

GULISTAN SPINNING MILLS LIMITED

ANNUAL REPORT 2016

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Muhammad Akhtar Mirza (Chairman)
Mr. Sohail Maqsood (Chief Executive)
Mr. Muhammad Ashraf Khan
Mr. Maqsood ul Haq
Mr. Iftikhar Ali
Mr. Abid Sattar
Mr. Muhammad Yousaf

AUDIT COMMITTEE

Mr. Muhammad Yousaf (Chairman)
Mr. Sohail Maqsood
Mr. Abid Sattar

HR & REMUNERATION COMMITTEE

Mr. Iftikhar Ali (Chairman)
Mr. Sohail Maqsood
Mr. Abid Sattar

CHIEF FINANCIAL OFFICER

Mr. Salman Ali Riaz

COMPANY SECRETARY

Mr. Muhammad Saleem Raza

AUDITORS

M/s. Baker Tilly Mehmood Idress Qamar
Chartered Accountants
Lahore.

LEGAL ADVISOR

Akhter Javed-Advocate

TAX CONSULTANT

M/s. Sharif & Company-Advocate

SHARE REGISTRAR OFFICE

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

REGISTERED OFFICE

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

REGIONAL OFFICE

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

MILLS

Unit-II Jumber Khurd Tehsil Chunnian Dist. Kasur

WEB PRESENCE

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

CORPORATE VISION / MISSION STATEMENT

Vision

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


Mission

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of Gulistan Spinning Mills Limited (the "Company") will be held at 2nd Floor Finlay House, I.I. Chundrigar Road, Karachi on Friday 20th April, 2018 at 12:00 noon, to transact the following business:

1. To confirm the minutes of the last Annual General Meeting of the Company.
2. To receive, consider and adopt the audited financial statements of the Company for the financial year ended on June 30, 2016 together with Directors' and Auditors' Reports thereon.
3. To appoint auditors of the company for the next financial year 2016-2017 and fix their remuneration. The retiring Auditors M/s Baker Tilly Mehmood Idress Qamar, Chartered Accountants, being eligible, have offered themselves for reappointment as Auditors of the company.
4. To transact any other business with the permission of the Chairman.


By Order of the Board

Muhammad Saleem Raza
Company Secretary

Lahore:
March 30, 2018

NOTES:

1. The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from 13th April, 2018 to 20th April, 2018 (both days inclusive).
2. A member entitled to attend and vote at the general meeting may appoint any other member as proxy in writing to attend the meeting and vote on his/her behalf. Duly completed form(s) of proxy must be deposited with the Company at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
3. CDC Account Holders are requested to bring with them their CNIC along with participant I.D & their account number at the time of meeting in order to facilitate identification. In case of corporate entity, a certified BOD resolution/ valid power of attorney with specimen signature of the nominee be produced at the time of meeting.
4. Members are requested to notify immediately changes of their addresses (if any) to our Shares Registrar M/s Hameed Majeed Associates (Pvt) Limited, Karachi Chamber, Hasrat Mohani Road, Karachi.

گلستان سپننگ ملز لمیٹڈ

اطلاع برائے سالانہ مجلس عاملہ

اطلاع دی جاتی ہے کہ گلستان سپننگ ملز لمیٹڈ کمپنی کے سالانہ مجلس عاملہ کا اجلاس منعقد کیا جا رہا ہے جو کہ مورخہ 20 اپریل 2018 بروز جمعہ کو بوقت 12:00 بجے صبح بمقام سیکنڈ فلور فٹلے ہاؤس آئی آئی چندریگر روڈ کراچی پر منعقد ہوگا۔ اس اجلاس میں مندرجہ ذیل امور سرانجام دیئے جائیں گے۔

- 1- پچھلے سالانہ مجلس عاملہ کا اجلاس کے منٹس پر عملدرآمد کا جائزہ لیا جائیگا۔
- 2- کمپنی کے آڈٹ شدہ مالی امور کا بیان برائے دورانیہ مالی سال 30 جون 2016 بمعدہ ڈائریکٹرز اور آڈیٹرز کی رپورٹس کو وصول کیا جائے گا۔ (انکی نقول بورڈ ارکان کو بانٹی جائیں گی) اور ان میں موجود سفارشات، مشاہدات اعتراضات پر جائزہ/غور اور فیصلے کئے جائیں گے۔
- 3- اگلے مالی سال 2017 - 2016 کے لئے کمپنی کے آڈیٹرز کو مقرر کیا جائے گا اور ان کی معاونت کا تعین کیا جائے گا۔ برخاست شدہ آڈیٹرز میسرز باقر علی محمود، اور بس قمر، چارٹرڈ اکاؤنٹنٹس نے اپنی کمپنی کو دوبارہ مقرر ہونے کے لئے پیش کیا ہے۔ ان کی درخواست پر فیصلہ کیا جائے گا۔
- 4- چیئرمین کی اجازت سے مزید کاروبار اپنانے کے امور کو نپٹایا جائے گا۔


30 مارچ 2018ء، لاہور

جاری کیا گیا بذریعہ آرڈر رازاں بورڈ آف ڈائریکٹرز
محمد سلیم رضا (کمپنی سیکرٹری)

اہم اطلاع

- 1- کمپنی کے شیئر ٹرانسفر بکس بند کر دیئے جائیں گے اور 13 اپریل 2018ء تا 20 اپریل 2018ء تک (بچے کے دنوں چھٹی کے دنوں کے لئے بھی) کسی شیئر کی ٹرانسفر قبول نہیں کی جائے گی۔
- 2- وہ رکن جو سالانہ مجلس عاملہ کا اجلاس ووٹ دینے کا حق رکھتا ہے اپنا کوئی بھی نمائندہ بطور پروکسی مقرر کر سکتا ہے جو اس کے بدلے اس کی جگہ ووٹ دے۔ جس کے لئے اس کو کمپنی کے رجسٹرڈ دفتر میں سالانہ مجلس عاملہ کا اجلاس سے 48 گھنٹے قبل متعلقہ پروکسی فارم پُر کر کے جمع کروانا ہوگا۔
- 3- سی ڈی سی شیئرز ہولڈرز سے گزارش ہے کہ وہ سالانہ مجلس عاملہ/مینٹگ میں ووٹ دیتے وقت اپنے اصل شناختی کارڈ/ پاسپورٹ پیش کریں۔ تاکہ ان کی شناخت ہو سکے بصورت دیگر وہ اپنے شناختی کارڈ/ پاسپورٹ کی تصدیق شدہ نقل پیش کریں گے۔ کاپورٹ کمپنی کی صورت میں بورڈ آف ڈائریکٹرز کی قرار داد کا مطبوعہ/قابل قبول مختار نامہ جس میں مختار دہندہ اور نمائندے/مختار کنندہ کے specimen دستخط ثبت ہوں پیش کیا جائے۔
- 4- ارکان سے گزارش ہے کہ وہ اپنے کسی بھی موقع پر پتہ کی تبدیلی کی صورت میں میسرز حمید مجید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، کراچی چیئرمین، حسرت موہانی روڈ کراچی کے شیئر رجسٹرار کو فوری طور پر آگاہ کریں۔

DIRECTOR'S REPORT TO SHAREHOLDERS

The Directors of your Company are pleased to place their report together with the Auditor's Report and audited Financial Statements of the Company for the year ended June 30, 2016 at the Annual General Meeting of Company.

Overview

The year under review has also been proved difficult period. Severe energy crises coupled with on-going financial impediments have obstructed the utilization of production capacities. The root cause for this underutilization had been non-availability of working capital facilities which were blocked by the banks/financial institutions unilaterally, and resultantly the Company could not efficiently purchase sufficient raw material to run the installed capacities at optimum level. This hindered the Company's plan to achieve the desired production targets which badly affected our sales turnover as well as profitability of the Company. In spite of the ongoing adverse eventualities the Management is making all possible efforts to keeps the Mills operational.

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

The Management is conscious of the issues that are affecting our operations and are committed to plans to turn Company into profitable entity by implementing the restructuring process for better financial position, strengthening our operations through proficient acumen, improving manufacturing processes and offering better service to our customers.

Operating & Financial Performance

Operating indicators	2016	2015
	(Rupees)	(Rupees)
Sales	3,000,000/-	-
Cost of goods sold	(34,715,196)/-	(218,483,763)/-
Financial cost	(10,671,391)/-	(9,821,331)/-
Pre tax Loss	(34,303,093)/-	(244,412,396)/-
Provision for taxation	(3,212,374)/-	(7,055,004)/-
Loss after taxation	(37,515,467)/-	(251,467,400)/-

Future Outlook

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

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

Going forward, the Company is focusing on strategy to consolidate its customer base, rationalize production volume and achieve pricing targets to increase profitability. Bottle neck in achieving these miles stones was non-availability of working capital lines. This impediment is expected to be over in near future as the restructuring process is expected to be completed soon and this would result in better utilization of production capacities. Once the ongoing reconciliation & restructuring process is completed, we would be in better position to embark upon timely better priced procurement of the required raw materials. To increase profitability and improve performance, wide ranging and significant measures are being implemented by the Company focusing on cost reduction and increase in margins.

DIRECTOR'S REPORT TO SHAREHOLDERS

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

Auditors' Observations

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

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

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

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

Corporate Governance

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

Board meetings and attendance

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

Name of Director	No of meeting attended
Mr. Tanveer Ahmed	4
Mr. Riaz Ahmed	3
Mr. Sohail Maqsood	4
Mr. Iftikhar Ali	3
Mr. Muhammad Yousaf	4
Mr. Maqsood-ul-Haq	2
Mr. Ghulam Ali (Resigned during the year)	2
Mr. Muhammad Akhtar Mirza	2

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

Audit Committee

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

Name of Members	No of meeting attended
Mr. SOHAIL MAQSOOD	4
Mr. M Maqsood-ul-haq	4
Mr. Muhammad Yousaf	0

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.

DIRECTOR'S REPORT TO SHAREHOLDERS

Internal Audit Function

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

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

Corporate Governance & Financial Reporting Framework

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

- The financial statements prepared by the Management of the Company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound and has been effectively implemented and monitored.
- The Board is satisfied that there is no concern as regard to going concern under the Code and as duly explained in note 1.3 of Financial Statements.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- Key operating and financial data for the last six years is annexed.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2016 except for those disclosed in the financial statements.
- No material changes and commitments affecting the financial position of your Company have occurred between the end of the financial year to which this Balance Sheet relates and the date of the Directors' Report, except for those disclosed in the financial statements.

Earnings/(Loss) Per Share

The loss per share of the Company for the period ended June 30, 2016 was Rs. (2.56) as compared to the previous year of Rs. (17.18)

Dividends

Due to circumstances discussed above, the Board of Directors does not recommend dividend for the year ended on June 30, 2016.

Corporate Social Responsibility

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

Web presence

Annual and periodical financial statements of the Company are also available on the Company website www.gulshan.com.pk 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:

DIRECTOR'S REPORT TO SHAREHOLDERS

Name	Opening Balance as on 01.07.2015	Purchases	Sales	Closing Balance as on 30.06.2016
	NIL	NIL	NIL	NIL

Statement on Value of Staff Retirement Benefit

As on June 30, 2016 deferred liability for gratuity is Rs. 708,861/-

Auditors

Messrs Baker Tilly Mehmood Idress Qamar, Chartered Accountants being eligible have offered themselves for re-appointment. The Audit Committee has also recommended their appointment as External Auditors of the Company for the next financial year 2016 - 2017.

Pattern of Shareholding

The pattern of shareholding as at June 30, 2016 including the information under the code of corporate of governance is annexed.

