

**GULSHAN SPINNING MILLS
LIMITED**

FINANCIAL STATEMENTS
FOR THE PERIOD
DECEMBER 31, 2023

GULSHAN SPINNING MILLS LTD

CONTENTS

COMPANY INFORMATION	3
DIRECTOR'S REPORT	4
REVIEW REPORT	5-6
BALANCE SHEET	7
PROFIT AND LOSS ACCOUNT	8
STATEMENT OF COMPREHENSIVE INCOME	9
STATEMENT OF CHANGES IN EQUITY	10
CASH FLOW STATEMENT	11
NOTES TO THE FINANCIAL STATEMENTS	12-15

GULSHAN SPINNING MILLS LIMITED
COMPANY INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

HR & REMUNERATION COMMITTEE

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

CHIEF FINANCIAL OFFICER

Mr. Muhammad Shahid

COMPANY SECRETARY

Mr. Muhammad Ijaz

AUDITORS

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

LEGAL ADVISOR

Akhtar Javed-Advocate

SHARE REGISTRAR OFFICE

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

REGISTERED OFFICE

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

REGIONAL OFFICE

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

WEB PRESENCE

<http://www.gulshan.com.pk/corporate/gulsha>

GULSHAN SPINNING MILLS LIMITED

Director's Report to Shareholders

The Directors of your Company are pleased to present unaudited financial statements of the Company for the six months ended December 31, 2023.

Financial Results

Operating indicators	Six Months Ended	Six Months Ended
	December 31, 2023	December 31, 2022
	(Rupees)	(Rupees)
Sales	-	-
Gross profit / (loss)	-	-
Pre Tax profit / (loss)	20,970,918	(6,380,073)
Provision for Taxation	-	-
Earnings / (loss) Per Share	0.94	(0.29)

Overview:

The debt Amortization profile and associated issues have compelled the company to settle the existing financial liabilities of the Company through a Scheme of arrangement under section 279 to 283 and 285 of the Companies Act 2017 ("Scheme of Arrangement") filed before Sindh High Court at Karachi vide J.C.M. Petition No. 14/19. The Sindh High Court vide its order dated February 06, 2020, has sanctioned the Scheme of Arrangement which is being implemented. The pending litigation with the Banks by and against the company shall be withdrawn in terms of the Scheme of Arrangement.

Future Outlook:

The Scheme of Arrangement shall be implemented and legal proceedings with the Banks by and against the Company shall be withdrawn in terms of the Scheme of Arrangement. There after the Company would be in a better position to structure the way forward.

Acknowledgement:

The Board wishes to place on record its appreciation for the employees members of management team for their efforts, commitment and hard work during this tough time.

LAHORE


SOHAIL MAQSOOD
CHIEF EXECUTIVE



INDEPENDENT AUDITOR'S REVIEW REPORT
to the Members of Gulshan Spinning Mills Limited
Report on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Gulshan Spinning Mills Limited (the Company) as at 31 December 2023 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows and notes to the condensed interim financial statements for the six-month period then ended 31 December 2023. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

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

Basis for Qualified Conclusion

1. We were unable to satisfy ourselves regarding the existence and valuation of property, plant, and equipment having carrying values as of December 31, 2023, amounting to Rs. 4.767 million.
2. We were unable to obtain sufficient appropriate audit evidence about investment amounting to Rs. 141.387 million as of December 31, 2023. We were unable to determine whether any adjustment to this amount is necessary.
3. We could neither obtain any information regarding the cash in hand nor receive any confirmations from most of the banks regarding bank balances. Accordingly, we are unable to verify cash and bank balances as of December 31, 2023, amounting to Rs.17.803 million.
4. We were unable to satisfy ourselves regarding balances payable in respect of trade and other payables, post-employment benefits payable, and unclaimed dividends amounting to Rs. 19.260 million, Rs. 13.563 million and Rs. 1.037 million, respectively.

We conducted our review in accordance with International Standards on Review Engagement (ISREs). We are independent of the Company in accordance with the ethical requirements that are relevant to our review of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements





Qualified Conclusion

Based on our review, with the exception of the matters described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at December 31, 2023, and of its financial performance and its cash flows for the six-month period then ended, in accordance with International Accounting Standard 34 Interim Financial Reporting as applicable Accounting and Reporting Standard in Pakistan

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 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") and the directors have determined that the going concern basis of preparation is no longer appropriate. Accordingly, the interim financial statements have been prepared on break-up value basis. Our conclusion is not modified in respect of this matter.

