

GULISTAN SPINNING MILLS LIMITED

ANNUAL REPORT 2023

GULISTAN SPINNING MILLS LTD

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GULISTAN SPINNING MILLS LIMITED
COMPANY INFORMATION

| | |
|--|--|
| BOARD OF DIRECTORS | Mr. Muhammad Akhtar Mirza (Chairman) Mr. Sohail Maqsood (Chief Executive) Mr. Muhammad Ashraf Khan Mr. Muhammad Junaid Mrs. Zarqa Asif Mr. Abid Sattar Mr. Muhammad Arif |
| AUDIT COMMITTEE | Mr. Muhammad Junaid (Chairman) Mr. Muhammad Akhtar Mirza Mr. Abid Sattar |
| HR & REMUNERATION COMMITTEE | Mr. Muhammad Arif (Chairman) Mr. Muhammad Akhtar Mirza Mr. Abid Sattar |
| CHIEF FINANCIAL OFFICER | Mr. Salman Ali Riaz |
| COMPANY SECRETARY | Mr. Muhammad Ijaz |
| AUDITORS | M/s. Malik Haroon Shahid Safdar & Co Chartered Accountants Lahore. |
| LEGAL ADVISOR | Akhter Javed-Advocate |
| SHARE REGISTRAR OFFICE | M/s. Hameed Majeed Associates (Pvt) Ltd. Karachi Chamber Hasrat Mohani Road Karachi Ph. 32424826, 32412754, Fax. 32424835 |
| REGISTERED OFFICE | 2nd Floor, Finlay House, I.I. Chundrigar Road, Karachi. |
| REGIONAL OFFICE | 2nd Floor, Garden Heights, 8Aibak Block, New Garden Town, Lahore. |
| MILLS | Unit-II Jumber Khurd Tehsil Chunnian Dist. Kasur |
| WEB PRESENCE | http://www.gulistan.com.pk/corporate/gulistan.html |

Gulistan Spinning Mills Limited

CORPORATE VISION / MISSION STATEMENT



Vision:

We aim to re-built the Company.



Mission:


To become again a quality manufacturer of textile products.

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 **Saturday 28th October, 2023 at 09:30 a.m.**, to transact the following business:

1. To confirm the minutes of the last Annual General Meeting of the Company.
2. To receive, consider and adopt the audited financial statements of the Company for the financial year ended on June 30, 2023 together with Directors' and Auditors' Reports thereon.
3. To appoint auditors of the company for the next financial year 2023-2024 and fix their remuneration. The retiring Auditors M/s Malik Haroon Shahid Safder and Co, Chartered Accountants, being eligible, have offered themselves for reappointment as Auditors of the company.
4. To transact any other business with the permission of the Chairman.

By Order of the Board
Muhammad Ijaz
Company Secretary



Lahore:
October 07, 2023
NOTES:

1. The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from **21st October, 2023 to 28th October, 2023 (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 اسپینگ ملز لمیٹڈ سالانہ جنرل میٹنگ کا نوٹس۔

نوٹس اس طرح دیا گیا ہے کہ گلستان اسپینگ ملز لمیٹڈ ("کمپنی") کی سالانہ جنرل میٹنگ دوسری منزل فنلے ہاؤس ، I.I میں منعقد ہوگی۔ چندریگر روڈ ، کراچی ہفتہ 28 اکتوبر ، 2023 کو 09:30 بجے ، درج ذیل کاروبار کرنے کے لیے:

1. کمپنی کی آخری سالانہ جنرل میٹنگ کے منٹس کی تصدیق کرنا۔
2. 30 جون 2023 کو ختم ہونے والے مالی سال کے لیے کمپنی کے آڈٹ شدہ مالی بیانات کو وصول کرنے ، ان پر غور کرنے اور ان کو اپنانے کے لیے ڈائریکٹرز اور آڈیٹرز کی رپورٹس کے ساتھ۔
3. اگلے مالی سال 2023-2024 کے لیے کمپنی کے آڈیٹر مقرر کرنا اور ان کا معاوضہ طے کرنا۔ ریٹائر ہونے والے آڈیٹرز میسرز ملک بارون شاہد صفدر اینڈ کمپنی ، چارٹرڈ اکاؤنٹنٹس ، اہل ہونے کے باوجود ، کمپنی کے آڈیٹر کے طور پر دوبارہ تقرری کے لیے پیش ہونے ہیں۔
4. چیئرمین کی اجازت سے کسی دوسرے کاروبار کا لین دین کرنا۔

بورڈ کے حکم سے۔

محمد اعجاز۔

لاہور: کمپنی سیکرٹری۔

07 اکتوبر 2023۔

نوٹس:

- 1- کمپنی کی شینر ٹرانسفر بکس بند رہیں گی اور 21 اکتوبر 2023 سے 28 اکتوبر 2023 (دونوں دن شامل) کے رجسٹریشن کے لیے شینرز کی کوئی منتقلی قبول نہیں کی جائے گی۔
- 2- عام اجلاس میں شرکت اور ووٹ دینے کا حقدار رکن کسی دوسرے ممبر کو تحریری طور پر اجلاس میں شرکت اور اپنی طرف سے ووٹ دینے کے لیے مقرر کر سکتا ہے۔ پراکسی کا مکمل طور پر مکمل شدہ فارم کمپنی کے ساتھ کمپنی کے رجسٹرڈ آفس میں جمع کروانا ضروری ہے جو کہ میٹنگ کے مقررہ وقت سے 48 گھنٹے پہلے نہیں۔
- 3- سی ڈی سی اکاؤنٹ ہولڈرز سے درخواست کی جاتی ہے کہ وہ شناخت کے لیے سہولت کے لیے میٹنگ کے وقت شرکت کنندہ آئی ڈی اور اپنا اکاؤنٹ نمبر کے ساتھ اپنا CNIC ساتھ لائیں۔ کارپوریٹ ادارے کے معاملے میں ، نامزد کے نمونے کے دستخط کے ساتھ ایک مصدقہ BOD ریزولوشن/درست پاور آف اٹارنی میٹنگ کے وقت پیش کی جائے گی۔
- 4- ممبران سے درخواست کی جاتی ہے کہ وہ فوری طور پر اپنے پتے (اگر کوئی ہو) ہمارے شینرز رجسٹرار میسرز حمید مجید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ ، کراچی چیمبر ، حسرت موبانی روڈ ، کراچی کو مطلع کریں

GULISTAN SPINNING MILLS LIMITED

CHAIRMAN REVIEW

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

The Company is very hopeful that with restructuring and settlement of amounts, the pending issues with financial institutions will be resolved, the financial health of the Company will be improved which will enable the Company to focus on new profitable avenues. The scheme of arrangement with creditors has been signed and submitted in Sindh High court Karachi. The shareholders have already approved the Scheme in the meeting dated 15.07.2019 held by the chairman appointed by the court pursuant to the order dated 21.06.2019. The creditors of the company have also approved the Scheme by requisite majority in their meeting held on 30.03.2022. The Scheme shall become binding and operative subject to the sanction of the Scheme by the Court. All pending litigations with banks will be withdrawn as per the Scheme of Arrangement.

ACKNOWLEDGEMENTS

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


Muhammad Akhtar Mirza

Lahore :- Oct-06-2023

گلستان سپینگ ملز لمیٹڈ

چیئرمین کا جائزہ

M/S گلستان اسپینگ ملز لمیٹڈ ("کمپنی") کے بورڈ آف ڈائریکٹرز کے چیئرمین کے طور پر خدمات انجام دینا میرے لیے اعزاز کی بات ہے۔ میں اپنے معزز شیئر ہولڈرز کا شکریہ ادا کرنا چاہوں گا کہ انہوں نے مجھے کمپنی کی رہنمائی کی ذمہ داری سونپی۔

کمپنی کو پوری امید ہے کہ تنظیم نو اور رقوم کی تصفیہ کے ساتھ مالیاتی اداروں کے زیر التوا مسائل حل ہو جائیں گے، کمپنی کی مالی صحت بہتر ہو جائے گی جس سے کمپنی نئی منافع بخش راہوں پر توجہ مرکوز کر سکے گی۔ قرض دہندگان کے ساتھ بندوبست کی اسکیم پر دستخط کر کے سندھ ہائی کورٹ کراچی میں جمع کرائے گئے ہیں۔ 21.06.2019 کے حکم کے مطابق عدالت کی طرف سے مقرر کردہ چیئرمین کی طرف سے منعقدہ 15.07.2019 کی میٹنگ میں شیئر ہولڈرز پہلے ہی اسکیم کی منظوری دے چکے ہیں۔ کمپنی کے قرض دہندگان نے بھی 30.03.2022 کو ہونے والی اپنی میٹنگ میں مطلوبہ اکثریت سے اسکیم کی منظوری دے دی ہے۔ اسکیم عدالت کی طرف سے اسکیم کی منظوری کے بعد پابند اور آپریٹو بن جائے گی۔ بینکوں کے ساتھ زیر التوا تمام قانونی چارہ جوئی کو سکیم آف آرینجمنٹ کے مطابق واپس لے لیا جائے گا۔

اعترافات

ہمارے بورڈ کی کارکردگی اور کمپنی کی انتظامیہ اور عملہ کی طرف سے فراہم کی جانے والی خدمات کو سراہا جاتا ہے۔



محمد اختر مرزا

لاہور: اکتوبر 2023-06



Gulistan Spinning Mills Limited

2nd Floor Finlay House I.I. Chundrigar Road,
Karachi (Pakistan)

Director's/Chairman Report to Shareholders

The Directors of your Company are pleased to place their report together with the Auditor's Report and audited Financial Statements of the Company for the year ended June 30, 2023 at the Annual General Meeting of Company.

