

# GULISTAN SPINNING MILLS LIMITED

## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

### FOR THE NINE MONTHS ENDED MARCH 31, 2011

#### 1 STATUS AND NATURE OF BUSINESS

Gulistan Spinning Mills Limited (the company) was incorporated on 26 February, 1987 and its shares are listed on Karachi and Lahore Stock Exchanges in Pakistan. The registered office of the company is situated at 2nd Floor, Finlay House, I.I. Chundrigar Road, Karachi in the province of Sindh, Pakistan. The company is principally engaged in manufacture and sale of yarn. The manufacturing unit is located at District Kasur in the Province of Punjab.

#### 2 BASIS OF PREPARATION

##### 2.1 Statement of compliance

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Financial Reporting Standard (IFRS) IAS 34 'Interim Financial Reporting' as applicable in Pakistan. This condensed interim financial information does not include all of the information and disclosures required for annual financial statements, and should be read in conjunction with the financial statements of company as at and for the year ended June 30, 2010.

This condensed interim financial information is being submitted to the shareholders as required by the Listing regulations of Karachi and Lahore Stock Exchanges and section 245 of Companies Ordinance, 1984.

These condensed interim financial statements comprise of condensed interim balance sheet, condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the selected notes for the half year ended December 31, 2010 which have been subjected to a review but not audited. These condensed interim financial statements also includes the condensed interim profit and loss account and statement of comprehensive income for the quarter ended March 31, 2011.

#### 3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended June 30, 2010.

3.2 Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the company's operations or did not have any impact on the accounting policies of the company.

#### 4 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

4.1 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affects the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended June 30, 2010.

4.2 The company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2010.

#### 5 PROPERTY, PLANT AND EQUIPMENT

	March 31, 2011		March 31, 2010	
	Additions	Disposals	Additions	Disposals
	----- Rupees -----			
<b>Owned Assets</b>				
Buildings on freehold land	121,246	-	-	-
Plant and Machinery	2,580,667	-	1,904,294	-
Electric Installations	7,409,678	-	2,024,857	-
Factory Equipment	266,388	-	526,227	-
Office Equipments	-	-	-	-
Furniture and Fixtures	9,750	-	61,000	-
Vehicles	-	-	10,850	452,447
<b>Leased Assets</b>				
Vehicles	2,799,000	-	1,239,000	-
	<b>13,186,729</b>	-	<b>5,766,228</b>	<b>452,447</b>

#### 6 SHARE CAPITAL

	March 31, 2011	June 30, 2010
	----- Rupees -----	
<b>Authorized Capital</b>		
15,000,000 (June 30, 2010: 15,000,000) Ordinary shares of Rs. 10 each	150,000,000	150,000,000
<b>Issued, subscribed and paid up capital</b>		
6,838,330 (June 30, 2010: 6,838,330) Ordinary shares of Rs.10 each fully paid up in cash	68,383,300	68,383,300
7,802,670 (June 30, 2010: 7,802,670) Ordinary shares of Rs.10 each issued as fully paid as bonus shares	78,026,700	78,026,700
	<b>146,410,000</b>	<b>146,410,000</b>

#### 7 LONG TERM FINANCING FROM DIRECTORS

These are interest free, unsecured and not repayable in next twelve months. These loans are subordinated to loans from banking companies.

**GULISTAN SPINNING MILLS LIMITED****SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)****FOR THE NINE MONTHS ENDED MARCH 31, 2011****8 CONTINGENCIES AND COMMITMENTS****Contingencies**

There are no material changes in contingencies as disclosed in the notes to the financial statements for the period ended December 31, 2010.

	March 31, 2011	June 30, 2010
	----- Rupees -----	
<b>Commitments</b>		
Letter of credit for:		
- Capital expenditure	(in millions)	8.866
- Other than capital expenditure	(in millions)	150.847
- Bill discounted with recourse	(in millions)	-
	<b>416.861</b>	

**9 EARNINGS PER SHARE - BASIC AND DILUTED**

The calculation of the basic earnings per share is based on the following data:

	NINE MONTHS ENDED	
	March 31, 2011	March 31, 2010
<b>Earnings (Rupees)</b>		
Earnings for the purpose of basic earnings per share		
(Profit for the period)	<b>205,572,167</b>	32,363,534
<b>Number of shares</b>		
Weighted average number of ordinary shares outstanding during the period	<b>14,641,000</b>	14,641,000
Earnings per share - basic and diluted (Rupees per share)	<b>14.04</b>	2.21

**10 TRANSACTIONS WITH RELATED PARTIES**

	NINE MONTHS ENDED	
	March 31, 2011	March 31, 2010
	----- Rupees -----	
Purchases from associates	<b>189,304,110</b>	174,894,943
Sales to Associates	<b>328,768,090</b>	224,460,441
Processing charges	<b>4,648,411</b>	26,831,035

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

**11 CHANGES IN WORKING CAPITAL**

	NINE MONTHS ENDED	
	March 31, 2011	March 31, 2010
	----- Rupees -----	
Decrease / (increase) in stores, spare parts and loose tools	<b>9,918,682</b>	2,288,480
Decrease / (increase) in stock-in-trade	<b>(520,991,396)</b>	(24,545,257)
Decrease / (increase) in trade debts	<b>125,217,936</b>	26,925,058
Decrease / (increase) in loan and advances	<b>35,127,577</b>	56,459,613
Decrease / (increase) in deposits, short-term prepayments and other receivables	<b>592,440</b>	(4,876,362)
Decrease / (increase) in sales tax refundable	<b>(3,310,538)</b>	(4,707,141)
(Decrease) / increase in trade and other payables	<b>(32,818,437)</b>	(12,692,177)
	<b>(386,263,736)</b>	38,852,214

**12 DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were approved by the Board of Directors and authorized for issue on April 30, 2011.

**13 PRESENTATION**

- All figures except June 30, 2010 figures appearing in the financial statements are unaudited.
- Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE

DIRECTOR