Lahore
February 28, 2024
UDIN: RR2023102060c7G6DbNg

Malik Haroon Ahmad EC
Malik Haroon Ahmad & Co.
Chartered Accountants

6



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Accounting Legal and Business Advisor
A Strategic Alliance
New York Mexico

GULSHAN SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023 (UNAUDITED)

	Note	Un-audited Dec 31 2023	Audited June 30 2023
-----Rupees-----			
ASSETS			
Operating fixed assets	5	4,767,523	5,056,857
Disposal group under scheme of arrangement	5	347,391,304	321,266,259
Long term investments		141,387,348	141,387,348
Long term deposits		500,000	500,000
Trade and other receivables		30,248,353	30,248,353
Tax refund due from Government		11,782,073	11,754,365
Cash and bank balances		17,803,033	17,365,034
Total Assets		553,879,634	527,578,216
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital			
25,000,000 (30 June 2023: 25,000,000) ordinary shares of Rs.10/- each		250,000,000	250,000,000
Share capital		222,250,380	222,250,380
Reserves		272,000,000	272,000,000
Sub-ordinate loan		250,000,000	250,000,000
Accumulated loss		(3,851,197,020)	(3,872,167,938)
Surplus on revaluation of operating fixed assets		181,031,586	181,031,586
		(2,925,915,054)	(2,946,885,972)
Liabilities			
Payable to banking companies under scheme of arrangement	6	3,165,175,000	3,165,175,000
Loan from associates and other parties		280,758,222	275,262,222
Post employment benefits payables		13,563,400	13,583,400
Trade and other payables		19,260,963	19,406,463
Unclaimed dividend		1,037,103	1,037,103
		3,479,794,688	3,474,464,188
CONTINGENCIES AND COMMITMENTS			
Total Equity and Liabilities	7	553,879,634	527,578,216

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

MHA & CO

Sohail M
CHIEF EXECUTIVE

Shahid
CHIEF FINANCIAL OFFICER

Abid Sattar
DIRECTOR

GULSHAN SPINNING MILLS LIMITED
 CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS ACCOUNT
 FOR THE SIX MONTHS ENDED DECEMBER 31, 2023 (UNAUDITED)

	Notes	Six months ended		Three months ended	
		Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
----- Rupees -----					
Sales - net		-	-	-	-
Cost of sales		-	-	-	-
Gross profit / (loss)		-	-	-	-
Administrative expenses		(5,158,569)	(6,388,308)	(3,305,610)	(3,176,437)
Other income	8	26,132,434	10,764	26,132,434	4,746
		20,973,865	(6,377,544)	22,826,824	(3,171,691)
Profit / (Loss) from operations		20,973,865	(6,377,544)	22,826,824	(3,171,691)
Finance cost		(2,946)	(2,529)	(2,946)	-
Profit / (Loss) before taxation		20,970,918	(6,380,073)	22,823,877	(3,171,691)
Taxation		-	-	-	-
Profit / (Loss) after taxation		20,970,918	(6,380,073)	22,823,877	(3,171,691)
Earnings / (loss) per share- basic and diluted		0.94	(0.29)	1.03	(0.14)

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

MHA & CO


 CHIEF EXECUTIVE


 CHIEF FINANCIAL OFFICER


 DIRECTOR

8

GULSHAN SPINNING MILLS LIMITED
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
 FOR THE SIX MONTHS ENDED DECEMBER 31, 2023 (UNAUDITED)

	Six months ended		Three months ended	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
-----Rupees-----				
Profit / (Loss) after taxation	20,970,918	(6,380,073)	22,823,877	(3,171,691)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	20,970,918	(6,380,073)	22,823,877	(3,171,691)

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

MHA & CO

Schail M
 CHIEF EXECUTIVE

Abid Sattar
 CHIEF FINANCIAL OFFICER

Abid Sattar
 CHIEF FINANCIAL OFFICER

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GULSHAN SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED DECEMBER 31, 2023 (UNAUDITED)