Acknowledgement

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

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

On behalf of the Board

Lahore March 22, 2018
22/03/2018


SOHAIL MAQSOOD
CHIEF EXECUTIVE

گلستان سپننگ ملز لمیٹڈ

شیئرز ہولڈرز کو دی گئی ڈائریکٹر کی رپورٹ

گلستان سپننگ ملز لمیٹڈ کی سالانہ جنرل میٹنگ کے موقع پر کمپنی کے ڈائریکٹر کمپنی کے مالی بیانات کی رپورٹ پیش کر رہے ہیں جو کہ ایڈیٹرز کی رپورٹ کے ساتھ منسلک ہے یہ کہ رپورٹ زیر جائزہ مالی سال مورخہ ۳۰ جون ۲۰۱۶ پیش کا جا رہا ہے۔

مجموعی جائزہ۔

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

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

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

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

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

اس سلسلہ میں کمپنی نے معروف قانونی فرم کو بطور مالی امور کی وکیل مقرر کیا ہے اور شرائط و ضوابط اور منصوبہ بندی کی دستاویزی شکل میں تیاری اپنے آخری مراحل میں ہے اور پیشتر مالی اداروں نے ہمارے قرض کے حصول کی منصوبہ بندی کو سراہا/منظور کیا ہے۔ اگر ایک دفعہ ہم اپنی اس منصوبہ بندی کو پورا کرنے میں کامیاب ہو گئے تو اس سے کمپنی کو مالی حیثیت اور دیگر حساب کتاب میں بہتری آئے گی۔

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

اپریٹنگ (کام کی سرگرمیوں) اور مالی کارکردگی کا جائزہ

2015	2016	کام کی نوعیت
-	3,000,000	سیلز
(218,483,763)/-	(34,715,196)/-	فروخت کئے گئے سامان پر اٹھنے والی لاگت (اخراجات)
(9,821,331)/-	(10,671,391)/-	مالیاتی لاگت
(244,412,396)/-	(34,303,093)/-	ٹیکس دینے سے پہلے کا نقصان
(7,055,004)/-	(3,212,374)/-	ٹیکس
(251,467,400)/-	(37,515,467)/-	ٹیکس دینے کے بعد کا نقصان

مستقبل کی تصویر کشی/منصوبہ بندی

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

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

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

اس کے برعکس کمپنی کی توجہ اپنے کسٹمرز کے ساتھ تعلقات کو مستحکم کرنے پر اور اپنے پیداواری حجم کو معقول کرنے اور اپنی قیمتوں کے تعین کے اہداف کے حصول پر مرکوز رکھے ہوئے ہے تاکہ منافع میں اضافہ ہو سکے۔

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

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

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

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

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

آڈیٹرز کی طرف سے اٹھائے گئے اعتراضات

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

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

بینک ہائے قرض و ہندگان کی طرف سے پیش کردہ ایک سکیم آخری مراحل میں ہے اور جس کا ڈرافٹ ہمارے مالی امور کے قانونی ماہرین بنا رہے ہیں اور سندھ بانی کورٹ کی منظور کے بعد ایک معاہدہ مابین فریقین برائے حصول قرضہ کمپنی اور متعلقہ بینک ہائے کے درمیان طے پا جائے گا۔

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

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

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

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

کارپوریٹ گورننس

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

بورڈ مینٹلز اور حاضر لوگ

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

نام ڈائریکٹر	مینٹنگ میں حاضری
تنویر احمد	4
ریاض احمد	3
سہیل مقصود	4
افتخار علی	3
مقصود الحق	2
غلام علی (مستعفی شدہ)	2
محمد یوسف	4
اختر مرزا	2

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

آڈٹ کمپنی

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

رکن کا نام	مینٹنگ میں شرکت کی تعداد
سہیل مقصود	4
مقصود الحق	4
محمد یوسف	0

انسانی وسائل اور ان کے معاوضے کی کمپنی

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

انتزل آڈٹ کا طریقہ کار (فرائض)

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

کارپوریٹ گورننس اور مالیاتی رپورٹنگ کے فریم ورک

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

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

- 2- کمپنی کے اکاؤنٹ بکس کی مناسب تیاری اور دیکھ بھال کرے۔
- 3- مناسب اکاؤنٹنگ حکمت عملی کی تیاری اور اسکی روشنی میں مالی امور کے بیان اور مالی تخمینہ جات کی تیاری اور اس سلسلہ میں معقول اور دانشمندانہ فیصلے کئے جائیں۔
- 4- بین الاقوامی اکاؤنٹنگ سٹینڈرڈز جو کہ پاکستان میں لاگو ہیں کے مطابق مالی امور کا بیان تیار کیا جائے۔
- 5- اندرونی مالی نظم و ضبط کا کنٹرول کا سسٹم موثر اور مستحکم ہو اسکا نفاذ کا مناسب مانیٹرنگ سسٹم موجود ہو۔
- 6- بورڈ کے ڈائریکٹرز کو مالی امور کے بیان کے پیرا نمبر 1-3 میں دیئے گئے ضابطہ کے سلسلہ میں کسی قسم کی کوئی خلاف ورزی نہ ہو۔
- 7- کارپوریٹ گورننس کے سلسلہ میں بہترین طریقوں کو اختیار کیا جائے جن کا ذکر شکاک ایکٹیویشن کے قوانین میں ہے اور کوئی خلاف ورزی سامنے نہ آئے۔
- 8- گزشتہ 6 سالوں کا آپریٹنگ اور مالی امور کا کلیدی ڈیٹا لف ہذا ہے۔
- 9- ٹیکسز، ڈیوٹیز، محصولات اور دیگر چارجز کی مد میں کوئی اضافی یا غیر قانونی ادائیگیاں نہیں کی گئیں۔
- 10- حالیہ مالی سال کے اختتام پر جو بیلنس شیٹ اور ڈائریکٹرز رپورٹ پیش کی گئی اسکے مطابق کمپنی کی مالی پوزیشن کے مواد میں کسی قسم کی کوئی کلیدی یا بنیادی تبدیلی نہیں کی گئی جو ایک کمپنی کی مالیاتی صورتحال کو متاثر کرے سوائے ان کے جو مالی امور کے بیان میں اشکار کی گئیں۔

نفع/نقصان بمطابق شیئرز کی قیمت

بمطابق شیئرز کی حالیہ قیمت، کمپنی کا نقصان برائے اختتامی دورانیہ 30 جون 2016، فی شیئر (2.56) روپے ہے جو کہ پچھلے سال (17.18) روپے فی شیئر تھا۔

منافع

متذکرہ بالا پیش کردہ امور کی روشنی میں بورڈ آف ڈائریکٹرز نے اختتامی دورانیہ 30 جون 2016 کے لئے کسی منافع کی سفارش نہیں کی ہے۔

ضابطہ اخلاق

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

کارپوریٹ سوسائٹی ذمہ داری

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

ویب/سماجی رابطہ کے ذرائع پر موجودگی

کمپنی کی سالانہ اور متواتر مالی امور کا بیان کمپنی کی ویب سائٹ www.gulshan.com.pk شیئرز ہولڈرز اور دیگران کی آگاہی کے لئے موجود ہے۔

متعلقہ فریقین کے ساتھ لین دین

متعلقہ فریقین کے ساتھ لین دین کو رمز لکھتہ قیمت کے قانون کے مطابق کیا جاتا ہے جو کہ "کمپنیز ان کنٹرولڈ پرائس میٹھڈ" کے مطابق طے شدہ ہے۔ کمپنی ہذا کارپوریٹ گورننس کے بہترین طریقوں کو اختیار کئے ہوئے ہے جن کا ذکر شکاک ایکٹیویشن کے قوانین میں ہے۔

کمپنی کے شیئرز کی ٹریڈنگ

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

نام	اوپننگ	بیلنس	خریداری	فروخت	کلوزنگ بیلنس
	01.07.2015				30.06.2016
				کوئی نہیں	

عملہ کے ریٹائرمنٹ کے پیفٹ کی قیمت کا بیان۔

دورانہ برائے مورخہ 30 جون 2016 ڈیفنڈ لائٹٹی برائے گریجویٹ کی رقم 708,861 روپے مختص کی گئی ہے۔

آڈیٹرز

میسرز باقر علی محمود، ادریس قمر، چارٹرڈ اکاؤنٹنٹس نے اپنی کمپنی دوبارہ مقرر کرنے کی پیشکش کی ہے اور آڈٹ کمپنی نے بھی ان کو بطور کمپنی کی بیرونی آڈیٹرز برائے اگلے مالی 2017 کی تعیناتی کی سفارش/منظوری کی ہے۔

شیررز ہولڈنگ کا پیٹرن

ضابطہ برائے کارپوریٹ گورننس کے مطابق 30 جون 2016 اشیرز ہولڈنگ کا پیٹرن لف رپورٹ ہذا ہے

تحسینی اعترافات

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

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

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

بورڈ آف ڈائریکٹرز کی طرف/منجانب سے

سہیل مقصود چیف ایگزیکٹو

مورخہ 22/03/2018

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Year Ended

June 30, 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board of Directors includes five (5) non-executive directors.

Category	Names
Independent Director	Mr. Muhammad Yousaf
Executive Directors	Mr. Tanveer Ahmad and Mr. Riaz Ahmad
Non-Executive Directors	Mr. Maqsood ul Haq, Mr. Muhammad Akhtar Mirza, Mr. Soahil Maqsood, Mr. Iftikhar Ali and Mr. Muhammad Yousuf

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

12. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the CCG.
14. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee
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. 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 board has set up an effective internal audit function who are considered suitably qualified and experience for the purpose and are conversant with the policies and procedures of the Company.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors' have confirmed that they have observed IFAC guidelines in this regard.
20. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange..
21. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
22. We confirm that all other material principles enshrined in the CCG have been complied with.

Lahore March 22, 2018


SOHAIL MAQSOOD
CHIEF EXECUTIVE

**REVIEW REPORT TO THE MEMBERS
ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCES**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the board of Directors of Gulistan Spinning Mills Limited ("the Company") for the year ended June 30, 2016 to comply with the requirement of Listing Regulations No. 35 of the Pakistan Stock Exchange Limited (formerly Karachi and Lahore Stock Exchanges) where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not, to highlight any non-compliance with the requirements of the Code. 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 Code.

As 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' statements on internal control covers all risks and control or to form opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires 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 of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording of proper jurisdiction for using such alternate prices mechanism. We are only required and have ensured compliance of this requirements to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Following instances of non-compliance by the Company with the requirements of the Code were observed which are not stated in the Statement of compliance:

- i. During the year, no director of the Company has obtained certification under directors' training program as required by clause (xi) of the Code.
- ii. No mechanism for annual evaluation of the Board's own performance has been put in place as required by sub-clause of the clause (v) of the Code. Subsequent to the year end, the Board discussed and agreed on the process of evaluation based on which it's evaluation would be completed in the ensuing year.
- iii. Although the Company has prepared a "Code of Conduct", however the Company has not taken appropriate steps to disseminate it throughout the company along with its supporting policies and procedures.
- iv. The Company has not prepared, circulated and filed quarterly unaudited financial statements and half yearly financial statements subject to a limited scope review as required by clauses (xviii and xix) of the Code.

