

GULSHAN SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTD (UN AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2006

1 INTRODUCTION

Gulshan Spinning Mills Limited (the company) was incorporated as a Public Limited Company and its shares are listed on Karachi and Lahore Stock Exchanges in Pakistan. The company is principally engaged in manufacture and sale of yarn.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and the International Financial Reporting Standard (IAS 34) " Interim Financial Reporting " as applicable in Pakistan. Wherever the requirements of the Companies Ordinance, 1984 or the directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of this standard, the requirements of the Companies Ordinance 1984 or the requirements of the said directives take the precedence.

3 SIGNIFICANT ACCOUNTING POLICES

The accounting policies adopted for the preparation of the financial statements for the period ended 31 March 2006, are the same as those applied in the preparation of the annual audited financial statements for the year 30 ended June 2005 except as follows:

- (i) Previously unrealised gains and losses arising from changes in the fair value of the available for sale investments were included in the profit and loss account for the period in which they arose. In accordance with the revised International Accounting Standard (IAS 39) : Financial Instruments: Recognition and Measurement " which is applicable for accounting years beginning on or after 1 January 2005, now the unrealised changes in fair value are recognised directly in equity. The change in accounting policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with IAS 8 " Accounting Policies. Changes in Accounting Estimates and Errors ". However there been no change in the net loss/profit for the period.
- (ii) The company has changed its policy for accounting for investment in associated company which is now accounted for using the equity method. Previously investment in associated company was classified as " Available for Sale ". Unrealised gain or loss was included in the profit and loss account. Dividend income was also recognised in the Profit and loss account of the period in which right to receive was established. The change in accounting policy has been account for retrospectively in accordance with the International Accounting Standad (IAS 8) " Accounting Policies, Change in Accounting Estimates and Errors ". However there been no change in the net loss/profit for the period.
- (iii) During the period the company has revalued its freehold land which resulted in a surplus of Rs. 214,136,517. The revaluation was carried out by independent valuer Consultancy Support and Services, Karachi on present value basis.

	31 MARCH 2006	30 JUNE 2005
Rupees		
4.01	1,396,495,736	1,081,851,684
	114,912,981	124,997,997
	1,511,408,717	1,206,849,681

4 FIXED ASSETS

Property, Plant and Equipment
 Capital Work in Progress includes leased gas generators and allied equipments of Rs. 48,531,938

4.01 Includes revaluation suplus on land amounting to Rs, 214,136,517. The cost of the land amounting to Rs.33,863,443.

4.02 Property, Plant and Equipment - Additions

Owned :

Land-Free hold	-	17,248,200
Building - Factory	101,800	5,219,558
Building - Residential	853,910	-
Electric Installation	3,464,913	2,885,854
Plant & Machinery	106,784,090	131,233,598
Mill Equipments	10,070,730	2,019,892
Vehicles	4,080,500	804,000
Furniture & Fixtures	2,021,862	1,065,892
Office Equipments	760,380	459,930

Leased :

Plant & Machinery	-	6,515,449
Vehicles	-	8,593,000

128,138,185	176,045,373
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4.03 Disposals - Owned

Plant & Machinery	-	19,212,323
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Vehicles	<u>2,722,530</u>	<u>1,939,739</u>
	2,722,530	21,152,062
5 LONG TERM INVESTMENT		
Associated Company	55,317,780	48,531,104
Others	<u>2,897,193</u>	<u>2,896,689</u>
	58,214,973	51,427,793
6 SURPLUS ON REVALUATION OF LAND		
Surplus on revaluation of land	214,136,517	-
Share of Suplus on revaluation of land in Associated Company.	<u>5,841,716</u>	<u>-</u>
	219,978,233	-
7 LIABILITIES AGAINST ASSET SUBJECT TO FINANCE LEASE		

The company has arranged lease finance from KASB Bank Limited amounting to Rs. 74,760,000 for gas generators and allied equipments. The lease amount is payable in 6 years including one year grace period. The mark up rate is 6 months KIBOR+2% per annum with a 9% cap and floor.

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31 MARCH 2006	30 JUNE 2005
Rupees	

8 CONTINGENCIES AND COMMITMENTS

Confirmed letters of credit in respect of		
- raw materials	387,472	1,758,443
- store and spares	-	12,009,100
- machinery	37,914,650	72,044,820
Guarantees issued on behalf of the company		
- in favour of collector of Customs and Excise & Land against deffred	1,582,330	11,659,423
- Other guarantees	7,000,276	22,488,600
Forward Exchange Contracts	-	308,644,000
Commitments-Building and other civil works	-	4,760,636

There is no change in contingencies as reported in note 26.1 in the financail statements for the period ended 01 October 2004 to 30 June 2005.