Overview

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

Operating & Financial Performance

| Operating indicators | 2023 | 2022 |
|------------------------|--------------|-------------|
| | (Rupees) | (Rupees) |
| Sales | - | - |
| Cost of goods sold | - | - |
| Financial cost | (1206) | (3852) |
| Pre tax Loss | (30,619,033) | (2,761,946) |
| Provision for taxation | - | - |
| Loss after taxation | (30,619,033) | (2,761,946) |

Future Outlook

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

Auditors' Observations

- Stock in trade is not verifiable because various go-downs have been sealed as per the court order(s). Therefore, the go-down will be de-sealed with the permission of the concerned court(s).
- The auditor shows their reservation only that they have not received the confirmation directly from the Banks to them due to pending litigation with banks per their normal audit procedure. However, it is relevant to mention here that in annexed financial statement, the amount of loan has been taken from



Gulistan Spinning Mills Limited

2nd Floor Finlay House I.I. Chundrigar Road ,
Karachi (Pakistan)

the Scheme of Arrangement which was confirmed by the secured creditors and was submitted before the Court.

- Trade and others payable include Electric duty and Sindh Infrastructure Development Cess as reported in Note No.17 & 17.1 wherein litigation is pending adjudication before Court of competent jurisdiction, No.17

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. Sohail Maqsood | 4 |
| Mr. Abid Sattar | 4 |
| Mr.Muhammad Akhtar Mirza | 3 |
| Mr Muhammad Ashraf Khan | 4 |
| Mr.Muhammad Junaid | 4 |
| Mrs.Zarqa Asif | 2 |
| Mr.Muhammad Arif | 4 |

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

Audit Committees

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

| Name of Members | No of meeting attended |
|--------------------|------------------------|
| Mr.Muhammad,Junaid | 4 |
| Mr.Abid Sattar | 4 |
| Mr. M.Akhtar Mirza | 4 |

HR & Remuneration Committee

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

Internal Audit Function



Gulistan Spinning Mills Limited

**2nd Floor Finlay House I.I. Chundrigar Road ,
Karachi (Pakistan)**

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

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

Corporate Governance & Financial Reporting Framework

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

- The financial statements prepared by the Management of the Company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound and has been effectively implemented and monitored.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- Key operating and financial data for the last six years is annexed.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2023 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, 2023 was Rs.(2.09) as compared to the previous year of Rs. (0.19)

Dividends

Due to circumstances discussed above, the Board of Directors does not recommend dividend for the year ended on June 30, 2023.

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 <http://www.gulshan.com.pk/corporate/gulistan.htm> for information of the shareholders and others.



Gulistan Spinning Mills Limited

2nd Floor Finlay House I.I. Chundrigar Road ,
Karachi (Pakistan)

Related Party Transactions

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

Trading in Company's Shares

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

Statement on Value of Staff Retirement Benefit

As on June 30, 2023 deferred liability for gratuity is Rs.2,863/-

Auditors

M/s Malik Haroon Shahid Safder & Co., Chartered Accountants being eligible have offered themselves for re-appointment. The Audit Committee has also recommended their appointment as External Auditors of the Company for the next financial year 2023 - 2024.

Pattern of Shareholding

The pattern of shareholding as at June 30, 2023 including the information under the code of corporate of governance is annexed.

Acknowledgement

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

On behalf of the Board

MUHAMMAD AKHTAR MIRZA
CHAIRMAN

SOHAIL MAQSOOD
CHIEF EXECUTIVE

Lahore October 06, 2023

گلستان سپینگ ملز لمیٹڈ

شینر ہولڈرز کو ڈائریکٹر/چینرمن کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز کو کمپنی کی سالانہ جنرل میٹنگ میں 30 جون 2023 کو ختم ہونے والے سال کے لیے آڈیٹر کی رپورٹ اور کمپنی کے آڈٹ شدہ مالیاتی بیانات کے ساتھ اپنی رپورٹ پیش کرنے پر خوشی ہے۔
جائزہ

مالیاتی اداروں کے ساتھ قانونی چارہ جونی نے کمپنی کو مجبور کیا کہ وہ اپنے قرض دہندگان کے ساتھ اپنے وعدوں کو پورا کرنے کے لیے مفاہمت سے مشروط اپنی قرض کی ذمہ داریوں کی تنظیم نو شروع کرے۔ کمپنی نے اہم قرض دینے والے مالیاتی اداروں کی مدد سے قرض کی تنظیم نو کا عمل شروع کیا ہے۔ اس سلسلے میں کمپنیز ایکٹ 2017 کے سیکشن 279 سے 283 اور 285 کے تحت ایک اسکیم آف اریٹجمنٹ (اسکیم آف اریٹجمنٹ) پر زیادہ تر محفوظ قرض دہندگان نے دستخط کیے ہیں اور کراچی میں سندھ ہائی کورٹ ("عدالت") میں زیر سماعت ہے۔ کمپنی کے حصص یافتگان اور قرض دہندگان نے پہلے ہی عدالت کی طرف سے مقرر کردہ چیئر پرسن کی زیر صدارت اجلاس میں اسکیم کے حق میں مطلوبہ اکثریت سے قرارداد منظور کر لی ہے۔ عدالت کی طرف سے اسکیم کی منظوری کے بعد اسکیم کے لحاظ سے قرض دہندگان کے ذریعہ قانونی چارہ جونی واپس لے لی جائے گی۔

آپریٹنگ اور مالیاتی کارکردگی

| Operating indicators | 2023 | 2022 |
|------------------------|--------------|-------------|
| | (Rupees) | (Rupees) |
| Sales | - | - |
| Cost of goods sold | - | - |
| Financial cost | (1206) | (3852) |
| Pre tax Loss | (30,619,033) | (2,761,946) |
| Provision for taxation | - | - |
| Loss after taxation | (30,619,033) | (2,761,946) |

مستقبل کا آؤٹ لک

تنظیم نو کا عمل جلد ہی مکمل ہونے کی امید ہے، ایک بار جب عدالت کی طرف سے ترتیب کی اسکیم کی منظوری دے دی جائے گی اور اس پر عمل درآمد ہو جائے گا، تو کمپنی آگے بڑھنے کے لیے بہتر پوزیشن میں ہوگی۔

آڈیٹرز کے مشاہدات

— تجارت میں اسٹاک قابل تصدیق نہیں ہے کیونکہ عدالتی حکم (حکموں) کے مطابق مختلف گوداموں کو سیل کر دیا گیا ہے۔ لہذا، متعلقہ عدالت (عدالتوں) کی اجازت سے گو ڈاون کو ڈی سیل کر دیا جائے گا۔

— آڈیٹر اپنی ریزرویشن صرف یہ ظاہر کرتا ہے کہ انہیں بینکوں سے ان کے عام آڈٹ طریقہ کار کے مطابق بینکوں کے ساتھ زیر التواء قانونی چارج جوئی کی وجہ سے براہ راست بینکوں سے تصدیق موصول نہیں ہوئی ہے۔ تاہم، یہاں یہ بتانا ضروری ہے کہ منسلک مالیاتی بیان میں، قرض کی رقم سکیم آف اریجنمنٹ سے لی گئی ہے جس کی تصدیق محفوظ قرض دہندگان نے کی تھی اور اسے عدالت میں پیش کیا گیا تھا۔

— تجارت اور دیگر قابل ادائیگی میں الیکٹریک ڈیوٹی اور سندھ انفراسٹرکچر ڈیولپمنٹ سیس شامل ہیں جیسا کہ نوٹ نمبر 17 اور 17.1 میں بتایا گیا ہے جس میں قانونی دائرہ اختیار کی عدالت کے سامنے فیصلہ زیر التواء ہے۔

نمبر 17

کارپوریٹ گورننس

کمپنی سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے قواعد و ضوابط کی تعمیل کر رہی ہے اور مزید سخت چیک اینڈ بیلنس کے ساتھ بہتر اندرونی کنٹرول کی پالیسیوں پر عمل درآمد کر رہی ہے۔

بورڈ کے اجلاس اور حاضری

بورڈ آف ڈائریکٹرز کے چار (4) اجلاس منعقد ہونے اور ان میں ہر ڈائریکٹر کی حاضری حسب ذیل ہے:

اجلاس میں شریک ڈائریکٹر کا نام نمبر

جناب سہیل مقصود 4

جناب عابد ستار 4

جناب محمد اختر مرزا 3

مسٹر محمد اشرف خان 4

جناب محمد جنید 4

مسز زرقا آصف 2

جناب محمد عارف 4

اجلاس میں شرکت نہ کرنے والے ارکان کو غیر حاضری کی جھٹی دے دی گئی۔

آڈٹ کمیٹیاں

کمپنی کے بورڈ آف ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس کی تعمیل کرتے ہوئے ایک آڈٹ کمیٹی قائم کی ہے۔ آڈٹ کمیٹی کے چار (4) اجلاس منعقد ہوئے اور ان میں ہر ممبر کی حاضری حسب ذیل ہے:

اجلاس میں شرکت کرنے والے ممبران کے نام

مسٹر محمد، جنید 4

جناب عابد ستار 4

جناب ایم اختر مرزا 4

HR اور معاوضہ کمیٹی

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

اندرونی آڈٹ فنکشن

بورڈ نے ایک مضبوط اور موثر اندرونی کنٹرول سسٹم نافذ کیا ہے جس میں کمپنی کے بنیادی مقاصد کو پورا کرنے کے لیے کمپنی کے کاروبار کو کنٹرول شدہ ماحول میں آگے بڑھانے کے لیے آپریشنل، مالیاتی اور تعمیل کنٹرول شامل ہیں۔

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

کارپوریٹ گورننس اور مالیاتی رپورٹنگ فریم ورک

جیسا کہ کارپوریٹ گورننس کے ضابطہ کی ضرورت ہے، ڈائریکٹرز بہ بنائے ہوئے خوش ہیں کہ:

- کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی بیانات اس کی حقیقی حالت، اس کے آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں ہونے والی تبدیلیوں کو پیش کرتے ہیں۔
 - کمپنی کے اکاؤنٹس کی مناسب کتابیں برقرار رکھی گئی ہیں۔
 - مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا مسلسل اطلاق کیا گیا ہے اور اکاؤنٹنگ کے تخمینے معقول اور دانشمندانہ فیصلے پر مبنی ہیں۔
 - مالیاتی گوشواروں کی تیاری میں بین الاقوامی اکاؤنٹنگ معیارات، جیسا کہ پاکستان میں لاگو ہوتا ہے۔
- اندرونی کنٹرول کا نظام درست ہے اور اسے مؤثر طریقے سے لاگو کیا گیا ہے اور اس کی نگرانی کی گئی ہے۔

• کارپوریٹ گورننس کے بہترین طریقوں سے کوئی مادی رخصتی نہیں ہونی ہے جیسا کہ اسٹاک ایکسچینج کے فہرست سازی کے ضوابط میں تفصیل سے بتایا گیا ہے۔

• پچھلے چھ سالوں کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔

• ٹیکسز، ڈیوٹی، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگیاں نہیں ہیں جو کہ 30 جون 2023 تک بقایا ہیں سوائے ان مالیاتی گوشواروں کے جن کا انکشاف کیا گیا ہے۔

• مالیاتی سال کے اختتام اور ڈائریکٹرز کی رپورٹ کی تاریخ کے درمیان آپ کی کمپنی کی مالی حالت کو متاثر کرنے والی کوئی بھی مادی تبدیلیاں اور وعدے نہیں ہونے ہیں، سوائے مالی بیانات میں ظاہر ہونے والے کے۔
آمدنی/(نقصان) فی شیئر

30 جون 2023 کو ختم ہونے والی مدت کے لیے کمپنی کا فی حصص خسارہ گزشتہ سال روپے (2.09) روپے تھا۔ (0.19)

منافع

اوپر بیان کردہ حالات کی وجہ سے، بورڈ آف ڈائریکٹرز 30 جون 2023 کو ختم ہونے والے سال کے لیے ڈیویڈنڈ کی سفارش نہیں کرتا ہے۔

کارپوریٹ سماجی ذمہ داری

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

ویب کی موجودگی

حصص یافتگان اور دیگر کی معلومات کے لیے کمپنی کے سالانہ اور متواتر مالی بیانات کمپنی کی ویب سائٹ <http://www.gulshan.com.pk/corporate/gulistan.html> پر بھی دستیاب ہیں۔

متعلقہ پارٹی لین دین

متعلقہ فریقوں کے درمیان لین دین آرمز لینتھ قیمتوں پر کیے گئے تھے جن کا تعین "موازنہ ہے قابو قیمت کے طریقہ کار" کے مطابق کیا گیا تھا۔ کمپنی نے پاکستان میں اسٹاک ایکسچینج کی فہرست سازی کے ضوابط کے مطابق ٹرانسفر پر انسنگ کے بہترین طریقوں کی مکمل تعمیل کی ہے۔

کمپنی کے حصص میں تجارت

زیر نظر سال کے دوران، ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری اور ان کی شریک حیات اور نابالغ بچوں کی طرف سے کمپنی کے حصص میں کوئی تجارت نہیں ہوئی۔

اسٹاف ریٹائرمنٹ بینیفٹ کی قدر پر بیان

30 جون 2023 تک گریجویٹی کے لیے موخر ذمہ داری 2,863/- روپے ہے۔

آڈیٹرز

میسرز ملک بارون شاہد صفدر اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی وجہ سے خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔ آڈٹ کمیٹی نے اگلے مالی سال 2023-2024 کے لیے کمپنی کے بیرونی آڈیٹرز کے طور پر ان کی تقرری کی بھی سفارش کی ہے۔
شینر بولڈنگ کا نمونہ

30 جون 2023 تک شینر بولڈنگ کا پیٹرن جس میں کارپوریٹ آف گورننس کے کوڈ کے تحت معلومات شامل ہیں۔

اعتراف

بورڈ ملازمین، انتظامی ٹیم کے اراکین کو ان کی کاوشوں، عزم اور محنت کے لیے اور ان شینر بولڈرز کی تعریف ریکارڈ پر رکھنا چاہتا ہے جنہوں نے سندھ ہائی کورٹ کے حکم کے مطابق منعقدہ میٹنگ میں انتظامات کی اسکیم کو قبول کیا۔
بورڈ کی جانب سے

 Sahil. M

سہیل مقصود محمد اختر مرزا

چیف ایگزیکٹو چیئر مین

لاہور 06 اکتوبر 2023



Gulistan Spinning Mills Limited

2nd Floor, Finlay House, I.I Chundrigarh Road,
Karachi (Pakistan)

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

Year Ended

June 30, 2023

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

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

| Category | Names |
|-------------------------|---|
| Independent Director* | Mr. Muhammad Junaid and Muhammad Arif |
| Executive Directors | Mr. Sohail Maqsood and Muhammad Ashraf Khan |
| Non-Executive Directors | Mrs. Zarqa Asif, Mr. Muhammad Akhtar Mirza, Mr. Abid Sattar |

* With reference to Regulation 6 (1), in a Board comprising 7 members, one-third works out to 2.33. Since the fraction is below half (i.e. 0.5) the fraction contained in such one-third is not rounded up to one. Further, the two elected independent directors have requisite competencies, skills, knowledge, and experience to discharge and execute their duties competently, as per applicable laws and regulations, hence, appointment of a third independent director is not warranted. Furthermore, the independent directors are not selected from data bank.

- The directors have confirmed that none of them is serving as a director in more than Seven listed companies, including this Company;
- 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;
- 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;
- All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 and these Regulations;
- 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;
- The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
- 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;
- The financial statements of the company were duly endorsed by CEO and CFO before approval of the board;



Gulistan Spinning Mills Limited

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10. The Board has formed a committees, comprising of members are given below:-

A) Audit Committee

| | |
|---------------------------|----------|
| Mr. Muhammad Junaid | Chairman |
| Mr. Abid Sattar | Member |
| Mr. Muhammad Akhtar Mirza | Member |

B) HR & Remuneration Committee

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

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

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

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

13. The board has set up an effective internal audit function which is considered suitably qualified, experienced for the purpose and conversant with the policies and procedures of the Company;

14. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, 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 Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not the close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;

15. 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.

16. We confirm that all requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the regulations have been complied with, Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 is as follows:

| Sr. No. | Mandatory Requirement | Reg. No. | Explanation |
|---------|--|----------|---|
| 1 | The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances. | 29(1) | The company has no nomination committee because all its mills' operations have been closed. |



Gulistan Spinning Mills Limited

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| | | | |
|---|---|-------|--|
| 2 | The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board. | 30(1) | The company has no risk management committee because all its mills' operations have been closed. |
| 3 | It is encouraged that by June 30, 2024, all directors on the Board have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it. | 19(1) | The Company may conduct training program before the next election of directors. |

On behalf of the board of Directors

Chief Executive Officer
Lahore:- 06.10.2023

Chairman

MALIK HAROON SHAHID SAFDER & CO.

Chartered Accountants

An Independent Member of



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

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Gulistan Spinning Mills Limited for the year ended June 30, 2023 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2023.



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

Lahore

October 06, 2023

UDIN: CR202310206hC3jo4FmY



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INDEPENDENT AUDITOR'S REPORT

to the Members of Gulistan Spinning Mills Limited
Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of **Gulistan Spinning Mills Limited** (the Company), which comprise the statement of financial position as of **June 30, 2023**, and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as applicable in Pakistan.

Basis for Qualified Opinion

1. We were unable to satisfy ourselves regarding the existence and valuation of property, plant, and equipment having carrying values as of June 30, 2023, amounting to Rs. 1.479 million.
2. We did not observe the counting of physical inventories at the end of the year and accordingly, we were unable to satisfy ourselves by alternative means concerning the inventory quantities held on June 30, 2023, which are stated in the financial statements at cost of Rs. 52.379 million.
3. Due to litigations with banks, we have not received confirmations from banks and other financial institutions. Accordingly, we were unable to verify bank balances aggregating to Rs. 4.473 million and investments amounting to Rs. 23.635 million.
4. We were unable to satisfy ourselves regarding balances payable in respect of trade, and other payables, and unclaimed dividends amounting to Rs. 11.575 million and Rs. 0.619 million, respectively.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to notes 1.2 and 2.2 of the financial statements, which state that the Company along with its restructuring agent – United Bank Limited, and the majority of the lending financial institutions has signed a "Scheme of Arrangement" under sections 279 to 283 read with section 285 of the Companies Act, 2017 ("the Act") and the directors have determined that the going concern basis of preparation is no longer appropriate. Accordingly, the financial statements have been prepared on a liquidation/break-up value basis. Our opinion is not modified in respect of this matter.



