

GULISTAN SPINNING MILLS LIMITED

CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2007 (UN-AUDITED)

1 STATUS AND ACTIVITIES

Gulistan Spinning Mills Limited ("the company") was incorporated on 25 February, 1987 and its shares are listed on the Karachi and Lahore Stock exchanges in Pakistan. The company is principally engaged in manufacture and sale of yarn

2 BASIS OF PREPARATION

These interim, financial statements ("the financial statements") have been prepared in accordance with the directives issued by the Securities and Exchange Commission of Pakistan and are in compliance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

These financial statements are un-audited. However, a limited scope review of these financial statements has been performed by the auditors of the company in accordance with the clause (XXI) of the code of corporate Governance and they have issued their review report thereon.

2.1 ACCOUNTING POLICIES

The accounting policies, related judgments, estimates and assumptions adopted in the preparation of these financial statements are the same as those applied in the preparation of annual published financial statements for the year ended June 30, 2007, except for change in accounting estimate as per note 2.2

2.2 CHANGE IN ACCOUNTING ESTIMATE

During the period, the management has changed its estimate with regards to depreciation of plant and machinery, after detailed review by technical team of the company the average life of the plant and machinery has been re-estimated as against past level of estimate, such an estimate is in compliance with IAS-16 Property, Plant and Equipment.

Had there been no change in such an estimate the depreciation expense would have been higher by Rs.9.629 (million) and written down value of property, plant and equipment of the company would have been lower by the same amount

3 PROPERTY PLANT AND EQUIPMENT

Owned Assets

	December 31 2007		June 30 2007	
	Additions	Disposals	Additions	Disposals
	Cost		Cost	
	Rupees		Rupees	
Free hold land	-	-	8,262,384	-
Building on free hold land	-	-	1,134,937	-
Plant and machinery	3,219,750	-	12,895,257	65,767,211
Electric installations	440,051	-	5,449,926	-
Factory equipment	1,351,488	-	5,590,424	-
Office equipment	663,000	-	114,900	-
Furniture and fixtures	350,890	-	202,195	-
Vehicles	-	-	60,600	472,765

Leased Assets

Plant and machinery	-	-	62,550,152	-
Vehicles	-	-	600,000	-
	6,025,180	-	96,860,775	66,239,976

4 SHARE CAPITAL

Authorized Capital

15,000,000 (June 30, 2007 : 15,000,000)
Ordinary shares of Rs. 10 each

	December 31, 2007	June 30, 2007
	Rupees	
	150,000,000	150,000,000

Issued, subscribed and paid-up capital

6,838,330 (June 30, 2007: 6,838,330)
Ordinary shares of Rs.10/- each fully paid up in cash

68,383,300 68,383,300

5,261,670 (June 30, 2007: 4,161,670)
Ordinary shares of Rs.10/- each issued as fully paid bonus shares

41 **52,616,700** 41,616,700
121,000,000 110,000,000

4.1 The company has issued 1,100,000 (June 30, 2007:1,000,000) fully paid bonus shares

5 CONTINGENCIES AND COMMITMENTS

Contingencies

There are no material changes in contingencies as disclosed in the notes to the financial statements for the period ended June 30, 2007

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		December 31, 2007	June 30, 2007
	Rupees.....	
Commitments			
Letter of credit for:			
-capital expenditure	(in millions)	3.605	-
-other than capital expenditure	(in millions)	20.156	74.750