Quarter Ended January to March		Period Ended July to March	
2006	2005	2006	2005
Rupees		Rupees	

9 SALES

Local	9.1	256,025,079	245,561,181	803,893,882	777,943,400
Export	9.2	331,502,394	272,898,590	785,396,668	745,607,935
		587,527,473	518,459,771	1,589,290,550	1,523,551,335
9.1 Local					
Yarn / Waste		257,417,895	274,705,922	807,801,513	884,617,213
Less :					
Commision		1,299,910	3,677,073	3,692,043	4,803,139
Sales Tax		92,906	25,467,669	215,588	101,870,675
		1,392,816	29,144,741	3,907,631	106,673,813
		256,025,079	245,561,181	803,893,882	777,943,400
9.2 Export					
Add:					
Rebate		334,968	527,999	1,047,280	894,950
Excachange Gain/(Loss)		4,487,170	2,717,592	10,840,709	4,013,378
		4,822,138	3,245,590	11,887,989	4,908,327
Less :					
Commision		5,693,653	5,584,367	13,890,392	8,801,477
		331,502,394	272,898,590	785,396,668	745,607,935
10 COST OF SALES					
Stocks at the beginning		390,824,892	318,551,960	286,380,177	361,716,970
Cost of goods manufacture	10.1	458,661,325	430,773,902	1,423,693,426	1,315,099,323
		849,486,217	749,325,862	1,710,073,603	1,676,816,293
Stock at the end		340,334,868	307,061,508	340,334,868	307,061,508
		509,151,349	442,264,354	1,369,738,735	1,369,754,785
10.1 COST OF GOODS MANUFACTURED					
Work in process at the beginning		28,607,495	33,299,939	34,597,851	29,149,504
Raw material consumed		350,710,034	319,801,731	1,091,341,267	1,010,158,371
Overheads		112,088,054	108,846,053	330,498,566	306,965,270
		462,798,088	428,647,784	1,421,839,833	1,317,123,641
		491,405,583	461,947,723	1,456,437,684	1,346,273,145
Work in process at the end		32,744,258	31,173,822	32,744,258	31,173,822
		458,661,325	430,773,901	1,423,693,426	1,315,099,323
11 OTHER CHARGES					
Workers profit participation fund		302,174	548,320	1,312,127	332,447
Exchange gain		-	-	394	1,943,989
		302,174	548,320	1,312,521	2,276,436

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	31 March, 2006	31 March, 2005
	Rupees	Rupees
12 CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before taxation	24,930,418	5,582,055
Adjustments for non cash changes and other items:		
Depreciation	80,120,972	70,336,645
Provision of gratuity	3,884,089	2,314,055
Finance cost	133,538,234	94,244,358
Profit on sale of fixed assets	(582,622)	(1,613,729)
Gain on sale of investment	-	(355,905)
Interest Income	(1,612,591)	(102,891)
Dividend income	(50,372)	(338,079)
Cash flow from operation before working capital changes	240,228,128	170,066,509
Movement in working capital		
(Increase) / decrease in Current assets:		
Stores , Spares & Loose tools	(4,166,828)	(6,192,657)
Stocks in tarde	(361,120,155)	(197,046,779)
Trade debtors	(90,016,496)	(72,189,182)
Loans and advances	6,443,358	16,034,637
Deposits and prepayments	(9,656,217)	3,341,066
Other receivables	(16,973,937)	15,168,687
	(475,490,275)	(240,884,228)
Increase / (decrease) in Current liabilities :		
Trade and other payables	26,725,343	(1,947,856)
Cash used in operations	(208,536,804)	(72,765,575)
(Payments)/ Receipts for :		
Interest paid	(125,641,585)	(93,438,649)
Tax paid	(11,616,418)	(9,210,533)
Tax refund	22,517,173	-
Gratuity paid	(2,646,631)	(768,259)
	(117,387,460)	(103,417,441)
Net cash used in operating activities	(325,924,264)	(176,183,016)

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	31 MARCH 2006	30 JUNE 2005
	Rupees	
13 TRANSACTION WITH ASSOCIATED COMPANIES		
Purchase of Yarn	16,716,600	5,617,750
Purchase of Store	1,577,987	492,219
Purchase of Waste	59,598,001	35,963,687
Purchase of Cotton	10,110,730	16,015,264
Purchase of Viscose	99,225	-
Purchase of Electricity	51,013,150	39,774,456
Dyeing and Doubling charges	941,141	279,056
Sale of Yarn	96,010,286	73,266,832
Sale of Store	778,851	198,637
Sale of Waste	59,080,801	55,086,573
Sale of Cotton	17,195,166	628,217
Sale of Scrap	-	32,341
Dyeing and Doubling charges	1,181,469	6,771,779
Sale of Machinery	505,130	-

14 PRESENTATION

All amounts have been rounded off to the nearest rupee.

All figures appearing the financial statements except 30 June 2005 figures are un audited.

15 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue on 28th April 2006 by the Board of Directors of the Company.

NASEER AHMED
Chief Executive

ABDUL SHAKOOR
Director