MALIK HAROON SHAHID SAFDER & CO.

Chartered Accountants

An Independent Member of



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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| Sr. No | Matter | How the matter was addressed in our audit |
|--------|---|--|
| 1. | Contingencies and commitments | |
| | Refer to note 19 to the financial statements; The Company is currently facing significant litigations pertaining to claims filed by various banks regarding loan facilities, as well as Government authorities concerning outstanding amounts owed. Given the nature and amount involved in such cases and the appellate forums at which these are pending, the outcome and resultant accounting in financial statements are subject to significant judgment, which can change over time as new fact emerged and each legal case progresses, and therefore, we have identified this as a key matter. | Our audit procedures included the following; <ul style="list-style-type: none">• Read the scheme of arrangement and ensure that all the litigations as mentioned in the scheme and approved by the banks are properly disclosed in the financial statements.• Read the minutes of the meeting and evaluate whether the provision of the scheme regarding the withdrawal of the filed litigations is still appropriate.• Obtained confirmation from legal advisors regarding ongoing litigations. |

Information Other than the Financial Statements and Auditor's Report thereon;

Management is responsible for the other information. The Other Information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.



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New York Mexico

MALIK HAROON SHAHID SAFDER & CO.

Chartered Accountants

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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017) and such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion, except for the matters stated in Basis for Qualified Opinion above:

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

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



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

Lahore
October 06, 2023
UDIN: AR202310206NkVfDXHdo



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GULISTAN SPINNING MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

| | Note | 2023 | 2022 |
|---|------|--------------------|--------------------|
| | | Rupees | Rupees |
| ASSETS | | | |
| Property, plant and equipment | 5 | 1,479,489 | 1,672,566 |
| Investments | 6 | 23,634,803 | 23,634,803 |
| Stock-in-trade | 7 | 52,379,543 | 52,379,543 |
| Trade deposits and short-term prepayments | 8 | - | 145,097 |
| Tax refunds due from Government | 9 | 9,411,245 | 9,411,245 |
| Cash and bank balances | 10 | 4,618,492 | 4,473,201 |
| Disposal group under scheme of arrangement | 11 | 632,746,300 | 660,366,450 |
| TOTAL ASSETS | | 724,269,872 | 752,082,905 |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Share capital | 12 | 146,410,000 | 146,410,000 |
| Reserves | | 24,983,168 | 24,983,168 |
| Surplus on revaluation of property, plant and equipment | | 351,461,447 | 351,461,447 |
| Sub-ordinated loan | 13 | 103,000,000 | 103,000,000 |
| Accumulated losses | | (2,120,806,558) | (2,090,187,525) |
| Total equity | | (1,494,951,943) | (1,464,332,910) |
| LIABILITIES | | | |
| Loan from associates and others | 14 | 287,432,734 | 284,292,234 |
| Post employment benefits payables | 15 | 3,863 | 3,863 |
| Trade and other payables | 16 | 11,574,690 | 11,909,190 |
| Unclaimed dividend | | 619,529 | 619,529 |
| Principal payable to banking companies as per scheme of arrangement | 17 | 1,522,055,000 | 1,522,055,000 |
| Mark - up payable to banking companies as per scheme of arrangement | 18 | 397,535,999 | 397,535,999 |
| | | 2,219,221,815 | 2,216,415,815 |
| CONTINGENCIES AND COMMITMENTS | 19 | | |
| TOTAL EQUITY AND LIABILITIES | | 724,269,872 | 752,082,905 |

The annexed notes from 1 to 31 form an integral part of these financial statements.

MHS & CO

Schahin
CHIEF EXECUTIVE

Salman Ali
CHIEF FINANCIAL OFFICER

Akmal Sultan
DIRECTOR

GULISTAN SPINNING MILLS LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2023

| | Note | 2023 Rupees | 2022 Rupees |
|---|------|---------------------|--------------------|
| Sales | | - | - |
| Cost of sales | | - | - |
| Gross loss | | - | - |
| Operating cost | | - | - |
| Administrative expenses | 20 | (3,332,177) | (2,053,458) |
| Other operating expenses | 21 | (27,620,150) | (704,636) |
| | | <u>(30,952,327)</u> | <u>(2,758,094)</u> |
| Loss from operations | | (30,952,327) | (2,758,094) |
| Other income | 22 | 334,500 | - |
| Finance cost | 23 | (1,206) | (3,852) |
| Loss before taxation | | (30,619,033) | (2,761,946) |
| Taxation | | - | - |
| Loss after taxation | | (30,619,033) | (2,761,946) |
| Loss per share - basic and diluted | 24 | (2.091) | (0.189) |

The annexed notes from 1 to 31 form an integral part of these financial statements.

LAHSS & CO

Sahar M
CHIEF EXECUTIVE

Salman Ali
CHIEF FINANCIAL OFFICER

Abid Sattar
DIRECTOR

GULISTAN SPINNING MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

| | Note | 2023 | 2022 |
|--|------|---------------------|--------------------|
| | | Rupees | Rupees |
| Loss after taxation | | (30,619,033) | (2,761,946) |
| Other comprehensive income | | - | - |
| Total comprehensive loss for the year | | (30,619,033) | (2,761,946) |

The annexed notes from 1 to 31 form an integral part of these financial statements.

MHSS & CO

Sohail M
CHIEF EXECUTIVE

Salman Ali
CHIEF FINANCIAL OFFICER

Abidhattar
DIRECTOR

GULISTAN SPINNING MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2023

| | Capital reserve | | | Revenue reserve | Sub-ordinated loan from directors | Total | |
|-----------------------------|-----------------|---------------|----------------|--------------------|-----------------------------------|-------------|-----------------|
| | Share capital | Share premium | Other Reserves | Accumulated losses | | | |
| Balance as at July 01, 2021 | 146,410,000 | 25,000,000 | (16,832) | 351,461,447 | (2,087,425,579) | 103,000,000 | (1,461,570,964) |
| Loss for the year | - | - | - | - | (2,761,946) | - | (2,761,946) |
| Other comprehensive loss | - | - | - | - | (2,761,946) | - | (2,761,946) |
| Balance as at June 30, 2022 | 146,410,000 | 25,000,000 | (16,832) | 351,461,447 | (2,090,187,525) | 103,000,000 | (1,464,332,910) |
| Loss for the year | - | - | - | - | (30,619,033) | - | (30,619,033) |
| Other comprehensive income | - | - | - | - | (30,619,033) | - | (30,619,033) |
| Balance as at June 30, 2023 | 146,410,000 | 25,000,000 | (16,832) | 351,461,447 | (2,120,806,558) | 103,000,000 | (1,494,951,943) |

The annexed notes from 1 to 31 form an integral part of these financial statements.

MASS & CO

Shaid M
 CHIEF EXECUTIVE

Polina Ali
 CHIEF FINANCIAL OFFICER

Mudassar
 DIRECTOR

GULISTAN SPINNING MILLS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

| | Note | 2023 | 2022 |
|--|------|--------------------|--------------------|
| | | Rupees | Rupees |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before taxation | | (30,619,033) | (2,761,946) |
| Adjustments for non-cash charges and other items: | | | |
| Depreciation | | 193,077 | 222,004 |
| Finance cost | | 1,206 | 3,852 |
| Impairment loss | | 27,620,150 | - |
| Liabilities written-off | | (334,500) | - |
| Profit on defence saving certificates | | - | - |
| Cash flows before working capital changes | | (3,139,100) | (2,536,090) |
| Increase / (decrease) in liabilities | | | |
| Trade and other payables | | - | 34,500 |
| (Increase) / decrease in liabilities | | 145,097 | - |
| Trade deposits and short-term prepayments | | - | - |
| Cash generated from operations | | (2,994,003) | (2,501,590) |
| Finance cost paid | | (1,206) | (3,852) |
| Staff retirement benefits - gratuity paid | | - | (40,000) |
| Income tax paid | | - | - |
| Net cash flows from operating activities | | (2,995,209) | (2,545,442) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of property, plant and equipment | | - | - |
| Decrease in security deposit | | - | - |
| Net cash flows from investing activities | | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Receipt against loan from associates and other parties | | 3,140,500 | 2,556,000 |
| Repayment of short-term financing - net | | - | - |
| Net cash flows from financing activities | | 3,140,500 | 2,556,000 |
| Net increase in cash and cash equivalents during the year | | 145,291 | 10,558 |
| Cash and cash equivalents at the beginning of year | | 4,473,201 | 4,462,643 |
| Cash and cash equivalents at the end of year | | 4,618,492 | 4,473,201 |

The annexed notes from 1 to 31 form an integral part of these financial statements.

MHS & CO

Shahid H
CHIEF EXECUTIVE

Salman Ali
CHIEF FINANCIAL OFFICER

Heid Sultan
DIRECTOR

GULISTAN SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Notes

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

1.2 Scheme of arrangement with secured creditors

The Company along with its restructuring agent – United Bank Limited and majority of the lending financial institutions has signed a "Scheme of Arrangement" under sections 279 to 283 read with section 285 of the Companies Act, 2017 ("the Act"). Under this Scheme, the existing financial obligations / liabilities of the Company towards the secured creditors shall be settled by way of sale of moveable and immovable charged assets of the Company as detailed in the scheme and payment of the proceeds thereof to the secured creditors as contemplated under the scheme of arrangement.

