

GULSHAN SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENT (Un Audited)
FOR THE FIRST QUARTER ENDED SEPTEMBER 30,2008.

1 CORPORATE INFORMATION

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 requirement of the Companies Ordinance 1984 or the requirements of the said directives take the precedence.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements for the first quarter ended September 30, 2008 are the same as those applied in the preparation of the annual financial statements for the year ended June 30, 2008.

4 FIXED ASSETS

	30 September 2008	30 June 2007
Rupees		
Property, Plant and Equipment	4.01 1,419,184,146	1,436,355,916
Capital Work in Progress includes leased gas generators	7,771,916	6,876,280
	1,426,956,062	1,443,232,196

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

4.02 Property, Plant and Equipment - Additions

Building - Factory	-	5,466,881
Building - Residential	-	545,567
Plant & Machinery	137,772	18,285,057
Electric Installation	87,905	4,798,734
Mill Equipments	189,170	5,108,645
Office Equipments	-	378,736
Furniture & Fixtures	55,475	1,348,906
Vehicles	-	105,000
Leased :		
Plant & Machinery	-	10,815,937
Vehicles	-	4,925,000
	470,322	51,778,463

4.03 Disposals - Owned

Plant & Machinery	-	80,000
Mill Equipments	-	68,040
	-	148,040

5 CONTINGENCIES AND COMMITMENTS

Confirmed letters of credit in respect of		
- raw materials	647,407,960	242,033,548
- store and spares	2,584,216	4,133,395

There is no change in contingencies as reported in note 28.1 in the financial statements for the period ended 30 June 2008.

6 COST OF SALES

	First Quarter ended September 30 , 2008 2007	
Rupees		
Stocks at the beginning	259,737,608	188,068,284
Cost of goods manufacture	609,761,009	467,563,638
	869,498,617	655,631,922
Stock at the end	403,763,353	275,870,707
	465,735,264	379,761,215

6.1 COST OF GOODS MANUFACTURED

Work in process at the beginning	30,633,715	34,676,521
Raw material consumed	469,962,432	329,834,375
Overheads	136,105,781	134,665,216
	606,068,214	464,499,591
	636,701,929	499,176,112
Work in process at the end	26,940,920	31,612,474
	609,761,009	467,563,638

	30 September 2008	30 September 2007
Rupees		
7 CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / (Loss) before taxation	9,539,727	27,912,969
Adjustments :		
Depreciation	16,755,812	17,418,000
Provision of gratuity	1,968,300	1,677,300
Finance cost	68,819,050	51,307,259
Loss/(Profit) on sale of fixed assets	-	(150,088)
Loss/(Gain) on remeasurement of investment	298,574	-
Amortization of deferred cost	21,421	39,920
Interest Income	(1,890,228)	(687,313)
Dividend income	(155)	(138)
	<u>85,972,773</u>	<u>69,604,940</u>
Cash flow from operation before working capital changes	95,512,500	97,517,909
Change in current assets		
Stores , Spares & Loose tools	(12,500,179)	17,346
Stocks in trade	(202,539,221)	(108,150,253)
Trade debtors	(78,427,129)	(67,462,127)
Loans and advances	(69,595,265)	(8,572,341)
Deposits and prepayments	2,431,865	(2,090,817)
Other receivables	(3,148,461)	1,920,192
	<u>(363,778,389)</u>	<u>(184,338,001)</u>
Change in current liabilities		
Trade and other payables	146,090,658	(76,792,131)
Change in Working Capital	<u>(217,687,732)</u>	<u>(261,130,132)</u>
Receipts / payments for		
Interest paid	(67,555,761)	(58,248,000)
Interest received	1,514,229	831,546
Dividend received	155	138
Tax paid	(4,553,890)	(2,896,915)
Gratuity paid	(2,256,119)	(1,780,169)
	<u>(72,851,386)</u>	<u>(62,093,400)</u>
Net cash used in operating activities	<u>(195,026,617)</u>	<u>(225,705,623)</u>
	30 September 2008	30 June 2007
Rupees		
8 TRANSACTION WITH ASSOCIATED COMPANIES		
Purchase of Electricity	214,039	23,681,912
Purchases of goods & services	1,316,470	56,647,205
Sales of goods & services	102,396,687	464,617,496
9 PRESENTATION		
All amounts have been rounded off to the nearest rupee.		
All figures appearing the financial statements except 30 June 2008 figures are un audited.		
10 CORRESPONDING FIGURES		
Corresponding period's figures in respect of depreciation on plant & machinery has been restated, as a result of change in accounting estimate as reported in accounts for the year ended June 30, 2008 in accordance with International Accounting Standard (IAS 8) due to which corresponding quarter's profit has been increased by Rs. 11.8 million.		
11 APPROVAL OF FINANCIAL STATEMENTS		
The financial statements were authorized for issue on October 31 ,2008 by the Board of Directors of the Company.		

TANVEER AHMED
Chief Executive

NASEER AHMED
Director