Based on our review, except for the above transactions of non-compliance, nothing has come to our attention that causes to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respect, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

BAKER TILLY MEHMOOD IDREES QAMAR

Chartered Accountants

Name of Engagement Partner: Bilal Ahmed Khan

Lahore

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Gulistan Spinning Mills Limited ("the Company") as at June 30, 2016 and the related profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that, except for the matter stated in paragraph (c) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) as described in note 1.3 to the financial statements, the financial statements have been prepared on going concern basis. The Company has accumulated loss of Rs. 1,646.60 million as at June 30, 2016, shareholder's equity is negative by Rs. 1,475.20 million and as of that date the Company's current liabilities exceed its current assets by Rs. 1,760.19 million. The Company is facing operational and financial problems. Further, various banks and financial institutions have filed recovery suits against the Company as detailed in note 29.1.1 to the financial statements and the ultimate outcome of these suits cannot presently be determined because these matters are pending before various courts. These events indicate a material uncertainty that may cause significant doubt on the Company's ability to continue as a going concern and therefore the Company may not be able to realize its assets and discharge its liabilities in the normal course of business. In our opinion, the going concern assumption used in the preparation of these financial statements is inappropriate.
- (b) mark-up / interest on long-term finances, lease finances and short-term borrowings to the extent aggregating Rs. 703.51 million, including balance of Rs. 130.58 million for the current year, has not been accrued in these financial statements, thereby reducing loss for the current year by Rs. 130.58 million and increasing shareholders' equity and current liabilities by Rs. 703.51 million as fully detailed in note 25.1 to the financial statements.
- (c) we have not received year end confirmation certificates from banks and financial institutions in respect of bank balances aggregating Rs. 6.12 million (note 16.1) and short-term borrowings aggregating Rs. 1,145.12 million (note 26.4). No confirmations have been received in respect of lease deposits (note 8.1), long-term finances from banking companies (note 21 and 27), liabilities against assets subject to finance lease (note 22 and 27), payables against overdue letters of credit (note 24.1), and accrued mark-up / interest (note 25 and 14). Further, year-end bank statements from various banks and financial institutions in respect of bank balances and short-term borrowings were also not available.
- (d) in our opinion, except for the matters detailed in aforementioned paragraphs (b) and (c) proper books of account have been kept by the Company as required by the Companies Ordinance, 1984.
- (e) in our opinion:
 - (i) except for the matters detailed in aforementioned paragraphs (a) to (c) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditures incurred during the year were in accordance with objects of the Company.
- (f) in our opinion, because of the significance of the matters discussed in paragraph (a) to (c), above, the financial statements do not present fairly the financial position of the Company as at June 30, 2016 and of its financial performance, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan and requirements of the Companies Ordinance, 1984.
- (g) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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


Lahore

GULISTAN SPINNING MILLS LIMITED

GULISTAN SPINNING MILLS LIMITED BALANCE SHEET AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	896,048,764	923,854,824
Long-term investments	7	15,471,666	13,769,021
Long-term deposits	8	2,780,500	2,780,500
		914,300,930	940,404,345
CURRENT ASSETS			
Stores, spare parts and loose tools	9	4,535,094	5,668,867
Stock-in-trade	10	93,522,390	93,522,390
Trade debts	11	12,075,000	11,859,249
Loans and advances	12	464,126	464,126
Trade deposits and short-term prepayments	13	4,813,105	4,772,463
Accrued mark-up / interest	14	349,994	13,676,707
Tax refunds due from Government	15	6,606,851	11,712,572
Cash and bank balances	16	6,118,962	6,439,467
		128,485,522	148,115,841
TOTAL ASSETS		1,042,786,452	1,088,520,186
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital	17	150,000,000	150,000,000
Issued, subscribed and paid-up capital	17	146,410,000	146,410,000
Reserves	18	24,983,168	24,983,168
Accumulated losses		(1,646,597,518)	(1,619,094,065)
Total equity		(1,475,204,350)	(1,447,700,897)
Surplus on revaluation of property, plant and equipment	19	366,954,801	376,966,815
Sub-ordinate loan	20	103,000,000	103,000,000
NON-CURRENT LIABILITIES			
Long-term financing	21	-	74,818,341
Liabilities against assets subject to finance lease	22	-	-
Deferred liabilities	23	159,359,780	158,336,023
		159,359,780	233,154,364
CURRENT LIABILITIES			
Trade and other payables	24	441,178,373	460,592,818
Accrued mark-up / interest	25	35,775,002	25,586,995
Short-term borrowings	26	1,145,119,665	1,145,119,665
Current portion of non-current liabilities	27	261,534,122	186,715,781
Provision for taxation	28	5,069,059	5,084,645
		1,888,676,221	1,823,099,904
CONTINGENCIES AND COMMITMENTS	29	-	-
TOTAL EQUITY AND LIABILITIES		1,042,786,452	1,088,520,186

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

Sohail Maqsood 
Chief Executive


M. Akhtar Mirza
Director


GULISTAN SPINNING MILLS LIMITED

GULISTAN SPINNING MILLS LIMITED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales - net	30	3,000,000	-
Cost of sales	31	(34,715,196)	(218,483,763)
Gross loss		(31,715,196)	(218,483,763)
Administrative expenses	32	2,797,318	9,862,519
Other expenses	33	3,141,197	12,694,500
		(5,938,515)	(22,557,019)
Loss from operations		(37,653,711)	(241,040,782)
Other income	34	14,022,009	6,449,717
Finance cost	35	(10,671,391)	(9,821,331)
Loss before taxation		(34,303,093)	(244,412,396)
Taxation	36	(3,212,374)	(7,055,004)
Loss after taxation		(37,515,467)	(251,467,400)
Loss per share - basic and diluted	37	(2.56)	(17.18)

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


Sohail Maqsood
Chief Executive



M. Akhtar Mirza
Director

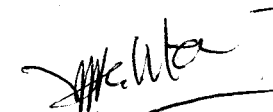
GULISTAN SPINNING MILLS LIMITED

GULISTAN SPINNING MILLS LIMITED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2016

	2016 Rupees	2015 Rupees
Loss after taxation	(37,515,467)	(251,467,400)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(37,515,467)</u>	<u>(251,467,400)</u>

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


Sohail Maqsood
Chief Executive


M. Akhtar Mirza
Director

GULISTAN SPINNING MILLS LIMITED

GULISTAN SPINNING MILLS LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(34,303,093)	(244,412,396)
Adjustments for non-cash charges and other items:			
Depreciation		27,564,702	51,460,578
Provision for slow moving stores and spares		1,133,773	5,668,870
NRV loss on stock-in-trade		-	138,741,989
Provision for doubtful debts		(11,000,000)	11,219,637
Provision for staff retirement benefits - gratuity		-	3,293,248
Finance cost		10,671,391	9,821,331
Exchange loss		3,141,197	-
Gain on disposal of property, plant and equipment		(1,319,364)	(1,891,761)
Interest accrued		(1,702,645)	(4,557,956)
Cash flows before working capital changes		(5,814,039)	(30,656,461)
Net changes in working capital	38	6,609,945	52,365,445
Cash generated from operations		795,906	21,708,984
Finance cost paid		(483,384)	(1,699,942)
Staff retirement benefits - gratuity paid		(2,188,617)	(12,326,537)
Income tax paid		(5,132)	(4,750,036)
Net cash (used in) / from operating activities		(1,881,227)	2,932,469
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,560,722	1,041,074
Interest received		-	1,508,685
Net cash from investing activities		1,560,722	2,549,759
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of liabilities against assets subject to finance lease		-	(1,912,030)
Net cash used in financing activities		-	(1,912,030)
Net (decrease) / increase in cash and cash equivalents during the year		(320,505)	3,570,198
Cash and cash equivalents at the beginning of year		5,815,544	2,245,346
Cash and cash equivalents at the end of year	40	5,495,039	5,815,544

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


Sohail Maqsood
Chief Executive


M. Akhtar Mirza
Director

GULISTAN SPINNING MILLS LIMITED

GULISTAN SPINNING MILLS LIMITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2016

	Share capital	Reserves		Accumulated losses	Total
		Share premium	Un realized loss on re-measurement of available for sale investment		
	Rupees				
Balance as at July 01, 2014	146,410,000	25,000,000	(1,097)	(1,390,272,121)	(1,218,863,218)
Surplus on revaluation of property plant and equipment realized during the year on account of incremental depreciation - net of tax	-	-	-	24,986,025	24,986,025
Reversal of share from associates of incremental depreciation	-	-	-	(2,340,569)	(2,340,569)
Unrealized gain on investment available for sale	-	-	(15,735)	-	(15,735)
Total comprehensive loss for the year	-	-	-	(251,467,400)	(251,467,400)
Balance as at June 30, 2015	146,410,000	25,000,000	(16,832)	(1,619,094,065)	(1,447,700,897)
Surplus on revaluation of property plant and equipment realized during the year on account of incremental depreciation - net of tax	-	-	-	10,012,014	10,012,014
Total comprehensive loss for the year	-	-	-	(37,515,467)	(37,515,467)
Balance as at June 30, 2016	146,410,000	25,000,000	(16,832)	(1,646,597,518)	(1,475,204,350)

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


Sohail Maqsood
Chief Executive


M. Akhtar Mirza
Director

GULISTAN SPINNING MILLS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

1 LEGAL STATUS AND OPERATIONS

- 1.1 Gulistan Spinning Mills Limited ("the Company") was incorporated in Pakistan on February 25, 1987 under the Companies Ordinance, 1984 as a public limited company and is quoted on stock exchanges at Karachi and Lahore (now Pakistan Stock Exchange Limited). The registered office of the Company is situated at 2nd Floor, Finlay House, I.I. Chundrigar Road, Karachi in the province of Sindh, Pakistan. The principal business of the Company is to manufacture and sale of yarn. The manufacturing unit is located at District Kasur in the Province of Punjab.
- 1.2 The Board of Directors of the Company in its meeting held on April 05, 2011 approved the scheme of merger by amalgamation of Gulistan Spinning Mills Limited and Gulshan Spinning Mills Limited into Paramount Spinning Mills Limited along-with the approval of share swap ratio in relation thereto. The Company on orders of the Honourable Sindh High Court called Extra Ordinary General Meeting on August 01, 2011 in which the said scheme was approved by shareholders of the Company. The Company filed an application for withdrawal of merger petition. The Honourable High Court of Sindh vide order dated December 21, 2017, dismissed the merger petition as withdrawn on the application filed by the Company.

1.3 Going concern assumption

The Company has accumulated losses of Rs. 1,646.60 million as at June 30, 2016 and as at that date its current liabilities exceed its current assets by Rs. 1,760.19 million. This is mainly due to under utilization of capacity because of insufficiency of working capital lines. All the working capital lines and other finances have been blocked by respective banks and financial institutions due to litigations with these lenders as detailed in note 29.1.1 to the financial statements. These conditions along with other adverse key financial ratios and the pending litigations with the banking companies and financial institutions render the Company unable to operate its manufacturing facilities in normal manners. This indicates existence of material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. These financial statements, however, have been prepared under the going concern assumption due to following reasons;

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

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

- the existing facilities will be restructured and consolidated into a long-term finance facility and aggregate principal outstanding will be repaid over 8 years. The sponsors will inject equity amounting Rs. 200 million within one year of the effective date of debt restructuring through sale of various assets. Balance of the outstanding facility amount will be repaid in instalments over a period of 8 years on quarterly basis as per the agreed repayment schedule;
- total accrued and outstanding mark-up due/payable till June 30, 2016 by the Company to its existing lenders will be repaid starting immediately after the expiry of 8 years time period of principal repayment on quarterly basis over a 2 years period (accrued mark-up period); and

- mark-up rate shall be 5.00% per annum (referred as beginning tenor mark-up) for the first 2 years of repayment tenor, however, a mark-up of 0.25% per annum shall be paid by the Company during the first two years of the beginning tenor mark-up period; whereas the remaining differential mark-up amount i.e. 4.75% shall be accumulated and paid thereafter quarterly, starting immediately after the accrued mark-up period. For the remaining 6 years of the restructured facility, mark-up shall be charged and repaid on quarterly basis at the rate of 5.00% per annum.
- (ii) the management has made arrangements whereby third party cotton is being processed against processing fee for utilization of unutilized capacity.
- (iii) the management has also undertaken adequate steps towards the reduction of fixed cost and expenses. Such steps include, but not limited to, right sizing of the man power, resource conservation, close monitoring of other fixed cost etc.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED DURING THE YEAR

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

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2016

The following standards, amendments and interpretations are effective for the year ended June 30, 2016. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

IFRS 12 - Disclosure of Interests in Other Entities

Effective from accounting period beginning on or after January 01, 2015

IFRS 13 - Fair Value Measurement

Effective from accounting period beginning on or after January 01, 2015

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

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

**Amendments to IAS 16 and IAS 38
Clarification of acceptable methods of
depreciation and amortization**

Effective from accounting period beginning on or after January 01, 2016

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendment to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset.

**Amendments to IAS 16 and IAS 41 -
Measurement of bearer plants**

Effective from accounting period beginning on or after January 01, 2016

**IAS 27 (Revised 2011) - Separate Financial
Statements**

Effective from accounting period beginning on or after January 01, 2016. IAS 27 (Revised 2011) will concurrently apply with IFRS 10.