In terms of the order dated June 21, 2019 passed by the Sindh High Court in CMA No.112/19 in J.C.M No. 15/19 the meeting of the members / shareholders of the company was convened. The members of the company having 99.99% in value of share, present in person or by proxy passed the resolution for approval of the scheme and a detailed report was submitted before the Court by the chairman duly appointed by the Court. Subsequently, a meeting of the secured creditors of the company was also held on 30.03.22 which was conducted by the chairman as appointed by the court, wherein 77% of secure creditors approved and adopted the scheme of arrangement. The report of meeting has been submitted to court for final sanction by the court. The Scheme, after sanctioned by the Honorable High Court by an order passed in this respect, would be binding on the Company, along with all the shareholders, creditors – secured or otherwise, stakeholders and any other regulatory / statutory bodies of/ or with respect to the Company. The Scheme seeks to record the terms and conditions of a legally binding compromise and arrangement between the secured creditors on one part and the Company and its directors and sponsors on the other part, for ensuring, inter alia, the settlement of the existing liabilities and ancillary measures as follows:

- a) Constitution of an Assets Sales Committee having such powers and undertaking such functions as stated in the Scheme;
- b) Settlement and repayment of the existing liabilities pursuant to the sale of all moveable and immovable assets of the company as contemplated in the scheme, by and under the auspices of the Asset Sale Committee, the proceeds from which are to be distributed inter se the secured creditors in accordance with the provisions of the Scheme;
- c) Pooling of securities over the charged assets which are available with the secured creditors, to be shared amongst all the secured creditors on a pari passu basis in proportion to their share of the existing liabilities – principal portion (irrespective of charge), upon the release of the security interests over the charged assets for the purposes of consummating the sales thereof in the manner prescribed under the Scheme;
- d) Release of the charged stock, and sales thereof for the purposes specified under the Scheme;
- e) The withdrawal of all legal proceedings (refer to note 19.1), which shall be subject to the sale of the charged assets and stocks and completion of all relevant formalities, in accordance with the provisions of the Scheme; and

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GULISTAN SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Notes

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

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

2.2 Basis of measurement

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

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

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

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

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

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

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GULISTAN SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Notes

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

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

2.3 Functional and presentation currency

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

3 STANDARDS, AMENDMENTS AND IMPROVEMENTS APPLICABLE TO FINANCIAL STATEMENTS

New standards, amendments and improvements which are effective during the year and standards, amendments and improvements which are not yet effective

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2022 but, pursuant to paragraphs 1.2 and 2.2, above are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in these financial statements. The standards, amends and improvements which are not yet effective are also not considered relevant and accordingly are not detailed in these financial statements.

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GULISTAN SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Notes

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment - owned

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

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

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

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

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

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

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

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

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

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Notes

4.2 Right of use assets and related liabilities

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

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

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

4.3 Assets classified as disposal group

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

4.4 Investments

Regular way purchase or sale of investments

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

Investments in equity instruments of associated companies

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

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

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GULISTAN SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Notes

Available for sale investments

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

Other investments

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

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

4.5 Stores, spare parts and loose tools

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

4.6 Stock-in-trade

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

Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale. Cost of raw materials, packing materials and components represent invoice values plus other charges paid thereon.

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

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

4.7 Trade debts and other receivables

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

4.8 Post-employment benefits - gratuity

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

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

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Notes

4.9 Taxation

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

Current

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

Deferred

Deferred tax is recognized on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

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

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

4.10 Provisions, contingent assets and contingent liabilities

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

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

4.11 Borrowing cost

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

4.12 Revenue recognition

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

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

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Notes

4.13 Foreign currency translations

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

4.14 Financial instruments

Trade debts, other receivables and other financial assets

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

Cash and cash equivalents

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

Off-setting of financial assets and liabilities

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

4.15 Related party transactions

All transactions with related parties are carried out by the company at arms' length price using the method prescribed under the Companies Act, 2017 (comparable uncontrolled price method) with the exception of loan taken from related parties which is interest / mark-up free.

4.16 Impairment loss

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

4.17 Dividend and appropriation to reserves

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

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4.18 Significant accounting estimates and judgments

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

- (i) Estimate of useful lives, residual values of property, plant and equipment and recoverable values to account for impairment loss. (note 4.1)
- (ii) Net realisable values of stores, spares and loose tools and stock-in-trade.(note 4.5 and 4.6)
- (iii) Provision for impairment of trade debts.(note 4.16)
- (iv) Provision for staff retirement benefit - gratuity.(note 4.8)
- (v) Provision for taxation (note 4.9)

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NOTES TO THE FINANCIAL STATEMENTS
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| 5 PROPERTY, PLANT AND EQUIPMENT | | 2023 | 2022 |
|--|--|------------------|------------------|
| | | -----Rupees----- | |
| Property, plant and equipment | | 1,479,489 | 1,672,566 |

| 5.1 Particulars | | | | | Total |
|---|------------------|---------------------|---------------------|----------------|------------------|
| | Office equipment | Furniture & fixture | Arms and ammunition | Vehicles | |
| 2023 | | | | | |
| As at July 01, 2022 | | | | | |
| Opening net book value | 922,812 | 491,544 | - | 258,210 | 1,672,566 |
| Disposals/Transfer | - | - | - | - | - |
| Depreciation charge | (92,281) | (49,154) | - | (51,642) | (193,077) |
| Closing net book value June 30, 2023 | 830,531 | 442,390 | - | 206,568 | 1,479,489 |
| Cost | 5,002,384 | 4,378,524 | 6,230 | 9,753,035 | 19,140,173 |
| Less: accumulated depreciation | (4,171,853) | (3,936,134) | (6,230) | (9,546,467) | (17,660,684) |
| Net book value June 30, 2023 | 830,531 | 442,390 | - | 206,568 | 1,479,489 |
| Rate of depreciation | 10% | 10% | 10% | 20% | |

| Particulars | | | | | Total |
|---|------------------|---------------------|---------------------|----------------|------------------|
| | Office equipment | Furniture & fixture | Arms and ammunition | Vehicles | |
| 2022 | | | | | |
| As at July 01, 2021 | | | | | |
| Opening net book value | 1,025,347 | 546,160 | 301 | 322,761 | 1,894,569 |
| Disposals/Transfer | - | - | - | - | - |
| Depreciation charge | (102,535) | (54,616) | (301) | (64,551) | (222,003) |
| Closing net book value June 30, 2022 | 922,812 | 491,544 | - | 258,210 | 1,672,566 |
| Cost | 5,002,384 | 4,378,524 | 6,230 | 9,753,035 | 19,140,173 |
| Less: accumulated depreciation | (4,079,572) | (3,886,980) | (6,230) | (9,494,825) | (17,467,607) |
| Net book value June 30, 2022 | 922,812 | 491,544 | - | 258,210 | 1,672,566 |
| Rate of depreciation | 10% | 10% | 10% | 20% | |

5.2 Depreciation expense is charged to administrative expenses.

5.3 No impairment relating to property, plant and equipments has been recognized in the current year. (2022: Nil).

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| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---------------------------------------|-------------------|
| 6 INVESTMENTS | | | |
| Investment in associate - under equity method | 6.1 | - | - |
| Other investments in equity shares | 6.2 | - | - |
| Defence saving certificates | 6.3 | 23,634,803 | 23,634,803 |
| | | 23,634,803 | 23,634,803 |
| 6.1 Investments in associates - under equity method | | | |
| Quoted securities | | | |
| Cost of investment | | 238,887 | 238,887 |
| Accumulated share of post acquisition loss | | (238,887) | (238,887) |
| | | - | - |
| <p>The Company holds 10,303 share of Rs. 10 each (0.046% of total share capital) of Gulshan Spinning Mills Limited (an associate). The cost of these share was Rs. 238,887. The market value and recoverable amount of this investment has been calculated as Rs. Nil (2022: Rs. Nil) per share aggregating to Rs. Nil (2022: Rs. Nil) after considering the estimated future cash flows expected to be generated by the associate.</p> | | | |
| <p>6.1.2 Summarized financial information of the associated company as at June 30, based on audited financial statements is as follows;</p> | | | |
| Gulshan Spinning Mills Limited | | | |
| Liabilities | | 3,474,464,188 | 3,462,822,588 |
| Assets | | 527,578,216 | 549,544,519 |
| Revenue | | - | - |
| (Loss)/profit after tax | | (33,607,903) | 58,494,123 |
| 6.2 Other investments in equity shares | | | |
| This represents the investments in equity shares of: | | Number of share of Rs. 10 each | |
| - Gulistan Textile Mills Limited | | 1,049 | 1,049 |
| - Gulshan Weaving Mills Limited | | 778,900 | 778,900 |
| <p>Due the closure of business of both the entities the fair values of both the investments have been reduced to Rs. nil and hence fully charged off.</p> | | | |
| 6.3 | It represents investment in defence saving certificate. These certificates are under lien against guarantees provided by various financial institutions. | | |
| 7 STOCK-IN-TRADE | | | |
| Raw material | | 43,644,278 | 43,644,278 |
| Finished goods | | 8,735,265 | 8,735,265 |
| | | 52,379,543 | 52,379,543 |
| 7.1 | All of the stocks of the Company are under banks' charge as security of borrowings. The Company filed a suit in the Lahore High Court against all banks / financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001. Further various banks and financial institutions have also filed suits before Banking Court, Sindh High Court and Lahore High Court for recovery through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties as fully explained in note 19.1 "litigation with banks and financial institutions". | | |
| 8 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS | | | |
| Short-term prepayments | | - | - |
| Other receivables | 8.1 | - | 145,097 |
| | | - | 145,097 |
| 8.1 | This represents receivable from Gulistan Textile Mills Limited on account of sale of fixed assets. | | |

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| | Note | 2023 | 2022 |
|--|------|------------------|------------------|
| | | Rupees | Rupees |
| 9 TAX REFUNDS DUE FROM GOVERNMENT | | | |
| Advance income tax | | - | - |
| Sales tax | | 9,411,245 | 9,411,245 |
| | | <u>9,411,245</u> | <u>9,411,245</u> |
| 10 CASH AND BANK BALANCES | | | |
| Cash-in-hand | | 145,097 | - |
| Balances with banks - current accounts | | 108,666 | 67,880 |
| Balances with banks - saving accounts | | 2,359 | 42,951 |
| Term deposits | 10.2 | 4,362,370 | 4,362,370 |
| | | <u>4,618,492</u> | <u>4,473,201</u> |

10.1 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 19.1 to the financial statements.

