GULISTAN TEXTILE MILLS LIMITED

ANNUAL REPORT 2018

CONTENTS

GULISTAN TEXTILE MILLS LIMITED
COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Waqar Ahmed (Chairman) Mr. Naseer Ahmed (Chief Executive) Mr. Muhammad Arshad Mr. Muhammad Arif Mr. Mian Muhammad Khalid Nasim Mr. Zubair Hussain Akhtar Mr. Zafar Iqbal
AUDIT COMMITTEE	Mr. Zubair Hussain Akhtar (chairman) Mr. Waqar Ahmed Mr. Zafar Iqbal
HR & REMUNERATION COMMITTEE	Mr. Mian Muhammad Khalid Nasim (chair Mr. Waqar Ahmed Mr. Zafar Iqbal
CHIEF FINANCIAL OFFICER	Mr. Akhtar Aziz
COMPANY SECRETARY	Mr. Asmar Tariq
AUDITORS	M/s. Baker Tilly Mehmood Idress Qamar Chartered Accountants Lahore.
LEGAL ADVISOR	M/s. A.K. Brohi & Company-Advocate
TAX CONSULTANT	M/s. Sharif & Company-Advocate
SHARE REGISTRAR OFFICE	M/s. Hameed Majeed Associates (Pvt) Ltd. Karachi Chamber Hasrat Mohani Road Karachi Ph. 32424826, 32412754, Fax. 32424835
REGISTERED OFFICE	2nd Floor, Finlay House, I.I. Chundrigar Road, Karachi.
REGIONAL OFFICE	2nd Floor, Garden Heights, 8-Aibak Block, New Garden Town, Lahore.
MILLS	Unit I - Sama satta, Distt. Bahawalpur Unit II & III Tibba Sultanpur, Distt. Vehari Unit IV - Ferozwatwan, Distt. Sheikhupura
WEB PRESENCE	www.gulistan.com.pk/corporate/gulistanT.h

CORPORATE VISION / MISSION STATEMENT

VISION

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

MISSION

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

GULISTAN TEXTILE MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meetingof **Gulistan Textile Mills Limited** (the "Company") will be held at 2nd Floor Finlay House, I.I. Chundrigar Road, Karachi on **Saturday 30th March, 2019 at 12:30 p.m**,to transact the following business:

5. To confirm the minutes of the last Annual General Meeting of the Company.
6. To receive, consider and adopt the audited financial statements of the Company for the financial year ended on June 30, 2018 together with Directors' and Auditors' Reports thereon.
7. To appoint auditors of the company for the next financial year 2018-2019 and fix their remuneration. The retiring Auditors M/s Baker Tilly MehmoodIdressQamar, Chartered Accountants, being eligible, have offered themselves for reappointment as Auditors of the company.
8. To transact any other business with the permission of the Chairman.

By Order of the Board
Asmar Tariq
Company Secretary

Lahore:

March 09, 2019

GULISTAN TEXTILE MILLS LTD

NOTES:

5- The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from **23rd March, 2019 to 30th March, 2019 (both days inclusive).**

6- 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.

7- CDC Account Holders are requested to bring with them their CNIC along with participant I.D &their account number at the time of meetingin 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.

8- 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, HasratMohani Road, Karachi.

گلستان ٹیکسٹائل ملز لمیٹڈ

نوٹس برائے سالانہ عام میٹنگ

نوٹس یہ ہے کہ گلستان ٹیکسٹائل ملز لمیٹڈ (اس "کمپنی") کی سالانہ عام میٹنگ بروزہفتہ 30مارچ 2019، دوپہر 12:30 بجے بمقام دوسری منزل، فنلے ہاؤس، آ ئ آئ چندریگر روڈ، کراچی پر منعقد کی جائے گی۔ مندرجہ ذیل کاروبار کو منتقل کرنے کے:

1۔ کمپنی کے گزشتہ سالانہ اجلاس عام کے منٹس کی تصدیق کرنا۔
2۔ 30 جون 2018 کو ختم ہونے والی مالی سال کے لئے کمپنی کے آڈٹ شدہ مالی بیانات وصول کرنے اور اسے قبول کرنے، بمعہ ڈائریکٹرز اورآڈیٹر کی رپورٹوں کے۔
3۔ اگلے مالی سال 2018-2019 کے لئے کمپنی کے آڈیٹر مقرر کرنے اور ان کے معاوضہ طےکرنا اور ریٹائرڈ ہونے والے آڈیٹر (بیکر ٹلی ، محمود ادریس قمر، چارٹرڈ اکاؤنٹنٹس) دوبارہ خود کو کمپنی کے آڈیٹر کے طور پر پیش ہونے کی آفر کی ہے۔
4۔چیئرمین کی اجازت کے ساتھ کوئ بھیٔ دوسرہ کاروباریٔ معاملہ منعقد کیا جاۓ گا۔

بورڈ کے حکم سے

آسمار طارق
کمپنی سیکرٹری

لاھور
09 مارچ2019

نوٹس:

1- کمپنی کی حصص کی منتقلی کی کتابیں بند رہیں گی 23 مارچ ، 2019 سے 30مارچ ، 2019 تک (رجسٹریشن کے دونوں دن) رجسٹریشن کیلئے حصص کی کوئی منتقلی قبول نہیں کی جائے گی۔
2- عام اجلاس میں شرکت اور ووٹ دینے کے حقدار ایک رکن کسی بھی رکن کو اجلاس میں شرکت کرنے اور اس کی طرف سے ووٹ دینے کے لئے تحریری میں پراکسی کے طور پر مقرر کر سکتا ہے۔کمپنی کے پاس رجسٹرڈ آفس کے ساتھ پراکسی کا فارم مکمل ہونا ضروری ہے، پراکسی اجلاس کے مقررہ وقت سے 48 گھنٹے پہلے جمع کروائں۔
3- سی ڈی سی اکاؤنٹ ہولڈرز سے درخواست کی جاتی ہے کہ وہ ان کے سی این آئی سی کے ساتھ شناخت کو آسان بنانے کے لئے میٹنگ کے وقت شرکت کنندہ آئی ڈی اور ان کے اکاؤنٹ نمبر کے ساتھ لے آئے۔ کارپوریٹ ادارے کی صورت میں، ایک بااختیار بی ڈی قرارداد / اٹارنی کی درست طاقت کے نامزد ہونے کے نامزد ہونے کے نمونہ دستخط کے ساتھ۔
4- ممبران سے درخواست کی جاتی ہے کہ ہمارے رہائشیٔ پتہ کیٔ تبدیلی اگر ہو تو ہمارے رجسٹرار میسرز حمید مجید ایسوسی ایٹس (پرائیوٹ) لمیٹڈ، کراچی چیمبر، حسرت موہانی روڈ، کراچی میں فوری تبدیلیوں کو مطلع کریں۔

1

Director's Report to Shareholders

The Directors of your Company are pleased to place their report together with the Auditor's Report and audited Financial Statements of the Company for the year ended June 30, 2018 at the Annual General Meeting of Company.

Overview

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

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

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

Operating & Financial Performance

Operating indicators	**2018**	**2017**
	(Rupees)	(Rupees)
Sales	0	0
Gross loss	(154,466,920)	(186,990,311)
Financial cost	(12,547)	(7,787)
Pre tax Profit/ (Loss)	(150,222,786)	(201,022,952)
Provision for taxation	37,198,272	52,547,377
Profit / (Loss) after taxation	(113,024,514)	(148,483,575)

Future Outlook

The Company's Management in order to offset the effect of increased power cost and Rupee devaluation is trying hard on development of high margin product mix, in accordance with customer changing needs to increase the contribution margins.

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

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

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

Auditors' Observations

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

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

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

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

Corporate Governance

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

Board meetings and attendance

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

Name of Director	No of meeting attended
Mr. Naseer Ahmed	4
Mr. Muhammad Arshad	2
Mr. Waqar Ahmad	4
Mr. Mian Muhammad Khalid Nasim	2
Mr. Muhammad Arif	2
Mr. Zafar iqbal	2
Mr. Zubair Hussain Akhtar	2
Mr.Mazar Hussain	0
Mr.Muhammad Afzal Anjum	2
Mr.Seemab Ahmad Khan	2
Mr.Muhammad Zubair	2

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

Audit Committee

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

HR & Remuneration Committee

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

Internal Audit Function

The Board has implemented a sound and effective internal control system including operatio financial and compliance controls to carry on the business of the Company in a contro 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 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 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 fina statements and accounting estimates are based on reasonable and prudent judgment.
- International accounting standards, as applicable in Pakistan have been followed in prepara of financial statements.
- The system of internal control is sound and has been effectively implemented and monitore
- The Board is satisfied that there is no concern as regard to going concern under the Code as duly explained in note 1.3 of Financial Statements.
- There has been no material departure from the best practices of corporate governanc 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, 2018 except for those disclosed in the financial statements.
- No material changes and commitments affecting the financial position of your Company have occurred between the end of the financial year to which this Balance Sheet relates and the date of the Directors' Report, except for those disclosed in the financial statements.

Earnings/Loss Per Share

The Profit / (loss) per share of the Company for the year ended June 30, 2018 was Rs. (5.95) as compared to the previous year of Rs. (7.82).

Dividends

Due to circumstances discussed above, the Board of Directors does not recommend dividend for the year ended on June 30, 2018.

Corporate Social Responsibility

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

Web presence

Annual and periodical financial statements of the Company are also available on the Company website www.gulistan.com.pk for information of the shareholders and others.

Related Party Transactions

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

Trading in Company's Shares

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

Name	Opening Balance as on 01.07.2017	Purchases	Sales	Closing Balance as on 30.06.2018
NIL	NIL	NIL	NIL	NIL

Statement on Value of Staff Retirement Benefit

As on June 30, 2018 deferred liability for gratuity is Rs. 130,518,258/=

Auditors

Messrs Baker Tilly Mehmood Idrees Qamar, Chartered Accountants being eligible have offered themselves for re-appointment. The Audit Committee has also recommended their appointment as External Auditors of the Company for the next financial year 2018-2019.

Pattern of Shareholding

The pattern of shareholding as at June 30, 2018 including the information under the code of corporate of governance is annexed.

Acknowledgement

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

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

On behalf of the Board

Naseer Ahmed

NASEER AHMED	WAQAR AHMAD
CHIEF EXECUTIVE	CHAIRMAN

Lahore March 04, 2019

گلستان ٹیکسٹائل ملز لمیٹڈ

شیئر ہولڈرز کو دی گئی ڈائریکٹر کی رپورٹ

آپ کی کمپنی کے ڈائریکٹروں کو خوشی ہے کہ سالانہ جنرل میٹنگ کے موقع پر کمپنی کے ڈائریکٹرزکمپنی کے مالی بیانات کی رپورٹ پیش کررہے ہیں جوکہ آڈیٹرز کی رپورٹ کے ساتھ منسلک ہے یہ رپورٹ زیر جائزہ مالی سال مورخہ30جون 2018 پیش کیا جارہا ہے۔

مجموعی جائزہ

زیر جائزہ سال مجموعی طور پر کافی مشکل سال ثابت ہوا ہے.سنگین توانائی کے بحران کے ساتھ ساتھ مالی ذرائع کی عدم دستیابی نے پیداواری صلاحیتوں کے استعمال میں رکاوٹ ڈالے رکھی ۔ اس کے علاوہ ان نقصانات کا بنیادی سبب کام چلانے کے لیے سرمایہ کی عدم دستیابی سے پیدا ہونے والے مالی بحران کی وجہ سے بینکس اور دیگر مالی اداروں کی طرف سے بھی مالی امداد کو بھی یکطرفہ طور پر روک دیاگیا۔ جس کے نتیجے میں کمپنی ہذا خام مال جس کی مدد سے موجود مشینری کو مناسب سطح کی حد تک چلاکر پیدا وار کو بڑھایا جاتامناسب مقدار میں اور مناسب وقت پر نہ خرید سکی ۔

ان حالات نے مطلوبہ پیداوار کے اہداف کو حاصل کرنے کے لئے کمپنی کی منصوبہ بندی کو روک دیا نتیجتاً ہماری سیلز ٹرن اوور پراورکمپنی کے منافع کی صلاحیت پر بری طرح اثرا پڑا۔ جبکہ اس کے برعکس موجودہ بدترین حالات کے باوجود انتظامیہ کمپنی کی ملز کو چلانے کی ہر ممکن سرتوڑکوشش کررہی ہے۔ قرضہ بڑھانے کی سخت شرائط، بلند شرح سود، منسلکہ لیکیوڈٹی کے مسائل نے کمپنی کو مجبور کیا کہ وہ اپنے قرض اور واجبات کی ادائگیوں کیلئے مزید وقت حاصل کرے جو کہ گفت وشنید کے بعداس شرط پر کہ وہ اپنے قرضہ جات وقت پر ادا کرے گی کمپنی کو مزید وقت مل جائے گا۔

کمپنی نے مارکیٹ میں کلیدی حیثیت رکھنے والے مالی اداروں /بینکس کے ساتھ مل کرقرض کے حصول کا عمل شروع کیا ہے۔ اس سلسلہ میں کمپنی نے معروف قانونی فرم کو بطور مالی امور کے وکیل مقرر کیا ہے اور شرائط و ضوابط اور منصوبہ بندی کی دستاویزی شکل میں تیاری اپنے آخری مراحل میں اور بیشتر مالی اداروں نے ہمارے قرض کے حصول کی منصوبہ بندی کوسراہا /منظور کیا ہے۔ اگر ایک دفعہ ہم اپنی اس منصوبہ بندی کو پورا کرنے مین کامیاب ہوگئے تو اس سے کمپنی کی مالی حیثیت اور دیگر حساب کتاب میں بہتری آئے گی۔

انتظامیہ حالیہ پیش آنے والے مالی مسائل سے باخبر ہے جو کہ ہمارے آپریشنز پر اثرانداز ہورہے ہیں۔ اور انتظامیہ اپنے مالی امور کی تشکیل نواور بہتر منصوبہ بندی کرکے کمپنی کو ایک منافع بخش کمپنی بنانے کیلئے پرعظم ہے۔ اور اپنی اعلیٰ پیشہ وارانہ صلاحیتوں کو بروئے کار لاتے ہوئے اپنے آپریشنز /سرگرمیوں کو مضبوط کرے گی اور پیداواری عوامل (پراسیس) میں ترقی لاتے ہوئے اپنے کسٹمرز کو بہتر سے بہتر خدمات باہم پہنچائے گی۔

آپریٹنگ (کام کی سرگرمیوں)اور مالی کارکردگی کا جائزہ

کام کی نوعیت	2017	2018
سیلز	0	0
مجموعی نقصان	(186,990,311)	(154,466,920)
مالیاتی لاگت	(7,787)	(12,547)
ٹیکس دینے سے پہلے کا نقصان	(201,022,952)	(150,222,786)
ٹیکس	52,547,377	37,198,272
ٹیکس دینے کے بعد کا نقصان	(148,483,575)	(113,024,514)

