High Court of Sindh for recovery of Rs. 358.073 million on account of Cash finance and letter of credit facilities. The Company duly filed its leave application which is currently pending adjudication. During the course of proceedings the plaintiff bank also filed a CMA 11543, under section 16 of the Financial Institution (Recovery of Finance) Ordinance, 2001, seeking sale of the goods allegedly pledged in favor of the Bank. The said CMA of plaintiff bank was allowed, however, the Company has challenged the same by filing an appeal on various grounds including that the Company was not provided with a proper opportunity to elucidate its stance and file counter affidavit to CMA 11543 and the relief claimed by the Plaintiff Bank i.e. sale of cotton bales through application under section 16 of the Ordinance is not maintainable as the said section 16 does not envisage a sale of pledged goods.</p>			
<p>22.1.6 The Bank of Punjab Limited has filed a suit COS No. 49/2013 for recovery of Rs. 453.865 million on account of cash finance and letter of credit facilities. The Company filed PLA, however, the same was dismissed after hearing the parties and the Honorable Banking Court decreed the suit in favor of plaintiff bank to the extent Rs. 433.925 million, together with the costs of funds. The Company has filed appeal in the Divisional Bench of the Honorable Lahore High Court, and the case is still subjudice.</p>			
<p>22.1.7 Summit Bank Limited filed a suit B-87/2012 against the Company in the Honorable High Court of Sindh for recovery of Rs. 167.00 million under the section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001. The said litigation was dismissed by the Honorable High Court of Sindh due to withdrawal application of the Summit Bank Limited, resulting from out of court settlement/restructuring of the said finances.</p>			
<p>22.1.8 First Habib Modaraba filed a suit 10/2012 in the Honorable Banking Court No. 1, Karachi against the Company for recovery of lease finances obtained by the Company. The said suit was dismissed upon withdrawal application to file afresh by the First Habib Bank Modaraba on June 19, 2014. The Company has not received any notice indicating the suit has been filed afresh.</p>			
<p>22.1.9 Askari Bank Limited filed a suit COS No. 43/2013 against the Company for recovery of finance provided under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 amounting Rs. 483.53 million before the Honorable Lahore High Court. The said suit was decreed on December 12, 2017, against the Company in favor of plaintiff bank. The Company filed an appeal against the said judgment before the Division Bench of the Honorable Lahore High Court.</p> <p>Additionally, the Bank has also filed execution petition no 11-B/2017, with the single bench of the Honorable Lahore High Court. Both of the said legal proceedings are pending adjudication to the date of these financial statements.</p>			
<p>22.1.10 Orix Leasing Pakistan Limited filed a suit 731/2012 with the Honorable Banking Court No. 01, Karachi for the recovery of Rs. 29.484 million under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 against the Company and others. The said suit was decreed against the Company vide judgment dated August 01, 2013, and August 23, 2013, where the Company was made liable, jointly and severally for a sum of Rs. 6.33 million with future rentals till expiry of the lease agreements, and thereafter the cost of funds at the rate prescribed by the State Bank of Pakistan from the date of expiry of the lease agreements till realization, along with the cost of the suit. The execution proceedings under the said decree are initiated vide execution no. 50/2013 and is pending before the Honorable Banking Court No. 01, Karachi. These financial statements do not reflect the impact of the above decision.</p>			

MHS & CO

Note	2020 Rupees	2019 Rupees
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22.1.11 Habib Bank Limited, previously First Habib Bank Modaraba filed a suit 03/2014 against the Company and others before the Honorable Banking Court No. 1, Karachi for recovery of Rs. 1.493 million under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001. The said suit was decreed by the Honorable Banking Court 01, Karachi vide its judgment dated April 21, 2016, and May 11, 2017, against the Company and others for the sum of Rs. 1.35 million with cost of the funds at the latest rate prescribed by the State Bank of Pakistan from the date of expiry of the agreement till realization, along with the cost of the suit. The Company did not file any appeal against the said judgment of the Honorable Banking Court no. 1, Karachi. However, the counter party has not initiated any execution proceedings against the said decree to the date of these financial statements.