10.2 These are under lien with respect to guarantees provided on behalf of the company by various financial institutions.

11 DISPOSAL GROUP UNDER SCHEME OF ARRANGEMENT

| | | |
|------------------------------|--------------------|--------------------|
| Freehold land | 110,320,750 | 110,320,750 |
| Building on free hold land | 247,983,200 | 247,983,200 |
| Plant and machinery | 212,613,937 | 212,613,937 |
| Power house | 25,937,165 | 25,937,165 |
| Electric installation | 25,986,045 | 25,986,045 |
| Factory equipment | 17,777,115 | 17,777,115 |
| Air conditioning plant | 19,748,238 | 19,748,238 |
| Impairment: | | |
| Impairment of disposal group | (27,620,150) | - |
| | <u>632,746,300</u> | <u>660,366,450</u> |

11.1 Particulars of immovable fixed assets are as follows:

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

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

11.3 The valuation of these assets is based on valuation report of an independent valuer, Neds Servicess (Pvt.) Limited. The decrease in value of disposal group is charged as impairment to statement of profit or loss.

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| | Note | 2023 | 2022 |
|--|------|--------|--------|
| | | Rupees | Rupees |

12 SHARE CAPITAL

| Numbers | Numbers | | Rupees | Rupees |
|---|-------------------|---|--------------------|--------------------|
| 2023 | 2022 | | 2023 | 2022 |
| Authorized capital | | | | |
| 15,000,000 | 15,000,000 | Ordinary shares of Rs. 10 each | 150,000,000 | 150,000,000 |
| Issued, subscribed and paid-up capital | | | | |
| 6,838,330 | 6,838,330 | Ordinary shares of Rs. 10 each issued as fully paid in cash | 68,383,300 | 68,383,300 |
| 7,802,670 | 7,802,670 | Ordinary shares of Rs. 10 each issued as fully bonus shares | 78,026,700 | 78,026,700 |
| 14,641,000 | 14,641,000 | | 146,410,000 | 146,410,000 |

12.1 Ordinary shares held by the related party at the year end:

Paramount Spinning Mills Limited

202,777 **202,777**

13 SUB-ORDINATED LOAN - unsecured

103,000,000 **103,000,000**

This is an interest-free loan obtained from Ex-Director of the Company in previous years. This loan is sub-ordinated to the finances provided by secured creditors. The loan shall not be repaid without obtaining consent from the secured creditors subject to availability of resources and at discretion of the Company. This loan has been classified in equity as per technical release 'Accounting Directors' Loan (TR-32) of the Institute of Chartered Accountants of Pakistan (ICAP).

14 LOAN FROM ASSOCIATES AND OTHERS

| | | | |
|---|-------------|--------------------|--------------------|
| Gulistan Fibers Limited | 14.1 | 74,818,341 | 74,818,341 |
| Gulshan Weaving Mills Limited | | 14,999,930 | 14,999,930 |
| Interest free loan from other parties - unsecured | 14.2 | 197,614,463 | 194,473,963 |
| | | 287,432,734 | 284,292,234 |

14.1 This loan was created in accordance with the settlement agreement and agreement to sell dated December 30, 2013, executed between Silk Bank Limited (the Lender), Gulshan Spinning Mills Limited (an associated company), Paramount Spinning Mills Limited (an associated company), Gulistan Fibers Limited (an associated company) and the Company. As per these agreements, short term borrowings and outstanding bills payables aggregating Rs. 99.00 million of the Company have been adjusted by the Lender against mortgaged property of the Gulistan Fibers Limited, under the debt-property swap arrangement. Accordingly, the Company has booked this loan as payable to Gulistan Fibers Limited by adjusting its short-term borrowings and bills payable.

This loan is unsecured and carries mark-up at the half percent above the borrowing cost of the lending company. The said loan is classified as short-term on account of non-payment with the agreed period of time due to non-availability of funds and the Company did not charge interest on the same as well.

14.2 These loans were advanced by the share holders of the company in order to finance working capital requirements. The repayment terms have not yet been finalized by the parties. During the year Mrs. Fahmeeda Begum and Mr. Tanveer Ahmad Shakoor (mother son relationship) entered into an agreement wherein balance amounting to Rs. 86,138,479 due to Mrs. Fahmeeda was transferred to Mr. Tanveer Ahmad.

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FOR THE YEAR ENDED JUNE 30, 2023

| | Note | 2023 Rupees | 2022 Rupees |
|---|------|----------------------|----------------------|
| 15 POST EMPLOYMENT BENEFITS PAYABLES | | | |
| Post employment benefits payables | 15.1 | 3,863 | 3,863 |
| 15.1 Movement in post employment benefits payable | | | |
| Net liability at beginning of the year | | 3,863 | 43,863 |
| Add: charge to profit and loss account | | - | - |
| Less: benefits paid | | - | (40,000) |
| Net liability at end of the year | | 3,863 | 3,863 |
| 16 TRADE AND OTHER PAYABLES | | | |
| Creditors | | - | - |
| Accrued liabilities | 16.1 | 3,105,306 | 3,439,806 |
| Sindh infrastructure development cess payable | | 8,469,384 | 8,469,384 |
| | | <u>11,574,690</u> | <u>11,909,190</u> |
| 16.1 | | | |
| Accrued liabilities includes the amount of Electric duty payable amounting to Rs. 1,906,625 (2022: Rs. 1,906,625). The Company has obtained stay order from the Honorable Lahore High Court against the payment of electric duty to LESCO as detailed in note 19.2.2. | | | |
| 17 PRINCIPAL PAYABLE TO BANKING COMPANIES AS PER SCHEME OF ARRANGEMENT | | | |
| United Bank Limited | | 28,184,000 | 28,184,000 |
| Faysal Bank Limited | | 128,420,000 | 128,420,000 |
| Habib Bank Limited | | 47,123,000 | 47,123,000 |
| Askari Bank Limited | | 151,397,000 | 151,397,000 |
| Bank Alfalah Limited | | 161,359,000 | 161,359,000 |
| MCB Bank Limited | | 70,911,000 | 70,911,000 |
| Al-Baraka Bank Limited | | 153,610,000 | 153,610,000 |
| Habib Metropolitan Bank Limited | | 48,079,000 | 48,079,000 |
| Bank Island Pakistan Limited | | 17,000,000 | 17,000,000 |
| Pair Investment Company Limited | | 350,000,000 | 350,000,000 |
| The Bank of Punjab | | 148,058,000 | 148,058,000 |
| National Bank of Pakistan | | 167,914,000 | 167,914,000 |
| First National Bank Modaraba | | 50,000,000 | 50,000,000 |
| | | <u>1,522,055,000</u> | <u>1,522,055,000</u> |
| 17.1 | | | |
| This represents payable to banking companies under scheme of arrangement as detailed in note 1.2 of these financial statements. | | | |
| 18 MARK-UP PAYABLE UNDER SCHEME OF ARRANGEMENT | | | |
| Due to the scheme of arrangement as detailed in note 1.2 no further provision with respect to mark up payable is made in these financials since 2019. | | | |

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| | Note | 2023 | 2022 |
|--|------|--------|--------|
| | | Rupees | Rupees |

19 CONTINGENCIES AND COMMITMENTS

Contingencies

19.1 Litigation with banks and financial institutions

The Company along with its restructuring agent - United Bank Limited and majority of the lending financial institutions has signed a "Scheme of Arrangement" under sections 279 to 283 read with section 285 of the Companies Act, 2017 ("the Act"). Under this Scheme, the existing financial obligations / liabilities of the Company towards the secured creditors shall be settled by way of sale of moveable and immovable charged assets of the Company as detailed in the scheme and payment of the proceeds thereof to the secured creditors as contemplated under the scheme of arrangement. In terms of the order dated June 21, 2019 passed by the Sindh High Court in CMA No.112/19 in J.C.M No. 15/19 the meeting of the members / shareholders of the company was convened. The members of the company having 99.99% in value of share, present in person or by proxy passed the resolution for approval of the scheme and a detailed report was submitted before the Court by the chairman duly appointed by the Court. During the year on 30.03.2022 a meeting of the secured creditors of the company was also held which was also conducted by the chairman appointed by the court, wherein 77% secured creditors approved and adopted the scheme of arrangement. The report of meeting has been submitted to court for final sanction by the court.

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

19.1.1 Various banks and financial institutions have filed recovery suits before the respected courts, for recovery of their alleged long-term and short-term liabilities and lease liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The aggregate amount of these claims consists of principal Rs. 1,522 million (2022: Rs. 1,522 million) and mark up payable Rs. 397,536 million (2022: Rs. 397,536 million).

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

19.1.2 The Company filed a suit in the Honorable Lahore High Court (LHC) against its all secured creditors / financial institutions under Section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 ("the Ordinance") for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs. The LHC vide its interim order dated October 25, 2012, ordered not to disturb the present position of current assets and fixed assets of the Company and no coercive action shall be taken against the Company. The LHC through its order dated September 11, 2013, dismissed the case on legal grounds. The Company filed appeal before Divisional Bench of the LHC against the above-mentioned order. The Divisional Bench passed an order, dated November 27, 2013 that respondent banks will not liquidate the Company's assets and operation of impugned judgement and decree dated September 11, 2013, will remain suspended meanwhile. The Appeal filed by the company was allowed vide order dated 04.11.2020, whereby the case was remanded to the learned single judge to decide the application for leave to defend.

19.1.3 The Bank of Punjab has filed a suit COS No. 50/ 2013 for recovery of Rs. 168.426 million on account of working capital facilities provided to the Company. The company filed PLA No. 148-B/2013, in response to the summons issued by the Honorable Lahore High Court. The Honorable Lahore High Court dismissed the application and decreed in favor of the plaintiff bank to the extent of Rs. 159,286 million. The Company has filed appeal in the division bench of the Honorable Lahore High Court, and the case is being contested on merits.

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| | Note | 2023 | 2022 |
|--|------|--------|--------|
| | | Rupees | Rupees |

19.1.4 Askari Bank Limited has filed a suit COS No. 40/2013 for recovery of Rs. 148.25 million. The Company filed PLA No. 105-B/2013, in response to the summon issued by the Honorable Lahore High Court. The court dismissed the application for leave to defend. The Honorable Banking Court decreed in favor of Plaintiff Bank, together with the costs of funds as contemplated by section 3 of above mentioned Ordinance. The Company has filed appeal in the Division Bench of the Honorable Lahore High Court, and the appeal is still subjudice.

19.1.5 First National Bank Modarba has filed a suit against the Company for recovery of Rs. 51.842 million. The said suit was decreed vide judgment dated August 01, 2017 against the Company and the same was converted into execution proceedings by the court under section 19 of Financial Institutions (Recovery of Finances) Ordinance, 2001. First National Bank Modaraba has filed an Execution petition which is now pending adjudication before the Banking Court No. 1, Lahore, where in the company has filed an objection petition. This case is also being vigorously and diligently contested by the Company. However, the case was adjourned sine die vide order dated 24.06.2022.

19.2 Litigation with parties other than banks and financial institutions

19.2.1 The company has not provided for Rs. 6.8 million (2022: Rs. 6.8 million) in respect of infrastructure cess levied by the Government of Sindh. The case was decided against the Company by a single judge of the Honorable Sindh High Court. The decision was challenged before a bench of same High Court and stay for collection of cess was allowed. The Honorable High Court of Sindh decided the case by declaring that the levy and collection of infrastructure fee prior to December 28, 2006 was illegal and ultra vires and after that it was legal. The Company filed an appeal in the Honorable Supreme Court of Pakistan against the above-mentioned judgement of the Honorable High Court of Sindh. Further, the Government of Sindh also filed appeal against part of judgement decided against them.

The above appeals were disposed-off in May 2011 with a joint statement of the parties that, during the pendency of the appeals, another law came into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from the High Court before approaching the Honorable Supreme Court of Pakistan with the right to appeal. Accordingly, the petition was filed in the Honorable High Court of Sindh in respect of the above view. During the pendency of this appeal an interim arrangement was agreed where by bank guarantees furnished for consignments cleared upto December 27, 2006 were returned and bank guarantees were furnished for 50% of the levy for consignment released subsequent to December 27, 2006 while payment was made against the balance amount. This petition was disposed off in terms of the consolidated judgment dated June 04, 2021. The Company challenged the impugned order dated June 04, 2021 before the honorable Supreme Court of Pakistan wherein the operation of the impugned judgement of Sindh High Court and recovery the levy was suspended by the court.

19.2.2 The company has obtained stay order from Honorable Lahore High Court against the payment of electric duty to LESCO. However, an amount of Rs. 1,906,625/- (2022: Rs. 1,906,625/-) had been provided in the accounts on account of electric duty.

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GULISTAN SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

| | Note | 2023 | 2022 |
|---|------|-------------------|-------------------|
| | | Rupees | Rupees |
| 19.2.3 | | | |
| <p>The Company has filed a suit bearing # 1167/18 before the Honorable High Court of Sindh, wherein, stay has been confirmed vide order dated March 03, 2017. The Honorable Supreme Court of Pakistan in its judgment dated August 13, 2020, passed in Civil Appeals No. 1113 to 1155 of 2017 etc. was pleased to waive off the Late Payment Surcharge and to recover GIDC in 24 equal monthly installments after making proper calculations. However, in the light of the judgment dated August 13, 2020, read with Sub-section 2 of Section 8 of the GIDC Act 2015, SNGPL is not entitled to recover GIDC from the Company as the company has not collected the GIDC from its clients / customers and even not passed on to its clients / customers. Accordingly, the Company has filed a suit before Sindh High Court at Karachi wherein the honorable court was pleased to give stay order on GIDC. The Company has not paid GIDC to SNGPL during the period when injunctive orders were in field and the reported judgment of the Hon'ble Supreme Court of Pakistan in the case of Federation of Pakistan vs Durrani Ceramics & Others 2014 SCMR 1630. The Company has also instituted a suit for recovery against SNGPL for recovery of excess amount paid on account of GIDC and tariff difference which pending adjudication before Gas Utility Court, Lahore. The suit was adjourned sine die vide order dated 18.03.23 on account of the suit pending adjudication before the Sindh High Court.</p> | | | |
| 19.3 Other contingencies | | | |
| 19.3.1 | | | |
| <p>Bank guarantees issued on behalf of the company:</p> | | | |
| Sui Northern Gas Pipelines Limited | | 19,862,200 | 19,862,200 |
| Director of Excise and Taxation | | 8,957,572 | 8,957,572 |
| | | <u>28,819,772</u> | <u>28,819,772</u> |
| <p>Various other bank guarantees are also given by banks on behalf of the company to various parties.</p> | | | |
| 19.4 Commitments | | | |
| <p>There is no capital commitment as at June 30, 2023 (2022: Nil).</p> | | | |
| 20 ADMINISTRATIVE EXPENSES | | | |
| Salaries and Wages | | - | 112,526 |
| Rent, rates and taxes | | - | 81,128 |
| Advertising | | 18,600 | 67,800 |
| Legal and professional | | 2,900,000 | 1,210,000 |
| Auditor's remuneration | 20.1 | 220,500 | 360,000 |
| Depreciation | 5.2 | 193,077 | 222,004 |
| | | <u>3,332,177</u> | <u>2,053,458</u> |
| 20.1 Auditor's remuneration | | | |
| Annual audit | | 200,000 | 350,000 |
| Compliance report on Code of Corporate Governance | | 10,000 | 10,000 |
| | | <u>210,000</u> | <u>360,000</u> |
| 21 OTHER EXPENSES | | | |
| Reversal of liabilities written-off | | - | 704,636 |
| Impairment loss | | 27,620,150 | - |
| | | <u>27,620,150</u> | <u>704,636</u> |
| 22 OTHER INCOME | | | |
| Profit on defence saving certificates | | - | - |
| Liabilities written-off | | 334,500 | - |
| | | <u>334,500</u> | <u>-</u> |

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GULISTAN SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

| | Note | 2023 | 2022 |
|--|------|------------------------------|----------------------|
| | | Rupees | Rupees |
| 23 FINANCE COST | | | |
| Bank charges | | 1,206 | 3,852 |
| Mark-up on lease liability | | - | - |
| | | <u>1,206</u> | <u>3,852</u> |
| 24 LOSS PER SHARE - BASIC AND DILUTED | | | |
| Loss after taxation | | <u>(30,619,033)</u> | <u>(2,761,946)</u> |
| | | ----- Number of shares ----- | |
| Weighted average number of ordinary shares outstanding during the period | | <u>14,641,000</u> | <u>14,641,000</u> |
| Loss per share - basic and diluted | | <u>(2.091)</u> | <u>(0.189)</u> |
| There is no dilutive effect on the basic loss per share of the Company. | | | |
| 25 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES | | | |
| No remuneration was paid to chief executive officer and directors. Number of executives of the company are Nil (2022:Nil). | | | |
| 26 FINANCIAL INSTRUMENTS BY CATEGORY | | | |
| <i>Financial assets - amortized cost</i> | | | |
| Investments | | 23,634,803 | 23,634,803 |
| Trade deposit and short term prepayments | | - | 145,097 |
| Cash and bank balances | | 4,618,492 | 4,438,283 |
| | | <u>28,253,295</u> | <u>28,218,183</u> |
| <i>Financial liabilities - amortized cost</i> | | | |
| Loan from associates and others | | 287,432,734 | 284,292,234 |
| Trade and other payables | | 11,574,690 | 11,909,190 |
| Unclaimed dividend | | 619,529 | 619,529 |
| Principal payable to banking companies as per scheme of arrangement | | 1,522,055,000 | 1,522,055,000 |
| Mark - up payable to banking companies as per scheme of arrangement | | 397,535,999 | 397,535,999 |
| | | <u>2,219,217,952</u> | <u>2,216,411,952</u> |

26.1 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.

26.2 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.

26.3 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.

26.4 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.

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FOR THE YEAR ENDED JUNE 30, 2023

| | Note | 2023 | 2022 |
|--|------|--------|--------|
| | | Rupees | Rupees |

26.5 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.

27 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company may have exposures to credit risk, liquidity risk and market risk from its use of financial instruments.

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.

27.1 Credit risk

27.1.1 Exposure to credit risk

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

| | | |
|-------------------------------------|------------------|------------------|
| Trade deposits and other receivable | - | 145,097 |
| Bank balances | 4,618,492 | 4,473,201 |
| | 4,618,492 | 4,618,298 |

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

| | Note | 2023 | 2022 |
|--|------|--------|--------|
| | | Rupees | Rupees |

27.2 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.

| | 2023 | | | 2022 | | |
|---|----------------------|----------------------|--------------------|----------------------|----------------------|--------------------|
| | Carrying amount | Due within one year | Due after one year | Carrying amount | Due within one year | Due after one year |
| | Rupees | | | | | |
| Loan from associates and other parties | 287,432,734 | 287,432,734 | - | 284,292,234 | 284,292,234 | - |
| Trade and other payables | 11,574,690 | 11,574,690 | - | 11,909,190 | 11,909,190 | - |
| Principal payable to banking companies as per scheme of arrangement | 1,522,055,000 | 1,522,055,000 | - | 1,522,055,000 | 1,522,055,000 | - |
| Mark - up payable to banking companies as per scheme of arrangement | 397,535,999 | 397,535,999 | - | 397,535,999 | 397,535,999 | - |
| | 2,218,598,423 | 2,218,598,423 | - | 2,215,792,423 | 2,215,792,423 | - |

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

27.3 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.

(a) Currency risk

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

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

(b) Interest rate risk

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

Majority of the interest rate risk of the Company arises from borrowings from banks and deposits with banks. However, the Company is not providing for mark-up/interest on its borrowings and liabilities due to litigation with banks and financial institutions as detailed in note 19.1.1 At the reporting date the profile of the Company's interest bearing financial instruments is as follows:

Fixed rate instruments

| | | |
|-----------------------|-------------------|------------|
| Financial assets | 23,634,803 | 23,634,803 |
| Financial liabilities | - | - |

Variable rate instruments

| | | |
|-----------------------|------------------|-----------|
| Financial assets | 4,364,729 | 4,405,321 |
| Financial liabilities | - | - |

27.4 Off balance sheet items

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

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GULISTAN SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

| | Note | 2023 | 2022 |
|--|------|--------|--------|
| | | Rupees | Rupees |

27.5 Capital risk management

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

28 RELATED PARTY TRANSACTIONS

Related parties comprise of associated companies, directors of the Company, key management personnel, companies in which directors, key management personnel and close members of the families of the directors and key management personnel are interested. The Company, in the normal course of business, carries out transactions with various related parties. Remuneration of the key management personnel is disclosed in note 36. Amounts due from and to related parties are shown under loan from associate and others. Other significant transactions with related parties are as follows:

| Name of related party | Relationship | Transactions | 2023 Rupees | 2022 Rupees |
|-----------------------|---------------------|-----------------|----------------|----------------|
| Mr. Tanveer Ahmad | Shareholder/sponsor | Receipt of loan | 3,140,500 | 2,556,000 |

29 CAPACITY AND PRODUCTION

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

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

30 NUMBER OF EMPLOYEES

| | | | |
|---|--|---|---|
| Number of employees as at June 30, 2023 | | - | 2 |
| Average number of employees during the year | | - | 1 |

31 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 06 OCT 2023 by the Board of Directors of the Company.

MHS & CO

Sohail M
CHIEF EXECUTIVE

Salman Ali
CHIEF FINANCIAL OFFICER

Ahmad Salter
DIRECTOR

Form of Proxy

Gulistan Spinning Mills Limited

I/We _____ being member of **Gulistan Spinning Mills Limited** holder of _____ ordinary shares as per Share Register Folio No. _____ and/or CRC participant I.D. No. _____ Account No. _____ hereby appoint _____ who is also member of **Gulistan Spinning Mills Limited** vide Folio No. _____ or CDC participant I.D. No. _____ Account No. _____ or failing him/her of Mr. _____ of _____ who is also member of **Gulistan Spinning Mills Limited** vide Folio No. _____ or CDC participant I.D. No. / _____ Account No. _____ as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 28th October 2023 at 09:30 a.m and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2023

Signed by the said _____

Witness 1:-

Name:- _____

Address:- _____

CNIC:- _____

Witness 2:-

Name:- _____

Address:- _____

CNIC:- _____

Notes:

1. The Proxy in order to be valid must be duly stamped, signed and witnessed and be deposited with the Company not later than 48 hours before the time of holding of Meeting.
2. The proxy must be a member of the Company.
3. Signature should agree with the specimen signature, registered with the Company.
4. CDC Shareholders, entitled to attend and vote at this meeting, must bring with them their National Identity Card/Passport in original to prove his/her identity, and in case of Proxy must enclose an attested copy of his/her NIC or passport.
5. Representative of corporate members should bring the usual documents required for such purpose.

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

پراکسی فارم گلستان سپینگ ملز لمیٹڈ

میں / ہم _____ بحیثیت گلستان سپینگ ملز لمیٹڈ کے رکن ،
مالک برائے _____ عام حصص مطابق رجسٹرڈ فولیو نمبر _____ اور / یا
سی۔آر۔سی شرکت کنندہ آئی۔ڈی نمبر _____ کھاتہ نمبر _____ اس
طرح مقرر کرتا ہوں جناب _____ جو کہ گلستان سپینگ ملز لمیٹڈ کے
رکن بھی ہیں ، بذریعہ فولیو نمبر _____ یا سی۔ڈی۔سی شرکت کنندہ
آئی۔ڈی نمبر _____ کھاتہ نمبر _____ یا انکی ناکامی کی صورت میں جناب
_____ برائے _____ جو کہ گلستان سپینگ ملز لمیٹڈ کے
رکن بھی ہیں ، بذریعہ فولیو نمبر _____ یا سی۔ڈی۔سی شرکت کنندہ
آئی۔ڈی نمبر _____ کھاتہ نمبر _____ جیسا کہ میری / ہماری پراکسی
میں شرکت کرنے کے لئے، بات کرنے کے لئے اور ووٹ ڈالنے کے لئے 28 اکتوبر
2023 کو 09:30 بجے اور اس کے کسی بھی تعاقب میں منعقد ہونے والی کمپنی
کے سالانہ اجلاس میں۔

میرے / ہمارے ہاتھ 2023 کے _____ دن کا گواہ ہونے کے طور پر
کہا _____ کی نشاندہی

گواہ 1:-

نام: _____

پتہ: _____

CNIC: _____

گواہ 2:-

نام: _____

پتہ: _____

CNIC: _____

نوٹ:

1. پراکسی درست ہونا لازمی طور پر مہربند، دستخط اور گواہی دی جاسکتی ہے اور
کمپنی کے ساتھ اجلاس کے قیام کے وقت سے 48 گھنٹوں کے بعد جمع نہیں ہونا چاہئے۔

2. پراکسی کمپنی کا ایک رکن ہونا ضروری ہے۔

3. دستخط اس کمپنی کے ساتھ رجسٹرڈ نمونہ دستخط سے متفق ہونا چاہئے۔

4. اس اجلاس میں شرکت اور ووٹ لینے کے حق میں سی۔ڈی۔سی کے حصے دار، اپنی

شناخت کو ثابت کرنے کے لئے اصل قومی شناختی کارڈ / پاسپورٹ لائے، اور پراکسی

کی صورت میں انکو اپنے این آئی سی یا پاسپورٹ کی کاپی کی تصدیق کروانا ضروری

ہے۔

5. کارپوریٹ ارکان کے نمائندے کو اس مقصد کے لئے ضروری دستاویزات اپنے ساتھ لانا

چاہئے۔

GULISTAN SPINNING MILLS LIMITED
CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2023

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

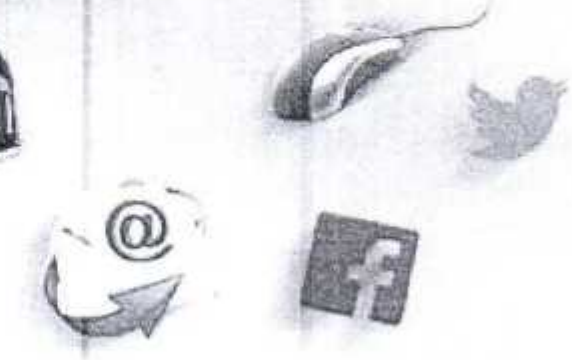
GULISTAN SPINNING MILLS LIMITED
CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2023

| 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. Muhammad Junaid | 500 |
| Mr. Sohail Maqsood | 550 |
| Mr. Muhammad Akhtar Mirza | 500 |
| Mr. Muhammad Ashraf Khan | 986 |
| Mr. Abid Sattar | 500 |
| Mrs. Zarqa Asif | 500 |
| MR. Muhammad Arif | 553 |
| <u>SPOUSES</u> | |
| 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) | 8,386,971 |
| | <u>14,641,000</u> |
| H) TRADING IN THE SHARES OF COMPANY DURING THE YEAR BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN | NIL |

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- 📊 Financial calculator
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- 📖 Online Quizzes



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