**IAS 28 (Revised 2011) - Investments in
Associates and Joint Ventures**

Effective date is deferred indefinitely. Earlier adoption is encouraged.

Similar to the previous Standard, the new Standard deals with how to apply the equity method of accounting. However, the scope of the revised Standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

**IFRS 10 - Consolidated Financial
Statements**

Effective date is deferred indefinitely. Earlier adoption is encouraged.

IFRS 11 - Joint Arrangements

Effective from accounting period beginning on or after January 01, 2016

**Amendments to IAS 1 - Presentation of
Financial Statements' - Disclosure initiative**

Effective from accounting period beginning on or after January 01, 2016

**Amendments to IAS 7 - Statement of Cash
Flows - Amendments as a result of
disclosure initiative**

Effective from accounting period beginning on or after January 01, 2016

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

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

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

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

IFRS 9 - Financial Instruments

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

IFRS 15 - Revenue from Contracts with Customers**Effective from accounting period beginning on or after July 01, 2018**

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

- IFRS 1 - First Time Adoption of International Financial Reporting Standards
- IFRS 14 - Regulatory Deferral accounts
- IFRS 16 - Leases

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

- (i) Estimate of useful lives, residual values of property, plant and equipment and recoverable values to account for impairment loss (note 5.1 and 5.15);
- (ii) Net realisable values of stores, spares and loose tools and stock-in-trade (notes 5.6 and 5.7);
- (iii) Provision for impairment of trade debts (note 5.14);
- (iv) Provision for staff retirement benefit - gratuity (note 5.8); and
- (v) Provision for taxation (note 5.9).

5 SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

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

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

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

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

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

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

5.2 Accounting for leases and assets subject to finance lease

Finance lease

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

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

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

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

Operating lease

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

5.3 Non-current assets classified as held for sale

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

5.4 Investments

Regular way purchase or sale of investments

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

Investments in equity instruments of associated companies

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

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

Available for sale investments

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

Other investments

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

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

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

5.5 Long-term deposits

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

5.6 Stores, spare parts and loose tools

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

5.7 Stock-in-trade

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

Raw material

- in-hand

Weighted average cost.

- in-transit

Cost comprising invoice value plus other charges incurred thereon.

Finished goods and work-in-process

Raw material cost plus appropriate manufacturing overheads.

Waste

Net realizable value.

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

5.8 Staff retirement benefits - gratuity

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

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

5.9 Taxation

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

Current

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

Deferred

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

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

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

5.10 Provisions, contingent assets and contingent liabilities

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

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

5.11 Borrowing cost

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

5.12 Revenue recognition

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

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

5.13 Foreign currency translations

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

5.14 Financial instruments**Non-derivative financial assets**

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

Trade debts, other receivables and other financial assets

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

Cash and cash equivalents

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

Non-derivative financial liabilities

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

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

Off-setting of financial assets and liabilities

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

5.15 Impairment loss

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

5.16 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 Ordinance, 1984 (comparable uncontrolled price method) with the exception of loan taken from related parties which is interest / mark-up free.

5.17 Dividend and appropriation to reserves

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

	Note	2016 Rupees	2015 Rupees
6 PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment	6.1	<u>896,048,764</u>	<u>923,854,824</u>

6.1 Property, plant and equipment

	Owned assets											Leased assets		Total	
	Freehold land	Building on freehold land	Plant and machinery	Power house	Electric installation	Factory equipment	Air conditioning plant	Telephone installations	Office equipment	Furniture and fixtures	Arms and ammunition	Vehicles	Power house		Vehicles
Rupees															
Cost															
Balance as at July 01, 2014	121,888,000	326,175,471	806,764,530	28,160,000	94,338,448	92,669,999	103,000,000	160,000	4,842,384	4,378,524	6,230	10,385,035	60,000,000	10,323,000	1,663,091,621
Addition during the year	-	-	-	-	-	-	-	-	-	-	-	4,167,000	-	(4,167,000)	-
Transfer	-	-	-	-	-	-	-	-	-	-	-	(4,167,000)	-	-	-
Disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,167,000)
Balance as at June 30, 2015	121,888,000	326,175,471	806,764,530	28,160,000	94,338,448	92,669,999	103,000,000	160,000	4,842,384	4,378,524	6,230	10,385,035	60,000,000	6,156,000	1,658,924,621
Balance as at July 01, 2015	121,888,000	326,175,471	806,764,530	28,160,000	94,338,448	92,669,999	103,000,000	160,000	4,842,384	4,378,524	6,230	10,385,035	60,000,000	6,156,000	1,658,924,621
Addition during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-	-	-	(3,073,000)	-	-	(3,073,000)
Balance as at June 30, 2016	121,888,000	326,175,471	806,764,530	28,160,000	94,338,448	92,669,999	103,000,000	160,000	4,842,384	4,378,524	6,230	7,312,035	60,000,000	6,156,000	1,655,851,621
Depreciation															
Balance as at July 01, 2014	-	16,104,914	39,828,954	2,207,744	8,878,694	17,567,367	19,570,000	148,522	2,710,115	3,236,641	5,600	9,540,199	4,704,000	6,734,019	131,236,769
Charge for the year	-	7,751,764	19,173,389	1,038,090	4,272,988	7,510,263	8,343,000	1,148	213,227	114,188	63	168,967	2,211,840	661,651	51,460,578
Depreciation on disposal	-	-	-	-	-	-	-	-	-	-	-	(2,672,752)	-	-	(2,672,752)
Transfer / adjustment	-	-	-	-	-	-	-	-	-	-	-	2,672,752	-	(2,672,752)	-
Balance as at June 30, 2015	-	23,856,678	59,002,343	3,245,834	13,151,682	25,077,630	27,913,000	149,670	2,923,342	3,350,829	5,663	9,709,166	6,915,840	4,722,918	180,024,595
Balance as at July 01, 2015	-	23,856,678	59,002,343	3,245,834	13,151,682	25,077,630	27,913,000	149,670	2,923,342	3,350,829	5,663	9,709,166	6,915,840	4,722,918	180,024,595
Charge for the year	-	6,802,173	9,347,027	498,283	2,029,669	3,379,619	3,754,350	1,033	191,904	102,770	57	109,518	1,061,683	286,616	27,564,702
Depreciation on disposal	-	-	-	-	-	-	-	-	-	-	-	(2,831,642)	-	-	(2,831,642)
Rate of depreciation	-	2.5%	2.5%	4%	5%	10%	10%	10%	10%	10%	10%	20%	4%	20%	-
Balance as at June 30, 2016	-	30,658,851	68,349,370	3,744,117	15,181,351	28,457,249	31,667,350	150,703	3,115,246	3,453,599	5,720	6,987,042	7,977,523	5,005,534	204,757,655
Impairment															
Balance as at July 01, 2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	30,231,879	373,881,093	12,457,083	40,593,383	33,796,184	37,543,500	-	-	-	-	-	26,542,080	-	555,045,202
Balance as at June 30, 2015	-	30,231,879	373,881,093	12,457,083	40,593,383	33,796,184	37,543,500	-	-	-	-	-	26,542,080	-	555,045,202
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2016	-	30,231,879	373,881,093	12,457,083	40,593,383	33,796,184	37,543,500	-	-	-	-	-	26,542,080	-	555,045,202
Written down value as at June 30, 2015	121,888,000	272,086,914	373,881,094	12,457,083	40,593,383	33,796,185	37,543,500	10,330	1,919,042	1,027,695	567	675,869	26,542,080	1,433,082	923,854,824
Written down value as at June 30, 2016	121,888,000	265,284,741	364,534,067	11,958,800	38,563,714	30,416,566	33,789,150	9,297	1,727,138	924,925	510	324,993	25,480,397	1,146,466	896,048,764

	Note	2016 Rupees	2015 Rupees
6.2 Depreciation charge has been allocated as follows;			
Cost of sales		26,873,894	50,302,545
Administrative expenses		690,808	1,158,033
		<u>27,564,702</u>	<u>51,460,578</u>

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

	Note	2016 Rupees	2015 Rupees
Owned assets			
Freehold land		3,180,032	3,180,032
Buildings on freehold land		59,200,246	60,718,201
Plant and machinery		247,356,261	253,698,729
Power house		18,838,264	19,623,192
Electric installation		30,918,404	32,545,688
Factory equipment		11,412,546	12,680,607
Air conditioning plant		448,726	498,584
		<u>371,354,479</u>	<u>382,945,033</u>
Leased assets			
Power house		26,785,329	27,901,384
		<u>398,139,808</u>	<u>410,846,417</u>

6.4 The detail of property, plant and equipment disposed off is as follows;

Particulars of Assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchasers
Vehicles							
Suzuki Mehran	365,000	333,199	31,801	219,222	187,421	Negotiaiton	Mr. Ghulam Hussain
Suzuki Baleno	739,000	697,470	41,530	350,000	308,470	Negotiaiton	Mr. Zafar Iqbal
Suzuki Cultus	560,000	499,725	60,275	275,000	214,725	Negotiaiton	Mr. Zafar Iqbal
Toyota Corolla	849,000	780,400	68,600	475,000	406,400	Negotiaiton	Mr. Zafar Iqbal
Suzuki Cultus	560,000	520,848	39,152	241,500	202,348	Negotiaiton	Mr. Zia-u-din Affandi
	<u>3,073,000</u>	<u>2,831,642</u>	<u>241,358</u>	<u>1,560,722</u>	<u>1,319,364</u>		

	Note	2016 Rupees	2015 Rupees
7 LONG-TERM INVESTMENTS			
Investment in associate - under equity method	7.1	-	-
Other investments - available for sale	7.2	-	-
Defence saving certificates	7.3	15,471,666	13,769,021
		<u>15,471,666</u>	<u>13,769,021</u>
7.1 Investments in associates - under equity method			
Quoted companies			
Gulshan Spinning Mills Limited	7.1.1	-	-
		<u>-</u>	<u>-</u>

	Note	2016 Rupees	2015 Rupees
7.1.1 Gulshan Spinning Mills Limited (GSML)			
10,303 (2015: 10,303) ordinary shares of Rs. 10 each - cost		238,887	238,887
Equity held 0.046% (2015: 0.046%)			
Accumulated share of post acquisition loss		(1,133,913)	(1,133,913)
Share of loss for the year		-	-
Share of surplus on revaluation of property, plant and equipment		1,146,108	1,146,108
		12,195	12,195
		251,082	251,082
Impairment charged on investment			
Opening balance		(251,082)	(251,082)
Charged / (adjusted) in the year		-	-
		(251,082)	(251,082)
Carrying value of shares		-	-

The impairment charge represents the writing down of the carrying value of the investment to its recoverable amount in accordance with the International Accounting Standard (IAS) 36, Impairment of Assets. The recoverable amount is the higher of fair value less cost to sell or the value in use. The recoverable amount has been calculated as the value in use which equates to Rs. nil (2015: Rs. nil) per share aggregating to Rs. nil (2015: Rs. nil) after considering the company's share of present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment as opposed to the fair value less cost to sell. Principal assumptions and critical judgements regarding the valuation of the investment have been discussed in note 41 of the financial statements.

The market value of investment in Gulshan Spinning Mills Limited is Rs. nil (2015: Rs. nil) as the equity of the company is negative.