22.1.12 Habib Metropolitan Bank Limited filed a suit for recovery of Rs. 304,771,857 against the Company vide COS No. 77/13 before the Honorable Lahore High Court. The said suit was decreed in favor of the bank to the extent of Rs. 109,652,301 via interim decree dated June 16, 2015. However, the Court allowed unconditional leave to defend the balance amount claimed by the bank to the Company because it was covered under LC, FAPC and LG facilities. Hence, suit in respect of the balance amount is pending before the said court for adjudication. The bank filed execution petition no. 108-B/15 for the decreed amount, which is also pending adjudication before the Single Bench of the Honorable Lahore High Court. The Company is contesting both these adjudications through its legal council on merits.

22.2 Litigation with parties other than banks and financial institutions

22.2.1 The Company has not provided for Rs. 28.85 million (2019: Rs. 28.85 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 High Court of Sindh. 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 come into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from the Honorable High Court of Sindh 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 whereby bank guarantees furnished for consignments cleared up to December 27, 2006, were returned and bank guarantees were furnished for 50% of the levy for consignment released subsequent to December 27, 2006, while payment was made against the balance amount. this petition was disposed of in terms of the consolidated judgment dated June 4, 2021.

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Note	2020 Rupees	2019 Rupees
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22.2.2 A petition has been filed in the Honorable High Court of Sindh by United Bank Limited seeking among other things, the winding-up of the Company, appointment of official liquidator and restricting the board of directors from functioning. The Honorable High Court of Sindh through its order no J.Misc. 1 dated December 12, 2013, ordered the winding up of the Company and appointment of the official liquidator. Subsequently, the Company has filed a petition in the Honorable Supreme Court of Pakistan challenging the ruling of the Honorable High Court of Sindh. In response to the appeal filed by the Company, the Honorable Supreme Court of Pakistan vide its order dated February 25, 2014, has set aside the impugned judgment of the Honorable High Court of Sindh and remanded the matter. The legal counsel of the Company is of the opinion that the Company has several cogent factual and legal grounds for contesting its case and is very hopeful for a favorable decision.

22.2.3 Various Income Tax Appeals by the Company are pending for adjudication in the Honorable High Court of Sindh for Tax Year 2009 bearing number ITRA no 130/12, 131/12, 132/12 and 133/12. Likewise, the Federal Board of Revenue has filed an appeal against the Company for the Tax Year 2012, bearing number 215/A-1 against the order of disposal by the Income Tax Appellate Tribunal.

22.2.4 The Honorable Supreme Court of Pakistan, vide judgment dated August 22, 2014, has already declared the Gas Infrastructure Development Cess Act, 2011, ultra-vires to the Constitution and also directed that the entire amount so far recovered from the consumers be refunded. In order to nullify the legal effect of the above judgment of the Supreme Court of Pakistan, the Federal Government promulgated the Gas Infrastructure Development Cess Ordinance, 2014, whereby not only the cess was imposed fresh but all the judgments passed earlier were declared to have no legal effect against the previous recovery of the arrears of Gas Infrastructure Development Cess Ordinances, 2011, this Gas Infrastructure Development Cess Ordinance, 2014, was also challenged before different high court of Pakistan and in the mean while the Gas Infrastructure Development Cess Act, 2015, was imposed to the same effect as that of Gas Infrastructure Development Cess Ordinances, 2014. Yet again the Gas Infrastructure Development Cess Act, 2015, was challenged before the Honorable Lahore High Court as well as before Honorable High Court of Sindh.

The Honorable High Court of Sindh vide its judgment dated October 26, 2017, decreed the suits in favor of the consumer, whereby the Gas infrastructure Development Cess Act, 2016, was held to be ultra vires and unconstitutional and further directed Sui Southern Gas Company Limited as well as Sui Northern Gas Pipelines Limited to refund the amount received under the head of Gas Infrastructure Development Cess from 2011, till date.

Under proviso to sub-section 2 of Section 8 of the GIDC Act 2015, the company is not liable to pay any cess under the Gas Infrastructure Development Cess Act, 2011 as well as Gas Infrastructure Development Cess Ordinance, 2014 as the company has not passed on the burden to its consumers. Therefore, the amount of Gas Infrastructure Development Cess paid by the company during 2011 to 2015 is liable to be refunded/adjusted in addition to tariff differential amount for which the company has already filed a suit for recovery against SNGPL before Gas Utility Court Sheikhupura and Bahawalpur. The matter is till subjudice before the Gas Utility Court and we are hopeful that decision will be upheld in favor of Company.