	Share Capital	Capital reserve		Revenue reserve		Sub-ordinated loan	Total
		Share Premium	Revaluation surplus	General reserve	Accumulated losses		
----- Rupees -----							
Balance as at July 01, 2022 (Audited)	222,250,380	66,000,000	181,031,586	206,000,000	(3,838,560,035)	250,000,000	(2,913,278,069)
Total comprehensive income for the period	-	-	-	-	6,380,073	-	6,380,073
Balance as at December 31, 2022	222,250,380	66,000,000	181,031,586	206,000,000	(3,844,940,108)	250,000,000	(2,919,658,142)
Balance as at July 01, 2023 (Audited)	222,250,380	66,000,000	181,031,586	206,000,000	(3,872,167,938)	250,000,000	(2,946,885,972)
Total comprehensive income for the period	-	-	-	-	20,970,918	-	20,970,918
Balance as at December 31, 2023	222,250,380	66,000,000	181,031,586	206,000,000	(3,851,197,020)	250,000,000	(2,925,915,054)

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

MHA & CO

Sahaid . M
CHIEF EXECUTIVE

Ashid

CHIEF FINANCIAL OFFICER

Abid Sattar

DIRECTOR

GULSHAN SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2023 (UNAUDITED)

	Note	Six months ended	
		Dec 31, 2023	Dec 31, 2022
		-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	9	(5,042,443)	(6,031,847)
Finance cost paid		(2,946)	(2,529)
Interest received		7,389	10,764
Staff retirement benefits- gratuity paid		(20,000)	(463,403)
Net cash used in operating activities		(5,058,000)	(6,487,015)
CASH FLOWS FROM INVESTING ACTIVITIES			
		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from associates and other parties		5,496,000	5,207,000
Net cash generated from financing activities		5,496,000	5,207,000
Net increase / (decrease) in cash and cash equivalents		437,999	(1,280,015)
Cash and cash equivalents - at beginning of the year		17,365,034	18,950,495
Cash and cash equivalents - at end of the year		17,803,033	17,670,480

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

MHA & CO

Sohail M
CHIEF EXECUTIVE

Shahid
CHIEF FINANCIAL OFFICER

Akshay
DIRECTOR

(11)

GULSHAN SPINNING MILLS LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2023 (UNAUDITED)

1 THE COMPANY AND ITS OPERATIONS

1.1 Gulshan Spinning Mills Limited ("the Company") was incorporated on June 13, 1979, as a public limited company in Pakistan under the Companies Ordinance, 1984 (now Companies Act, 2017). The shares of the Company are listed on Pakistan Stock Exchange Limited (PSX). Its main business is manufacturing and sale of yarn.

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 signed a "Scheme of Arrangement" under sections 279 to 283 read with section 285 of the Companies Act, 2017 ("the Act"). The Scheme of Arrangement has been sanctioned by the Hon'ble High Court of Sindh at Karachi vide order dated February 06, 2020, passed in J. C. M. Petition No. 14 of 2019. The Scheme of Arrangement, after its sanction by the Court has become binding on the Company, along with all the shareholders, creditors, stakeholders and any other regulatory / statutory bodies of/ or with respects to the Company. Under the Scheme of Arrangement, the existing financial obligations / liabilities of the Company towards the secured creditors shall be settled by way of sale of charged assets ("disposal group and stock in trade") the Company and payment of the proceeds thereof shall be paid to the secured creditors as contemplated under the Scheme of arrangement. All the pending litigation shall be withdrawn in terms of the Scheme of Arrangement.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 237 of the Companies Act, 2017. It has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2023.

2.2 Basis of measurement

Due to the Scheme as described in note 1.2 to these financial statements, the directors have determined that the going concern basis of preparation of financial statements is no longer appropriate. Accordingly, these financial statements have been prepared on liquidation/break-up value basis, following the intention of the parties to settle the liabilities through proceeds of disposal of assets of the company as contemplated in the scheme.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are same as those applied in the preparation of preceding audited annual financial statements of the Company for the year ended June 30, 2023.

4 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions. It also requires 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 expectation of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates. Estimation and judgements made by the management in the preparation of this condensed interim financial information were the same as those that were applied to the audited annual financial statements for the year ended June 30, 2023.