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

	Note	2016 Rupees	2015 Rupees
Gulshan Spinning Mills Limited			
Liabilities		2,858,233,219	4,296,912,268
Assets		2,858,233,219	4,296,912,268
Revenue		8,600,000	24,761,805
Loss after tax		11,840,683	489,513,982
7.2 Other investments - available for sale			
Gulistan Textile Mills Limited	7.2.1	-	-
Gulshan Weaving Mills Limited	7.2.2	-	-
		-	-
7.2.1 Gulistan Textile Mills Limited			
Opening balance		-	15,735
Fair value adjustment		-	(15,735)
		-	-

GULISTAN SPINNING MILLS LIMITED

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

	Note	2016 Rupees	2015 Rupees
7.2.2 Gulshan Weaving Mills Limited			
Opening balance		-	-
Fair value adjustment		-	-
		<u>-</u>	<u>-</u>
7.3	It represents investment in defence saving certificate purchased from the Government of Pakistan under ten years maturity scheme. The certificates are encashable at par at any time. However, no profit is paid if encashment is made before completion of one year. It carries effective rate of return 12.15% percent per annum. The certificates of investments are under lien regarding guarantees provided by various financial institutions.		
	Note	2016 Rupees	2015 Rupees
8 LONG-TERM DEPOSITS			
Lease key money	8.1	3,122,112	3,122,112
Other security deposits	8.2	2,780,500	2,780,500
		5,902,612	5,902,612
Less: transfer to current assets	13	(3,122,112)	(3,122,112)
		<u>2,780,500</u>	<u>2,780,500</u>
8.1	These are interest-free deposits given to various leasing companies, modarabas and banking companies. As detailed in note 29.1.1 of the financial statements that the company is in litigation with several banking companies and financial institutions and due to the pending litigations, but without prejudice to the Company's stance in the said litigations, the Company's financial arrangements with the banking companies and financial institutions are disputed and in line with the provisions of International Accounting Standard on Presentation of financial statements (IAS - 1), all liabilities under these lease agreements have been classified as current liabilities. Based on the above mentioned fact, lease deposits amounting Rs. 3.112 million relating to the lease liabilities have also been presented under the current assets. Due to on-going litigations the confirmation from financial institutions have not been received.		
8.2	These are interest-free refundable deposits and are not receivable in the next year.		
	Note	2016 Rupees	2015 Rupees
9 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		7,808,531	7,808,531
Spare parts		4,166,097	4,166,097
Loose tools		656,857	656,857
		12,631,485	12,631,485
Less: provision for slow moving stores		(8,096,391)	(6,962,618)
		<u>4,535,094</u>	<u>5,668,867</u>
10 STOCK-IN-TRADE			
Raw material	10.1	77,589,827	77,589,827
Finished goods	10.2	15,529,360	15,529,360
Waste		403,203	403,203
		<u>93,522,390</u>	<u>93,522,390</u>

- 10.1** Raw material stock costing Rs. 205,467,801 (2015: Rs. 205,467,801) has been written down at their replacement cost of Rs. 77,589,827 (2015: Rs. 77,589,827). The amount charged to profit and loss in respect of stock written down to their replacement cost is Rs. nil (2015: Rs. 123,212,627).
- 10.2** Finished goods costing Rs. 33,463,221 (2015: Rs. 33,463,221) has been written down at their net realizable value of Rs. 15,529,360 (2015: Rs. 15,529,360). The amount charged to profit and loss in respect of stocks written down to their net realizable value Rs. nil (2015: Rs. 15,529,360).
- 10.3** All of the current assets of the Company are under banks' charge as security of short-term borrowings (note 26.1). The Company filed a global suit in the Lahore High Court against all banks / financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001. Further various banks and financial institutions have also filed suits before Banking Court, Sindh High Court and Lahore High Court for recovery of their financial liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties as fully explained in note 29.1.1.

	Note	2016 Rupees	2015 Rupees
11 TRADE DEBTS - unsecured			
Considered good			
Gulshan Weaving Mills Limited - related party		-	11,859,249
Processing party		1,075,000	-
Considered doubtful			
Yarn debtors		11,219,637	11,219,637
		12,294,637	23,078,886
Provision for doubtful debts		(219,637)	(11,219,637)
		<u>12,075,000</u>	<u>11,859,249</u>
12 LOANS AND ADVANCES - unsecured and considered good			
Advances to non-executive staff		<u>464,126</u>	<u>464,126</u>
13 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Short-term prepayments		1,234,896	1,194,254
Current portion of long-term deposits	8.1	3,122,112	3,122,112
Other receivables	13.1	456,097	456,097
		<u>4,813,105</u>	<u>4,772,463</u>

- 13.1** This includes an amount of Rs. 456,097 (2015: Rs. 456,097) receivable from Gulistan Textile Mills Limited, ex-associated company, on account of sale of fixed assets.

	Note	2016 Rupees	2015 Rupees
14 ACCRUED MARK-UP/ INTEREST			
Interest accrued on;			
- PLS term deposits	14.1	349,994	349,994
- receivables from associated undertakings	14.2	-	13,326,713
		<u>349,994</u>	<u>13,676,707</u>

- 14.1** During the year Company has not charged any profit on term deposits because these are under lien regarding guarantees provided by various financial institutions and carry mark-up ranging from 5.6% to 10.50% per annum (2015: 5.6% to 10.50% per annum).

- 14.2** These carry interest rate at nil (2015: 11.29% to 12.77%).

GULISTAN SPINNING MILLS LIMITED

	Note	2016 Rupees	2015 Rupees
15 TAX REFUNDS DUE FROM GOVERNMENT			
Export rebate		556,681	556,681
Advance income tax	15.1	-	-
Sales tax		6,050,170	11,155,891
		<u>6,606,851</u>	<u>11,712,572</u>
15.1 Advance income tax			
Opening balance		-	-
Deducted during the year		15,586	4,750,036
		<u>15,586</u>	<u>4,750,036</u>
Adjusted against provision for taxation	28	(15,586)	(4,750,036)
Closing balance		<u>-</u>	<u>-</u>
16 CASH AND BANK BALANCES			
Cash-in-hand		1,500	1,500
Balance with banks in;			
- current accounts		1,702,405	2,022,910
- saving accounts		52,687	52,687
- certificates of deposit	16.2	4,362,370	4,362,370
		<u>6,118,962</u>	<u>6,439,467</u>
16.1	Majority of the Company's bank accounts operations have been blocked by the respective banks due to on-going litigations with these banks as detailed in note 29.1.1 to the financial statements. Further, due to the litigation and blockage of bank accounts, bank statements and balance confirmation for the year ended June 30, 2016 from various banks having balances aggregating to Rs. 6,117,462 (2015: Rs. 6,263,703) is not available to ensure balances held with these banks.		
16.2	These are under lien regarding guarantees provided by various financial institutions and carry mark-up ranging from 5.6% to 10.50% (2015: 5.6% to 10.50%) per annum.		
17 SHARE CAPITAL			
2016	2015	2016	2015
Numbers	Numbers	Rupees	Rupees
<u>15,000,000</u>	<u>15,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>
		Authorized share capital	
		Ordinary shares of Rs. 10 each	
		Issued, subscribed and paid-up capital	
		Ordinary shares of Rs. 10 each issued as fully paid in cash	
6,838,330	6,838,330	68,383,300	68,383,300
		Ordinary shares of Rs. 10 each issued as fully bonus shares	
7,802,670	7,802,670	78,026,700	78,026,700
<u>14,641,000</u>	<u>14,641,000</u>	<u>146,410,000</u>	<u>146,410,000</u>
		2016	2015
		Number	Number
17.1 Ordinary shares held by the related party at the year end:			
Paramount Spinning Mills Limited		<u>202,777</u>	<u>202,777</u>
18 RESERVES			
Capital reserve			
Share premium	18.1	25,000,000	25,000,000
Un-realised loss on re-measurement of available for sale investment		(16,832)	(16,832)
		<u>24,983,168</u>	<u>24,983,168</u>

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

	Note	2016 Rupees	2015 Rupees
19 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Surplus arisen on revaluation of;			
- company's property, plant and equipment	19.1	366,954,801	376,966,815
- property, plant and equipment of associates	19.2	-	-
		<u>366,954,801</u>	<u>376,966,815</u>
19.1 Balance at the beginning of the year	19.1.1	513,043,806	1,105,381,583
Transfer to unappropriated profit in respect of incremental depreciation on;			
- surplus on revaluation of property, plant and equipment		(10,012,014)	(24,986,025)
- related deferred tax liability		(4,498,151)	(12,306,550)
		<u>(14,510,165)</u>	<u>(37,292,575)</u>
Transfer in respect of impairment loss on property, plant and equipment;	19.1.2		
- surplus on revaluation of property, plant and equipment		-	(377,430,736)
- related deferred tax liability		-	(177,614,466)
		<u>-</u>	<u>(555,045,202)</u>
Surplus on revaluation at the end of the year - gross		498,533,641	513,043,806
Related deferred tax liabilities on:			
- revaluation at the beginning of the year		136,076,991	325,998,007
- incremental depreciation on revalued assets		(4,498,151)	(12,306,550)
- impairment loss on revalued assets		-	(177,614,466)
		<u>131,578,840</u>	<u>136,076,991</u>
Surplus on revaluation at the end of the year - net of tax		<u>366,954,801</u>	<u>376,966,815</u>
19.1.1 This represents surplus over book values resulting from the revaluation of property, plant and equipment (free hold land) carried out on June 30, 2006, December 31, 2008 and February 03, 2009 by an independent valuer "Consultancy Support and Services". Further, the Company has incorporated a surplus on revaluation amounting to Rs. 1,108,315,411 on freehold land, building on freehold land, plant and machinery and power house, electric installation, factory equipment, air conditioner and leased hold power house based on valuation report by an independent valuer "Maricon Consultants (Private) Limited" in the year ended June 30, 2012. The valuation was based on fair value.			
19.1.2 The management has reviewed the carrying amounts of the Company's property, plant and equipment at the reporting date and has identified circumstances indicating occurrence of impairment loss, which include but not limited to, physical damage, wear and tear, high idle capacity due to financial and operational difficulties, plant to dispose assets before previous expected date (see note 1.3 (i)) and evidence that economic performance of items of property, plant and equipment is worse than expected.			
19.2 Balance at the beginning of the year		-	(2,340,569)
Reversed during the year		-	2,340,569
		<u>-</u>	<u>-</u>

	2016 Rupees	2015 Rupees
20 SUB-ORDINATED LOAN - unsecured		
Sub-ordinated loan	103,000,000	103,000,000

This is an interest-free loan obtained from Director of the Company in previous years. This loan is sub-ordinated to the finances provided by secured creditors and does not carry mark-up. The loan shall not be repaid without obtaining consent from the secured creditors. During the year ended June 30, 2015 this loan has been reclassified in equity as per technical release (TR-32) of the Institute of Chartered Accountants of Pakistan (ICAP).

	Note	2016 Rupees	2015 Rupees
21 LONG-TERM FINANCING			
From banking company - secured			
Faysal Bank Limited	21.1	-	-
From financial institution company - secured			
PAIR Investment Company Limited	21.2	-	-
From related party - unsecured			
Director	20	-	-
Gulistan Fibres Limited	21.5	-	74,818,341
		-	74,818,341
21.1 Faysal Bank Limited			
Balance at beginning of the year		21,428,572	21,428,572
Less: current portion:			
- over due instalments		(21,428,572)	(21,428,572)
Balance at end of the year		-	-

The short-term borrowing of the Company were converted into long-term finance loan of Rs. 30 million from Faysal Bank Limited during the financial year ended June 30, 2012. The loan was repayable in 4 years in 7 equal semi-annual instalments including the grace period of six months commencing from July 30, 2012. It is secured by way of demand promissory note of Rs. 48,757,339, first pari passu equitable mortgage and hypothecation charge on fixed assets of Company and memorandum of constructive deposit of title deeds amounting to Rs.100 million. As an additional security measure the Sponsors/Directors loans was subordinated via formal subordination agreement. The loan carries mark-up at the rate of 3 month KIBOR plus 2.5% per annum payable quarterly. The charge is commonly shared for short-term borrowing also as detailed in note 26.1.

	2016 Rupees	2015 Rupees
21.2 PAIR Investment Company Limited		
Balance at beginning of the year	150,000,000	150,000,000
Less: current portion:		
- over due instalments	(150,000,000)	(150,000,000)
Balance at end of the year	-	-

During the year ended June 30, 2012 the Company obtained long-term facility of Rs. 150 million from PAIR Investment Company Limited (formerly Pak Iran Joint Investment Company Limited) for the debt swap and balancing, modernizing and replacement (BMR). The said loan was repayable in 5 year in 16 equal quarterly instalment including the grace period of 12 months commencing from June 30, 2013. The long-term facility carries mark-up rate of 3 month KIBOR plus 350 bps.