22.2.5 The aggregated bank guarantees amounting to Rs. 28.44 million (2019: Rs. 28.44 million) are issued on behalf of the Company in favor of the Excise and Taxation Department are outstanding on the reporting date.

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	Note	2020 Rupees	2019 Rupees
22.3 Other contingencies			
22.3.1	The scheme of arrangement specify that mark up liability shall be updated on the asset sale date. In case of any dispute with respect to the amounts constituting the same which is payable to any creditor, the decision of the majority member constituting asset sale committee shall be final and binding. As mentioned in note 21.2 that due to litigation with banks the mark up expense can not be reliability estimated and accordingly, the mark up expense relating to one and a half year has not been accounted for in these financial statements.		
22.3.2	Counter guarantees of Rs. 78.363 million (2019: Rs. 78.363 million) were given by the Company to various banks / financial institutions as at June 30, 2020, in respect of guarantees issued in favor of various Government Departments / Institutions and Sui Northern Gas Pipelines Limited. Other bank guarantees given by various banks on behalf of the Company to various parties remain intact with the respective banks.		
22.4 Commitments			
22.4.1	There is no capital commitment as at June 30, 2020 (2019: Nil).		
23 OPERATING COST			
Obsolescence of finished goods		33,676,319	8,419,079
Obsolescence of raw material		101,783,353	25,445,997
Obsolescence of stores and spares		-	9,225,400
Obsolescence of packing material		-	786,935
Depreciation	5.1	-	46,955,419
		135,459,672	90,832,830
24 ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits		4,362,816	3,997,836
Staff retirement benefits - gratuity		257,222	293,223
Rent, rates and taxes		1,053,170	1,259,460
Printing and stationery		-	32,516
Communication		67,700	58,587
Electricity, gas, water and diesel		328,091	417,027
Vehicle running and maintenance		-	381,680
Travelling and conveyance		9,800	12,670
Legal and professional		-	310,525
Auditor's remuneration	24.1	410,000	610,000
Depreciation	5.1	905,658	1,093,022
Others		39,131	610,078
		7,433,588	9,076,624
24.1 Auditor's remuneration			
Annual audit		400,000	600,000
Review report under code of corporate governance		10,000	10,000
		410,000	610,000
25 OTHER OPERATING EXPENSES			
Receivables written - off		-	8,972,814
Debtors written - off		-	40,360,726
Loan and advances written-off		-	227,699
Impairment loss		360,572,583	880,094,251
Other expenses		1,522,000	-
		362,094,583	929,655,490

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



	Note	2020 Rupees	2019 Rupees																																		
26 OTHER INCOME																																					
Liabilities written off		-	218,423,861																																		
Receipts from bad debts / reversal of provision of doubtful debts		6,073,290	10,132,700																																		
		<u>6,073,290</u>	<u>228,556,561</u>																																		
27 FINANCE COST																																					
Bank charges		11,638	12,105																																		
Other financial charges		-	228,772,770																																		
Mark-up under scheme of arrangement		-	355,399,449																																		
		<u>11,638</u>	<u>584,184,324</u>																																		
28 TAXATION																																					
Current	28.1	-	-																																		
Deferred		-	-																																		
Derecognition of deferred tax liability		-	9,257,793																																		
		-	<u>9,257,793</u>																																		
28.1	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.																																				
29 LOSS PER SHARE - BASIC AND DILUTED																																					
Loss after taxation - (Rupees)		<u>(498,926,191)</u>	<u>(1,375,934,914)</u>																																		
Weighted average number of ordinary shares																																					
Outstanding during the year - (Number)		<u>18,983,899</u>	<u>18,983,899</u>																																		
Loss per share - basic and diluted - (Rupees)		<u>(26.28)</u>	<u>(72.48)</u>																																		
There is no dilutive effect on the basic loss per share of the Company.																																					
30 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES																																					
		<table><tr><th rowspan="2">Particulars</th><th colspan="2">Chief Executive</th><th colspan="2">Directors</th></tr><tr><th>2020</th><th>2019</th><th>2020</th><th>2019</th></tr><tr><td>Remuneration</td><td>-</td><td>-</td><td>168,000</td><td>168,000</td></tr><tr><td>Allowances and perquisites</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Post employment benefits</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td></td><td>-</td><td>-</td><td><u>168,000</u></td><td><u>168,000</u></td></tr><tr><td>Number of persons</td><td><u>1</u></td><td><u>1</u></td><td><u>1</u></td><td><u>1</u></td></tr></table>		Particulars	Chief Executive		Directors		2020	2019	2020	2019	Remuneration	-	-	168,000	168,000	Allowances and perquisites	-	-	-	-	Post employment benefits	-	-	-	-		-	-	<u>168,000</u>	<u>168,000</u>	Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Particulars	Chief Executive		Directors																																		
	2020	2019	2020	2019																																	
Remuneration	-	-	168,000	168,000																																	
Allowances and perquisites	-	-	-	-																																	
Post employment benefits	-	-	-	-																																	
	-	-	<u>168,000</u>	<u>168,000</u>																																	
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>																																	
30.1	In addition to above the chief executive officer is also provided with the Company maintained car as per the Company's policy.																																				
30.2	No remuneration was paid to 5 directors (2019: 5) during the year.																																				
31 CASH AND CASH EQUIVALENTS																																					
Cash in hand		310	-																																		
Balance with banks on:																																					
- current accounts		95,958	6,476																																		
- saving accounts		155	155																																		
- term-deposit receipt		<u>23,744,497</u>	<u>23,744,497</u>																																		
		<u>23,840,610</u>	<u>23,751,128</u>																																		
		<u>23,840,920</u>	<u>23,751,128</u>																																		