MHA & CO

GULSHAN SPINNING MILLS LIMITED
 SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED DECEMBER 31, 2023 (UNAUDITED)

5 PROPERTY, PLANT AND EQUIPMENT

	Note	(Un-audited) Dec 31, 2023	(Audited) June 30, 2023
-----Rupees-----			
Operating fixed assets	5.1	4,767,523	5,056,857
Disposal group under scheme of arrangement	5.2	347,391,304	321,266,259
		<u>352,158,827</u>	<u>326,323,116</u>
5.1 Operating fixed assets			
Book value at beginning of the period / year		5,056,857	5,720,096
Depreciation charge for the period / year		(289,334)	(663,239)
Book value at end of the period / year		<u>4,767,523</u>	<u>5,056,857</u>

5.2 Disposal group under scheme of arrangement

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, the assets as mentioned below have been classified and presented under disposal group under scheme of arrangement.

Freehold land	128,129,000	128,129,000
Factory buildings	125,312,524	125,312,524
Plant and machinery	116,296,836	116,296,836
Impairment of disposal group	(22,347,056)	(48,472,101)
	<u>347,391,304</u>	<u>321,266,259</u>

6 PAYABLE TO BANKING COMPANIES UNDER SCHEME OF ARRANGEMENT

Principal payable to banking companies under scheme of arrangement	6.1	2,207,467,000	2,207,467,000
Mark-up payable under scheme of arrangement		957,708,000	957,708,000
		<u>3,165,175,000</u>	<u>3,165,175,000</u>

6.1 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 was approved by the Board of the Company on March 20, 2019 and submitted to the Honorable High Court of Sindh on May 06, 2019 for approval. 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 assets of the Company including land , building , plant & machinery and payment of the proceeds thereof to the secured creditors as contemplated under this Scheme of arrangement. The said Scheme was approved by the requisite majority of the secured creditors and shareholders of the Company as required in the Act, in their respective meeting held on August 07, 2019. The Honorable High Court of Sindh at Karachi (SHC) has approved the said “Scheme of Arrangement” vide judgement dated February 06,2020, and now the Scheme has become binding on the Company, along with all the shareholders, creditors, stakeholders and any other regulatory / statutory bodies of/ or with respects to the Company.

The Scheme seeks to record the terms and conditions of a legally binding compromise and arrangement between the secured creditors on one part and the Company and its directors and sponsors on the other part, for ensuring, inter alia, the settlement of the existing liabilities and ancillary measures as mentioned in note 1.2 to these financial statements.

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GULSHAN SPINNING MILLS LIMITED
 SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED DECEMBER 31, 2023 (UNAUDITED)

7 CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There has been no significant change in the contingencies since the date of preceding published unconsolidated annual audited financial statements for the year ended June 30, 2023.

7.2 Commitments

There has been no significant change in the matter since the date of preceding published unconsolidated annual audited financial statements for the year ended June 30, 2023.

8 OTHER INCOME

	Note	Dec 31, 2023	Dec 31, 2022
		-----Rupees-----	
Profit on saving account		7,389	10,764
Reversal of impairment loss		26,125,045	-
		<u>26,132,434</u>	<u>10,764</u>

9 CASH USED IN OPERATIONS

Profit / (loss) before taxation		20,970,918	(6,380,073)
Adjustments for non-cash charges and other items			
Depreciation of operating fixed assets		289,334	331,618
Finance cost		2,946	2,529
Interest income		(7,389)	(10,764)
Reversal of provision for doubtful debts reversed		(26,125,045)	-
Working capital changes	9.1	(173,208)	24,843
		<u>(5,042,443)</u>	<u>(6,031,847)</u>

9.1 Movement in working capital

(Increase) / decrease in current assets:			
Other receivables		(27,708)	3,385
Increase / (decrease) in trade and other payables		(145,500)	21,458
		<u>(173,208)</u>	<u>24,843</u>

10 RELATED PARTY TRANSACTIONS

The related parties comprises associated companies, directors and key management personnel. Significant transactions with related parties during the period are as follows:

Name of party	Relationship	Transaction	Amount
Mr. Tanveer Ahmad	Shareholder	Loan received	(5,496,000)

MHA & CO

GULSHAN SPINNING MILLS LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2023 (UNAUDITED)

11 AUTHORIZATION OF INTERIM FINANCIAL INFORMATION

This condensed interim financial statements (un-audited) has been authorized for issue by the Board of Directors of the Company on 28.02.2024.

12 GENERAL

Figures have been rounded off to the nearest rupee except stated otherwise.

MHA & CO


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR