

GULSHAN SPINNING MILLS LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENT (Un-Audited)
FOR THE NINE MONTHS ENDED MARCH 31 , 2011

		31 March 2011	30 June 2010
Rupees			
5	FIXED ASSETS		
	Propety, Plant and Equipment	5.01 1,340,789,700	1,384,946,423
	Capital Work in Progress includes leased gas generators	989,505	989,505
		<u>1,341,779,205</u>	<u>1,385,935,928</u>
5.01	Propety, Plant and Equipment - Additions		
	Owned :		
	Building - Factory	-	2,930,646
	Plant & Machinery	2,248,024	27,645,957
	Electric Installation	1,427,792	3,528,948
	Gas Power Generator	1,299,195	12,828,749
	Mill Equipments	578,253	1,460,742
	Office Equipments	147,300	351,305
	Furniture & Fixtures	28,880	2,494,625
	Vehicles	548,728	-
	Leased :		
	Vehicles	-	4,487,000
		<u>6,278,172</u>	<u>55,727,972</u>
5.02	Disposals during the period/year - book value		
	Land	-	17,248,200
	Building - Factory	-	2,201,013
	Vehicles	306,846	1,888,000
		<u>306,846</u>	<u>21,337,213</u>
6	LONG TERM INVESTMENT		
	In associated undertaking	6.1 118,629,950	114,225,803
	In joint venture	6.2 64,882,742	65,071,419
	Others	6.3 63,859,137	45,771,989
		<u>247,371,829</u>	<u>225,069,211</u>
6.1	Gulistan Textile Mills Limited		
	600,946 ordinary shares of Rs.10 each (June 30, 2010 : 600,946 ordinary shares)	40,000,000	40,000,000
	Post acquisition profit less dividend received	62,255,421	58,030,024
	Share of revaluation of surplus of associates	16,975,475	16,195,779
	Less : Dividend received	600,946	-
		<u>78,629,950</u>	<u>74,225,803</u>
		<u>118,629,950</u>	<u>114,225,803</u>
6.2	In joint venture		
	7,500,000 (June 30, 2010 : 7,500,000)	75,000,000	75,000,000
	Ordinary shares of Rs. 10 each.		
	Share of post acquisition loss	10,117,259	9,928,581
		<u>64,882,742</u>	<u>65,071,419</u>

6.2.1 This represent 50% interest in GEL a joint venture between the company and Energy Infrastructure Holdings Limited for setting up 200 MW power project at Sungo-Wali Tehsil Wazirabad District Gujranwala.

In terms of clause 10.3 of the shareholders' agreement, the company, Gulshan Spinning Mills Limited, has entered into deed of accession so as to make it a party to and be by this agreement.

6.2.2 During financial year 2007, the proposed project of 200 MW of GEL was approved by Private Power & Infrastructure Board (PPIB) as a fast track project and the GEL was assigned to achieve its Commercial Operation Date (COD) latest by March 31, 2009. Meanwhile, the GEL Tariff was also notified by National Electric Power Regulatory Authority (NEPRA) on April 19,2007. However, The GEL could not finalize certain related arrangements requisite for COD including availability of finance and engines on timely bases. Resultantly, the GEL got extension in achieving its COD from PPIB by December 2010 and June 2011. Simultaneously, the GEL also filed a petition for revised tariff, which was notified by NEPRA on July 8, 2008.

6.2.3 The GEL in order to achieve the financial close, has mandated National Bank of Pakistan (NBP) to arrange PKR 14.135 millions. The aforesaid mandate was executed on April 14, 2008. However, due to deteriorating law and order situation, circular debt issue, tight liquidity position and ballooning exposure of banking sector towards the power projects, the financial close has not been achieved with in the envisaged time period. The GEL, as a result thereof, approached Private Power and infrastructure Board (PPIB) with the request to make certain amendments in the power purchase agreement to facilitate the financial close but PPIB did not respond positively towards the GEL request and as a consequence thereof the GEL has filed a petition in the Honorable Sindh High Court to protect itself from the repercussions of non achieving the financial close with in stipulated time period including encashment of performance guarantee amounting to US \$ 1,000,000 extended to PPIB.

The Honorable High Court has ordered the plaintiff (GEL) to keep alive guarantee and have restricted PPIB from en-cashing guarantee till the adjudication of the application filed by the GEL. The stay order is still in filed and the case is pending for adjudication. Accordingly, no related adjustment has been made in financial statements of GEL.

6.2.4 With reference to Note 6.2.2 & 6.2.3, GEL has also extended commitment bank guarantee amounting to 3,000,000 Euro in favour of Wartsila Finland (supplier of engines). During last year GEL could not raise the requisite funds and deposit initial mobilization advance with Wartsila and accordingly, Wartsila had approached the concerned bank for encashment of guarantee. However GEL filed a petition in Honorable Sindh High Court to protect encashment of such guarantee. The Honorable High Court has restricted Wartsila from en-cashing the guarantee till the adjudication of the application filed by GEL. The stay order is still in filed and the case is pending for adjudication. Accordingly, no related adjustment has been made in the financial statements of GEL.

31 March 2011	30 June 2010
Rupees	

6.3 Others

Investment - held to maturity

Nil (June 30, 2010 : 10,000) US \$	-	854,000
Bonds Bearer (LIBOR +2%)		
Defence saving certificates	59,853,000	42,853,000
Acc. Interest on DSC	4,006,137	2,064,989
	63,859,137	45,771,989

7 SHARE CAPITAL

March-11	June-10			
No. of shares				
25,000,000	20,000,000	Authorised share capital		
		Ordinary shares of Rs. 10 each	250,000,000	200,000,000
		Issued, subscribed and paid up capital		
9,300,000	9,300,000	Ordinary shares of Rs. 10 each issued as fully paid in cash	93,000,000	93,000,000
12,925,038	9,220,865	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	129,250,380	92,208,650
22,225,038	18,520,865		222,250,380	185,208,650

8 CONTINGENCIES AND COMMITMENTS

8.1 Confirmed letters of credit in respect of

- raw materials	286,645,908	771,848,486
- store and spares	11,678,893	15,413,874
- machinery	2,120,448	-

8.2 Guarantees issued on behalf of the company

- in favour of collector of Customs and Excise & Land against defredd	109,813,974	95,406,000
- Other guarantees	328,000	818,600

8.3 There is no change in contingencies as reported in note 28.1 & 28.2 in the financial statements for the year ended 30 June 2010.

8.4 Export bills negotiated at nine months end amounting to Rs. 405 millions (June 30, 2010 : Rs. 632 millions)

Nine months ended	
March 31	
2011	2010
Rupees	

12 TRANSACTION WITH ASSOCIATED COMPANIES

Purchases of goods & services
Sales of goods & services

207,079,982	64,066,318
458,416,983	248,235,457

13 PRESENTATION

All amounts have been rounded off to the nearest rupee.
All figures appearing the financial statements except 30 June 2010 are un audited.

14 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue on April 30 , 2011 by the Board of Directors of the Company.

Chief Executive

Director