

**GULSHAN SPINNING MILLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (UN AUDITED)**  
**AS AT MARCH 31, 2007**

**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.

**3 ACCOUNTING POLICES**

The accounting policies adopted for the preparation of the financial statements for the period ended 31 March 2007, are the same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2006

**4 FIXED ASSETS**

Propety, Plant and Equipment  
Capital Work in Progress

31 March 2007	30 June 2006
Rupees	
1,411,666,420	1,458,726,373
70,217,028	28,695,360
<b>1,481,883,448</b>	<b>1,487,421,733</b>
-	-

**4.01 Propety, Plant and Equipment - Additions**

**Owned :**

Building - Factory	3,352,934	35,472,802
Building - Residential	1,166,777	3,091,371
Plant & Machinery	61,378,869	145,004,922
Electric Installation	13,954,682	5,154,356
Mill Equipments	3,170,686	6,606,671
Office Equipments	798,301	1,201,680
Furniture & Fixtures	189,391	2,529,564
Vehicles	2,892,165	2,652,500

**Leased :**

Plant & Machinery	59,290,894	74,103,160
Electric Installation	1,207,138	-
Vehicles	4,432,841	1,881,000
	<b>151,834,678</b>	<b>277,698,026</b>

**4.02 Disposals/Transfer**

**Owned**

Land	1,736,500	
Plant & Machinery	26,926,663	3,862,632
Mill Equipments	-	609,755
Vehicles	1,486,000	5,726,530
Electric Installation	1,207,138	-

**Leased :**

Plant & Machinery	32,725,274	162,638,740
Office Equipments	-	885,000
Electric Installation	-	4,400,000
Vehicles	739,000	-
	<b>63,084,075</b>	<b>178,122,657</b>

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**5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

During the period the company issued 1,265,000 ordinary shares of Rs. 10/- each as fully paid bonus shares.

31 March 2007	30 June 2006
Rupees	

**6 CONTINGENCIES AND COMMITMENTS**

Confirmed letters of credit in respect of

- raw materials

- store and spares

- machinery

Commitments-Building and other civil works

<b>139,163,214</b>	-
<b>1,693,609</b>	3,472,957
-	43,731,322
-	3,456,994

Quarter Ended 31 March		Period Ended July to March	
2007	2006	2007	2006
Rupees		Rupees	

**7 COST OF SALES**

Stocks at the beginning

Cost of goods manufacture

Stock at the end

<b>328,839,015</b>	390,824,892	<b>251,354,853</b>	286,380,177
<b>413,092,050</b>	458,661,325	<b>1,206,472,376</b>	1,423,693,426
<b>741,931,065</b>	849,486,217	<b>1,457,827,229</b>	1,710,073,603
<b>363,367,114</b>	340,334,868	<b>330,817,166</b>	340,334,868
<b>378,563,951</b>	509,151,349	<b>1,127,010,063</b>	1,369,738,735

**7.1 COST OF GOODS MANUFACTURED**

Work in process at the beginning

Raw material consumed

Overheads

Work in process at the end

<b>32,285,870</b>	28,607,495	<b>39,090,138</b>	34,597,851
<b>292,143,097</b>	354,710,034	<b>834,280,814</b>	1,095,341,267
<b>123,175,981</b>	108,088,054	<b>364,994,496</b>	326,498,566
<b>415,319,078</b>	462,798,088	<b>1,199,275,310</b>	1,421,839,833
<b>447,604,948</b>	491,405,583	<b>1,238,365,448</b>	1,456,437,684
<b>34,512,898</b>	32,744,258	<b>31,893,072</b>	32,744,258
<b>413,092,050</b>	458,661,325	<b>1,206,472,376</b>	1,423,693,426

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	31-Mar-07	31-Mar-06
	Rupees	Rupees
<b>8 CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before taxation	9,892,425	24,930,418
<b>Adjustments for non cash changes and other items:</b>		
Depreciation	86,655,275	80,120,972
Provision of gratuity	3,696,000	3,884,089
Finance cost	152,529,604	133,538,234
Profit on sale of fixed assets	(1,283,384)	(582,622)
Gain on remeasurement of investment	(1,808,193)	-
Gain on sale of investment	-	-
Amortization of deferred cost	159,984	-
Interest Income	(3,445,225)	(1,612,591)
Dividend income	(52,385)	(50,372)
Cash flow from operation before working capital changes	246,344,101	240,228,128
<b>Movement in working capital</b>		
<b>( Increase ) / decrease in Current assets:</b>		
Stores , Spares & Loose tools	(7,285,019)	(4,166,828)
Stocks in trade	(439,025,138)	(361,120,155)
Trade debtors	(27,745,929)	(90,016,496)
Loans and advances	10,776,049	6,443,358
Deposits and prepayments	1,385,639	(9,656,217)
Other receivables	3,119,895	(16,973,937)
	(458,774,503)	(475,490,275)
Increase / ( decrease) in Current liabilities :		
Trade and other payables	(5,808,565)	26,725,343
	(5,808,565)	26,725,343
<b>Cash used in operations</b>	(218,238,967)	(208,536,804)
(Payments)/ Receipts for :		
Interest paid	(150,349,255)	(125,641,585)
Interest received	1,689,337	1,674,834
Dividend received	52,385	50,372
Tax paid	(13,726,148)	(11,616,418)
Tax refund	0	22,517,173
Gratuity paid	(3,497,824)	(2,646,631)
	(165,831,505)	(115,662,254)
<b>Net cash used in operating activities</b>	(384,070,472)	(324,199,058)

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31 March 2007	30 June 2006
<b>Rupees</b>	

**9 TRANSACTION WITH ASSOCIATED COMPANIES**

Purchase of Yarn	<b>24,172,999</b>	35,296,850
Purchase of Store	<b>3,574,771</b>	1,275,145
Purchases	<b>8,292,258</b>	95,371,641
Dyeing and Doubling charges	<b>4,028,527</b>	968,068
Purchase of Electricity	<b>19,564,722</b>	51,239,883
Sales	<b>305,230,334</b>	219,637,468
Processing Income	<b>92,576,395</b>	-
Sale of Machinery	<b>6,500,000</b>	450,000
Dyeing and Doubling charges	<b>1,589,416</b>	2,844,292

**10 PRESENTATION**

All amounts have been rounded off to the nearest rupee.

All figures appearing the financial statements except 30 June 2006 figures are un audited.

**11 APPROVAL OF FINICIAL STATEMENTS**

The financial statements were authorized for issue on April 30, 2007 by the Board of Directors of the Compnay.

**NASEER AHMED**  
**CHIEF EXECUTIVE**

**RIAZ AHMED**  
**DIRECTOR**