	Quarter ended		Six months period ended	
	December 31 2007	December 31 2006	December 31 2007	December 31 2006
Rupees.....	Rupees.....	
6 TURNOVER - NET				
Local	115,937,789	42,077,918	223,226,527	119,626,878
Export	158,632,400	176,643,786	309,091,652	331,973,652
	<u>274,570,189</u>	<u>218,721,704</u>	<u>532,318,179</u>	<u>451,600,530</u>
Less:				
Commission	3,957,554	2,385,218	5,786,566	5,863,555
Export rebate	-	-	-	-
	<u>270,612,635</u>	<u>216,336,486</u>	<u>526,531,613</u>	<u>445,736,975</u>
7 COST OF SALES				
Stocks at the beginning	124,153,979	100,307,468	93,925,911	69,209,420
Purchases	3,406,000	8,984,900	13,273,000	15,741,722
Cost of goods manufactured	240,719,673	221,102,094	483,464,474	441,824,716
	<u>368,279,652</u>	<u>330,394,462</u>	<u>590,663,385</u>	<u>526,775,858</u>
Stocks at the end	(141,921,879)	(150,259,996)	(141,921,879)	(150,259,996)
	<u>226,357,773</u>	<u>180,134,466</u>	<u>448,741,506</u>	<u>376,515,862</u>
7.1 Cost of goods manufactured				
Work in process at the beginning	13,886,771	11,146,851	11,715,199	10,483,266
Raw material consumed	198,346,634	170,983,261	393,844,509	341,484,690
Overheads	38,182,286	50,796,354	87,600,784	101,681,132
	<u>236,528,919</u>	<u>221,779,615</u>	<u>481,445,292</u>	<u>443,165,822</u>
	<u>250,415,690</u>	<u>232,926,466</u>	<u>493,160,491</u>	<u>453,649,088</u>
Work in process at the end	(9,696,017)	(11,824,372)	(9,696,017)	(11,824,372)
	<u>240,719,673</u>	<u>221,102,094</u>	<u>483,464,474</u>	<u>441,824,716</u>

		December 31, 2007	June 30, 2007
	Rupees.....	
8 DEFERRED TAXATION			
Opening Balance		3,955,988	4,727,392
(Reversed)/provided during the period		4,550,194	(771,404)
		<u>8,506,182</u>	<u>3,955,988</u>

	Quarter ended		Six months period ended	
	December 31 2007	December 31 2006	December 31 2007	December 31 2006
Rupees.....	Rupees.....	
9 EARNINGS PER SHARE - BASIC AND DILUTED				
	2,945,278	936,728	3,676,402	1,566,554
9.1	12,100,000	12,100,000	12,100,000	12,100,000
	<u>0.24</u>	<u>0.08</u>	<u>0.30</u>	<u>0.13</u>

9.1 Number of shares in issue during the period ended December 31, 2007 have been restated for the effect of bonus issue in the current period.

9.2 There is no dilutive effect on basic earning per share of the company.

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10 CHANGES IN WORKING CAPITAL

	Six months period ended	
	December 31, 2007	December 31, 2006
Rupees.....	
Increase in stores, spare parts and loose tools	(7,216,853)	(3,340,392)
Decrease / (increase) in stock-in-trade	(269,432,957)	(157,269,209)
(Increase) / decrease in trade debts	(26,694,848)	(6,986,355)
(Increase) / decrease in loan and advances	11,998,343	11,852,743
(Increase) / decrease in deposits and short-term prepayments	(548,742)	197,104
Decrease/(increase) in other receivables	(732,349)	(86,557)
Increase in sales tax refundable	(2,611,506)	5,901,657
(Decrease) / increase in trade and other payables	(38,605,590)	19,801,831
	(333,844,501)	(129,929,179)

11 TRANSACTIONS WITH RELATED PARTIES

Purchases from Associates

Stores	251,946	582,837
Yarn	13,273,000	4,153,000
Electricity	1,124,467	701,222
Waste	641,878	-
Processing	1,762,428	1,311,855
Cotton	59,918,568	-
Mark-up earned	1,310,244	1,899,044

Sales to Associates

Yarn	79,141,709	25,309,123
Cotton	-	8,079,102
Stores	62,200	36,062
Waste	24,177,160	19,005,376
Processing	204,184	170,949

11.1 All material transactions with related parties are at arm's length.

12 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were approved by the Board of Directors and authorized for issue on February 2008.

13 OTHERS

Figures have been rounded off to nearest Rupee unless otherwise stated.

There are no other significant activities since December 31, 2007 affecting the financial statements

TANVEER AHMED
CHIEF EXECUTIVE

MUHAMMAD ABDULLAH
DIRECTOR