

**GULISTAN SPINNING MILLS
LIMITED**

FINANCIAL STATEMENTS
FOR THE PERIOD
DECEMBER 31, 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
Mrs. Zarqa Asif
Mr. M. Junaid
Mr. Abid Sattar
Mr. Muhammad Arif

AUDIT COMMITTEE

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

HR & REMUNERATION COMMITTEE

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

CHIEF FINANCIAL OFFICER

Mr. Salman Ali Riaz

COMPANY SECRETARY

Mr. Muhammad Ijaz

AUDITORS

M/s. Malik Haroon Shahid Safder & 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.

WEB PRESENCE

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

GULISTAN SPINNING MILLS LIMITED

Director's Report to Shareholders

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

Financial Results

Operating Indicators	Half Year Ended 31.12.2023	Half Year Ended 31.12.2022
	(Rupees)	(Rupees)
Sales	-	-
Gross (loss)/Profit	-	-
Pre Tax (loss)/Profit	(196,736,421)	(997,677)
Provision for Taxation	-	-
Earnings/(loss) Per Share	(13.44)	(0.07)

Overview:

On account of inter alia, financial liquidity scarcity as well as prevailing economic conditions in the country the company ceased carrying out operations since May 1, 2014 and was incurring significant losses, along with depreciation in value of its assets. In this background a Scheme of Arrangement under section 279 to 283 & 285 of the Companies Act 2017 (Scheme of Arrangement) has been submitted before the Sindh High Court at Karachi (the "Court") vide J.C.M. No. 15/19, duly signed by majority of the secured creditors of the company. The shareholders and the secured creditors of the company has approved the Scheme of Arrangement in their respective meetings held by the chairperson appointed by the Court whereafter the Scheme of Arrangement was sanctioned by the Court vide judgment dated 30-10-2023. The Scheme of Arrangement will be implemented in letter and spirit as sanctioned by the Court. As per Scheme of Arrangement all the litigation will be withdrawn by the creditors of the company.

Future Outlook:

The restructuring process is expected to be completed soon, through Scheme of Arrangement and after its implementation, the Company will be in a better position to structure the way forward.

Acknowledgement :

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

LAHORE


SOHAIL MAOSOOD
CHIEF EXECUTIVE

(4)



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

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion

1. We were unable to satisfy ourselves regarding the existence and valuation of property, plant, and equipment having carrying values as of December 31, 2023, amounting to Rs. 1.395 million.
2. We did not observe the counting of physical inventories at the end of the period and we were unable to satisfy ourselves, through other means, regarding the existence and valuation of inventory amounting to 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. 4.630 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. 11.208 million and Rs. 0.619 million, respectively.

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

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MALIK HAROON AHMAD & CO.
(Formerly Malik Haroon Shahid Safder & Co.)
Chartered Accountants

An Independent Member of



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www.uccsglobal.org

Qualified Conclusion

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

Emphasis of Matter

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

Lahore
February 28, 2024
UDIN: RR202310206id8SONI9y

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

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A Strategic Alliance
New York Mexico

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

	Note	(Un-audited) Dec 31, 2023	(Audited) June 30, 2023
-----Rupees-----			
ASSETS			
Property, plant and equipment	5	1,395,223	1,479,489
Disposal group under scheme of arrangement	5	36,574,322	632,746,300
Long term investments		23,634,803	23,634,803
Stock in trade		52,379,544	52,379,542
Tax refunds due from government		9,411,245	9,411,245
Cash and bank balances		4,630,815	4,618,492
Total Assets		128,025,952	724,269,872
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital			
15,000,000 (2023: 15,000,000) Ordinary shares of Rs. 10 each		150,000,000	150,000,000
Issued, subscribed and paid up share capital		146,410,000	146,410,000
Reserves		24,983,168	24,983,168
Sub-ordinate loan		103,000,000	103,000,000
Surplus on revaluation of property, plant and equipment		-	351,461,447
Accumulated losses		(1,966,081,532)	(2,120,806,558)
		(1,691,688,364)	(1,494,951,943)
LIABILITIES			
Trade and other payables		11,208,690	11,574,690
Payable to banking companies under the scheme	6	1,519,590,964	1,919,590,999
Post employment benefits payables		3,863	3,863
Loan from associates and others		288,291,271	287,432,734
Unclaimed dividend		619,529	619,529
		1,819,714,317	2,219,221,815
CONTINGENCIES AND COMMITMENTS			
	8		
		128,025,953	724,269,872

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

MHA & CO

Sohail M
CHIEF EXECUTIVE

Salman H
CHIEF FINANCIAL OFFICER

Abid Sattar
DIRECTOR

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

	Six months ended		Three months ended	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31 2022
----- Rupees -----				
Sales - net	-	-	-	-
Cost of sales	-	-	-	-
Gross profit /(loss)	-	-	-	-
Other income	-	-	-	-
Administrative expenses	(563,502)	(996,552)	(492,251)	(648,276)
Loss on sale of disposal group	(196,171,943)	-	(196,171,943)	-
Finance cost	(976)	(1,125)	-	(696)
	(196,736,421)	(997,677)	(196,664,194)	(648,972)
Loss before taxation	(196,736,421)	(997,677)	(196,664,194)	(648,972)
Taxation	-	-	-	-
Loss for the period	(196,736,421)	(997,677)	(196,664,194)	(648,972)
Loss per share - basic and diluted	(13.44)	(0.07)	(13.43)	(0.04)

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

MHA & CO

Sohail M
CHIEF EXECUTIVE

Salman
CHIEF FINANCIAL OFFICER

Abid Sattar
DIRECTOR

(Signature)

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

	Six months ended		Three months ended	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
	-----Rupees-----			
Loss for the period	(196,736,421)	(997,677)	(196,664,194)	(648,972)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	(196,736,421)	(997,677)	(196,664,194)	(648,972)

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

MHA & CO

Schail M
 CHIEF EXECUTIVE

Salman Ali
 CHIEF FINANCIAL OFFICER

Abid Sultan
 DIRECTOR

(9)

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

	Share capital	Revaluation surplus	Other reserves	Accumulated losses	Sub-ordinated loan	Total
	Rupees					
Balance as at 01 July 2022	146,410,000	351,461,447	24,983,168	(2,090,187,525)	103,000,000	(1,464,332,910)
Loss for the period	-	-	-	(997,677)	-	(997,677)
Balance as at 31 December 2022	146,410,000	351,461,447	24,983,168	(2,091,185,202)	-	(1,465,330,587)
Balance as at 01 July 2023	146,410,000	351,461,447	24,983,168	(2,120,806,558)	103,000,000	(1,494,951,943)
Loss for the period	-	-	-	(196,736,421)	-	(196,736,421)
Revaluation surplus realized on disposal of assets	-	(351,461,447)	-	351,461,447	-	-
Balance as at December 31, 2023	146,410,000	-	24,983,168	(1,966,081,532)	103,000,000	(1,691,688,364)

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

MHA & CO

Shahid M
CHIEF EXECUTIVE

Imran Ali
CHIEF FINANCIAL OFFICER

Ahmed Hassan
DIRECTOR

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

	Note	December 31, 2023	December 31, 2022
		-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(196,736,421)	(997,677)
Adjustments for:			
Depreciation		84,266	96,552
Loss on sale of asset		196,171,943	-
Finance cost		976	1,125
		<u>(479,236)</u>	<u>(900,000)</u>
Changes in working capital			
(Increase) / decrease in current assets		-	-
(Increase) / decrease in current liabilities:			
Trade and other payables		(366,000)	900,000
Cash generated from operations		<u>(845,236)</u>	<u>-</u>
Finance cost paid		(976)	(1,125)
Net cash generated from / (used in) operating activities		<u>(846,212)</u>	<u>(1,125)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of disposal group under scheme of arrangement		400,000,035	-
Cash generated from financing activities		<u>400,000,035</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from associates and others		858,535	-
Paid to banking companies under the scheme of arrangement		(400,000,035)	-
Net cash used in financing activities		<u>(399,141,500)</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents		12,323	(1,125)
Cash and cash equivalents at beginning of the period		4,618,492	4,473,201
Cash and cash equivalents at end of period		<u>4,630,815</u>	<u>4,472,076</u>

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

MHA & CO

Sohail M
CHIEF EXECUTIVE

Sulman AS
CHIEF FINANCIAL OFFICER

Akshata
CHIEF FINANCIAL OFFICER

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

1 THE COMPANY AND ITS OPERATIONS

1.1 Gulistan Spinning Mills Limited ("the Company") was incorporated in Pakistan on February 25, 1987, under the Companies Ordinance, 1984 (now Companies Act, 2017), as a public limited company and is quoted on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 2nd Floor, Finlay House, I.I. Chundrigar Road, Karachi in the province of Sindh, Pakistan. The principal business of the Company is to manufacture and sale of yarn.

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 have signed a "Scheme of Arrangement" under sections 279 to 283 read with section 285 of the Companies Act, 2017 ("the Act"). The Scheme of Arrangement has been sanctioned by the Hon'ble High Court of Sindh at Karachi vide order dated October 30, 2023, passed in J. C. M. Petition No. 15 of 2019. The Scheme of Arrangement, after its sanction by the Court has become binding on the Company, along with all the shareholders, creditors, stakeholders and any other regulatory / statutory bodies of/ or with respects to the Company. Under this Scheme, the existing financial obligations / liabilities of the Company towards the secured creditors shall be settled by way of sale of moveable and immovable items of property, plant and equipment ("charged assets") of the Company and payment of the proceeds thereof to the secured creditors as contemplated under the Scheme of Arrangement along with incidental ancillary matters, thereto. All the pending litigation shall be withdrawn in terms of the Scheme of Arrangement.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

3 ACCOUNTING POLICIES

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

4 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

5 PROPERTY, PLANT AND EQUIPMENT

	Note	Un-audited Dec 31, 2023	Audited June 30, 2023
----- (Rupees) -----			
Operating fixed assets	5.1	1,395,223	1,479,489
Disposal group under scheme of arrangement	5.2	36,574,322	632,746,300
		<u>37,969,545</u>	<u>634,225,789</u>
5.1 Operating fixed assets			
Book value at beginning of the period / year		1,479,489	1,672,566
Book value of assets disposed-off		-	-
Depreciation charge for the period / year		(84,266)	(193,077)
Book value at end of the period / year		<u>1,395,223</u>	<u>1,479,489</u>

5.2 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, these assets (note 5.2) have been classified and presented under disposal group under scheme of arrangement. All the manufacturing facilities have been disposed off by the asset sale committee during the period and the sale proceeds have been distributed among the lenders in accordance with terms mentioned in "Scheme of Arrangement". The asset sale committee is in negotiations with prospective buyers about the sale of land located in Qadirpur, Vehari.

6 PAYABLE TO BANKING COMPANIES UNDER SCHEME OF ARRANGEMENT

Principal payable to banking companies under scheme of arrangements	6.1	1,522,055,000	1,522,055,000
Mark-up / interest payable under scheme of arrangement		397,535,999	397,535,999
Principal paid during the period		(400,000,035)	-
		<u>1,519,590,964</u>	<u>1,919,590,999</u>

6.1 This represents payable to banking companies under scheme of arrangement as detailed below:
 The Company along with its restructuring agent – United Bank Limited and majority of the lending financial institutions have signed a "Scheme of Arrangement" under sections 279 to 283 read with section 285 of the Companies Act, 2017 ("the Act"). Under this Scheme, the existing financial obligations / liabilities of the Company towards the secured creditors shall be settled by way of sale of moveable and immovable items of the Company including property, plant and equipment and payment of the proceeds thereof to the secured creditors as contemplated under the Scheme of arrangement.

7 RELATED PARTY TRANSACTIONS

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

Name of party	Relationship	Transaction	Amount
Mr. Tanveer Ahmad	Shareholder	Loan received	858,537

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

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

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

8.2 Commitments

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

9 AUTHORIZATION OF INTERIM FINANCIAL INFORMATION

This condensed interim financial information has been authorized for issue by the Board of Directors of the Company on 28-02-2024

10 GENERAL

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

MHA & CO

Sohail M
CHIEF EXECUTIVE

Salman AN
CHIEF FINANCIAL OFFICER

Abid Sattar
DIRECTOR

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