

# GULISTAN SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2008 (UNAUDITED)

### 1 STATUS AND ACTIVITIES

Gulistan Spinning Mills Limited ("the company") was incorporated on 25 February, 1987 and its shares are listed on Karachi and Lahore Stock exchange 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".

#### 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.

#### 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 more 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.14.569 (million) and property plant and equipment of the company would have been lower by the same amount.

	March 31 2008	June 30 2007	
	d Disposals Cost	Additions	Disposals Cost
<b>3 OPERATING FIXED ASSETS</b>			
<b>Owned Assets</b>	.....Rupees.....	(.....Rupees.....)	
Free hold land	-	8,262,384	-
Building on free hold land	-	1,134,937	-
Plant and machinery	-	12,895,257	65,767,211
Electric installations	-	5,449,926	-
Factory equipment	-	5,590,424	-
Office equipment	-	114,900	-
Furniture and fixtures	-	202,195	-
Vehicles	-	60,600	472,765
<b>Leased Assets</b>			
Plant and machinery	-	62,550,152	-
Vehicles	-	600,000	-
	-	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

March 31,  
2008  
(.....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

**4.1**      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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		March 31, 2008	June 30, 2007
		(.....Rupees.....)	
<b>Commitments</b>			
Letter of credit for:			
-capital expenditure	(in millions)	8.1328	-
-other than capital expenditure	(in millions)	28.314	74.750

	Quarter ended		Nine months period ended		
	March 31 2007	March 31 2008	March 31 2007	March 31 2008	
		(.....Rupees...)		(.....Rupees.....)	
<b>6 SALES</b>					
Local	# 59,018,591	371,246,417	178,645,469		
Export	# 198,138,008	519,573,027	530,111,660		
	# 257,156,599	890,819,444	708,757,130		
Less:					
Commission	# 3,721,802	8,977,664	9,585,357		
	# 253,434,797	881,841,780	699,171,772		
<b>7 COST OF SALES</b>					
Stocks at the beginning	150,259,996	<b>93,925,911</b>	69,209,420		
Purchases	19,129,500	<b>13,931,000</b>	34,871,222		
Cost of goods manufactured	217,519,362	<b>761,374,496</b>	659,344,079		
	386,908,858	<b>869,231,407</b>	763,424,720		
Stocks at the end	(168,193,244)	<b>(110,102,466)</b>	(168,193,244)		
	218,715,614	<b>759,128,941</b>	595,231,476		

		March 31, 2008	June 30, 2007
		(.....Rupees.....)	
<b>8 Deferred Taxation</b>			
Opening Balance		3,955,988	4,727,392
(Reversed)/provided during the period		4,705,560	(771,404)
		8,661,548	3,955,988

	Quarter ended		Nine months period ended		
	March 31 2007	March 31 2008	March 31 2007	March 31 2008	
		(.....Rupees...)		(.....Rupees.....)	
<b>9 EARNINGS PER SHARE - BASIC AND DILUTED</b>					

Net Profit for the period attributable to ordinary shareholders	(716,959)	<b>5,379,928</b>	854,595
Weighted average number of ordinary shares outstanding during the period	<b>9.1 #</b> 12,100,000	<b>12,100,000</b>	12,100,000
	(0.06)	<b>0.44</b>	0.07

**9.1** Number of shares in issue during the period ended March 31, 2008 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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## NOTES TO THE FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2008 (UNAUDITED)

### 10 CHANGES IN WORKING CAPITAL

	<b>Nine months period ended</b>	
	<b>March 31, 2008</b>	<b>March 31, 2007</b>
	(.....Rupees.....)	
Increase in stores, spare parts and loose tools	(10,487,328)	(4,839,004)
Decrease / (increase) in stock-in-trade	(367,198,356)	(216,959,078)
(Increase) / decrease in trade debts	(52,329,804)	(30,944,290)
(Increase) / decrease in loan and advances	40,564,689	13,070,476
(Increase) / decrease in deposits and short-term prepayments	(554,358)	197,104
Decrease/(increase) in other receivables	(886,528)	(73,225)
Increase in sales tax refundable	162,788	5,204,754
(Decrease) / increase in trade and other payables	(42,017,097)	50,461,355
	<b>(432,745,994)</b>	<b>(183,881,907)</b>

### 11 TRANSACTIONS WITH RELATED PARTIES

#### Purchases from Associates

Stores	273,946	582,837
Yarn	13,931,000	23,282,500
Electricity	7,209,652	2,400,959
Machinery	-	6,500,000
Waste	1,625,840	-
Processing	1,762,428	2,021,348
Cotton	59,918,568	-
Scrap	-	-
Mark-up earned	1,958,245	2,899,925

#### Sales to Associates

Yarn	112,475,265	43,628,515
Cotton	3,012,450	8,079,102
Stores	62,200	67,729
Waste	38,946,460	32,946,043
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 April 30, 2008.

### 13 OTHERS

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

There are no other significant activities since March 31, 2008 affecting the financial statements

TANVEER AHMED  
CHIEF EXECUTIVE

MUHAMMAD ABDULLAH  
DIRECTOR