1

مستقبل کی منصوبہ بندی

کمپنی کی انتظامیہ پیداواری لاگت کو کم کرنے کیلئے اور روپے کی قدر میں کمی کے اثرات /نقصانات کو کم کرنے کیلئے پیداواری صلاحیت کے زیادہ سے زیادہ استعمال میں لانے کیلئے زبردست محنت کررہی ہے۔
پیداواری لاگت میں اضافہ اصل میں کپاس کی قیمت میں اضافہ، توانائی کے ذرائع کے شدید بحران،روپے کی قدر میں کمی کی وجہ سے اوردرآمدی اشیاء کی قیمتوں میں اضافے ، دو عددی افراط زراوربجلی کی طویل لوڈشیڈنگ کی وجہ سے ہوئی جس کی وجہ سے ٹیکسٹائل سیکٹر کوشدید حالات کا سامنہ ہے۔
ان حالات کے پیش نظر مستقبل میں بھی انہی حالات کا اندیشہ ہے۔
اس کے برعکس کمپنی کی توجہ اپنے کسٹمر ز کے ساتھ تعلقات کو مستحکم کرنے پراور اپنے پیدواری حجم کو معقول کرنے اوراپنی قیمتوں کے تعین کے اہداف کے حصول پرمرکوز رکھے ہوئے ہے تاکہ منافع میں اضافہ ہوسکے۔
ان سنگ میل کو حاصل کرنے کی سب سے بڑی رکاوٹ مالی ذرائع کے حصول کی عدم دستیابی ہے۔
لیکن ہم یہ حالات مستقبل قریب میں ختم ہونے کی امید رکھ سکتے ہیں کیونکہ ہماری قرضوں کے حصول کی منصوبہ بندی جلد از جلد اپنے تکمیل کے مراحل میں ہے اور پھر قرضوں کے حصول کے بعد پیداواری صلاحیتوں کے استعمال میں بڑھوتری ہوسکے گا۔
اگر ایک دفع قرضوں کے حصول کی گفت شنید کا مرحلہ کامیابی سے مکمل ہوگیا تو ہم خام مال کو بروقت اور بہتر/کم قیمت میں خریدسکیں گے۔
منافع میں اضافہ اور کارکردگی میں ترقی کیلئے کمپنی کی طرف سے طویل المدت اوراہم اقدامات لاگو کیے جا رہے ہیں اور کمپنی پیداواری لاگت میں کمی اور مارجن میں اضافہ پر اپنی توجہ مرکوز رکھے ہوئے ہے۔
متذکرہ بالا اقدامات برائے حصول قرض میں کامیابی کے بعد کمپنی کی انتظامیہ اپنی تمام تر توجہ پیداواری سرگرمیوں پر کردے گی مالی معاملات میں بہتری اور پیداواری لاگت میں مناسب کمی ، مالی ذرائع کے حصول اور خام مال کی خریداری کیلئے مزید موثر انتظامی اقدامات ہونے کے بعد کمپنی ہذا امید واثق رکھتی ہے کہ وہ منافع کی راہ پر گامزن ہوجائے گی لیکن اس شرط پر کہ بیرونی طور پر کوئی ایسے ناگہانی حالات نہ پیدا ہوجائیں جیسا کہ زبردست توانائی کا بحران اور عالمی مارکیٹ کے برے حالات وغیرہ۔

آڈیٹرز کے اعتراضات

آڈیٹر نے اس معاملے میں تشویش کا اظہار کیا ہے کہ کمپنی نے ابھی تک بینک ہائے و دیگر مالی اداروں کے ساتھ قرضوں کے حصول کے سلسلہ میں گفت و شنید اور قرض کے حصول کی نئی منصوبہ بندی سابقہ ادائیگیوں کیلئے مزید وقت کے حصول کیلئے تیز ترین اقدامات نہیں اٹھائے ۔
اس سلسلہ میں یہ امر قابل توجہ ہے کہ قرضوں کے حصول کی نئی منصوبہ بندی اپنے تکمیلی مراحل پر ہے جس کے تمام خاص خاص امور پرسے بیشتر بینک ہائے /مالی ادارے ہمارے ساتھ متفق ہیں۔
بینک ہائے /قرض دہندگان کی طرف سے پیش کردہ ایک سکیم آخری مراحل میں ہے اور جس کا ڈرافٹ ہمارے مالی امور کے قانونی ماہرین بنارہے ہیں اور سندھ ہائی کورٹ کی منظور ی کے بعد ایک معاہدہ مابین فریقین برائے حصول قرضہ کمپنی اور متعلقہ بینک ہائے کے درمیان طے پاجائے گا۔
اور اس معائدہ کی شرائط و ضوابط کے مطابق کمپنی اور اسکی مخالف اداروں کے درمیان جاری تمام قانونی کاروائیاں ختم ہوجائیں گی اور فریقین ہر طرح کی قانو نی کاروائی سے دستبردار ہوجائیں گے۔
انتظامیہ ہر ممکن کوشش کررہی ہے کہ وہ کمپنی کو حالیہ مالی مسائل اور بدترین بحران سے نکال لے ۔
بے شک انتظامیہ نے اپنی بیشتر افرادی قوت کو استعمال کیا ہے تاکہ وسائل کے تحفظ، قدرتی وسائل اور خام مال کے مؤثر استعمال کیلئے کیے گئے ہر ممکن اقدامات کی کامیابی کو یقینی بنایا جائے۔
ہائی کورٹ میں جو کمپنی کے خلاف واجب الادا ادائیگیوں کے حصول کیلئے قانونی کاروائ چل رہی ہے اس سلسلہ میں کمپنی نے سود پر اضافی سود کی ادائیگی کے تقاضے کو رد کردیا ہے جس کے نتیجہ میں بینک /مالی اداروں نے کمپنی کے ذمے واجب الادا پیسوں کو کنفرم نہیں کیا ہے جو کہ پیسے پہلے سے کمپنی ہذا نے متنازعہ قرار دیے ہوئے ہیں۔

2

کمپنی کو یہ امید واثق ہے کہ ان متنازعہ رقوم کے سلسلہ میں اگر مفاہمت ہوگئی تو ہمارے حق میں طے شدہ قرضوں کی اگلی اقساط جاری ہوجائیں گی اور سابقہ قسطوں کیلئے مزید وقت مل جائے گا، جس کے نتیجہ میں کمپنی ہذا کی مالی صلاحیت میں اضافہ ہوگا اور کمپنی قبل از وقت موثر سرمایہ کاری کرتے ہوئے مناسب قیمت پر خام مال خرید سکے گی اور اپنے مالی ذرائع کو بہتر طور پر چلاسکے گی۔اور لوکل اور عالمی مارکیٹ کے پریشر کو برداشت کرسکے گی اور ملکی توانائی کے بحران سے لڑ سکے گی۔

کارپوریٹ گورنینس

آپ کی کمپنی سیکورٹیز اورایکسچینج کمیشن آف پاکستان کے قوانین پر بہرصورت عمل پیرا ہے اور اس کے مطابق اپنے داخلی مالی و دیگر معاملات کے کنٹرول کی پالیسیز کوبہتر طریقے سے پہلے سے زیادہ سختی سے اور توازن کے ساتھ نافذ کیے ہوئے ہے۔

بورڈ میٹنگز اور حاضر لوگ

بورڈ ڈائریکٹرز کی چار دفعہ میٹنگ منعقد کی گئی اور ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے۔

نام ڈائریکٹر	میٹنگ میں حاضری
نصیر احمد	4
وقاراحمد	4
محمد زبیر	2
محمد ا رشد	2
سیماب احمد خان	2
محمد عا رف	2
افضل انجم	2
زبیر حسین	2
میا ں خالد	2
منظر حسین	0
محمد بدر منیر السمیع عالم	2

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

آڈٹ کمیٹی

حکومت کی طرف سے جاری کردہ ضابطہ پر عمل پیرا ہوتے ہوئے کمپنی کے بورڈ آف ڈائریکٹرز نے ایک آڈٹ کمیٹی تشکیل دی ہے۔ ان اراکین کے نام کمپنی کی معلومات میں د ئے گئے ہیں۔

انسانی وسائل اور ان کے معاوضے کی کمیٹی

حکومت کی طرف سے جاری کردہ ضابطہ پر عمل پیرا ہوتے ہوئے کمپنی کے بورڈ آف ڈائریکٹرز نے ایک انسانی وسائل اور ان کے معاوضے کی کمیٹی تشکیل دی - ان اراکین کے نام کمپنی کی معلومات میں د ئے گئے ہیں۔

انٹرنل آڈٹ کا طریقہ کار

بورڈ آف ڈائریکٹرز نے مناسب اور مؤثر داخلی مالی کنٹرول سسٹم بنایا ہے اور اس پرسختی سے عمل پیرا ہیں جس میں ، آپریشنل ، فنانشل اور کمپنی کے کاروباری معاملات کی متعلقہ پالیسیز پر مناسب طریقے سے عمل درآمد ممکن بنایا جاسکے تاکہ کمپنی کے بنیادی اصول کے مقاصد کو حاصل کیا جاسکے۔
انٹرنل آڈٹ کی سفارشات اور مشاہدات کو آڈٹ کمیٹی نے نظرثانی کیا اور جہاں پر ضروری سمجھا انہوں نے دی گئی سفارشات اور مشاہدات کی روشنی میں مناسب کاروائی کی ۔

کارپوریٹ گورننس اور مالیاتی رپورٹنگ کے فریم ورک

3

کارپوریٹ گورننس کے ضابطہ کے مطابق ڈائریکٹر کو بخوش اصلوبی مندرجہ ذیل امور سرانجام دینے ہوں گے۔

- کمپنی انتظامیہ کی طرف سے جو مالی امور کا بیان پیش کیا جائے گا وہ کمپنی کے مالی امور کا اصل اور سچے چہر ے کی عکاسی کرے اور کمپنی کے آپریشن کے نتائج /ماحاصل/منافع/نقصان، کیش فلو اور ایکوئٹی میں تبدیلیاں کی صحیح ترجمانی /آئینہ داری کرے۔
- کمپنی کے اکائونٹ بکس کی مناسب تیاری اور دیکھ بھال کرے۔
- مناسب اکائونٹنگ پالیسیز کی تیاری اور اس کی روشنی میں مالی امور کے بیان اور مالی تخمینہ جات کی تیار ی اور اس سلسلہ میں معقول اور دانشمندانہ فیصلےکیے جائیں۔
- بین الاقوامی اکائونٹنگ سٹینڈرڈز جو کہ پاکستان میں لاگو ہیں کے مطابق مالی امور کا بیان تیار کیا جائے۔
- انٹرنل مالی ونظم و ضبط کا کنٹرول کا سسٹم موثر اور مستحکم ہو اس کا نفاذ کا مناسب مانیٹرنگ سسٹم موجود ہو۔
- بورڈ کے ڈائریکٹرز کو مالی امور کے بیان کے پیرا نمبر2-1میں دیے گئے ضابطہ کے سلسلہ میں کسی قسم کی کوئی خلاف ورزی نہ ہو۔
- کاروپوریٹ گورننس کے سلسلہ میں بہتر ین طریقوں کو اختیار کیاجائے جن کا ذکر سٹاک ایکسچینج کے قوانین میں ہے اور کوئی خلاف ورزی سامنےنہ آئے۔
- گزشتہ 6 سالوں کاآپریٹنگ اور مالی امور کا کلیدی ڈاٹا لف ہذا ہے۔
- ٹیکسز، ڈیوٹیز، محصولات اور دیگر چارجز کی مد میں کوئی اضافی یا غیر قانونی ادائیگیاں نہیں کی گئیں ۔
- حالیہ مالی سال کے اختتام پر جو بیلنس شیٹ اور ڈائریکٹر رپورٹ پیش کی گئی اس کے مطابق کمپنی کی مالی پوزیشن کے مواد میں کسی قسم کی کوئی کلیدی یا بنیادی تبدیلی نہیں کی گئی جو آپکی کمپنی کی مالیاتی صورتحال کو متاثر کرے سوائے ان کے جو مالی امور کے بیان میں آشکار کی گئیں۔

کمائی /نقصان بمطابق شیئر کی قیمت

بمطابق شیئر زکی حالیہ قیمت، کمپنی کا نقصان برائے اختتامی دورانیہ 30جون2018 ،فی شیئر (5.95) روپے ہے جو کہ پچھلے سال (7.82)روپے فی شیئر تھا۔

منافع

متذکرہ بالا پیش کردہ امور کی روشنی میں بورڈ ڈائریکٹر ز نے اختتامی دورانیہ 30جون 2018 کیلئے کسی منافع کی سفارش نہیں کی ہے۔

ضابطہ اخلاق

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

کارپوریٹو سماجی ذمہ داری

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

ویب / سماجی رابطہ کے ذرائع پر موجودگی

کمپنی کی سالانہ اور متواتر مالی امور کا بیان کمپنی کی ویب سائٹ www.gulistan.com.pk پر شیئر ہولڈرزاور دیگران کی آگاہی کیلئےموجود ہے ۔

متعلقہ فریقین کے ساتھ لین دین

متعلقہ فریقین کے ساتھ لین دین کو آرمز لنگتھ پرائسز کے قانون کے مطابق کیا جاتا ہے جو کہ "کمپیئرڈ ان کنٹرولڈ پرائس میتھڈ" کے مطابق طے شدہ ہے۔ کمپنی ہذا کاروپوریٹ گورننس کے بہتر ین طریقوں کو اختیار کیے ہوئے ہے جن کا ذکر سٹاک ایکسچینج کے قوانین میں ہے ۔

کمپنی کے شیئرز کی ٹریڈنگ

زیر جائزہ سال میں چیف ایگزیکٹوآفیسران،چیف فنانشل آفیسر، کمپنی سیکرٹری ، ڈائریکٹرز اور ان کی ازواج/خاوند اوربچوں کی طرف سے کمپنی کے شیئر کا کاروبار کیا گیاجس کی تفصیل درج ذیل ہے:

نام	اوپننگ بیلینس مورخہ 2017-07-01	خریداری	فروخت	کلوزنگ بیلینس مورخہ 2018-06-30
کوئی نہیں	کوئی نہیں	کوئی نہیں	کوئی نہیں	کوئی نہیں

عملہ کے ریٹائرمنٹ کے بینفٹ کی قیمت کابیان

دورانیہ برائے مورخہ 30جون2018 ڈیفرڈ لائبلٹی برائے گریچوٹی کی رقم= /130,518,258 روپے مختص کی گئی ہے۔

آڈیٹرز

میسرز باقر تلی محمود ادریس قمر، چارٹرڈ اکائونٹنٹس نے اپنی کمپنی دوبارہ مقرر کرنے کی پیشکش کی ہے اور آڈٹ کمیٹی نے بھی ان کی بطور کمپنی کے بیرونی آڈیٹرزبرائے اگلے مالی سال 2019-2018کی تعیناتی کی سفارش /منظوری کی ہے۔

شیئر ہولڈنگ کا پیٹرن

ضابطہ برائے کارپوریٹ گورننس کے مطابق30جون2018 تک کا شیئر ہولڈنگ کا پیٹرن لف رپورٹ ہذ ا ہے۔

تحسینی اعترافات

آخر میں ہم اس موقع کا فائدہ اٹھاتے ہوئے چاہیں گے کہ اپنے کسٹمرز ،اور مالی ادارے /بینکرزکا شکریہ ادا کریں جو کہ انہوں نے کمپنی کی ترقی اور نشوونما کیلئے مسلسل حمایت اور تعاون کیا اور ہم امید کرتے ہیں کہ اسی جذبے سے یہی تعاون اور حمایت جاری رہے گی۔
ہم اپنی جذبے سے سرشار ٹیم اور ایگزیکٹوز /ڈائریکٹرز،دیگر عملے اور کارکنوں کا بھی شکریہ اداکرتے ہیں جنہوں نے اس تمام عرصہ میں سخت محنت اور لگن سے کام کیا اور ہم آمدہ سال میں بھی اسی لگن اور محنت کی امید رکھتے ہیں تاکہ ہماری کمپنی پہلے سے بھی زیادہ بہتر نتائج حاصل کرے ۔
آخر میں (لیکن بالکل آخری نہیں)انتظامیہ اپنے بورڈ کی ہر دفعہ کی طرح اس دفعہ بھی بھرپور تعاون اور رہنمائی کا شکریہ ادا کرتے ہیں جو ہماری کمپنی کے لیے مستقبل کی زبردست منصوبہ بندی ، بہتر رہنمائی اورمقاصد کا تعین کرتے ہیں۔

لاہور، 04 مارچ 2019

بورڈ آف ڈائریکٹرزکی طرف /جانب سے

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5

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STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS-2017

Year Ended **June30, 2018**

The company has complied with the requirements of listed Companies (Code of Corporate Governance) Regulation-2017 (the regulations) in the following manner

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

Category	Names
Executive Directors	Mr. Naseer Ahmed and Mr.MuhammadArshad
Independent Director	Mr.Zubair Hussain Akhtar
Non-Executive Directors	Mr. Zafar Iqbal, Mr. Muhammad Arif,Mr.Waqar Ahmad ,Mr.Mian Khalid Nasim

2. The directors have confirmed that none of them is serving as a director in more than five listed companies, including this Company.

3. All the resident directors are registered as taxpayersand none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Casual vacancies occurring in the Board during the period under review were filled statutory period given in the code

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The Board has developed a Vision/Mission statement, overall corporate strategy and significant policies of the Company. A complete record ofparticulars of significant policies along with the dateson which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and term and conditions of employment of the chief executive officer and executive and non-executive directors have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met atleast once in every quarter. Written notices of the Board meetings, along with agenda and workingpapers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has approved appointment of Chief Financial Officer, Company Secretary and Headof Internal Audit, including their remuneration and terms andconditions of employment.

10. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

12. The Board has formed an committees, comprising of members are given below.

A) Audit Committee

Mr.Zubair Hussain Akhtar	Chairman
Mr.Waqar Ahmad	Member
Mr.Zafar Iqbal	Member

B) HR &Remueration Committee

Mr.Mian Khalid Nasim	Chairman
Mr.Waqar Ahmad	Member
Mr.Zafar Iqbal	Member

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

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

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

15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

16. The board has formed an HR and Remuneration Committee. At present it comprises of three board members of whom two are non-executive directors and chairman of the committee is a non-executive director.

17. The Company will appoint female and second independent director as per CCG regulation-2017 within the due course of time.

18. The board has set up an effective internal audit function.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. We confirm that all other requirements of the regulations-2017 have been complied with.

On behalf of the board of Directors

Chief Executive Officer
LahoreMarch 04, 2019

Chairman

BTLHR/AA/GTM-81/2018/32

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBER OF GULISTAN TEXTILE MILLS LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017, ("the Regulations") prepared by the Board of Directors of *Gulistan Textile Mills Limited* for the year ended June 30, 2018 in accordance with the requirements of regulation 40 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Following instances of non-compliance with the requirement(s) of the Regulations were observed which are not stated in the Statement of Compliance:

1. During the year, no orientation courses were arranged for its directors to apprise them of their duties and responsibilities. The board has ensured arrangement of orientation courses for its directors by the end of June 30, 2019.
2. Nomination committee and risk management committee are not formed by the board.
3. The Company has not prepared, circulated and filed quarterly unaudited financial statements and half yearly financial statements subject to a limited scope review as required by clauses (xviii and xix) of the Code.

Based on our review, except for the above instance(s) of non-compliance, 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 Regulations as applicable to the Company for the year ended June 30, 2018.

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

Lahore
Date: March 04, 2019

BTLHR/AA/GTM-81/2018/32

INDEPENDENT AUDITOR'S REPORT

To the members of Gulistan Textile Mills Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of *Gulistan Textile Mills Limited* (*the Company*), which comprise the statement of financial position as at *June 30, 2018*, and the statement of profit or loss and 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, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary of the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, because of the significance of the matters discussed in basis for adverse opinion paragraph, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof do not conform with the accounting and reporting standards as applicable in Pakistan and do not give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at June 30, 2018, and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Adverse Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. 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 International Ethics Standards Board for Accountants' Code of *Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our adverse opinion;

a) as described in note 1.3 to the financial statements, the financial statements have been prepared on going concern basis. The Company has accumulated loss of Rs. 7,144.383 million as at June 30, 2018, shareholder's equity is negative by Rs. 5,128.932 million and as of that date the Company's current liabilities exceed its current assets by Rs. 7,735.416 million. The Company has closed its operations due to working capital constraints indicating facing financial problems. Further, various banks and financial institutions have filed recovery suits against the Company as detailed in note 28.1 to the financial statements and the ultimate outcome of these suits cannot presently be determined because these matters are pending before various courts. These events indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements and notes thereto do not disclose this fact. The management of the Company also did not provide us its assessment of going concern assumption used in the preparation of the financial statements and the future projections indicating the economic viability of the Company. In our opinion, the going concern assumption used in the preparation of these financial statements is inappropriate;

b) Certain litigations have been filed by / against the Company as disclosed in note 28.1 to these financial statements. Management and the legal counsels of the Company in their respective direct response to our confirmation requests have not provided us their assessment of the potential outcome of these litigations. Accordingly, the Company has not provided for the outcome of these litigations. The mark-up / interest on long-term finances, lease finances and short-term borrowings to the extent aggregating Rs. 4,340.978 million, including balance of Rs. 591.781 million for the current year, has not been accrued in these financial statements, thereby increasing shareholders' equity and current liabilities by Rs. 4,340.978 million, and reducing loss for the current year by Rs. 591.781 million as fully detailed in note 25.1 to the financial statements;

c) we have not received year end confirmations from banks and financial institutions in respect of bank balances aggregating Rs. 58.281 million (note 16) and short-term borrowings aggregating Rs. 5,424.14 million (note 26.3). No confirmations have been received in respect of lease deposits (note 8 and 13), long-term finances from banking companies (note 21 and 27), liabilities against assets subject to finance lease (note 22 and 27), payable against overdue letter of credit (note 24.1), payable against overdue foreign bills (note 24.2) and accrued mark-up / interest (note 25 and 14). Further, year-end bank statements from various banks and financial institutions in respect of bank balances and short-term borrowings were also not available;

d) as discussed in note 6 and 19 to the accompanying financial statements, freehold and leasehold land, buildings on freehold and leasehold land, plant and machinery, electric installation and mills equipment are carried at revaluation model. The Company has not carried out revaluation exercise of the said items of property, plant and equipment. In addition, the depreciation rates applied by the Company are significantly below the market average of the industry. These circumstances rendered us unable to ascertain whether the carrying value of the items of property, plant and equipment and related surplus on revaluation of property, plant and equipment, depreciation and accumulated depreciation and disclosures thereof and related deferred tax liability, is sufficient in the financial statements; and

e) Stock-in-trade and stores, spares and loose tools aggregating collectively Rs. 179.337 million along with provision for obsolete inventory and related net realizable value write down has not been verified; and

Key Audit Matter(s)

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, forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the basis for Adverse Opinion section, we have determined the following matters to be the key audit matters to be communicated in our report.

Key audit matter	How the matter was addressed in our audit.
1. **Valuation of trade debts** Refer to note 11 to the financial statements and	Our audit procedure to assess the valuation of trade debts amongst others, include the following:

	statements by using our specialists tax knowledge and reviewing the latest tax returns filed by the Company; – Critically analyzed and challenged the assumptions used by the management in calculating tax expense; and – Ensured that the tax calculated is in accordance with the requirements of IAS - 12 and the Income Tax Ordinance, 2001.
3. **Preparation of financial statements under the Companies Act, 2017** The Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribe the nature and contents of disclosures in relation to various elements of the financial statements. In case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements. The above changes and enhancements in the financial statements or considered important and key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act. For further information, refer to note 3.1 to the financial statements.	Our procedures included, but were not limited to: – We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act. – We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. – We verified on test basis the supporting evidences for the additional disclosures and ensured appropriateness of the disclosures made.

Information Other than the Financial Statements and Auditors 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 auditors' 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

accounting policy in note 5.17 to the financial statements. The company has significant balance of trade debts. Provision against doubtful trade debts is based on management judgment to determine the appropriate level of provision against balances which may not ultimately be recovered. We identified recoverability of trade debts as a key audit matter as it involves significant management judgment in determining the recoverable amount of trade debts.	– Obtaining an understanding of the management's basis for the determination of the provision required at the year end and the receivables collection process. – On sample basis, closing balances confirmed by circularization of confirmation and compared the responses received with balances as per clients' record. – For sample trade debts, tested the adequacy of the provision for the doubtful debts recorded against the trade debts while taking into account the ageing of receivables at year end and receivables after year end as well as assessing the judgment made by the management in relation to the credit worthiness of the debtors. – Testing the accuracy of the data on sample basis extracted from the Company accounting systems which is used to calculate the ageing of trade receivables; and – Assessing the historical accuracy of provisions for doubtful debts recorded by examining the utilization or release of previously recorded provisions.
2. Current and deferred tax As discussed in note 5.12, 23 and 35 to the accompanying financial statements, the Company has recorded reversal of temporary difference that resulted in reduction of tax expense amounting to Rs. 37.198 million. We considered the above matters to be a key audit matter due to the judgments and estimates inherent in the calculation of tax expense.	Our audit procedures included the followings: – Developed an understanding of management process for calculating tax expense; – Assessed the extent to which provisions are supported by underlying circumstances and determined that they are being made on basis consistent with previous years; – Assessed the appropriateness of provisions recorded in the financial

misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and requirements of Companies Act, 2017, and for 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 relating 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.

Board of directors are 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt in the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in 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 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 reasonable be expected to outweigh the public interest benefits of such communications.

Report on Other Legal and Regulatory Requirements

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

a) proper books of accounts have been kept by the Company as required by the Companies Act, 2017;
b) because of the matters described in Basis for Adverse Opinion section, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have not been drawn-up in conformity with the Companies Act, 2017, and however, the same are in agreement with the books of accounts and returns;
c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980, (VIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Bilal Ahmed Khan.

BAKER TILLY MEHMOOD IDREES QAMAR,
Chartered Accountants

Lahore
Date: March 04, 2019

GULISTAN TEXTILE MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Restated Rupees	2016 Restated Rupees
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	6	3,335,758,595	3,409,557,897	3,485,717,184
Long-term investments	7	-	-	-
Long-term deposits	8	7,956,098	7,956,098	7,956,098
		3,343,714,693	3,417,513,995	3,493,673,282
CURRENT ASSETS				
Stores, spare parts and loose tools	9	10,012,335	20,024,669	25,030,836
Stock-in-trade	10	169,324,748	237,981,804	343,937,318
Trade debtors	11	43,179,367	51,063,376	48,136,205
Loans and advances	12	227,699	489,238	18,226,285
Trade deposits and other receivable	13	81,583,932	81,905,932	83,344,265
Accrued mark-up / interest	14	7,224,825	7,224,825	7,224,825
Tax refunds due from Government	15	22,029,413	22,019,829	25,038,973
Cash and bank balances	16	58,991,784	58,990,886	59,127,277
		392,574,103	479,700,559	610,065,984
Non-current assets classified as held for sale		-	-	23,176,212
TOTAL ASSETS		3,736,288,796	3,897,214,554	4,126,915,478
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital	17	189,838,990	189,838,990	189,838,990
Reserves	18	576,748,715	576,748,715	576,748,715
Surplus on revaluation of property, plant and equipment	19	1,248,863,145	1,256,884,080	1,264,866,790
Accumulated losses		(7,144,383,037)	(7,048,828,162)	(6,918,046,106)
Total equity		(5,128,932,187)	(5,025,356,377)	(4,886,591,611)
Sub-ordinated loan	20	423,800,000	423,800,000	423,800,000
NON-CURRENT LIABILITIES				
Long-term financing	21	-	-	-
Liabilities against assets subject to finance lease	22	-	-	-
Deferred liabilities	23	313,430,207	359,837,960	552,016,033
		313,430,207	359,837,960	552,016,033
CURRENT LIABILITIES				
Trade and other payables	24	1,391,073,654	1,402,015,849	1,274,311,122
Accrued mark-up / interest	25	64,697,220	64,697,220	64,697,220
Unclaimed dividend		300,942	300,942	300,942
Short-term borrowings	26	5,424,305,245	5,424,305,245	5,424,305,245
Current portion of non-current liabilities	27	1,246,239,234	1,246,239,234	1,247,869,234
Provision for taxation		1,374,481	1,374,481	1,374,481
		8,127,990,776	8,138,932,971	8,012,858,244
Liabilities directly associated with non-current assets classified as held for sale		-	-	24,832,812
CONTINGENCIES AND COMMITMENTS	28	-	-	-
TOTAL EQUITY AND LIABILITIES		3,736,288,796	3,897,214,554	4,126,915,478

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

Naeed Ahmed

CHIEF EXECUTIVE | **CHIEF FINANCIAL OFFICER** | **DIRECTOR**

GULISTAN TEXTILE MILLS LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Sales	29	-	-
Cost of sales	30	(154,466,920)	(186,990,309)
Gross loss		(154,466,920)	(186,990,309)
Administrative expenses	31	(8,409,782)	(20,333,829)
Other operating expenses	32	(261,537)	(19,426,925)
		(8,671,319)	(39,760,754)
Loss from operations		(163,138,239)	(226,751,063)
Other income	33	12,928,000	25,735,896
Finance cost	34	(12,547)	(7,783)
Loss before taxation		(150,222,786)	(201,022,950)
Taxation	35	37,198,272	52,539,377
Loss after taxation		(113,024,514)	(148,483,573)
Loss per share - basic and diluted	36	(5.95)	(7.82)

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

CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER	DIRECTOR

GULISTAN TEXTILE MILLS LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
Loss after taxation	(113,024,514)	(148,483,573)
Other comprehensive income;		
Effect of change of rate enacted	9,448,704	9,718,807
Total comprehensive loss for the year	(103,575,810)	(138,764,766)

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

CHIEF EXECUTIVE — CHIEF FINANCIAL OFFICER — DIRECTOR

GULISTAN TEXTILE MILLS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(150,222,786)	(201,022,950)
Adjustments for non-cash charges and other items:			
Depreciation		73,799,303	76,159,287
Provision for slow moving stores and spares		10,012,334	5,006,167
NRV loss on stock-in-trade		68,657,055	105,955,514
Provision for staff retirement benefits - gratuity		239,223	239,223
Finance cost		12,547	7,783
Reversal of provision against trade debts		(12,928,000)	(7,711,983)
Profit on sale of non-current assets classified as held for sale		-	(18,023,788)
Receivable written-off		-	19,426,925
Interest income		-	(125)
Cash flows before working capital changes		(10,430,324)	(19,963,947)
Net changes in working capital	37	10,775,353	6,858,680
Cash generated from operations		345,029	(13,105,267)
Finance cost paid		(12,547)	(7,783)
Staff retirement benefits - gratuity paid		(322,000)	(1,730,460)
Income tax paid		(9,584)	(30,194)
Net cash from / (used) in operating activities		898	(14,873,704)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt on sale of non-current assets classified as held for sale		-	16,367,188
Interest received		-	125
Net cash from investing activities		-	16,367,313
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of liabilities against assets subject to finance lease		-	(1,630,000)
Net cash used in financing activities		-	(1,630,000)
Net increase / (decrease) in cash and cash equivalents during the year		898	(136,391)
Cash and cash equivalents at beginning of year		58,990,886	59,127,277
Cash and cash equivalents at end of year	39	58,991,784	58,990,886

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

Naseem Ahmed

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTO

GULISTAN TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Share capital	Capital reserve			Revenue reserves		Total
		Share premium	Unrealized loss on available for sale investment	Revaluation surplus	General reserve	Accumulated losses	
	Rupees						
Balance as at July 01, 2016 - as previously reported	189,838,990	379,080,000	(6,252,679)	-	203,921,394	(6,918,046,106)	(6,151,458,401)
Effect of change in accounting policy	-	-	-	1,264,866,790	-	-	1,264,866,790
Balance as at July 1, 2016 - restated	189,838,990	379,080,000	(6,252,679)	1,264,866,790	203,921,394	(6,918,046,106)	(4,886,591,611)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	-	-	(17,701,517)	-	17,701,517	-
Loss for the year	-	-	-	-	-	(148,483,573)	(148,483,573)
Other comprehensive income	-	-	-	9,718,807	-	-	9,718,807
	-	-	-	9,718,807	-	(148,483,573)	(138,764,766)
Balance as at June 30, 2017 - restated	189,838,990	379,080,000	(6,252,679)	1,256,884,080	203,921,394	(7,048,828,162)	(5,025,356,377)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	-	-	(17,469,639)	-	17,469,639	-
Loss for the year	-	-	-	-	-	(113,024,514)	(113,024,514)
Other comprehensive income	-	-	-	9,448,704.	-	-	9,448,704
	-	-	-	9,448,704	-	(113,024,514)	(103,575,810)
Balance as at June 30, 2018	**189,838,990**	**379,080,000**	**(6,252,679)**	**1,248,863,145**	**203,921,394**	**(7,144,383,037)**	**(5,128,932,187)**

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 Gulistan Textile Mills Limited ("the Company") was incorporated on February 02, 1966 in Pakistan as a private company limited by shares and was converted into public limited company on April 11, 1966. The shares of the Company are listed at Karachi and Lahore Stock Exchanges (now Pakistan Stock Exchange Limited). The registered office of the Company is located at 2nd Floor, Finlay House, I.I. Chundrigar Road, Karachi. The Company is principally engaged in the manufacture and sale of yarn, fabrics and other ancillary products. The manufacturing units are located at Samma Satta, Tiba Sultanpur and Feroz Wattwan.

1.2 Going concern assumption

The Company has accumulated loss of Rs. 5,128.932 million as at June 30, 2018, and as at that date its current liabilities exceeded its current assets by Rs. 7,735.416 million. This is mainly due to under utilization of capacity because of insufficiency of working capital lines. All the working capital lines and other finances have been blocked by respective banks and financial institutions due to litigations with these lenders as detailed in note 28.1.1 to the financial statements. Further, as mentioned in note 28.1.3 a petition for the winding-up of the Company had been filed in the Honorable High Court of Sindh. The Honorable High Court of Sindh through its order no J.Misc no. 1 dated December 12, 2013, had ordered the winding-up of the company. Subsequently, the Honorable Supreme Court of Pakistan vide its order dated February 25, 2014 has set aside the impugned judgment of the Honourable High Court of Sindh and remanded the matter. These conditions along with other adverse key financial ratios and the pending litigations with the banking companies and financial institutions render the Company unable to operate its manufacturing facilities in normal manners. This indicates existence of material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. These financial statements, however, have been prepared under the going concern assumption due to following reasons;

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

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

- the existing facilities will be restructured and consolidated into a long-term finance facility and aggregate principal outstanding will be repaid over 8 years. The sponsors will inject equity amounting Rs. 160.00 million within one year of the effective date of debt restructuring through sale of various assets. Balance of the outstanding facility amount will be repaid in instalments over a period of 8 years on quarterly basis as per the agreed repayment schedule;

- total accrued and outstanding mark-up due/payable till June 30, 2016 by the Company to its existing lenders will be repaid starting immediately after the expiry of 8 years time period of principal repayment on quarterly basis over a 2 years period (accrued mark-up period); and

- mark-up rate shall be 5.00% per annum (referred as beginning tenor mark-up) for the first 2 years of repayment tenor, however, a mark-up of 0.25% per annum shall be paid by the Company during the first two years of the beginning tenor mark-up period; whereas the

For the remaining 6 years of the restructured facility, mark-up shall be charged and repaid on quarterly basis at the rate of 5.00% per annum. However, mark-up charged will be increased to a maximum of 10.00% per annum or 6 month KIBOR, whichever is lower, provided such mark-up can be serviced through future increases in the Company's EBIDA as agreed in the financial model provided by the Company, payable from July 1, 2017, on quarterly basis.

(ii) the management has made arrangements whereby third party cotton is being processed against processing fee for utilization of unutilized capacity.

(iii) the management has also undertaken adequate steps towards the reduction of fixed cost and expenses. Such steps include, but not limited to, right sizing of the man power, resource conservation, close monitoring of other fixed cost etcetra.

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

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

There are no significant event and transaction affecting the Company's financial position and performance during the year.

BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies 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

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

2.3 Functional and presentation currency

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

STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED DURING THE YEAR

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

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018,

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative.	**Effective from accounting period beginning on or after January 01, 2017.**
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses.	**Effective from accounting period beginning on or after January 01, 2017.**

Certain annual improvements have also been made to a number of IFRSs.

The Companies Act, 2017, (the Act) has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes also include change in respect of recognition criteria of surplus on revaluation of Property, Plant and Equipment. Further, the disclosure requirements contained in the Fourth Schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of significant additional disclosures.

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

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

Amendments to IFRS 2 - Share-based Payment - Clarification on the classification and measurement of share-based payment transactions.	**Effective from accounting period beginning on or after January 01, 2018.**
IFRS 4 'Insurance Contracts'. Amendments regarding the interaction of IFRS 4 and IFRS 9.	**An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after January 01, 2018.**
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	**Effective from accounting period beginning on or after January 01, 2019.**
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	**Effective from accounting period beginning on or after July 01, 2018.**
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	**Effective from accounting period beginning on or after January 01, 2019.**
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	**Effective from accounting period beginning on or after January 01, 2019.**
Amendments to IAS 28 'Investments in Associates and Joint Ventures'- Amendments regarding long-term interest in associate or joint venture that form part of the net investment in the associate or	**Effective from accounting period beginning on or after January 01, 2019.**

Amendments to IAS 40 'Investment Property' - Clarification on transfers of property to or from investment property.	**Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.**
Amendments to IFRIC 22 'Foreign Currency Transactions and Advance Consideration'	**Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.**
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	**Effective from accounting period beginning on or after January 01, 2019.**

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

- IFRS 1 First Time Adoption of International Financial Reporting Standards
- IFRS 14 Regulatory Deferral accounts
- IFRS 17 Insurance Contracts

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Estimate of useful lives, residual values of property, plant and equipment and recoverable values to account for impairment loss (note 5.2 and 5.18);

(ii) Net realisable values of stores, spares and loose tools and stock-in-trade (note 5.8 and 5.9);

(iii) Provision for doubtful of trade debtors (note 5.17);

(iv) Provision for staff retirement benefit - gratuity (note 5.10); and

(v) Provision for taxation (note 5.12).

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. Except for the changes as described in note 5.1 below, the accounting polices have been consistently applied to all the years presented.

5.1 Change in accounting policy

The promulgation of the Companies Act, 2017 (*the Act*) has repealed the Companies Ordinance, 1984 (*the Ordinance*) and hence, Section 235 of the Ordinance relating to accounting treatment and presentation of the surplus on revaluation of Property, Plant and Equipment has not been carried forward in the Act. Consequently, in accordance with the requirements of the International Financial Reporting Standards (IFRSs) - IAS 16 "Property, Plant and Equipment", the said surplus on revaluation of Property, Plant and Equipment would be presented under equity.

As a result of this change, increases in the carrying amounts arising on revaluation of Property, Plant and Equipment to be recognised, net of tax, in other comprehensive income and in accumulated reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase would first be recognised in profit

Decreases that reverse previous increases of the same asset would first be recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases would be charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, would be reclassified from the revaluation surplus on Property, Plant and Equipment to retained earnings.

Surplus on revaluation of Property, Plant and Equipment would now form part of reserves and the change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarised below:

	2017			2016		
	As previously stated	As restated	Restatement	As previously stated	As restated	Restatement
	Rupees					
Effect on Statement of Financial Position						
Surplus on revaluation of property, plant and equipment	1,256,884,080	-	(1,256,884,080)	1,264,866,790	-	(1,264,866,790)
Share capital and reserves	-	1,256,884,080	1,256,884,080	-	1,264,866,790	1,264,866,790
Effect on Statement of Changes in Equity						
Capital reserve	-	1,256,884,080	1,256,884,080	-	1,264,866,790	1,264,866,790

5.2 Property, plant and equipment

Property, plant and equipment except for freehold land, leasehold land, buildings on leasehold and freehold land, plant and machinery, electric installations, mill's equipment and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at revalued amount whereas leasehold land, buildings on leasehold and freehold land, plant and machinery, electric installations and mill's equipment are stated at revalued amounts less accumulated depreciation and impairment loss, if any. Capital work-in-progress is stated at cost less impairment loss, if any. All expenditures connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to expenses as and when incurred.

Depreciation on assets is charged to income applying the reducing balance method at the rates stated in note 6. Depreciation on additions is charged from the day in which an asset becomes available for use, while on disposals depreciation is charged up to the day of disposal.

The depreciation method and useful lives of items of property, plant and equipment are reviewed at each reporting date and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future years.

Gains or losses on disposal or retirement of fixed assets are determined as the difference between the sale proceeds and the carrying amount of assets and are included in the profit and loss account. Increases in the carrying amounts arising on revaluation of Property, Plant and Equipment to be recognised, net of tax, in other comprehensive income and in accumulated reserves in shareholders equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase would first be recognised in profit or loss. Decreases that reverse previous increases of the same asset would first be recognised in other comprehensive income to

Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, would be reclassified from the revaluation surplus on Property, Plant and Equipment to retained earnings. The above policy has changed as a result of adoption of Companies' Act, 2017, and its impact is discussed in detail in note 5.1.

The Company assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.3 Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets. The related obligation of leases is accounted for as liability. Finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Depreciation is charged to income at the rates stated in note 6.1 applying reducing balance method to write-off the carrying amount of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

Finance cost and depreciation on leased assets are charged to income currently.

5.4 Non-current assets classified as held for sale

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

5.5 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 recognised at cost and the carrying amounts are increased or decreased to recognise the Company's share of profit or loss of the associated companies after the date of acquisition. The Company's share of profit or loss of the associated companies is recognised in the Company's profit or loss. Distributions received from the associated companies reduce the carrying amounts of investments. Adjustments to the carrying amounts are also made for changes in the Company's proportionate interest in the associated companies arising from changes in the associated companies' equity that have not been recognised in the associated companies' profit or loss. The Company's share of those changes is recognised directly in equity of the Company.

Where Company's share of losses of associated companies equals or exceeds its interest in the associates, the Company discontinues recognising its share of further losses except to the extent that Company has incurred legal or constructive obligation or has made payment on behalf of the associates. If the associates subsequently report profits, the Company resumes recognising its share

Other investments

The other investments made by the Company are classified for the purpose of measurement into the following categories;

Investments at fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term are classified as investment at fair value through profit or loss. These are stated at fair values at balance sheet date with any change in fair value recognized directly in the profit and loss account. The fair value of such investments are determined on the basis of prevailing market prices at balance sheet date.

Investment held to maturity

Investments with fixed maturity that the management has the intent and ability to maturity and are initially measured at cost and at subsequent reporting dates measured at amortized cost using the effective yield method.

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 until disposal at which time these are recycled to profit or loss. Impairment loss on investments available for sale is recognized in the profit or loss.

5.6 Long-term deposits

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

5.7 Investment property

Investment property, which is held for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from the changes in the fair value of the investment property are charged to profit and loss for the period in which they arise.

5.8 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at lower of cost and net realisable value. The cost of inventory is based on weighted average cost less provision for obsolescence. Items in-transit are stated at cost comprising invoice value plus other charges thereon accumulated upto the reporting date.

5.9 Stock-in-trade

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

Raw material	
- in-hand	Weighted average cost
- in-transit	Cost comprising invoice value plus other charges incurred thereon
Finished goods and work-in-process	Raw material cost plus appropriate manufacturing overheads
Waste	Net realizable value

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

5.10 Staff retirement benefits - gratuity

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

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

5.11 Trade and other payables

Trade and other payables are stated at their cost which is the fair value of the consideration to be paid in future for goods and services whether or not biled to the Company.

5.12 Taxation

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

Current

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

Deferred

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

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

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

5.13 Provisions, contingent assets and contingent liabilities

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

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

5.14 Borrowing cost

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

5.15 Revenue recognition

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

local sales are recognised on dispatch of goods to customers and export sales are recognised on bill

- dividend income from the investments is recognised, when the Company's right to receive dividend has been established.

- mark-up on loans to related parties and profit on saving accounts is accrued on time basis, by reference to the principal outstanding and at the effective profit rate applicable.

5.16 Foreign currency translations

Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing at the balance sheet date, except those covered by forward contracts, which are stated at contracted rates. Foreign currency transaction are translated into Pak Rupees at rates prevailing at the date of transaction except for those covered by forward contracts, which are translated at contracted rates. Non-monetary items are translated into Pak Rupee on the date of transaction or on the date when fair value are determined. Exchange differences are included in profit and loss account of the period.

5.17 Financial instruments

Non-derivative financial assets

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

Trade debtors, 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.

Cash and cash equivalents

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

Non-derivative financial liabilities

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

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

Offsetting of financial assets and liabilities

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

Derivative of financial instruments

The company uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments. Such derivatives are initially recorded at cost, if any and are remeasured to fair value at subsequent date (except those having immaterial financial impact or which do not meet criteria for hedge accounting).

Changes in the fair value of derivative financial instruments that are designated and effective as hedge of future cash flow to firm commitments are recoginized directly in equity. Amount deferred

5.18 **Impairment loss**

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

5.19 **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.

5.20 **Earnings per share**

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.

5.21 **Dividend and appropriation to reserves**

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

	Note	2018 Rupees	2017 Rupees
PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment	6.1	3,335,758,595	3,409,557,897

operty, plant and equipment

	Owned assets										Leased assets			
	Free hold land	Lease hold land	Buildings on free hold land	Buildings on lease hold land	Plant and machinery	Power houses	Tools and equipment's	Furniture and fixture	Computers	Vehicles	Plant and machinery	Power houses	Vehicles	Total
	Rupees													
lance as at July 01, 2016	590,212,000	72,800,000	838,944,418	225,267,000	2,586,852,660	472,613,831	37,902,812	18,909,460	5,607,088	25,319,081	1,156,518,598	111,426,485	13,236,108	6,155,609,541
lditions during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
sposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ansfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
lance as at June 30, 2017	590,212,000	72,800,000	838,944,418	225,267,000	2,586,852,660	472,613,831	37,902,812	18,909,460	5,607,088	25,319,081	1,156,518,598	111,426,485	13,236,108	6,155,609,541
lance as at July 01, 2017	**590,212,000**	**72,800,000**	**838,944,418**	**225,267,000**	**2,586,852,660**	**472,613,831**	**37,902,812**	**18,909,460**	**5,607,088**	**25,319,081**	**1,156,518,598**	**111,426,485**	**13,236,108**	**6,155,609,541**
lditions during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
sposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ansfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
lance as at June 30, 2018	**590,212,000**	**72,800,000**	**838,944,418**	**225,267,000**	**2,586,852,660**	**472,613,831**	**37,902,812**	**18,909,460**	**5,607,088**	**25,319,081**	**1,156,518,598**	**111,426,485**	**13,236,108**	**6,155,609,541**
ation														
lance as at July 01, 2016	-	-	78,651,091	21,173,963	218,663,540	62,349,926	31,223,589	13,713,518	5,057,850	23,094,494	97,987,619	14,815,122	10,845,212	577,575,924
iarge for the year	-	-	17,062,849	4,580,349	29,227,651	8,037,823	667,922	519,594	183,061	444,917	13,064,148	1,892,794	478,179	76,159,287
epreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ansfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
lance as at June 30, 2017	-	-	95,713,940	25,754,312	247,891,191	70,387,749	31,891,511	14,233,112	5,240,911	23,539,411	111,051,767	16,707,916	11,323,391	653,735,211
ite of depreciation	-	-	2.50%	2.50%	2.50%	4%	10%	10%	33.33%	20%	2.50%	4%	20%	
lance as at July 01, 2017	-	-	95,713,940	25,754,312	247,891,191	70,387,749	31,891,511	14,233,112	5,240,911	23,539,411	111,051,767	16,707,916	11,323,391	653,735,211
iarge for the year	-	-	16,636,278	4,465,840	28,496,959	7,716,311	601,130	467,635	122,047	355,934	12,737,544	1,817,082	382,543	73,799,303
epreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ansfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
lance as at June 30, 2018	-	-	**112,350,218**	**30,220,152**	**276,388,150**	**78,104,060**	**32,492,641**	**14,700,747**	**5,362,958**	**23,895,345**	**123,789,311**	**18,524,998**	**11,705,934**	**727,534,514**
ite of depreciation	-	-	**2.50%**	**2.50%**	**2.50%**	**4%**	**10%**	**10%**	**33.33%**	**20%**	**2.50%**	**4%**	**20%**	
nent														
lance as at July 01, 2016	-		77,779,368	20,879,083	1,199,083,099	209,318,319	-	-	-	-	535,965,052	49,291,511	-	2,092,316,432
iarge for the year	-													-
lance as at June, 2017	-	-	77,779,368	20,879,083	1,199,083,099	209,318,319	-	-	-	-	535,965,052	49,291,511	-	2,092,316,432
iarge for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
lance as at June, 2018	-	-	**77,779,368**	**20,879,083**	**1,199,083,099**	**209,318,319**	-	-	-	-	**535,965,052**	**49,291,511**	-	**2,092,316,432**
down value as at June 30, 2017	590,212,000	72,800,000	665,451,110	178,633,605	1,139,878,370	192,907,763	6,011,301	4,676,348	366,177	1,779,670	509,501,779	45,427,058	1,912,717	3,409,557,897
down value as at June 30, 2018	**590,212,000**	**72,800,000**	**648,814,832**	**174,167,765**	**1,111,381,411**	**185,191,452**	**5,410,171**	**4,208,713**	**244,130**	**1,423,736**	**496,764,235**	**43,609,976**	**1,530,174**	**3,335,758,595**

	Note	2018 Rupees	2017 Rupees
6.2 Depreciation charge has been allocated as follows;			
Cost of goods manufactured		**72,151,730**	74,178,628
Administrative expenses		**1,647,573**	1,980,659
		73,799,303	76,159,287

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

	Note	2018 Rupees	2017 Rupees
Owned assets			
Free hold land		**11,941,615**	11,941,615
Lease hold land		**150,000**	150,000
Buildings on free hold land		**165,762,756**	170,013,083
Buildings on lease hold land		**68,915,957**	70,683,033
Plant and machinery		**869,822,371**	892,125,509
Power houses		**107,531,808**	112,012,300
Leased assets			
Plant and machinery		**493,224,207**	505,870,981
Power houses		**53,659,712**	55,895,533
		1,771,008,426	1,818,692,054

6.4 **Particulars of Immovable fixed assets are as follows:**

Manufacturing units	Address	Area of land (Kanals)
Spinning unit-I	Qutab Pur, Lodhran.	78.16
Spinning unit-I	18 K.M Sama Satta, District Bahawalpur.	265.8
Spinning unit-II	Tibba Sultanpur, Chowk Metla, District	104
Spinning unit-IV	26 K.M Sheikhupura Faislabad Road Ferozwatwan, Sheikhupura.	215.4
		663.36

	Note	2018 Rupees	2017 Rupees
LONG-TERM INVESTMENTS			
Other investments - available for sale		-	-
Other investments - available for sale			
7.1 Quoted Company			
Paramount Spinning Mills Limited			
Transferred from 'Investments in associates - under equity method' 967,907 shares costing Rs. 3,679,589/- carrying value nil (2017: nil)		-	-
Add: adjustment at measurement to fair value Market value as at Rs. nil (2017 : Rs. nil) per share		-	-

	Note	2018 Rupees	2017 Rupees
7.2 Unquoted Company			
Gulshan Weaving Mills Limited			
Transferred from 'Investments in associates - under equity method' 616,890 shares costing Rs. 6,410,793, carrying value nil (2017: nil)		-	-
Market value as at Rs. nil (2017 : Rs. nil) per share		-	-
		-	-

During the year June 30, 2014, the Company has disposed off part of the investment in the associated companies to pay off its outstanding liabilities. Investments in these companies was accounted for under the equity method of accounting up till the date the companies remained associated undertakings as per the requirement of International Accounting Standard (IAS) 28, "Investments in Associates".

	Note	2018 Rupees	2017 Rupees
8 LONG-TERM DEPOSITS			
Lease key money	8.1	15,368,500	15,368,500
Other security deposits	8.2	7,956,098	7,956,098
		23,324,598	23,324,598
Less: transfer to current assets		(15,368,500)	(15,368,500)
		7,956,098	7,956,098

8.1 These are interest-free deposits given to various leasing companies, modarabas and banking companies. As detailed in note 28.1.1 of the financial statements that the Company is in litigation with several banking companies and financial institutions and due to the pending litigations, but without prejudice to the Company's stance in the said litigations, the Company's financial arrangements with the banking companies and financial institutions are disputed and in line with the provisions of International Accounting Standard on Presentation of financial statements (IAS - 1), all liabilities under these lease agreements have been classified as current liabilities. Based on the above mentioned fact, lease deposits amounting Rs. 15.36 million relating to the lease liabilities have also been presented under the current assets. Due to on-going litigations the confirmation from financial institutions have not been received.

8.2 These are interest-free refundable deposits and are not receivable in the next year.

	Note	2018 Rupees	2017 Rupees
9 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores, spare parts and loose tools - at mills	9.1	97,157,444	97,157,444
Less: provision for slow moving stores		(87,145,109)	(77,132,775)
		10,012,335	20,024,669

9.1 Theses include Rs. 226,854/- (2017: Rs. 226,854/-) for construction materials. These can be used for construction or repairs and maintenances. Most of the items interchangeable in nature and can be used as machine spares or consumed as stores. It is not practicable to distinguish these until there actual usage. No stores and spares parts are held for specfic capitalization.

	Note	2018 Rupees	2017 Rupees
10 STOCK-IN-TRADE			
Raw material	10.1	127,229,350	153,791,008

10.1 Raw material having net realizable value of Rs. 153.79 million (2017: 192.24 million) has been written down at their realizable value of Rs. 127.23 million (2017: Rs.153.79 million). The amount charged to profit and loss in respect of stock written down to their replacement cost is Rs. 26.56 million (2017: Rs. 38.44 million).

10.2 Finished goods costing Rs. 84.19 million (2017: 105.24 million) has been written down at their net realizable value of Rs. 42.10 million (2017: Rs. 84.19 million). The amount charged to profit and loss in respect of stocks written down to their net realizable value Rs. 42.10 million (2017: Rs. 21.05 million).

10.3 All of the current assets of the Company are under banks' charge as security of short-term borrowings as disclosed in note 26.1 to these financial statements. The Company filed a global suit in the Lahore High Court against all banks / financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001. Further, various banks and financial institutions have also filed suits before Banking Court and High Court for recovery of their financial liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties as fully explained in note 28.1.1.

	Note	2018 Rupees	2017 Rupees
TRADE DEBTS			
Considered good			
Local - unsecured		43,179,367	51,063,376
Considered doubtful			
Local - unsecured		176,857,786	189,785,786
Foreign - secured		23,983,761	23,983,761
		200,841,547	213,769,547
Less: provision for doubtful debts		(200,841,547)	(213,769,547)
		43,179,367	51,063,376

	Note	2018 Rupees	2017 Rupees
LOANS AND ADVANCES - unsecured			
Considered good			
Advances to / against;			
- employees	12.1	227,699	227,701
- expenses		-	261,537
Considered doubtful			
Advances to supplier		26,300,331	26,300,331
Less: provision for doubtful		(26,300,331)	(26,300,331)
		227,699	489,238

1 This includes, advances to employee against post employment benefits in accordance with Company policy.

	Note	2018 Rupees	2017 Rupees
ade deposits and other receivable			
rrent portion of long-term deposits		44,930,859	44,930,859
ndry advances / receivable		36,653,073	36,975,073
		81,583,932	81,905,932
CRUED MARK-UP / INTEREST			
erest accrued on bank deposits		7,224,825	7,224,825
XREFUNDS DUE FROM GOVERNMENT			
ance income tax		2,376,806	2,367,222

	Note	2018 Rupees	2017 Rupees
16 CASH AND BANK BALANCES			
Cash-in-hand		**524,002**	524,142
Balance with banks on;			
- current accounts	**16.1**	**32,240,924**	32,239,886
- deposit accounts	**16.2**	**2,482,361**	2,482,361
- term-deposit receipt	**16.3**	**23,744,497**	23,744,497
		58,991,784	58,990,886

16.1 An amount of Rs. 26.415 million (2017: Rs. 26.415 million) was frozen against unrealized foreign bills discounted by the bank.

16.2 Deposit accounts are under lien with the banks against guarantees / facilities and carry mark-up at the rate of 4.02 to 11.65 % (2017: 4.02 to 11.65 %).

16.3 It carries effective mark-up rate ranging from 5.0 % to 13.55 % (2017: 5.0 % to 13.55%) per annum. These are held by bank and subject to charge against deposit margin/guarantee margin and credit facility. Because of the pending litigations as explained in note 28.1.1 the banking companies and financial institutions have not provided confirmation of Rs. 23.744 million despite of repeated requests.

16.4 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 to the financial statements. Further, due to the litigation and blockage of bank accounts, bank statements and balance confirmation for the year ended June 30, 2018 from various banks having balances aggregating to Rs. 34.537 million (2017: Rs. 34.717 million) is not available to ensure balances held with these banks.

17 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018 Numbers	2017 Numbers		2018 Rupees	2017 Rupees
		Authorized capital		
30,000,000	30,000,000	Ordinary shares of Rs. 10/- each	**300,000,000**	300,000,000
		Issued, subscribed and paid-up capital		
4,771,715	4,771,715	Ordinary shares of Rs. 10 each issued as fully paid in cash	**47,717,150**	47,717,150
14,212,184	14,212,184	Ordinary shares of Rs. 10 each issued as fully bonus shares	**142,121,840**	142,121,840
18,983,899	18,983,899		**189,838,990**	189,838,990

18 RESERVES

	Note	2018 Rupees	2017 Rupees
Capital reserve			
Share premium	18.1	**379,080,000**	379,080,000
Un-realized loss on remeasurement of available for sale investment		**(6,252,679)**	(6,252,679)
Revenue reserve			
General reserve		**203,921,394**	203,921,394
		576,748,715	576,748,715

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

	Note	2018 Rupees	2017 Rupees
19 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Balance at the beginning of the year	19.1	1,575,229,079	1,600,516,961
Transfer to unappropriated profit in respect of;			
- incremental depreciation		(24,605,126)	(25,287,882)
Surplus on revaluation at the end of the year - gross		1,550,623,953	1,575,229,079
Related deferred tax liabilities on:			
Revaluation at the beginning of the year		318,344,999	335,650,171
Incremental depreciation on revalued assets		(7,135,487)	(7,586,365)
Effect of change of rate enacted		(9,448,704)	(9,718,807)
		301,760,808	318,344,999
Surplus on revaluation at the end of the year - net of tax		1,248,863,145	1,256,884,080

This represents surplus over book values resulting from the revaluation of property, plant and equipment (freehold land) carried out on December 20, 2005, June 29, 2006 and February 03, 2009, by an independent valuer "Consultancy Support and Services". The valuation was based on fair value determined on present market value basis. Further, the Company has incorporated a surplus on revaluation amounting to Rs. 3,650.13 million on freehold land, leasehold land, building on freehold land, building on leasehold land, plant and machinery, power house, leasehold plant and machinery and leasehold power house based on valuation report by an independent valuer "Maricon Consultants (Pvt.) Limited" in the year ended June 30, 2012. The valuation was based on fair value. Fair value of freehold and lease holdland is determined on present market value basis while buildings on freehold and leasehold land, plant and machinery power house, leasehold plant and machinery and leasehold power houses are determined on depreciated replacement cost. Surplus has been credited to surplus on revaluation of fixed assets account to comply with the requirement of Section 235 of Companies Ordinance, 1984.

	Note	2018 Rupees	2017 Rupees
20 SUB-ORDINATED LOAN - unsecured			
Sub-ordinated loan		423,800,000	423,800,000

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

	Note	2018 Rupees	2017 Rupees
21 LONG-TERM FINANCING			
From banking Company - secured			
United Bank Limited	21.1	-	-
Standard Chartered Bank Limited	21.2	-	-
Faysal Bank Limited	21.3	-	-
Summit Bank Limited	21.4	-	-
From related party - unsecured			

	Note	2018 Rupees	2017 Rupees
21.1 United Bank Limited			
Term finance - II	**21.1.1**	-	-
Term finance - III	**21.1.2**	-	-
Term finance - IV	**21.1.3**	-	-
		-	-

	Note	2018 Rupees	2017 Rupees
21.1.1 Term finance - II			
Balance at the beginning of the year		**5,400,000**	5,400,000
Less: current portion;			
- overdue installments		**(5,400,000)**	(5,400,000)
Balance at end of the year		-	-

The Company had obtained this long-term finance under the Non-Interest Demand finance (NIDF) scheme to carry out civil works, payment of duties, levies etc. for the import of gas generators at Tibba Sultanpur site. It was secured by first pari passu equitable mortgage hypothecation charge of Rs. 498.234 Million and ranking charge of Rs. 467.00 million over land and building together with all existing and future construction, fittings, fixtures, plant and machinery and equipment of the Company at village Sahib Ali, Tibba Sultanpur, District Vehari, Mauza village, Ferozwatwan, Tehsil and District Sheikhupura, Mouza Dera Masti, Tehsil Bahawalpur and personal guarantees along with personal net worth statements of all the sponsoring directors of the Company. It carried mark-up at the rate 6 months KIBOR plus 2% per annum. Base rate to set at the start of each semi annual installments. It is repayable in five years with 10 equal half yearly installments without any grace period.

	Note	2018 Rupees	2017 Rupees
21.1.2 Term finance - III			
Balance at beginning of year		**40,165,000**	40,165,000
Less: current portion;			
- overdue installments		**(40,165,000)**	(40,165,000)
Balance at end of the year		-	-

The Company had obtained this loan to finance the import of four gas engines. It was secured by first pari passu equitable mortgage charge of Rs. 498.234 million and ranking charge of Rs. 467.00 million over land and building together with all existing and future construction, fittings, fixtures, plant and machinery and equipment of the Company at village Sahib Ali, Tibba Sultanpur, District Vehari, Mauza village, Ferozwatwan, Tehsil and District Sheikhupura, Mouza Dera Masti, Tehsil Bahawalpur and personal guarantees along with personal net worth statements of all the sponsoring directors of the Company. It carried mark-up at the rate SBP cost 5 % plus 2% per annum. It is repayable in seven and half years from the date of disbursement including a grace period of one and half year in twelve equal half yearly installments.

	Note	2018 Rupees	2017 Rupees
21.1.3 Term finance - IV			
Balance at beginning of the year		**178,750,000**	178,750,000
Less: current portion;			
- overdue installments		**(178,750,000)**	(178,750,000)
Balance at end of the year		-	-

The Company had obtained this loan which was secured by first pari passu equitable mortgage charge of Rs. 498.234 million and ranking charge of Rs. 467.00 million over land and building together with all existing and future construction, fitting and fixtures plant and machinery and equipment of the Company at village Sahib Ali, Tibba Sultanpur, District Vehari, Mauza village, Ferozwatwan, Tehsil and District Sheikhupura, Mouza Dera Masti, Tehsil Bahawalpur. It is repayable in five years with no grace period through 20 equal semi annual installments along with accrued mark-up. It carried mark-up at the rate 3 months KIBOR plus 2% per annum (bank rate to be decided on disbursement date and subsequently on the first day of each quarterly installment period).

	Note	2018 Rupees	2017 Rupees
21.2 Standard Chartered Bank Limited			
Term finance - V			
Balance at the beginning of the year		233,333,334	233,333,334
Less: current portion			
- overdue installments		(233,333,334)	(233,333,334)
Balance at end of the year		-	-

The Company had obtained this term finance of Rs. 514.10 million which was secured by way of first joint pari passu charge of Rs. 400.00 million on plant and machinery of the Company with 25 % margin. It is repayable in five years with equal quarterly installments of Rs. 16.667 million each starting from December 31, 2010. It carried mark-up at the rate 3 months KIBOR plus 1.5% per annum.

	Note	2018 Rupees	2017 Rupees
21.3 Faysal Bank Limited			
Term finance - VI			
Balance at beginning of the year		75,000,000	75,000,000
Less: current portion			
- overdue installments		(75,000,000)	(75,000,000)
Balance at end of the year		-	-

The Company has obtained this term finance repayable in 7 equal half yearly installments with one year grace period. It is secured by way of demand promissory note of Rs. 121.893 million letter of hypothecation of fixed assets and memorandum of constructive deposit of title deeds. It carries mark-up at the rate 3 months KIBOR plus 2.5% per annum.

	Note	2018 Rupees	2017 Rupees
21.4 Summit Bank Limited			
Term finance - VII			
Balance at beginning of the year		286,854,424	286,854,424
Less: current portion			
- overdue installments		(286,854,424)	(286,854,424)
Balance at end of the year		-	-

This represents restructuring of short-term finance facilities obtained by the Company from Summit Bank Limited during the previous financial years on account of cash finance and inland letter of the credit aggregating Rs. 301.923 million. The said restructuring occurred under and agreement dated November 21, 2013, whereby a long-term finance facility was created, commencing from December 31,2013, and repayable in 28 quarterly installments. The said long-term finance facility is secured through a ranking charge/first pari Passau charge (within 180 days from the date of agreement) of hypothecation over the hypothecated assets in favor of the Bank amounting Rs. 402.564 million. The said long-term facility carries mark-up at the rate 8% per annum payable on quarterly basis with grace period of three years.

21.5 The Company filed a suit in the Honorable Lahore High Court against all banks / financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for rendition of accounts and damages and lending banks have also filed suits before different High Courts for recovery of their long-term and short-term liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties as fully disclosed in note 28.1.1. Due to these litigations, year-end confirmations from all lenders have not been received.

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

	Note	2018 Rupees	2017 Rupees
22 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Balance at beginning of the year		**426,736,476**	428,366,476
Less: payments made during the year		**-**	(1,630,000)
		426,736,476	426,736,476
Less: current portion;			
- overdue instalments		**(426,736,476)**	(426,736,476)
Balance at end of the year		**-**	-

22.1 The Company had acquired plant and machinery, electric installation and vehicles under finance lease arrangements from leasing companies, modaraba and various banks. These liabilities, during the year, where subject to finance cost at the rates ranging from 7.00% to 16.72% (2017: 7.00% to 16.72%) per annum are payable in monthly / quarterly installments. The Company intends to exercise its option to purchase the leased assets upon completion of the lease terms. The lease finance facilities are secured against security deposits, promissory notes and personal guarantees of sponsors to certain financial institution and banking companies.

22.2 The Company, during the preceding year, entered into agreement with First Habib Modaraba to reschedule its outstanding lease liabilities with effect from July 01, 2015, has per reschedule lease agreement, various term and conditions including lease liability, payment tenure, payment terms and conditions, revised personal guarantees of directors, and submission of post dated cheques were changed. However, the Company has failed to comply with the terms and conditions of the rescheduled agreement resulting in default.

22.3 The Company filed a suit in the Honorable Lahore High Court against all banks / financial institutions under section 9, of the Financial Institutions (Recovery of Finances) Ordinance, 2001. Further, various lessors have also filed suits before banking, court and the Honorable High Court of Sindh for recovery of lease finance through attachment and sale of charged properties as fully disclosed in note 28.1.1. Due to these litigations, year-end confirmations from all lessors have not been received.

22.4 Due to the facts explained in notes 22.3 the entire amounts of the lease finances have become payable on demand, therefore, the amount of future finance cost is not ascertainable as at June 30, 2018 and June 30, 2017. The disclosures of future minimum lease payments is prepared according to existing repayment schedules and provided only to comply with the disclosure requirement of IAS - 17 'Leases'. According to the existing repayment schedules, the future minimum lease payments under these lease finance agreements are due as follows;

	2018			2017		
	Minimum lease payments	Finance charges for future periods	Present value of minimum lease payments	Minimum lease payments	Finance charges for future periods	Present value of minimum lease payments
	Rupees			Rupees		
Payable within one year	530,682,873	103,946,397	426,736,476	530,682,873	103,946,397	426,736,476
Payable after one year but not later than five years	-	-	-	-	-	-
	530,682,873	103,946,397	426,736,476	530,682,873	103,946,397	426,736,476

	Note	2018 Rupees	2017 Rupees
DEFERRED LIABILITIES			
Staff retirement benefits - gratuity	23.1	2,411,606	2,172,383
Deferred taxation	23.2	311,018,601	357,665,577
		313,430,207	359,837,960

23.1 Staff retirement benefits - gratuity

The company's obligation has per the latest actuarial valuation in respect of defined benefit gratuity plan is as follow:

23.1.1 Movement in the net liability recognized in the balance sheet

	2018	2017
Net liability at beginning of the year	2,172,383	132,092,272
Charge to profit and loss account	239,223	239,223
Staff retirement benefits due but not paid	-	(128,428,652)
Benefits paid during the year	-	(1,730,460)
	2,411,606	2,172,383

23.1.2 Movement in present value of defined benefit obligation

	2018	2017
Balance at beginning of the year	2,172,383	132,092,272
Current service cost	239,223	239,223
Staff retirement benefits due but not paid	-	(128,428,652)
Benefits paid	-	(1,730,460)
	2,411,606	2,172,383

23.1.3 Expense recognized in the profit and loss account

	2018	2017
Current service cost	239,223	239,223

23.1.4 Expense is allocated as follows;

	2018	2017
Administrative expenses	239,223	239,223

23.1.5 General description

The scheme provides for terminal benefits for all of its permanent employees, who attain the minimum qualifying period. Actuary has not been hired, as all employees have left due to

	Note	2018 Rupees	2017 Rupees
23.2 Deferred taxation			
The net liability for deferred taxation comprises timing differences relating to;			
Taxable temporary differences (deferred tax liability)			
Accelerated tax depreciation - owned assets		**321,697,528**	333,329,653
Surplus on property, plant and equipment		**263,181,544**	283,461,125
Assets subject to finance lease		**157,152,272**	167,052,466
Deductible temporary differences (deferred tax asset)			
Staff retirement benefits - gratuity		**(37,850,295)**	(39,180,311)
Provisions and allowances		**(269,408,870)**	(258,976,413)
Liabilities against assets subject to finance lease		**(123,753,578)**	(128,020,943)
		311,018,601	357,665,577
Balance at the beginning of the year		**357,665,577**	419,923,761
Charged / adjusted during the year			
Origination/reversal of temporary differences		**(34,724,790)**	(48,712,256)
Effect of change of rate enacted		**(11,922,186)**	(13,545,928)
		(46,646,976)	(62,258,184)
Balance at end of the year		**311,018,601**	357,665,577

Deferred tax asset in respect of the unused tax losses and other deductible differences amounting Rs. 6,439.371 million (2017: Rs. 1,893.74 million) has not been recognised in these financial statements, being prudent. The management of the Company is of view that recognition of deferred tax asset will be reassessed as at June 30, 2019.

	Note	2018 Rupees	2017 Rupees
24 TRADE AND OTHER PAYABLES			
Creditors	**24.1**	**934,782,171**	934,733,142
Foreign bills payable	**24.2**	**197,139,491**	197,139,491
Accrued liabilities		**67,876,461**	78,010,221
Advances from customers	**24.3**	**57,239,548**	57,239,548
Income tax deducted at source	**24.3**	**5,929,331**	6,464,795
Staff retirement benefits due but not paid	**23.1.1**	**128,106,652**	128,428,652
		1,391,073,654	1,402,015,849

24.1 Creditors include Rs. 784.64 million (2017: Rs. 784.64 million) against local LC payable. These amounts are payable to various financial institution are overdue and disputed under litigation with banking companies / financial institutions as disclosed in note 28.1.1. The Company has not accounted for any further commission / interest / mark-up or penalty in respect of these LCs payable. Furthermore, information / records were not made available by the banking companies and financial institutions to confirm the year end balances of the outstanding amounts.

24.2 The amount is denominated in US dollar. The outstanding amount as at june 30,2018 is US $. 1,991,645/- (2017: US $. 1,991,645/-) . This amount is overdue and under litigation with banking companies/financial institutions as disclosed in note 28.1.1. The Company has not accounted for any further commission / interest / mark-up or penalty in respect of these LCs payable. Furthermore, balance confirmation amounted to Rs. 197.14 million has not been provided by the

	Note	2018 Rupees	2017 Rupees
25 ACCRUED MARK-UP / INTEREST			
Mark-up / interest accrued on;			
- long-term finances	25.1	29,336,996	29,336,996
- liabilities against assets subject to finance lease	25.1	174,319	174,319
- payables to associated undertaking	25.2	35,185,905	35,185,905
		64,697,220	64,697,220

25.1 During the year ended June 30, 2018, the Company has not provided mark-up / interest on its long-term finances, lease finances and short-term borrowings to the extent of Rs. 59.140 million, Rs. 63.991 million and Rs. 468.650 million respectively (2017: Rs. 58.352 million, Rs. 63.991 million and Rs. 450.969 million respectively) due to pending litigations with the financial institutions as detailed in note 28.1.1. Further, as detailed in note 1.2, the management is in the process of finalization of restructuring of its debts and as per indicative restructuring term sheet total accrued and outstanding mark-up due / payable till June 30, 2014 will be repaid on quarterly basis over a period of 2 years immediately after the completion of repayment term of principal i.e. 8 years. Un-provided mark-up / interest upto the balance sheet date aggregate to Rs. 4,340.978 million (2017: Rs. 3,767.666 million). This non-provisioning is in contravention with the requirements of IAS 23 - Borrowing Costs. The exact amount of un-provided mark-up / interest could not be ascertained because of non-availability of relevant information and documents due to on-going litigations with banks and financial institutions.

25.2 This represents amount of mark-up payable to ex-associated undertaking Gulshan Spinning Mills Limited as per the directive of regulatory body on balance due over the normal credit terms.The mark-up is charged on the basis of average rate of borrowing, rate of the lender, effective rate of 13.11% (2017 :13.11%).

	Note	2018 Rupees	2017 Rupees
26 SHORT-TERM BORROWINGS			
Running finance - secured	26.1	643,506,518	643,506,518
Short-term loans - secured	26.1	4,780,795,963	4,780,795,963
Bank overdraft		2,764	2,764
		5,424,305,245	5,424,305,245

26.1 The Company had obtained aggregate borrowing facilities of Rs. 5,582.00 million (2017: Rs. 5,582.00 million). Short-term borrowing are secured against charge of stocks with a margin of 10% to 30%, hypothecation, moveable and trade debts, work-in-process, stores, lien on export bills receivable, charge against fixed assets, current assets of the Company and personal guarantees of some of the directors. These carried mark-up at the rate of 10.02% to 14.20% (2017: 10.02% to 14.20%) per annum payable quarterly.

26.2 The above-mentioned balances are against expired finance facilities and have not been renewed by the respective banks / financial institutions. These banks and financial institutions have filed suits before different Civil Courts, Banking Courts and High Courts for recovery of their financial liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The Company had also filed a suit in the Honorable Lahore High Court for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs as more fully detailed in note 28.1.1.

26.3 Year end balance confirmations aggregating Rs. 5,424.14 million (2017: Rs. 5,424.14 million) of the lending banks / financial institutions have not been received due to above-mentioned litigation with them. Further, due to these litigations, bank statements for current financial year from all

26.4 These have arisen due to issuance of cheques in excess of balance at bank accounts.

	Note	2018 Rupees	2017 Rupees
27 CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long-term finances			
Term finance - II	21.1.1	5,400,000	5,400,000
Term finance - III	21.1.2	40,165,000	40,165,000
Term finance - IV	21.1.3	178,750,000	178,750,000
Term finance - V	21.2	233,333,334	233,333,334
Term finance - VI	21.3	75,000,000	75,000,000
Term finance - VII	21.4	286,854,424	286,854,424
Liabilities against assets subject to finance lease	22	426,736,476	426,736,476
		1,246,239,234	1,246,239,234

28 CONTINGENCIES AND COMMITMENTS

28.1 Contingencies

28.1.1 Liabilities towards banks and financial institutions disclosed in note 21 ,22 ,24 ,25 and 26.

(a) Various banks and financial institutions have filed recovery suits before the civil courts, the Honorable High Court of Sindh, the Honorable Lahore High Court and the Banking Court - Karachi for recovery of their long-term and short-term liabilities and lease liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The aggregate amount of these claims is Rs. 8,812.18 million (2017: Rs. 8,812.18 million).

The management is strongly contesting the above mentioned suits on the merits as well as cogent factual and legal grounds available to the Company under the law. Since, all the cases are pending before various Courts therefore the ultimate outcome of these cases can not be established to the date of these finanical statements.Among all the cases referred above, the most notable cases by or against the Company are explained in the following sub-notes.

(b) The Company filed a global suit in the Honorable Lahore High Court (LHC) against all banks / 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.

However, the Company alongwith its restructuring agent (a leading finanical institution) and a few other lending banks, had proposed an indicative term sheet to its lending financial insitutions on June 28, 2013 in order to restructure the outstanding debt obligations of the Company. The proposed term sheet is still in the process of finanlization. Once finalized, it will be signed by all parties and legal documentation will be executed to restructure outstanding debts of the Company. The management expects that entire process will be completed in due course of time and these recovery suits will be settled accordingly.

28.1.2 The Company has not provided for Rs. 28.85 million (2016: Rs. 28.85 million) in respect of infrastructure cess levied by the Government of Sindh. The case was decided against the

The Honorable High Court of Sindh decided the case by declaring that the levy and collection of infrastructure fee prior to December 28, 2006 was illegal and ultra vires and after that it was legal. The Company filed an appeal in the Honorable Supreme Court of Pakistan against the above-mentioned judgement of the Honorable High Court of Sindh. Further, the Government of Sindh also filed appeal against part of judgement decided against them.

The above appeals were disposed-off in May 2011 with a joint statement of the parties that, during the pendency of the appeals, another law come into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from the Honourable High Court of Sindh before approaching the Honorable Supreme Court of Pakistan with the right to appeal.

Accordingly, the petition was filed in the Honorable High Court of Sindh in respect of the above view. During the pendency of this appeal an interim arrangement was agreed whereby bank guarantees furnished for consignments cleared upto December 27, 2006, were returned and bank guarantees were furnished for 50% of the levy for consignment released subsequent to December 27, 2006, while payment was made against the balance amount.

As at June 30, 2018, the Company has provided bank guarantees aggregating Rs. 28.44 million (2017: Rs. 28.44 million) in favour of the Excise and Taxation Department.

The bank guarantees given by various banks on behalf of the Company to various parties remain intact with the respective banks.

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

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

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

The Honourable High Court of Sindh vide its judgment dated October 26, 2017, decreed the suits in favour of the consumer, whereby the Gas infrastructure Development Cess Act, 2016, was held to be ultra vires and unconstitutional and further directed Sui Southern Gas Company Limited as well as Sui Northen Gas Pipelines Limited to refund the amount received under the head of Gas Infrastructure Development Cess from 2011, till date. The matter is till subjudice before the Divisional Bench of the Honourable High Court of Sindh and we are hopeful that the judgment dated October 26, 2017, passed in favour of consumer shall be upheld and the Gas infrastructure Development Cess Act, 2015, shall again be declared ultra-vires to the Constitution. The Company has not passed on gas infrastructure development cess to its consumers and has not paid amount of cess when stay order(s) were in field.

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

28.1.7 The Bank Alfalah Limited has filed a suit COS No. 91/2013 before the Honourable High Court of Sindh for recovery of Rs. 358.073 million on account of Cash finance and letter of credit facilities. The Company duly filed its leave application which is currently pending adjudication. During the course of proceedings the plaintiff bank also filed a CMA 11543, under section 16 of the Financial Institution (Recovery of Finance) Ordinance, 2001,seeking sale of the goods allegedly pledged in favor of the Bank. The said CMA of plaintiff bank was allowed, however, the Company has challenged the same by filing an appeal on various grounds including that the Company was not provided with a proper opportunity to elucidate its stance and file counter affidavit to CMA 11543 and the relief claimed by the Plaintiff Bank i.e. sale of cotton bales through application under section 16 of the Ordinance is not maintainable as the said section 16 does not envisage a sale of pledged goods.

28.1.8 The Bank of Punjab Limited has filed a suit COS No. 49/2013 for recovery of Rs. 453.865 million on account of cash finance and letter of credit facilities. The Company filed PLA, however, the same was dismissed after hearing the parties and the Honourable Banking Court decreed the suit in favour of plaintiff bank to the extent Rs. 433.925 million, together with the costs of funds. The Company has filed appeal in the Divisional Bench of the Honorable Lahore High Court, and the case is still subjudice.

28.1.9 Summit Bank Limited filed a suit B-87/2012 against the Company in the Honourable High Court of Sindh for recovery of Rs. 167.00 million under the section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001. The said litigation was dismissed by the Honourable High Court of Sindh due to withdrawal application of the Summit Bank Limited, resulting from out of court settlement/restructuring of the said finances.

28.1.10 First Habib Modaraba filed a suit 10/2012 in the Honourable Banking Court No. 1, Karachi against the Company for recovery of lease finances obtained by the Company. The said suit was dismissed upon withdrawal application to file afresh by the First Habib Bank Modaraba on June 19, 2014. The Company has not received any notice indicating the suit has been filed afresh.

28.1.11 Askari Bank Limited filed a suit COS No. 43/2013 against the Company for recovery of finance provided under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 amounting Rs. 483.53 million before the Honourable Lahore High Court. The said suit was decreed on December 12, 2017, against the Company in favour of plaintiff

Additionally, the Bank has also filed execution petition no 11-B/2017, with the single bench of the Honourable Lahore High Court. Both of the said legal proceedings are pending adjudication to the date of these financial statements.

28.1.12 Orix Leasing Pakistan Limited filed a suit 731/2012 with the Honourable Banking Court No. 01, Karachi for the recovery of Rs. 29.484 million under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 against the Company and others. The said suit was decreed against the Company vide judgment dated August 01, 2013, and August 23, 2013, where the Company was made liable, jointly and severally for a sum of Rs. 6.33 million with future rentals till expiry of the lease agreements, and thereafter the cost of funds at the rate prescribed by the State Bank of Pakistan from the date of expiry of the lease agreements till realisation, along with the cost of the suit. The execution proceedings under the said decree are initiated vide execution no. 50/2013 and is pending before the Honourable Banking Court No. 01, Karachi. These financial statements do not reflect the impact of the above decision.

The execution proceedings under the said decree are initiated vide execution no. 50/2013 and is pending before the Honourable Banking Court No. 01, Karachi. These financial statements do not reflect the impact of the above decision.

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

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

28.2 Commitments

There is no capital commitments as at June 30, 2018 (2017: nil)

	Note	2018 Rupees	2017 Rupees
29 SALES - NET			
Processing income		-	-
30 COST OF SALES			
Opening stock		84,190,796	151,700,656
Cost of goods manufactured	30.1	112,371,522	119,480,449
		196,562,318	271,181,105
Closing stock		(42,095,398)	(84,190,796)
		154,466,920	186,990,309

	Note	2018 Rupees	2017 Rupees
30.1 Cost of goods manufactured			
Raw material written-off / consumed	30.2	26,561,658	38,445,654
Provision for obsolete store and spares		9,225,398	4,612,698
Provision for obsolete packing material		786,936	393,469
Fuel and power		3,645,800	1,850,000
Depreciation	6.2	72,151,730	74,178,628
		112,371,522	119,480,449
Work-in-process adjustment		-	-
		112,371,522	119,480,449
30.2 Raw materials written-off / consumed			
Stocks at beginning of the year		153,791,008	192,236,662
Stocks at end of the year	10	(127,229,350)	(153,791,008)
		26,561,658	38,445,654

31 ADMINISTRATIVE EXPENSES

	Note	2018 Rupees	2017 Rupees
Staff salaries and benefits .		4,041,816	5,773,623
Staff retirement benefits - gratuity		239,223	239,223
Rent, rates and taxes		1,156,590	1,070,340
Printing and stationery		40,000	-
Communition		53,600	75,627
Electricity, gas and water		359,514	371,687
Repair and maintenance		10,000	8,000
Vehicles running and maintenance		338,060	379,332
Advertising		11,104	-
Traveling and conveyance		28,782	851,047
Legal and professional		34,800	9,085,000
Auditor's remuneration	31.1	250,000	250,000
Depreciation	6.2	1,647,573	1,980,659
Others		198,720	249,291
		8,409,782	20,333,829
31.1 Auditor's remuneration			
Annual audit		240,000	240,000
Compliance report on code of corporate governance		10,000	10,000
		250,000	250,000

32 OTHER OPERATING EXPENSES

	Note	2018 Rupees	2017 Rupees
Sale tax receiveable written-off		-	3,049,338
Loan and advances written-off		261,537	16,377,587
		261,537	19,426,925

33 OTHER INCOME

	Note	2018 Rupees	2017 Rupees
From financial assets			
Interest on deposits / bonds and certificates		-	125
From other than financial assets			
Profit on sale of non-current assets classfied as held for sale		-	18,023,788
Reversal of provision for doubtful debts local		12,928,000	7,711,983
		12,928,000	25,735,771
		12,928,000	25,735,896

	Note	2018 Rupees	2017 Rupees
34 FINANCE COST			
Bank and other financial charges		12,547	7,783
35 TAXATION			
Current	35.1	-	-
Deferred		(37,198,272)	(52,539,377)
		(37,198,272)	(52,539,377)

35.1 The provision of minimum tax under section 113 of the Income Tax Ordinance, 2001 has not been provided in these financial statements because the Company has suffered gross loss before depreciation and other inadmissible expenses. Numeric tax rate reconciliation is, therefore, not required.

36 LOSS PER SHARE - BASIC AND DILUTED	2018	2017
Loss after taxation (Rupees)	(113,024,514)	(148,483,573)
Weighted average number of ordinary shares outstanding during the period (Number)	18,983,899	18,983,899
Loss per share - basic and diluted (Rupees)	(5.95)	(7.82)

There is no dilutive effect on the basic loss per share of the Company. Further, sub-ordinated loan from director that is convertible into shares has been not taken in calculation of diluted loss per share because the antidiluted effect of the loan.

	Note	2018 Rupees	2017 Rupees
37 CHANGES IN WORKING CAPITAL			
Decrease / (increase) in current assets:			
Trade debts		20,812,009	4,784,812
Loans and advances		261,539	1,359,460
Trade deposits and other receiveable		322,000	1,438,333
		21,395,548	7,582,605
Decrease in trade and other payables		(10,620,195)	(723,925)
		10,775,353	6,858,680

38 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

No remuneration was paid to chief executive officer and executive director. However, the monetary value of the benefit given to non-executive director is nil (2017: nil). The remuneration paid to executives are as follows;

	Note	2018 Rupees	2017 Rupees
Remuneration		1,686,400	2,620,704
Allowances and perquisites		843,200	1,310,352
Post employment benefits		210,800	239,223
		2,740,400	4,170,279
Number of persons		3	5

The chief executive are also provided with Company maintained vehicle as per policy of Company.

	Note	2018 Rupees	2017 Rupees
39 CASH AND CASH EQUIVALENTS			
Cash-in-hand		524,002	524,142
Balance with banks on;			
- current accounts		32,240,924	32,239,886
- saving accounts		2,482,361	2,482,361
- term-deposit receipt		23,744,497	23,744,497
		58,467,782	58,466,744
		58,991,784	58,990,886

40 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

40.1 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.

40.2 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.

40.3 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.

40.4 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.

40.5 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.

41 FINANCIAL RISK EXPOSURE AND MANAGEMENT

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

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

The board of directors has overall responsibility for the establishment and oversight of Company's risk

41.1 Credit risk,

41.1.1 **Exposure to credit risk**

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

	Note	2018 Rupees	2017 Rupees
Long-term deposits		7,956,098	7,956,098
Trade debts		43,179,367	51,063,376
Loans and advances		-	261,537
Trade deposits, prepayments and other receivables		81,583,932	81,905,932
Bank balances		58,467,782	58,466,744
		191,187,179	199,653,687
41.1.2 Concentration of risk - geographical dispersion customers			
Local Debtors		43,179,367	51,063,376
41.1.3 Concentration of risk - type of customer			
Yarn		43,179,367	51,063,376
Waste		-	-
		43,179,367	51,063,376
41.1.4 Ageing of trade debts at the reporting date;			
Past due 0 - 90 days		-	-
Past due 90 days - 1 year		-	-
More than one year		244,020,914	264,832,923
Gross carrying amount		244,020,914	264,832,923
Accumulated impairment		(200,841,547)	(213,769,547)
		43,179,367	51,063,376

Based on past experience and keeping in view subsequent realisations, provision for doubtful debts aggregating Rs. 200.842 million (2017: Rs. 213.769 million) has been kept as at the reporting date in repect of doubtful trade debtors and for other debtors, there are reasonable grounds to believe that the amounts will be realised in short course of time.

41.1.5 **Collateral held**

The company does not hold any collateral to seecure its financial assets with the exception of trade debotros, which are partially secured through confirmed letters of credit.

41.2 **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.

	2018			2017		
	Carrying amount	Due within one year	Due after one year	Carrying amount	Due within one year	Due after one year
	------------------- Rupees-------------------					
Non-derivative Financial liabilities						
Long-term financing	819,502,758	819,502,758	-	819,502,758	819,502,758	-
Liabilities against asset subject to finance lease	426,736,476	426,736,476	-	426,736,476	426,736,476	-
Trade and other payables	1,391,073,654	1,391,073,654	-	1,402,316,791	1,402,316,791	-
Accrued mark-up / interest	64,697,220	64,697,220	-	64,697,220	64,697,220	-
Short-term borrowings	5,424,305,245	5,424,305,245	-	5,424,305,245	5,424,305,245	-
	8,126,315,353	8,126,315,353	-	8,137,558,490	8,137,558,490	-

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

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

41.3 Market risk.

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

41.3.1 Currency risk

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

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

	US-$	Others	Rupees
		2018	
Liabilities			
Foreign bills payable	**1,991,645**	-	**197,139,491**
Gross and net balance sheet exposure	**1,991,645**	-	**197,139,491**
		2017	
Liabilities			
Foreign bills payable	1,991,645		197,139,491
Gross and net balance sheet exposure	1,991,645		197,139,491

The following significant exchange rates applied during the year;

	2018	2017	2018	2017
	Average rates		Reporting date rates	
US-$ to Rupee	121.50	103.95	121.60/121.40	105/104.8

Sensitivity analysis

At the reporting date, if Pak Rupee has strengthened by 10% against the U.S.$ with all other

	2018 Rupees	2017 Rupees
Effect on loss for the year		
US Dollar to Rupees	24,218,403	20,872,440

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

41.3.2 Interest rate risk

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

	2018 Rupees	2017 Rupees
Fixed rate instruments		
Financial assets	23,744,497	23,744,497
Financial liabilities	40,165,000	40,165,000
Variable rate instruments		
Financial assets	2,482,574	2,482,574
Financial liabilities	6,630,376,715	6,630,376,715

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

41.4 Fair value of financial assets and liabilities

As at June 30, 2018 the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except investment in an associated Company which is valued under equity method of accounting. Further, staff loans which are valued at their original cost less repayments.

	2018 Rupees	2017 Rupees
41.5 Off balance sheet items		
Bank guarantees issued in ordinary course of business	109,156,649	109,156,649

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

41.7 Capital risk management

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

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

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

42 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 38. As on June 30, 2018, there is no related party with whom Company had carried out any transaction.

43 CAPACITY AND PRODUCTION

		2018	2017
Number of spindles installed		**131,936**	131,936
Installed capacity in kilograms after conversion into 20/s counts	Kg.	**40,956,000**	40,956,000

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

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

44 NUMBER OF EMPLOYEES

	2018	2017
	..........Number..........	
Number of employees as at June 30, - permanent	**7**	8
Average number of employees during the year - permanent	**7**	8

45 EVENTS AFTER THE REPORTING DATE

There are no significant adjusting or non adjusting event after the reporting date requiring adjustment or disclosure in financial statements.

46 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison and better presentation. These have been done mainly due to adoption of revised format of the financial statements under Companies Act, 2017, as disclosed in respective notes. No other significant rearrangements or reclassifications have been made in these financial statements in the current year.

47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on March 04 2019 by the Board of Directors of the Company.

CHIEF EXECUTIVE	**CHIEF FINANCIAL OFFICER**	**DIRECTOR**

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

	2018 RUPEES	2017 RUPEES	2016 RUPEES	2015 RUPEES	2014 RUPEES	2013 RUPEES
PERATING RESULTS						
TAL NUMBER OF SPINDLES INSTALLED	131,936	131,936	131,936	131,936	131,936	131,936
RAGE NUMBER OF SPINDLES WORKED	-	-	-	20,468	46,932	62,529
MBER OF SHIFTS WORKED PER DAY	-	-	-	1 to 3	1 to 3	1 to 3
TALLED CAPACITY AFTER CONVERSION INTO 20S	40,956,000	40,956,000	40,956,000	40,956,000	40,956,000	40,956,000
TUAL PRODUCTION AFTER CONVERSION INTO 20S	-	-	-	7,654,715	12,467,425	15,341,569
LES - NET	-	-	7,925,380	359,651,884	1,589,254,582	2,678,373,714
OSS PROFIT / (LOSS)	(154,466,917)	(186,990,309)	(148,892,013)	(551,162,868)	(649,535,719)	(748,646,437)
ERATING PROFIT / (LOSS)	(162,888,236)	(226,751,065)	(168,559,535)	(658,181,594)	(730,530,665)	(382,845,398)
HER OPERATING (INCOME)	(12,928,000)	(25,735,896)	(30,495,380)	(1,148,975)	(799,836,377)	(84,038,850)
NANCIAL EXPENSES	17,547	7,785	35,713	1,871,228	33,480,336	56,613,968
ARE OF LOSS/(PROFIT) OF ASSOCIATED COMPANIES	-	-	-	-	15,573,498	260,381,991
HER CHARGES	-	-	-	-	223,770,854	3,376,862
OFIT/(LOSS) FOR THE YEAR BEFORE TAXATION	(149,972,782)	(201,022,950)	(138,099,868)	(658,903,847)	(203,538,977)	(1,129,379,569)
OFIT/(LOSS) FOR THE YEAR AFTER TAXATION	(142,475,003)	(148,483,573)	(95,725,747)	(745,807,474)	(175,259,282)	(1,098,246,003)
ARE FROM ASSOCIATES OF INCREMENTAL DEPRECIATION NET	-	-	-	-	33,105,666	94,139,852
ARE OF REVALUATION OF PROPERTY,PLANT & EQUIPMENT REALIZED ON DISPOSAL OF UITY INSTRUMENTS	-	-	-	-	-	250,535,898
ANSFER FROM SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT OF CREMENTAL DEPRECIATION-NET OF TAX	16,688,606	17,701,517	17,933,311	57,142,594	57,895,794	58,261,761
IDEND PAID	-	-	-	-	-	-
VALUATION SURPLUS REALIZED	-	-	-	-	-	-
VERSAL OF REVALUATION SURPLUS ASSOCIATES	-	-	-	-	(2,228,266,724)	-
RECOGNISED ACTAURIAL LOSS	-	-	-	-	-	(32,586,865)
N ON RE-MEASURMENTS OF STAFF RETIREMENTS BENEFITS-GRATUITY	-	-	-	(14,988,928)	1,278,454	-
FERRED TAX RELATING TO GAIN ON RE-MEASUREMENT OF STAFF RETIREMENT NEFITS - GRATUITY	-	-	-	4,796,457	-	-
RRECTION OF ERROR	-	-	-	-	(82,842,766)	-
APPROPRIATED PROFIT C/F	(7,174,614,558)	(7,048,828,162)	(6,918,046,106)	(6,840,253,670)	(6,161,381,261)	(8,267,355,975)
INANCIAL POSITION						
ID UP CAPITAL	189,838,990	189,838,990	189,838,990	189,838,990	189,838,990	189,838,990
ARE HOLDER'S EQUITY	(6,408,026,852)	(6,282,240,457)	(6,151,458,401)	(6,073,665,965)	(5,389,918,462)	(7,594,513,591)
NG TERM LOANS FROM DIRECTORS / RELATED PARTIES	423,800,000	423,800,000	423,800,000	423,800,000	423,800,000	423,800,000
FERRED LIABILITIES	359,837,960	359,837,960	557,016,033	597,253,518	1,157,676,873	1,305,046,502
ORT TERM BORROWINGS	5,424,305,245	5,424,305,245	5,424,305,245	5,424,305,245	5,424,466,776	6,114,488,671
HER CURRENT LIABILITIES	2,703,435,536	2,714,627,726	2,588,552,999	2,639,722,998	2,591,073,662	2,368,122,738
ED ASSETS	3,335,758,588	3,409,557,897	3,485,717,184	3,564,383,844	5,795,845,215	5,925,853,508
NG TERM INVESTMENTS	-	-	-	-	5,275,094	15,373,498
VESTMENT PROPERTY	-	-	-	-	-	141,404,050
NG TERM DEPOSITS / DEFERRED COST	7,856,098	7,956,098	7,956,098	8,106,098	8,434,628	8,434,628
OCKS & STORES	179,237,087	258,006,473	368,968,154	441,917,295	809,598,959	1,219,679,962
BTORS	43,179,380	51,063,376	48,136,205	55,269,422	115,179,182	297,738,825
HER CURRENT ASSETS	170,057,657	170,630,710	192,961,625	226,312,083	227,263,783	217,096,204

Gulistan Textile Mills Limited
Pattern of Shareholding
As At June 30, 2018

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
847	1	100	9,687	0.05
94	101	500	29,662	0.16
30	501	1,000	23,183	0.12
50	1,001	5,000	128,277	0.68
12	5,001	10,000	77,802	0.41
6	10,001	15,000	77,341	0.41
1	15,001	20,000	17,879	0.09
1	20,001	30,000	25,584	0.13
2	30,001	35,000	62,974	0.33
2	35,001	40,000	71,684	0.38
1	40,001	60,000	59,073	0.31
1	60,001	70,000	67,162	0.35
2	70,001	80,000	155,149	0.82
3	80,001	85,000	244,212	1.29
1	85,001	140,000	137,122	0.72
1	140,001	180,000	178,453	0.94
3	180,001	190,000	566,876	2.99
1	190,001	195,000	194,254	1.02
1	195,001	240,000	236,149	1.24
1	240,001	260,000	260,000	1.37
1	260,001	285,000	283,763	1.49
1	285,001	380,000	374,355	1.97
1	380,001	410,000	406,403	2.14
1	410,001	420,000	419,923	2.21
1	420,001	485,000	470,000	2.48
1	485,001	545,000	543,545	2.86
1	545001	605,000	600,946	3.17
1	605,001	720,000	716,909	3.78
2	720,001	735,000	1,467,319	7.73
1	735,001	755,000	755,363	3.98
1	755,001	1,650,000	1,648,740	8.68
1	1,650,001	1,750,000	1,749,035	9.21
1	1,750,001	2,640,000	2,638,280	13.90
1	2,640,001	4,290,000	4,285,796	22.58
1,075			18,983,900	100.00

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

CATEGORIES OF SHAREHOLDERS

Particulars	No. of Shares Holders	No. of Shares Held	Percentage
Directors, Chief Executive Officer and their spouse and minor children	10	7,966,253	41.96
Associated Companies, Undertakings and Related Parties	0	0	0.00
NIT & ICP	1	734,617	3.87
Banks, Development Finance Institutions, Non- Banking Financial Institutions	4	844,970	4.45
Investment Company	1	5,979	0.03
Insurance Companies	1	35,010	0.18
Joint Stock Company	2	7,501	0.04
General Public (Local)	1,039	4,359,210	22.96
Other Companies	17	5,030,360	26.50
	1,075	18,983,900	100.00

GULISTAN TEXTILE MILLS LIMITED
CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2018

		SHARES
A)	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	NIL
B)	NIT & ICP	
	National Bank of Pakistan Trustee Department NI(U) T FUND	734,617
C)	DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSE AND MINOR CHILDREN	
	DIRECTORS	
	Mr. Naseer Ahmed	5,041,159
	Mr.Muhammad Afzal Anjum	500
	Mr. Muhammad Zubair	500
	Mr. WAQAR AHMAD	500
	Mr. Seemab Ahmed Khan	550
	Mr. MANZER HUSSAIN	500
	Mr. Muhammad Badar Munir Al Sami Alam	501
	SPOUSE	
	Mrs. Nageen Naseer	2,922,043
D)	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS	
	BANKS	
	Habib Bank Limited	203
	National Bank of Pakistan	374,767
	The Bank of Punjab Treasury Division	470,000
	INSURANCE	
	State Life Insurance Corporation of Pakistan	35,010
E)	INVESTMENT COMPANY	5,979
F)	JOINT STOCK COMPANY	7,501
G)	OTHER COMPANIES	5,030,360
H)	GENERAL PUBLIC (LOCAL)	4,359,210
		18,983,900
I)	SHAREHOLDERS HOLDING 05.00% OR MORE	
	Mr. Naseer Ahmed	5,041,159
	Mrs. Nageen Naseer	2,922,043
	Paramount Spinning Mills Limited	1,648,740
	Peridot Products (Pvt.) Limited	1,749,035
J)	TRADING IN THE SHARES OF COMPANY DURING THE YEAR BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN	NIL

Form of Proxy

Gulistan Textile Mills Limited

I/We ------------------being member of **Gulistan Textile Mills Limited** holder of -------- ordinary shares as per Share Register Folio No.and/or CRC participant I.D. No. __ ______Account No hereby appoint who is also member of **Gulistan Textile Mills Limited** vide Folio No. __________or CDC participant I.D. No. _______Account No.________ or failing him/her of Mr.____________________of________________who is also member of **Gulistan Textile Mills Limited** vide Folio No. ___________or CDC participant I.D. No.__ ______Account No. ____________ as my/our proxy to attend, speak and vote for me/us andon my/our behalf at the Annual General Meeting of the Company to be held on 30th March 2019 at 12:30 p.m and at any adjournment thereof.

As witness my/our hand this_______day of _____________2019

Signed by the said ______________________________

Appropriate Revenue Stamp

Witness 1:-

Name:-______________________________

Adress:-______________________________

CNIC:-______________________________

Witness 2:-

Name:-______________________________

Adress:-______________________________

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.

پراکسی فارم
گلستان ٹیکسٹائل ملز لمیٹڈ

میں / ہم ________ بحیثیت گلستان ٹیکسٹائل 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 ٹیکسٹائل 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 ٹیکسٹائل 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 لئے30 مارچ 2019 کو دوپہر 12:30 بجے اور اس کے کسی بھی تعاقب میں منعقد ہونے والی کمپنی کے سالانہ اجلاس میں۔

میرے / ہمارے ہاتھ 2019 کے ________ دن کا گواہ ہونے کے طور پر
کہا ________ کی نشاندہی

گواہ 1: -

نام: - ________________

پتہ : -________________

CNIC: -________________

گواہ 2: -

نام: - ________________

پتہ : -________________

CNIC: -________________

نوٹ:

1پراکسی 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۔

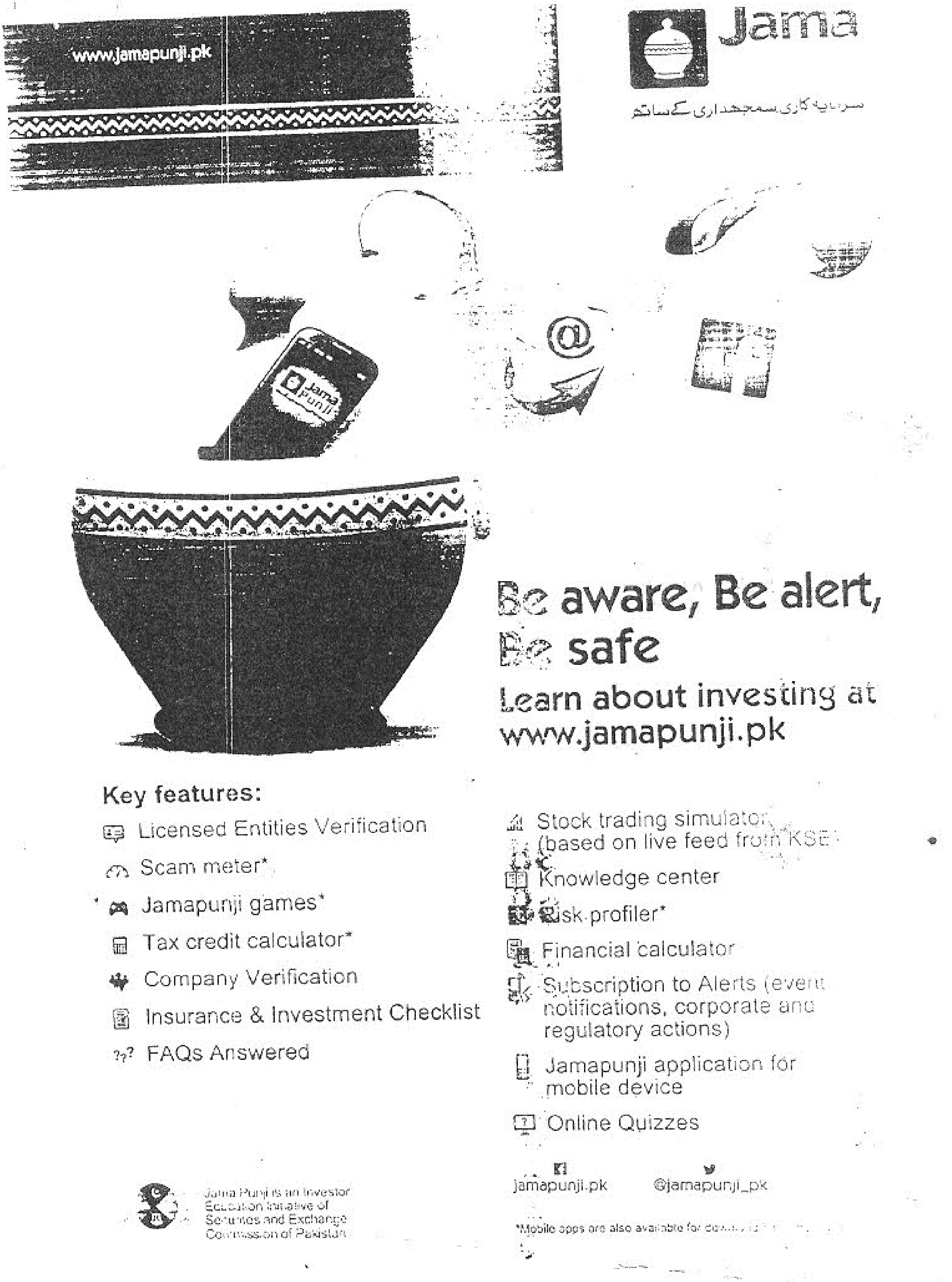
2پراکسی کمپنی کا ایک رکن ہونا ضروری ہے۔

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 ۔

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

1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