MAHES & CO

	Note	2020 Rupees	2019 Rupees
32 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES			
Financial assets - amortized cost			
Trade debtors		-	485,000
Trade deposits and other receivable		36,403,073	36,403,073
Cash and bank balances		23,840,920	23,751,128
		<u>60,243,993</u>	<u>60,639,201</u>
Financial liabilities - amortized cost			
Loan from associates and others		28,830,445	29,178,399
Trade and other payables		64,940,893	63,257,091
Unclaimed dividend		300,942	300,942
Disposal group under scheme of arrangement		10,370,871,000	10,370,871,000
		<u>10,464,943,280</u>	<u>10,463,607,432</u>

32.1 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.

32.2 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.

32.3 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.

32.4 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.

32.5 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.

LAHSS & Co

	Note	2020 Rupees	2019 Rupees
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33 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.

33.1 Credit risk

33.1.1

Exposure to credit risk

Credit risk represents the financial loss that would be recognized at the reporting date, if counter parties fail completely to perform as contracted/fail to discharge an obligation/commitment that it has entered into with the Company. Credit risk mainly arises from trade debts, loans and advances, other receivables and balances with banks. The carrying amounts of financial assets that represent the Company's maximum credit exposure as at the reporting date are as follows:

Trade debts	-	485,000
Trade deposits and other receivable	36,403,073	36,403,073
Bank balances	23,840,610	23,751,128
	60,243,683	60,639,201

33.1.2 Concentration of risk - geographical dispersion customers

Local debtors	-	485,000
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33.1.3 Concentration of risk - type of customer

Yarn	-	485,000
Waste	-	-
	-	485,000

33.1.4 Ageing of trade debts at the reporting date;

Past due 0 - 90 days	-	-
Past due 90 days - 1 year	-	-
More than one year	-	485,000
Gross carrying amount	-	485,000
Accumulated impairment	-	-
	-	485,000

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
United Bank Limited	JCR-VIS	A-1+	AAA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Bank Alfalah Limited	PACRA	A1	AA+
Bank Al Habib Limited	PACRA	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA+
National Bank of Pakistan	PACRA	A1+	AAA

MHS & CO

Note	2020 Rupees	2019 Rupees
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33.2 Liquidity risk

Liquidity risk is the risk that the 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	28,830,445	28,830,445	-	29,178,399	29,178,399	-
Trade and other payables	64,940,893	64,940,893	-	63,257,091	63,257,091	-
Payable under scheme of arrangement	10,370,871,000	10,370,871,000	-	10,370,871,000	10,370,871,000	-
	93,771,338	93,771,338	-	92,435,490	92,435,490	-

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.

33.3 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.

33.3.1 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.

33.3.2 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 borrowings from banks and deposits with banks. However, the Company is not providing for mark-up/interest on its financings, liabilities against assets subject to finance lease and borrowings due to litigation with banks and financial institutions as detailed in note 23.1. At the reporting date the profile of the Company's interest bearing financial instruments is as follows:

Fixed rate instruments

Financial assets	23,744,497	23,744,497
Financial liabilities	-	-

Variable rate instruments

Financial assets	155	155
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.