The loan is secured by way of letter of hypothecation of Rs 467 million inclusive of margin of 25% over fixed asset of the Company and a letter of hypothecation of Rs. 267 million over current assets of the Company in favour of PAIR. These charges shall be subordinate to the existing charges created in favour of the existing creditors. The charge over the fixed assets shall be upgraded to pari passu charge ranking pari passu with the charges created in favour of the existing creditor within 90 day of the date of first draw down.

21.3 The Company filed a suit in the Honorable Lahore High Court against all banks / financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for rendition of accounts and damages and lending banks have also filed suits before different high courts for recovery of their long-term and short-term liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties as fully disclosed in note 29.1.1. Due to these litigations, year-end confirmations amounting to Rs. 150 million from all lenders have not been received.

21.4 Due to the above mentioned litigations, the Company's financial arrangements with these banking companies are disputed and these liabilities have become payable on demand, so the entire amount of long-term finance has been grouped in current portion of non-current liabilities in accordance with the requirements of International Accounting Standard (IAS)-1 'Financial Statement Presentation'.

	Note	2016 Rupees	2015 Rupees
21.5 Gulistan Fibres Limited			
Gulistan Fibres Limited		74,818,341	74,818,341
Less: current portion:			
- over due instalments		(74,818,341)	-
Balance at end of the year		-	74,818,341

This loan has been created in accordance with the settlement agreement and agreement to sell dated December 30, 2013 executed between Silk Bank Limited (the Lender), Gulshan Spinning Mills Limited (an associated company), Paramount Spinning Mills Limited (an associated company), Gulistan Fibres Limited (an associated company) and the Company. As per these agreements, short-term borrowings and outstanding bills payables aggregating Rs. 99 million of the Company have been adjusted by the Lender against mortgaged property of the Gulistan Fibres Limited, under the debt-property swap arrangement.

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

	Note	2016 Rupees	2015 Rupees
22 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Balance at the beginning of year		15,287,209	17,199,239
Less: payments made during the year		-	(1,912,030)
		15,287,209	15,287,209
Less: current portion;			
- current maturity		-	1,224,136
- overdue instalment	22.2	15,287,209	14,063,073
- due after June 30, 2016		-	-
		15,287,209	15,287,209
Balance at end of the year		-	-

- 22.1 The Company had acquired plant and machinery and vehicles under finance lease arrangements from leasing companies, modaraba and banks. These liabilities, during the year, were subject to finance cost at the rates ranging from 7.00% to 16.77% (2015: 7.00% to 16.77%) per annum. The Company intends to exercise its option to purchase the leased assets upon completion of the lease term. The lease finance facilities are secured against title of the leased assets in the name of lessors.
- 22.2 The Company filed a suit in the Honorable Lahore High Court against all banks / financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001. Further, various lessors have also filed suits before banking court and the Honorable High Court of Sindh for recovery of lease finance through attachment and sale of charged properties as fully disclosed in note 29.1.1. Due to these litigations, year-end confirmations from all lessors have not been received.
- 22.3 Due to the facts explained in note 22.2 above, the entire amounts of the lease finances have become payable on demand, therefore, the amount of future finance cost is not ascertainable as at June 30, 2016 and June 30, 2015. The disclosures of future minimum lease payments is prepared according to existing repayment schedules and provided only to comply with the disclosure requirement of IAS - 17 'Leases'. According to the existing repayment schedules, the future minimum lease payments under these lease finance agreements are due as follows;

	2016			2015		
	Minimum lease payments	Finance charges for future periods	Present value of minimum lease payments	Minimum lease payments	Finance charges for future periods	Present value of minimum lease payments
	Rupees			Rupees		
Payable within one year	16,199,304	912,095	15,287,209	16,199,304	912,095	15,287,209
Payable after one year but not later than five years	-	-	-	-	-	-
	16,199,304	912,095	15,287,209	16,199,304	912,095	15,287,209

23 DEFERRED LIABILITIES

	Note	2016 Rupees	2015 Rupees
Staff retirement benefits - gratuity	23.1	708,861	2,897,478
Deferred taxation	23.2	158,650,919	155,438,545
		<u>159,359,780</u>	<u>158,336,023</u>

23.1 Staff retirement benefits - gratuity

23.1.1 Movement in the net liability recognised in the balance sheet

Net liability at beginning of the year		2,897,478	14,275,702
Charge to profit and loss account	23.1.3	-	3,293,248
Benefits paid during the year		(2,188,617)	(14,671,472)
Closing net liability		<u>708,861</u>	<u>2,897,478</u>

23.1.2 Movement in present value of defined benefit obligation

Balance at beginning of the year		2,897,478	14,275,702
Current service cost		-	3,293,248
Benefits paid		(2,188,617)	(14,671,472)
Balance at end of the year		<u>708,861</u>	<u>2,897,478</u>

23.1.3 Expense recognised in the profit and loss account

Current service cost	-	3,293,248
Net amount recognised in profit and loss account	-	3,293,248

23.1.4 Expense is allocated as follows;

Cost of sales	-	2,280,000
Administrative Expenses	-	1,013,248
Net amount recognised in profit and loss account	-	3,293,248

23.1.5 Actuarial valuation has been carried out at June 30, 2014 using the "Projected Unit Credit Method" assuming a discount rate of 13.25% per annum, expected rate of increase in salaries at 12.25% per annum and average expected remaining working life time of employees is 5 (2015: 5) years.

During the year the Company has not carried out actuarial valuation, hence, provision for gratuity is calculated on assumptions set forth in the actuarial valuation carried out for the previous reporting year.

23.1.6 No recent actuarial evaluation is available, therefore, expected charge for the year ending June 30, 2016 could not be disclosed.

	Note	2016 Rupees	2015 Rupees
23.2 Deferred taxation			
The net liability for deferred taxation comprises timing differences relating to;			
Taxable temporary differences (deferred tax liabilities)			
Accelerated tax depreciation - owned assets		86,334,514	98,562,972
Surplus on property, plant and equipment		116,675,503	283,706,171
Assets subject to finance lease		8,254,328	8,952,052
Deductible temporary differences (deferred tax assets)			
Staff retirement benefits - gratuity		(219,747)	(927,193)
Provisions and allowances		(47,654,644)	(52,349,084)
Brought forward tax losses		-	-
Liabilities against assets subject to finance lease		(4,739,035)	(4,891,907)
Impairment loss on property, plant and equipment		-	(177,614,466)
		158,650,919	155,438,545
Opening balance		155,438,545	325,998,007
Charged / adjusted during the year			
- deferred tax expense for the year		3,212,374	7,055,004
- charge on Impairment of property, plant and equipment		-	(177,614,466)
		3,212,374	(170,559,462)
Closing balance		158,650,919	155,438,545

Deferred tax asset in respect of the unused tax losses amounting Rs. 165,590,396(2015: Rs. 124,749,471) has not been recognised in these financial statements, being prudent. The management of the Company is of view that recognition of deferred tax asset will be reassessed as at June 30, 2018.

	Note	2016 Rupees	2015 Rupees
24 TRADE AND OTHER PAYABLES			
Creditors	24.1	168,363,526	158,430,676
Foreign bills payable	24.2	57,087,619	53,946,422
Advance from related parties		52,339,508	218,302,857
Advance from processing party		2,023,856	5,593,614
Accrued liabilities	24.3	15,579,197	14,608,857
Unclaimed dividend		619,529	619,529
Tax deducted at source		64,714	54,260
Other payable		145,100,424	9,036,603
		441,178,373	460,592,818

24.1 Creditors include Rs. 110,830,493 (2015: Rs. 110,830,493) against local LC payable. These amounts are overdue and under litigation with banking companies / financial institutions as disclosed in note 29.1.1. Financial institutions have not provided the confirmation of Rs. 110,830,493 (2015: Rs. 40,837,774) despite of repeated requests.

24.2 The amount is denominated in US dollar. The outstanding amount as at June 30, 2016 is US \$ 546,293 (2015: US \$ 546,293) aggregating to Rs. 57,087,619 (2015: Rs. 53,946,422). These amounts are overdue and under litigation with banking companies / financial institutions as disclosed in note 29.1.1. Financial institutions have not provided the confirmation despite of repeated requests.

24.3 Accrued liabilities includes the amount of Electric duty payable amounting to Rs. 1,906,625(2015: Rs. 1,906,625). The Company has obtained stay order from the Honourable Lahore High Court against the payment of electric duty to LESCO as detailed in note 29.1.3.

24.4 Advance from related parties include advances received from;

	Note	2016 Rupees	2015 Rupees
Gulshan Spinning Mills Limited,		51,424,332	51,249,321
Paramount Spining Mills Limited and		558,836	-
Mr. Tanveer Ahmed		356,340	-
		52,339,508	51,249,321

25 ACCRUED MARK-UP/ INTEREST

Mark-up / interest accrued on :

- long-term financing from banking companies	25.1	-	-
- long-term financing from associated undertaking	25.2	16,923,158	10,384,147
- liabilities against assets subject to finance lease	25.1	-	-
- short-term borrowings	25.1	-	-
- payables to associated undertaking	25.3	18,851,844	15,202,848
		35,775,002	25,586,995

25.1 During the year ended June 30, 2015, the Company has not provided mark-up / interest on its long-term finances, lease finances and short-term borrowings to the extent of Rs. 19.95 million, Rs. 0.078 million and Rs. 110.55 million respectively (2015: 21.71 million, Rs. 0.038 million and Rs. 137.73 million respectively) due to pending litigations with the financial institutions as detailed in note 29.1.1.

Further, as detailed in note 1.3, the management is in the process of finalisation of restructuring of its debts and as per indicative restructuring term sheet total accrued and outstanding mark-up due / payable till June 30, 2014 will be repaid on quarterly basis over a period of 2 years immediately after the completion of repayment term of principal i.e. 8 years. Un-provided mark-up / interest upto the balance sheet date aggregate to Rs. 703.51 million (2015: Rs. 572.93 million). This non-provisioning is in contravention with the requirements of IAS 23 - Borrowing Costs. The exact amount of un-provided mark-up / interest could not be ascertained because of non-availability of relevant information and documents due to on-going litigations with banks and financial institutions.

- 25.2 This amount represents mark-up payable to Gulistan Fibres Limited, an associated company, on long-term loan as per note 21.5
- 25.3 This represents amount of mark-up payable to associated undertakings on balances due over the normal credit terms. The mark-up is charged on the basis of average borrowing rate of the lender, effective rate of 6.99% (2015: 8.35%).

	Note	2016 Rupees	2015 Rupees
26 SHORT-TERM BORROWINGS			
From banking companies and other financial institutions			
Short-term borrowings - secured	26.1	1,144,495,742	1,144,495,742
Bank overdraft	26.2	623,923	623,923
		<u>1,145,119,665</u>	<u>1,145,119,665</u>

- 26.1 The Company had obtained aggregate borrowing facilities of Rs. 1,307 million (2015: Rs. 1,307 million). Short-term borrowing are secured against charge of stocks with a margin of 10% to 25%, hypothecation, moveable and trade debts, work-in-process, stores, lien on export bills receivable, charge against fixed assets, current assets of the Company and personal guarantees of some of the directors. These carried mark-up at the rate of 11.29% to 12.40% (2015: 11.29% to 12.40%) per annum payable quarterly.
- 26.2 This represents cheques issued by the Company in excess of balance with banks which would have been presented for payments in subsequent period.
- 26.3 The abovementioned balances are against expired finance facilities and have not been renewed by the respective banks / financial institutions. These banks and financial institutions have filed suits before different civil courts, banking courts and high courts for recovery of their financial liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The Company had also filed a suit in the Honorable Lahore High Court for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs as more fully detailed in note 29.1.1.
- 26.4 Year end balance confirmations aggregating Rs. 1,145,119,665 (2015: Rs. 983,084,764) of the lending banks / financial institutions have not been received due to above-mentioned litigation with them. Further, due to these litigations, bank statements for current financial year from all banks / financial institutions were also not available to ensure year end balances of these finance facilities.

	Note	2016 Rupees	2015 Rupees
27 CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long-term finances			
Faysal Bank Limited	21.1	21,428,572	21,428,572
PAIR Investment Company Limited	21.2	150,000,000	150,000,000
Gulistan Fibres Limited	21.5	74,818,341	-
Liabilities against assets subject to finance lease	22	15,287,209	15,287,209
		<u>261,534,122</u>	<u>186,715,781</u>

	Note	2016 Rupees	2015 Rupees
28 PROVISION FOR TAXATION			
Opening balance		5,084,645	5,834,645
Provided during the year			
		5,084,645	5,834,645
Tax adjusted		(15,586)	(15,586)
Closing balance		5,069,059	5,819,059

29 CONTINGENCIES AND COMMITMENTS**29.1 Contingencies****29.1.1 Liabilities towards banks and financial institutions disclosed in note 21,22,24,25 and 26.**

- (a) Various banks and financial institutions have filed recovery suits before the banking court, the Honourable High Court of Sindh and the Honourable Lahore High Court for recovery of their long-term and short-term liabilities and lease liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The aggregate amount of these claims is Rs. 1,989.55 million (2015: Rs. 1,776.66 million).

The management is strongly contesting the above mentioned suits on the merits as well as cogent factual and legal grounds available to the Company under the law. Since, all the cases are pending before various Courts therefore the ultimate outcome of these cases cannot be established.

- (b) The Company filed a global suit in the Honourable Lahore High Court (LHC) against various banks / financial institutions under Section 9 of the Financial Institutions (Recovery of Debts and Financials) 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 the respondent banks will not liquidate the Company's assets and operation of impugned judgement and decree dated September 11, 2013 will remain suspended meanwhile.

- 29.1.2** The Company has not provided for Rs. 6.8 million (2015: Rs. 6.8 million) in respect of infrastructure cess levied by the Government of Sindh. The case was decided against the Company by a single judge of the Honourable Sindh High Court. The decision was challenged before a bench of same High Court and stay for collection of cess was allowed. The Honourable High Court of Sindh decided the case by declaring that the levy and collection of infrastructure fee prior to December 28, 2006 was illegal and ultra vires and after that it was legal. The Company filed an appeal in the Honourable Supreme Court of Pakistan against the above-mentioned judgement of the Honourable High Court of Sindh. Further, the Government of Sindh also filed appeal against part of judgement decided against them.

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

As at June 30, 2016, the Company has provided bank guarantees aggregating Rs.8.95 million (2015: Rs. 8.95 million) in favour of the Excise and Taxation Department.

29.1.3 The Company has obtained stay order from Honourable Lahore High Court against the payment of electric duty to LESCO. However, an amount of Rs. 1,906,625 (2015: Rs. 1,906,625) had been provided in the accounts on account of electric duty.

29.1.4 The Bank of Punjab has filed a suit COS No. 50/ 2013 for recovery of Rs. 168.426 million on account of working capital facilities provided to the Company. The Company filed PLA No. 148-B/2013, in response to the summons issued by the Honourable Lahore High Court. The learned counsel of defendant in application to leave for defence raised many questions i.e. legality of plaintiff's claim and the authority of person, who filed the suit. After due consideration of PLA filed by the Company, it was established that objections raised by the Company's learned counsel were baseless and unreasonable. The Honourable Lahore High Court dismissed the application and decreed in favour of the plaintiff bank to the extent of Rs. 159.286 million.

The Company has filed appeal in the divisional bench of the Honourable Lahore High Court, and the case is being contested on merit. The execution order of impugned judgement have not been received by the Company during the reporting period.

29.1.5 Askari Bank Limited has filed a suit COS No. 40/2013 for recovery of Rs. 148.25 million. The Company filed PLA No. 105-B /2013, in response to the summon issued by the Honourable Lahore High Court. The court refuted all objections raised by the Company's learned counsel, and dismissed their application for leave to defend. Section 10 (1) of Financial Institutions (Recovery of Finances) Ordinance, 2001, states that. "the dismissal of the application for leave to defend means that all the allegations made in the plaint shall be deemed to be accepted and the banking court is obliged to pass a decree thereon". Therefore, the Honourable Banking Court decreed in favour of Plaintiff Bank, together with the costs of funds as contemplated by section 3 of above mentioned ordinance. The Company has filed appeal in the Divisional Bench of the Honourable Lahore High Court, and the case is still subjudice.

29.1.6 First Treet Manufacturing Modaraba has filed suit J.Misc. No. 02 of 2015 for winding-up of the Company. The said petition was disposed of by the Honourable High Court of Sindh, through its order dated April 18, 2017, since the parties have resolved the dispute amicably in an out-of-court settlement agreement dated February 28, 2016 executed at Lahore. All the parties to this agreement settled that outstanding amount will be paid in monthly installments till the entire payment is made. The management has not recognised the impact of the said agreement in these financial statements.

29.1.7 First National Bank Modarba has filed a suit against the Company for recovery of Rs. 51.842 million. The said suit was decreed vide judgment dated August 01, 2017 against the Company and the same was converted into execution proceedings by the court under section 19 of Financial Institutions (Recovery of Finances) Ordinance, 2001. Appropriate legal actions are being taken by the Company against the judgment and decree as well as the execution proceedings on the appropriate forums. The management has not recognised the impact of the said decree in these financial statements.

	Note	2016 Rupees	2015 Rupees
29.1.8 Bank guarantees issued on behalf of the company;			
Sui Northern Gas Pipelines Limited		19,862,200	20,362,200
Director of Excise and Taxation		8,957,572	8,957,572
		<u>28,819,772</u>	<u>29,319,772</u>

GULISTAN SPINNING MILLS LIMITED

29.2 Commitments

There is no capital commitment as at June 30, 2016 (2015: nil).

	Note	2016 Rupees	2015 Rupees
30 SALES - NET			
Processing income		3,000,000	-
31 COST OF SALES			
Raw material written-off / consumed	31.1	-	123,212,627
Stores and spare parts consumed	31.2	1,133,773	5,668,869
Fuel and power consumed		2,900,355	8,269,980
Salaries, wages and benefits	31.3	2,017,279	9,165,531
Insurance expense		768,177	4,262,664
Repair and maintenance		1,021,718	31,740
Depreciation	6.2	26,873,894	50,302,545
Others		-	2,040,447
		34,715,196	202,954,403
Finished goods stocks			
Stocks at beginning of the year		15,932,563	31,461,923
Stocks at end of the year		(15,932,563)	(15,932,563)
		-	15,529,360
		34,715,196	218,483,763
31.1 Raw material consumed			
Stocks at beginning of the year		77,589,827	200,802,454
Stocks at the end of the year		(77,589,827)	(77,589,827)
		-	123,212,627
31.2 Store and spare parts consumed includes the provision for slow moving items amounting to Rs. nil (2015: Rs. 5,668,869).			
31.3 Salaries, wages and benefits include staff retirement benefits amounting to Rs. nil (2015: Rs. 2,280,000).			
	Note	2016 Rupees	2015 Rupees
32 ADMINISTRATIVE EXPENSES			
Staff salaries and benefits	32.1	-	4,902,477
Rent, rates and taxes		80,864	1,152,300
Printing and stationery		27,504	83,410
Postage and telephone		27,575	57,149
Electricity, gas and water		-	18,757
Repair and maintenance		34,448	18,290
Vehicles running and maintenance		31,396	182,292
Advertising		-	60,550
Traveling and conveyance		34,990	183,868
Legal and professional		642,565	370,000
Auditor's remuneration	32.2	1,042,100	1,042,100
Fee and subscription		139,986	436,155
Insurance		-	47,000
Depreciation	6.2	690,808	1,158,033
Others		45,082	150,138
		2,797,318	9,862,519

32.1 Staff salaries and benefits include staff retirement benefits amounting to Rs. nil (2015: Rs. 1,013,248).

	Note	2016 Rupees	2015 Rupees
32.2 Auditor's remuneration			
Annual audit		942,200	805,200
Half yearly review		-	137,000
Compliance report on code of corporate governance		99,900	99,900
		<u>1,042,100</u>	<u>1,042,100</u>
33 OTHER EXPENSES			
Bad debt and other balances written off		-	12,694,500
Foreign exchange loss		3,141,197	-
		<u>3,141,197</u>	<u>12,694,500</u>
34 OTHER INCOME			
Income from financial assets			
Profit on defence saving certificates		1,702,645	3,095,371
Interest on receivables from associated undertakings		-	1,462,585
Reversal of bad debts		11,000,000	-
Income from non-financial assets			
Gain on sale of property, plant and equipment		1,319,364	1,891,761
		<u>14,022,009</u>	<u>6,449,717</u>
35 FINANCE COST			
Mark-up / interest on;			
- long-term financing - related party		6,639,011	8,381,522
- liabilities against assets subject to finance lease		-	139,968
- overdue payable balances of associated undertaking		3,648,996	364,127
Bank charges		383,384	935,714
		<u>10,671,391</u>	<u>9,821,331</u>
36 TAXATION			
Current	36.1	-	-
Deferred	23.2	(3,212,374)	(7,055,004)
		<u>(3,212,374)</u>	<u>(7,055,004)</u>
36.1 The provision of minimum tax under section 113 of the Income Tax Ordinance, 2001 has not been provided in these financial statements because the Company has suffered gross loss before depreciation and other inadmissible expenses. Further, no provision for alternative corporate tax under section 113C of Income Tax Ordinance, 2001, is incorporated as the company has suffered an accounting loss. Numeric tax rate reconciliation is, therefore, not required.			
	Note	2016 Rupees	2015 Rupees
37 LOSS PER SHARE - BASIC AND DILUTED			
Loss after taxation		<u>(37,515,467)</u>	<u>(251,467,400)</u>
		----- Number of shares -----	
Weighted average number of ordinary shares outstanding during the period		<u>14,641,000</u>	<u>14,641,000</u>

	2016 Rupees	2015 Rupees
Loss per share - basic and diluted	(2.56)	(17.18)

There is no dilutive effect on the basic loss per share of the Company.

