

**GULSHAN SPINNING MILLS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION -Un Audited**  
**FOR THE FIRST QUARTER ENDED SEPTEMBER 30 , 2011**

**1 CORPORATE INFORMATION**

Gulshan Spinning Mills Limited ("the Company") was incorporated as a Public Limited Company in Pakistan under the Companies Ordinance, 1984. Its main business is manufacturing and sales of yarn. The shares of the Company are listed on Karachi and Lahore Stock Exchanges in Pakistan. The address of its registered office is 2nd Floor, Finlay House, I.I. Chundrigar Road, Karachi.

The Board of Directors of the Company in its meeting held April 05, 2011 approved the scheme of merger by amalgamation of the Company and Gulistan Spinning Mills Limited with and into Paramount Spinning Mills Limited along with the approval of the share swap ratio in relation thereto. The Company on orders of Honorable Sindh High Court called Extra Ordinary General Meeting (EOGM) on August 01, 2011 in which the above said scheme was approved by the shareholders of the Company. The scheme of arrangement will be subject to the subsequent approval of the court.

**2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The condensed interim financial information are being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Karachi and Lahore Stock Exchanges.

The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended June 30, 2011.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and method of computations adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2011.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**4 ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of condensed interim financial statement requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates made by the management in applying the Company's accounting policies and the key sources of estimates were same as those applied to the financial information for the year ended June 30, 2011.

**5 PROPERTY, PLANT AND EQUIPMENT**

	<b>Sep 30 2011</b>	<b>June 30 2011</b>
	<b>Un-Audited</b>	<b>Audited</b>
	----- Rupees -----	
Operating fixed assets	<b>5.01 1,331,881,028</b>	1,339,944,440
Capital Work in Progress	<b>1,030,100</b>	989,505
	<b>1,332,911,128</b>	1,340,933,945

**5.01 Addition during the period / year**

**Owned :**

Plant & Machinery	<b>1,233,176</b>	8,659,032
Electric Installation	<b>2,356,081</b>	6,261,627
Gas Power Generator	-	2,851,172
Mill Equipments	<b>680,990</b>	2,967,024
Office Equipments	-	418,550
Furniture & Fixtures	-	234,845
Vehicles	-	548,728

**Leased :**

Vehicles	-	-
	<b>4,270,247</b>	21,940,978

**5.02 Disposals - Owned**

Vehicles	-	387,470
	-	387,470

**6 CONTINGENCIES AND COMMITMENTS**

**Contingencies**

6.01 There is no change in contingencies as reported in note 27.1 & 27.2 in the financial statements for the year ended June 30,

**Guarantees**

6.02 Confirmed letters of credit in respect of

	<b>Sep 30 2011</b>	<b>June 30 2011</b>
	<b>Un-Audited</b>	<b>Audited</b>
	----- Rupees -----	
- raw materials	<b>164,819,156</b>	121,027,214
- store and spares	<b>9,752,326</b>	4,883,137
- machinery	<b>4,346,423</b>	-

		Quarter ended	
		Sep 30 2011	Sep 30 2010
		Un-Audited	
		----- Rupees -----	
<b>7 SALES</b>			
Export	7.1	451,837,413	615,749,585
Local	7.2	492,670,311	301,605,682
		<b>944,507,724</b>	<b>917,355,267</b>
<b>7.1 Export</b>		<b>451,809,483</b>	<b>615,715,045</b>
<b>Add:</b>			
Rebate		27,930	34,540
Exchahange Gain		-	-
		<b>27,930</b>	<b>34,540</b>
		<b>451,837,413</b>	<b>615,749,585</b>
<b>7.2 Local</b>			
Yarn / Waste		492,670,311	301,605,682
		<b>492,670,311</b>	<b>301,605,682</b>
		Sep 30 2011	Sep 30 2010
		Rupees	
<b>8 CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Net Profit / (Loss) before taxation</b>		(11,658,557)	53,971,385
<b>Adjustments :</b>			
Depreciation		15,684,965	16,092,679
Provision of gratuity		1,936,239	2,484,876
Finance cost		116,198,554	104,927,495
Worker's profit participation fund		-	2,760,219
Share of profit from associate		(345,100)	-
Share of loss from joint venture		686,073	-
Interest income		(154,963)	(974,870)
		<b>134,005,768</b>	<b>125,290,399</b>
<b>Cash frow from operation before working capital changes</b>		<b>122,347,211</b>	<b>179,261,784</b>
<b>Change in current assets</b>			
Stores, spare parts and loose tools		(1,736,726)	(3,462,314)
Stocks in trade		7,923,948	(292,842,812)
Trade debts		(27,522,678)	127,162,901
Loans and advances		(11,157,510)	27,581,966
Deposits and prepayments		(6,114,717)	111,679
Other receivables		2,275,315	(3,858,878)
Trade and other payables		(52,655,564)	76,027,524
<b>Change in Working Capital</b>		<b>(88,987,932)</b>	<b>(69,279,934)</b>
<b>Net cash generated from operation</b>		<b>33,359,279</b>	<b>109,981,850</b>
<b>Receipts / payments for</b>			
Interest received		110,449	974,868
Interest paid		(121,680,942)	(101,541,025)
Tax paid		(7,770,308)	(11,661,170)
Gratuity paid		(2,359,416)	(2,188,456)
		<b>(131,700,217)</b>	<b>(114,415,783)</b>
<b>Net cash used in operating activities</b>		<b>(98,340,938)</b>	<b>(4,433,933)</b>

<b>Sep 30 2011</b>	June 30 2011
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<b>Un-Audited</b>	Audited
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----- Rupees -----

**9 TRANSACTION WITH ASSOCIATED COMPANIES**

Purchase of Electricity	-	45,381,152
Purchases of goods & services	<b>69,736,662</b>	345,863,001
Sales of goods & services	<b>178,026,287</b>	733,066,315

**10 PRESENTATION**

All amounts have been rounded off to the nearest rupee.

All figures appearing the financial statements except June 30,2011 figures are un audited.

**11 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were authorized for issue on October 31 , 2011 by the Board of Directors of the Company.

**Chief Executive**

**Director**