AMSS & CO

Note	2020 Rupees	2019 Rupees
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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.

33.4 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.

33.5 Off balance sheet items

Bank guarantees issued in ordinary course of business 109,156,649 109,156,649

33.6 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 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.

34 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 31. 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	Relationship	Transactions	2020 Rupees	2019 Rupees
Mr. Naseer Ahmad	Chief Executive	Payment of expenses on	36,954	145,730
Mrs. Sana Kashif	Family member of Chief Executive	Payment of expenses on	-	434,073

35 CAPACITY AND PRODUCTION

Number of spindles installed 131,936 131,936

Installed capacity in kilograms after conversion into 20/s counts Kg. 40,956,000 40,956,000

42.1 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.

42.2 Due to non-availability of working capital lines and shortage of funds, the Company had closed its all units since March 31, 2014.

36 NUMBER OF EMPLOYEES

Number of employees as at June 30, 7 7
Average number of employees during the year 7 7

MHS & CO

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



	Note	2020 Rupees	2019 Rupees
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37 CORRESPONDING FIGURES

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

<i>Reclassification from component</i>	<i>Reclassification to component</i>	Rupees
Accrued mark up	Payable to banking companies under scheme of arrangement	2,576,646,000

38 EVENTS AFTER THE REPORTING DATE

Except for the event as mentioned in note 1.2 and 13.3 of these financial statements, there are no significant adjusting or non adjusting events after the reporting date requiring adjustment or disclosure in financial statements.

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 05 OCT 2021 by the Board of Directors of the Company.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

GULISTAN TEXTILE MILLS LIMITED
KEY OPERATING & FINANCIAL DATA
FOR THE LAST SIX YEARS

	2020 RUPEES	2019 RUPEES	2018 RUPEES	2017 RUPEES	2016 RUPEES	2015 RUPEES
OPERATING RESULTS						
TOTAL NUMBER OF SPINDLES INSTALLED	131,936	131,936	131,936	131,936	131,936	131,936
AVERAGE NUMBER OF SPINDLES WORKED	-	-	-	-	-	20,468
NUMBER OF SHIFTS WORKED PER DAY	-	-	-	-	-	1 to 3
INSTALLED CAPACITY AFTER CONVERSION INTO 20'S	40,956,000	40,956,000	40,956,000	40,956,000	40,956,000	40,956,000
ACTUAL PRODUCTION AFTER CONVERSION INTO 20'S	-	-	-	-	-	7,654,715
SALES - NET	-	-	-	-	7,925,380	359,651,884
GROSS PROFIT / (LOSS)	-	-	-	(186,990,309)	(148,892,013)	(551,162,868)
OPERATING PROFIT / (LOSS)	(504,987,841)	(1,029,564,944)	(163,138,239)	(226,751,063)	(168,559,535)	(658,181,594)
OTHER OPERATING (INCOME)	(6,073,290)	(228,556,561)	(12,928,000)	(25,735,896)	(30,495,380)	(1,148,975)
FINANCIAL EXPENSES	11,639	584,184,324	355,411,995	7,783	35,713	1,871,228
PROFIT/(LOSS) FOR THE YEAR BEFORE TAXATION	(498,926,190)	(1,385,192,707)	(505,622,234)	(201,022,950)	(138,099,868)	(658,903,847)
PROFIT/(LOSS) FOR THE YEAR AFTER TAXATION	(498,926,190)	(1,375,934,914)	(468,423,962)	(148,483,573)	(95,725,747)	(745,807,474)
TRANSFER FROM SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT OF INCREMENTAL DEPRECIATION - NET OF TAX	-	16,270,623	17,469,639	17,701,517	17,933,311	57,142,594
GAIN ON RE-MEASUREMENTS OF STAFF RETIREMENTS BENEFITS- GRATUITY	-	-	-	-	-	(14,988,928)
DEFERRED TAX RELATING TO GAIN ON RE-MEASUREMENT OF STAFF RETIREMENT BENEFITS - GRATUITY	-	-	-	-	-	4,796,457
EFFECT OF RECOGNITION OF MARK-UP UNDER SCHEME OF ARRANGEMENT	-	-	(1,836,335,788)	-	-	-
UNAPPROPRIATED PROFIT/(LOSS) C/F	(11,194,708,755)	(10,695,782,564)	(9,336,118,273)	(7,048,828,162)	(6,918,046,106)	(6,840,253,670)
FINANCIAL POSITION						
PAID UP CAPITAL	189,838,990	189,838,990	189,838,990	189,838,990	189,838,990	189,838,990
SHARE HOLDER'S EQUITY	(9,093,662,530)	(8,594,736,339)	(6,896,867,423)	(6,437,892,165)	(5,727,658,401)	(5,649,865,965)
DEFERRED LIABILITIES	-	-	-	-	552,016,033	597,253,518
SHORT TERM BORROWINGS	-	-	-	-	5,424,305,245	5,424,305,245
PAYABLE TO BANKING COMPANIES UNDER SCHEME OF ARRANGEMENT	10,370,871,000	10,370,871,000	9,908,757,022	9,553,357,574	-	-
OTHER LIABILITIES	225,130,982	223,537,912	724,399,197	781,749,145	2,588,552,999	2,639,722,998
FIXED ASSETS	5,408,073	6,313,731	3,335,758,595	3,409,557,897	3,485,717,184	3,564,383,844
DISPOSAL GROUP UNDER SCHEME OF ARRANGEMENT	1,417,034,779	1,777,607,362	-	-	-	-
LONG TERM DEPOSITS / DEFERRED COST	-	-	52,886,957	52,886,957	7,956,098	8,106,098
STOCKS & STORES	-	135,459,672	179,337,087	258,006,473	368,968,154	441,917,295
DEBTORS	-	485,000	43,179,367	51,063,376	48,136,205	55,269,422
OTHER ASSETS	79,896,600	79,806,808	125,126,790	125,699,851	192,961,625	226,312,083

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

Number of Shareholders	Shareholding		Shares Held	Percentage
	From	To		
847	1	100	9,687	0.05
94	101	500	29,662	0.16
30	501	1,000	23,183	0.12
50	1,001	5,000	128,277	0.68
12	5,001	10,000	77,792	0.41
6	10,001	15,000	77,341	0.41
1	15,001	20,000	17,879	0.09
1	20,001	30,000	25,584	0.13
2	30,001	35,000	62,974	0.33
2	35,001	40,000	72,684	0.38
1	40,001	60,000	59,073	0.31
1	60,001	70,000	67,162	0.35
2	70,001	80,000	155,149	0.82
3	80,001	85,000	244,212	1.29
1	85,001	140,000	137,122	0.72
1	140,001	180,000	178,453	0.94
3	180,001	190,000	566,876	2.99
1	190,001	195,000	194,254	1.02
1	195,001	240,000	236,149	1.24
1	240,001	260,000	260,000	1.37
1	260,001	285,000	283,763	1.49
1	285,001	380,000	374,355	1.97
1	380,001	410,000	406,403	2.14
1	410,001	420,000	419,923	2.21
1	420,001	485,000	470,000	2.48
1	485,001	545,000	543,545	2.86
1	545,001	605,000	600,946	3.17
1	605,001	720,000	716,909	3.78
2	720,001	735,000	1,467,319	7.73
1	735,001	755,000	755,363	3.98
1	755,001	1,650,000	1,648,740	8.68
1	1,650,001	1,750,000	1,749,035	9.21
1	1,750,001	2,640,000	2,638,280	13.90
1	2,640,001	4,290,000	4,285,796	22.58
1,075			18,983,890	100.00

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

CATEGORIES OF SHAREHOLDERS

Particulars	No. of Shares Holders	No. of Shares Held	Percentage
Directors, Chief Executive Officer and their spouse and minor children	10	7,966,253	41.96
Associated Companies, Undertakings and Related Parties	0	0	0.00
NIT & ICP	1	734,617	3.87
Banks, Development Finance Institutions, Non- Banking Financial Institutions	4	844,970	4.45
Investment Company	1	5,979	0.03
Insurance Companies	1	35,010	0.18
Joint Stock Company	2	7,501	0.04
General Public (Local)	1,039	4,359,200	22.96
Other Companies	17	5,030,360	26.50
	1,075	18,983,890	100.00