	2016 Rupees	2015 Rupees
38 CHANGES IN WORKING CAPITAL		
Decrease / (increase) in current assets:		
Stores, spare parts and loose tools	-	328,600
Trade debts	10,784,249	(41,351)
Loans and advances	-	5,525,220
Trade deposits and short-term prepayments	(40,642)	7,308,782
Interest accrued	13,326,713	-
Tax refunds due from Government	5,105,721	1,862,586
	29,176,041	14,983,837
(Decrease)/increase in trade and other payables	(22,566,096)	37,381,608
	6,609,945	52,365,445

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

No remuneration was paid to chief executive officer and directors. However, the monetary value of the benefit given to director is Rs. nil (2015: Rs. nil)

	2016 Rupees	2015 Rupees
40 CASH AND CASH EQUIVALENTS		
Cash-in-hand	1,500	1,500
Cash with banks;		
- current accounts	1,702,405	2,022,910
- saving accounts	52,687	52,687
- certificates of deposit	4,362,370	4,362,370
	6,117,462	6,437,967
Bank overdraft	(623,923)	(623,923)
	5,495,039	5,815,544

41 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

41.1 Fair values of financial instruments

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

41.2 Methods of determining fair values

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

41.3 Discount / interest rates used for determining fair values

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

41.4 Significant assumptions used in determining fair values

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

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

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

42 FINANCIAL RISK EXPOSURE AND MANAGEMENT

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

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

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

42.1 Credit risk**42.1.1 Exposure to credit risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the long-term deposits, trade debts, trade deposits and other receivable, accrued mark-up and cash and bank balances. Out of total financial assets of Rs. 20 million (2015: 38.33 million), the financial assets which are subject to credit risk aggregate to Rs. 13.96 million (2015: 31.89 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows;

	Note	2016 Rupees	2015 Rupees
Long-term deposits		2,780,500	2,780,500
Trade debts		12,075,000	11,859,249
Trade deposits and other receivables		3,578,209	3,578,209
Accrued mark-up		349,994	13,676,707
Cash and bank balances		6,118,962	6,439,467
		<u>24,902,665</u>	<u>38,334,132</u>
42.1.2 Concentration of risk - geographical dispersion			
Local debtors		<u>12,075,000</u>	<u>11,859,249</u>

	2016 Rupees	2015 Rupees
42.1.3 Concentration of risk - type of customer		
Yarn	11,000,000	11,859,249
Processing	1,075,000	-
	<u>12,075,000</u>	<u>11,859,249</u>
42.1.4 Ageing of trade debts at the reporting date:		
Not past due	1,075,000	-
Past due 0 - 90 days	-	-
Past due 91 - 180 days	-	-
Past due 181 days - 1 year	-	-
More than one year	11,000,000	11,859,249
	<u>12,075,000</u>	<u>11,859,249</u>

42.2 Liquidity risk

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

	2016			2015		
	Carrying amount	Due within one year	Due after one year	Carrying amount	Due within one year	Due after one year
Rupees						
Non-derivative						
Financial liabilities						
Long-term financing	-	-	-	74,818,341	-	74,818,341
Liabilities against asset subject to finance lease	15,287,209	15,287,209	-	15,287,209	15,287,209	-
Trade and other payables	441,113,659	441,113,659	-	460,538,558	460,538,558	-
Accrued mark-up / interest	35,775,002	35,775,002	-	25,586,995	25,586,995	-
Short-term borrowings	1,144,495,742	1,144,495,742	-	1,144,495,742	1,144,495,742	-
	<u>1,636,671,612</u>	<u>1,636,671,612</u>	-	<u>1,720,726,845</u>	<u>1,645,908,504</u>	<u>74,818,341</u>

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

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

42.3 Market risk

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

(a) **Currency risk**

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

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

	US\$	Others	Rupees
Trade and other payables 2016	546,293	-	57,087,619
Trade and other payables 2015	546,293	-	55,557,998

	2016 Average rates	2015 Average rates	2016 Reporting date rates	2015 Reporting date rates
US Dollar to Pak Rupee	103.00	101.40	104.7/104.5	101.7/101.5

The following significant exchange rates applied during the year;

	2016 Average rates	2015 Average rates	2016 Reporting date rates	2015 Reporting date rates
US Dollar to Pak Rupee	103.00	101.40	104.7/104.5	101.7/101.5

Sensitivity analysis

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

	2016 Rupees	2015 Rupees
Effect on loss for the year		
US Dollar to Rupees	5,708,761	1,611,576

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

(b) **Interest rate risk**

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

	2016 Rupees	2015 Rupees
Fixed rate instruments		
Financial assets	15,471,666	13,769,021
Financial liabilities	-	-
Variable rate instruments		
Financial assets	4,415,057	4,415,057
Financial liabilities	1,159,782,951	1,161,694,981

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

42.4 Fair value of financial assets and liabilities

As at June 30, 2016, 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.

	2016 Rupees	2015 Rupees
42.5 Off balance sheet items		
Bank guarantees issued in ordinary course of business	<u>28,819,772</u>	<u>29,469,772</u>

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

42.7 Capital risk management

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

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

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

43 RELATED 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 39. Amounts due from and to related parties are shown under receivables and payables. Other significant transactions with related parties are as follows:

Nature of transaction	2016 Rupees	2015 Rupees
Related parties due to significant influence		
Interest expense	10,288,007	8,745,649
Interest income	-	1,462,585
Loan received	19,236,544	96,953,305
Loan paid	18,502,697	-
Interest received	-	838,326
Receipts	-	143,903

All material transactions with related parties are at arm's length.

	2016 Rupees	2015 Rupees
44 CAPACITY AND PRODUCTION		
Number of spindles installed	24,096	24,096
Number of spindles on the basis of shifts worked	-	-
Number of shifts worked	-	-
Installed capacity in kilograms after conversion into 20/s counts	Kg. 8,029,854	8,029,854
Actual production of yarn in kilograms after conversion into 20/s counts	Kg. -	-
All counts production	-	-

44.1 The Company has not carried out any operations during the current reporting financial year due to the circumstances disclosed in note 1.3 resulting in cessation of operations.

44.2 It is difficult to precisely describe production capacity and the resultant production in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw material used, spindle speed, twist etc.

44.3 Severe energy crisis in the form of unscheduled and unprecedented gas and electricity load shedding catastrophically impaired the production of the company resulting in a major production short fall. Financial institutions have also curtailed the short-term limits and froze the funds in current accounts to clear the mark-up and other dues. These all factors caused production short fall in previous reporting periods.

	2016Number.....	2015
45 NUMBER OF EMPLOYEES		
Number of employees as at June 30,		
- Permanent	6	49
- Contractual	-	1
Average number of employees during the year		
- Permanent	28	47
- Contractual	1	1

46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 22 March 2018 by the board of directors of the Company.

47 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for better presentation wherever considered necessary, the effect of which is not material.


Sohail Maqsood
Chief Executive


M. Akhtar Mirza
Director

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

	2016	2015	2014	2013	2012	2011	2010	2009
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
				Restated	Restated			
OPERATING RESULTS								
Total number of Spindles installed	24,096	24,096	24,096	24,096	24,096	24,096	24,096	24,096
Total number of Spindles shifts worked	0	0	12,640,903	16,734,898	18,213,477	26,168,256	26,168,256	26,168,256
Instal capacity 20's Count	8,029,854	8,029,854	8,029,854	8,029,854	8,029,854	8,029,854	8,029,854	8,029,854
Production converted into 20's Count	0	0	2,040,769	3,953,027	4,926,814	6,033,322	7,161,957	7,416,142
Number of shifts worked	0	0	906	695	756	1,086	1,086	1,086
PROVISION FOR TAXATION								
Turnover	3,000,000	-	316,169,386	603,481,851	1,602,248,153	2,662,982,274	1,851,263,217	1,371,413,538
Gross Profit	(31,715,196)	(218,483,763)	(83,047,742)	(53,995,998)	(1,237,300,539)	324,019,193	313,955,988	235,285,080
Operating Expenses	5,938,515	22,557,019	27,434,865	53,913,080	133,884,763	89,410,804	7,169,136	4,235,862
Operating Profit	(37,653,711)	(241,040,782)	(110,482,606)	(107,841,712)	(1,371,185,302)	234,608,390	235,587,283	137,789,603
Other Income	14,022,009	6,449,717	6,058,009	9,190,855	130,156	25,699,752	4,168,914	6,847,152
Financial & Other Charges	10,671,391	9,821,331	5,897,274	14,329,639	122,764,187	174,466,762	150,046,753	156,384,519
Profit for the year before taxation	(34,303,093)	(244,412,396)	(110,351,599)	(116,337,870)	(1,542,028,549)	85,841,380	92,727,621	20,710,522
PROVISION FOR TAXATION								
Current year	-	-	-	1,570,088	6,921,780	25,114,497	13,636,360	8,015,293
Proir year	-	-	457,564	-	(1,275,722)	-	-	-
taxation	(3,212,374)	(7,055,004)	(13,058,558)	(13,147,379)	(22,114,252)	33,446,243	26,206,489	7,380,510
Profit for the year after taxation	(37,515,467)	(251,467,400)	97,293,041	(103,190,491)	(1,519,914,297)	52,395,137	66,536,132	13,330,012
Unappropriated Profit brought forward	(1,619,094,065)	(1,390,272,121)	(1,386,387,904)	(1,324,770,734)	207,423,976	155,028,839	97,287,923	109,367,911
Profit available for appropriation	(1,646,597,518)	(1,619,094,065)	(1,390,272,121)	(1,386,387,904)	(1,324,770,734)	207,423,976	163,824,055	122,697,923
APPROPRIATION								
Proposed Dividend	Nil	Nil	Nil	Nil	Nil	10% Cash Dividend	10% Cash Dividend	10% Bonus
Unappropriated Profit Carried Forward	(1,646,597,518)	(1,619,094,065)	(1,390,272,121)	(1,386,387,904)	(1,324,770,734)	207,423,976	163,824,055	122,697,923
FINANCIAL POSITION								
Paid up Capital	146,410,000	146,410,000	146,410,000	146,410,000	146,410,000	146,410,000	146,410,000	133,100,000
Share Holder Equity	(1,475,204,350)	(1,447,700,897)	(1,218,863,218)	(1,214,977,904)	(1,153,360,734)	378,833,975	333,234,055	268,592,848
Long Term Loans	103,000,000	177,818,341	177,818,341	171,428,572	180,000,000	0	66,600,500	111,135,000
Obligation under Finance Leases	15,287,299	15,287,299	17,199,239	17,595,397	18,969,781	39,178,099	72,926,223	72,068,118
Deferred Liabilities	159,359,780	158,036,323	340,273,708	370,509,613	243,821,853	47,321,392	36,817,074	21,636,578
Current Liabilities	1,888,676,221	1,823,099,904	1,786,091,300	1,847,576,521	1,907,156,271	1,368,311,524	1,151,971,782	1,092,807,302
Fixed Assets	896,048,764	923,854,824	1,531,854,852	1,584,120,727	1,637,133,807	539,604,656	545,896,931	557,588,264
Long term Investments	15,471,666	13,769,021	10,735,485	9,838,228	12,667,534	58,913,782	40,853,618	27,160,724
Long term Deposit	2,780,500	2,780,500	2,780,500	1,273,000	2,008,468	5,332,480	74,423,030	991,235
Current Assets	128,485,522	148,115,841	316,992,301	368,854,776	487,816,512	1,397,975,329	1,173,633,329	1,073,758,099

GULISTAN SPINNING MILLS LIMITED

Pattern of Shareholding AS AT JUNE 30, 2016

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

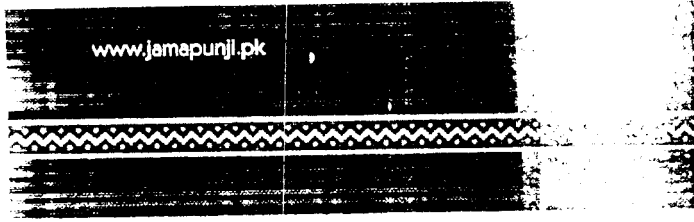
* Note: There is no shareholding in the slab not mentioned

CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2016

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

**CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2016**

A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	SHARES
Paramount Spinning Mills Limited	202,777
B) NIT & ICP	
IDBL (ICP UNIT)	464
Investment Corporation of Pakistan	500
C) DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN	
<u>DIRECTORS</u>	
Mr. Tanveer Ahmed	2,584,136
Mr. Riaz Ahmed	1,486
Mr. MAQSOOD UL HAQ	500
Mr. Sohail Maqsood	550
Mr. Muhammad Akhtar Mirza	500
Mr. Iftikhar Ali	500
Mr. Muhammad Yousuf	553
<u>SPOUSES</u>	
Mrs. Naureen Tanveer	1,366,910
Mr. Ebrahim Shakoor	169,103
D) BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS	
<u>BANKS</u>	
National Bank of Pakistan	148,992
The Bank of Punjab, Treasury Division	277,500
E) OTHER COMPANIES	5,541,157
F) JOINT STOCK COMPANIES	78,550
G) GENERAL PUBLIC (LOCAL)	4,266,822
	<u>14,641,000</u>
H) SHAREHOLDERS HOLDING 05% OR MORE	
Mr. Tanveer Ahmed	2,584,136
Mr. Abdul Shakoor	1,101,822
Mrs. Naureen Tanveer	1,366,910
Peridot Products (Pvt) Limited	1,350,655
BLESSED CORPORATION (PVT.) LTD.	1,450,000
OPAL (SMC-PRIVATE) LIMITED	1,400,000
I) TRADING IN THE SHARES OF COMPANY DURING THE YEAR BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN	500



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