

GULISTAN SPINNING MILLS LIMITED
NOTES TO THE ACCOUNTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31,2006

1 STATUS AND NATURE OF BUSINESS

Gulistan Spinning Mills Limited (the company) was incorporated on 25 February, 1987 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 interim,financial statements have been prepared in accordance with directives issued by the Securities and Exchange Commission of Pakistan and are in compliance with the International Accounting Standard (IAS) 34"Interim Financial Reporting"and being submitted to shareholders as required by Section 245 of the Companies Ordinance,1984.

2.1 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements are consistent with those applied in preparation of the preceding annual published financial statements of the company for the period ended June 30,2005 with exception of note 2.1

2.2 CHANGE IN ACCOUNTING POLICIES

Consequent to change in International Accounting Standard (IAS) 28 "Investments in Associates" with effect from this financial year, the Company has changed its accounting policy in respect of investments in associates whereby investments in associates are now accounted for using the equity method in financial statements of the company as defined in above IAS.

	March 31,2006	June 30,2005
Rupees.....	
3 SHARE CAPITAL		
Authorised Capital		
10,000,000 Ordinary shares of Rs. 10 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid-up capital		
6,838,330 Ordinary shares of Rs.10 each fully paid up in cash	68,383,300	68,383,300
3,161,670 Ordinary shares of Rs.10 each issued as fully paid bonus shares	31,616,700	31,616,700
	<u>100,000,000</u>	<u>100,000,000</u>

4 LONG TERM FINANCING-SECURED

The company obtained the long term finance from KASB Bank Limited for Rs.3.040 million.The loan is secured by way of first pari passu hypothecation charge on all present & future of fixed asset of the company amounting to Rs.4.053 million with 25% margin The loan carry markup at the rate of six months KIBOR plus 2% P.a with floor of 9% & cap of 11% & is repayable in six years from date of disbursement including one year grace period

GULISTAN SPINNING MILLS LIMITED

March 31,2006 June 30,2005

5 CONTINGENCIES & COMMITMENTS

.....Rupees.....

Contingencies

There are no material changes in the contingencies since June 2005

Commitments

For Capital expenditure (in millions) 1.825 70.706

6 OPERATING FIXED ASSETS

Owned Assets

	Additions		Disposals	
	March 31,2006	June 30,2005	March 31,2006	June 30,2005
Free hold land	-	2,034,900	-	-
Buildings on lease hold land	4,163,780	-	-	-
Plant& Machinery	98,273,498	108,840,545	-	800,000
Electric Installations	2,412,068	245,790	-	-
Mills Equipment	330,696	8,100,496	-	-
Office Equipments	69,300	643,017	-	-
Furniture and Fixtures	128,396	257,350	-	-
Vehicles	588,090	-	476,500	425,000

Leased Assets

Plant& Machinery	12,500,000	-	-	-
Vehicles	-	1,769,000	-	-
Electric Installations	-	-	-	-
	118,465,828	121,891,098	476,500	1,225,000

- 6.1 The latest revaluation of land was carried out by Consultancy Support & services(Valuers) as at December 20, 2005 & incorporated in the accounts in the half yearly period ended December 31,2005.Thebasis used for revaluation of land was as follows:

Free hold land: The value of land is ascertained according to the local market value as assessed by the valuers.The cost of freehold land includes revaluation surplus of Rs.72,785,068 arising from revaluation of free hold land on December 20,2005

	for the period ended		for the Quarter ended	
	March 31,2006	March 31,2005	March 31,2006	March 31,2005
	(.....Rupees.....)		(.....Rupees.....)	
7 SALES				
Local	164,598,448	156,954,465	51,432,874	48,556,471
Export	469,624,680	414,787,507	173,732,503	167,448,260
	634,223,128	571,741,972	225,165,377	216,004,731
Less:				
Commission	10,018,417	8,470,303	3,645,029	2,886,812
	624,204,711	563,271,669	221,520,348	213,117,919
8 COST OF SALES				
Stocks at the beginning	63,318,665	88,298,633	73,168,480	108,405,378
Purchases	6,552,000	10,635,000	6,552,000	6,956,000
Cost of goods manufactured	536,979,356	482,785,920	180,204,114	153,282,189
	606,850,021	581,719,553	259,924,594	268,643,567
Stocks at the end	(72,518,080)	(85,712,186)	(72,518,080)	(85,712,186)
	534,331,941	496,007,367	187,406,514	182,931,381

GULISTAN SPINNING MILLS LIMITED

9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise associated companies, staff retirement benefits plans, directors and key management personnel. The transactions with related parties during the current period generally consists of sales and purchases. Nature & description of significant related party transactions along with monetary values are as follows:

9.1 Transaction Category	Relationship	Nature of transactions:	for the period ended	
			March 31, 2006	March 31, 2005
Associated Companies	Common directorship		(.....Rupees.....)	
		Purchase of:		
		Stores	494,538	341,622
		Machinery	-	1,860,000
		Yarn	6,552,000	2,051,484
		Cotton	-	29,689,440
		Electricity	24,507,811	35,186,428
		Processing	1,079,069	5,466,695
		Others/mup	2,589,465	2,393,840
		Scrap	21,600	-
		Sales of:		
		Yarn	18,126,600	76,904,813
		Cotton	-	37,708,121
		Stores	735,231	1,320,828
		Waste	35,650,575	15,650,090
		Machinery	-	800,000
		Processing	525,580	1,641,288

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

10 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on April 29, 2006 by the Board of Directors of the Company.

11 RECLASSIFICATION

Corresponding figures have been rearranged and reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison

12 OTHERS

- Figures have been rounded off to the nearest rupee

- There are no other significant activities since June 2005 affecting the financial statements

TANVEER AHMED
CHIEF EXECUTIVE

ABDUL SHAKOOR
DIRECTOR