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

A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	SHARES
	NIL
B) NIT & ICP	
National Bank of Pakistan Trustee Department NI(U) T FUND	734,617
C) DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSE AND MINOR CHILDREN	
<u>DIRECTORS</u>	
Mr. Naseer Ahmed	5,041,159
Mr. Muhammad Arshad	500
Mr. Zubair Hussain Akhtar	500
Mr. WAQAR AHMAD	500
Mr. Mian khalid Naseem	550
Mr. Zafar Iqbal	500
Mr. Muhammad Arif	501
<u>SPOUSE</u>	
Mrs. Nageen Naseer	2,922,043
D) BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS	
<u>BANKS</u>	
Habib Bank Limited	203
National Bank of Pakistan	374,767
The Bank of Punjab Treasury Division	470,000
<u>INSURANCE</u>	
State Life Insurance Corporation of Pakistan	35,010
E) INVESTMENT COMPANY	5,979
F) JOINT STOCK COMPANY	7,501
G) OTHER COMPANIES	5,030,360
H) GENERAL PUBLIC (LOCAL)	4,359,200
	18,983,890
I) SHAREHOLDERS HOLDING 05.00% OR MORE	
Mr. Naseer Ahmed	5,041,159
Mrs. Nageen Naseer	2,922,043
Paramount Spinning Mills Limited	1,648,740
Peridot Products (Pvt.) Limited	1,749,035
J) TRADING IN THE SHARES OF COMPANY DURING THE YEAR BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN	NIL

Form of Proxy

Gulistan Textile Mills Limited

I/We _____ being member of **Gulistan Textile 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 Textile 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 Textile 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 Saturday 30th October 2021 at 01:45 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

پراکسیفارم گلستان ٹیکسٹائلز لمیٹڈ

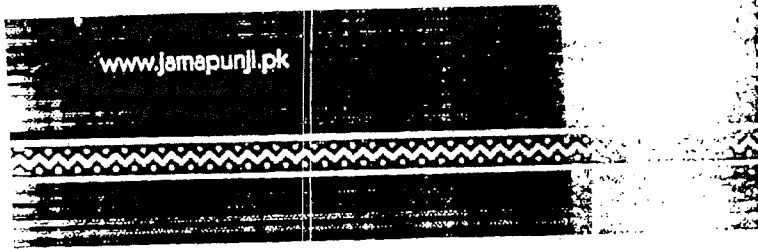
میں
/ ہم بحیثیت گلستان ٹیکسٹائلز لمیٹڈ کے رکن، مالک برائے عام
/ حصص مطابقت رجسٹرڈ فو لیونمبر اور
یاسی۔ آر۔ سیشز کتکنڈہائی۔ ڈینمبر کھاتہ نمبر اسطر حمقر کرتا ہوں جناب
جو کہ گلستان ٹیکسٹائلز لمیٹڈ کے رکن بھی ہیں، بذریعہ فو لیونمبر یا
سی۔ ڈی۔ سیشز کتکنڈہائی۔ ڈینمبر کھاتہ نمبر یا انکینا کامیکسور تمیں
جناب برائے جو کہ گلستان ٹیکسٹائلز لمیٹڈ کے رکن بھی ہیں، بذریعہ فو لیونمبر
یاسی۔ ڈی۔ سیشز کتکنڈہائی۔ ڈینمبر کھاتہ نمبر جیسا کہ میری
/ ہمارے پیراکسیمیں شرکت کرنے کے لئے، بات کرنے کے لئے اور ووٹ ڈالنے کے لئے 30 اکتوبر
2021 کو 1:45 بجے اور اسکے 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 کینشان دہی
گواہ 1 :-

نام :-
پتہ :-
CNIC :-
گواہ 2 :-
نام :-
پتہ :-
CNIC :-

نوٹ:

- 1۔ پیراکسیدر سٹہو نالاز میطور پر مہربند، دستخط اور گواہی دیدجاسکتی ہے اور کمپنی کے ساتھ اجلاس کے قیام کے وقت سے 48 گھنٹوں کے بعد جمع نہیں ہونا چاہئے۔
- 2۔ پیراکسیمپنیکا ایکر کنہو ناضروری 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 سیڈیسی کے حصے دار، اپنی شناخت کو ثابت کرنے کے لئے اصل قومیشناختی کارڈ
- پاسپورٹ لٹائے، اور پیراکسیمیں صورت میں انکو اپنے اینائیسیسیا پاسپورٹ کی کاپی کی تصدیق کروانا ضروری ہے۔
- 5۔ کارپوریٹارکان کے نمائندے کو اسمقصد کے لئے ضروری دستاویزات اپنے ساتھ لانا چاہئے۔



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