

GULISTAN SPINNING MILLS LIMITED

NOTES TO THE ACCOUNTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30,2006

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 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements for the period ended 30 September,2006 are the same as those applied in the preparation of the annual audited financial statements for the year ended 30 June 2006

The Financial statements comply with the requirements of the Companies Ordinance, 1984 and international Financial Reporting Standard (IAS 34) "interim Financial Reporting" as applicable in Pakistan.

3 All figures except 30 June, 2006 figures appearing in the financial statements are unaudited. Figures have been rounded off to nearest Rupee.

4	OPERATING FIXED ASSETS	Additions		Disposals	
		30-Sep-06	30-Jun-06	30-Sep-06	30-Jun-06
	Owned Assets				
	Free hold land		-		
	Plant& Machinery	4,155,172	13,280,404	-	12,500,000
	Electric Installations	754,853	-		-
	Factory Equipment	31,000	1,517,081	-	
	Office Equipments	18,100	565,400	-	
	Furniture and Fixtures	49,760	275,118	-	
	Vehicles	-	588,090	-	476,500
	Leased Assets				
	Plant& Machinery	39,717,659	12,500,000	-	-
	Gas power house	-	72,649,180	-	-
		44,726,544	101,375,273	-	12,976,500

5	SHARE CAPITAL	AS AT	
		30-Sep-06	30-Jun-06
	Authorised Capital		
	15,000,000 Ordinary shares of Rs, 10 each	150,000,000	100,000,000
	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
		100,000,000	100,000,000

6	COMMITMENTS	AS AT	
		30-Sep-06	30-Jun-06
	For Capital expenditure (in millions)	0.489	5.412

7	COST OF SALES	Quarter ended	Quarter ended
		30-Sep-06	30-Sep-05
	Stocks at the beginning	69,209,420	63,318,665
		6,756,822	-
	Cost of goods manufactured	220,722,622	183,507,325
		296,688,864	246,825,990
	Stocks at the end	(100,307,468)	(72,837,013)
		196,381,396	173,988,977
7.01	Cost of goods manufactured		
	Work in process at the beginning	10,483,266	8,514,401
	Raw material consumed	170,501,429	136,347,198
	Overheads	50,884,778	46,731,991
		221,386,207	183,079,190
		231,869,473	191,593,591
	Work in process at the end	(11,146,851)	(8,086,266)
		220,722,622	183,507,325

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		Quarter ended	Quarter ended
		30-Sep-06	30-Sep-05
8	TRANSACTIONS WITH RELATED PARTIES		
	Purchases from Associates		
	Stores	299,000	230,000
	Electricity	-	11,198,063
	Machinery	-	-
	Processing	8,625	432,100
	Scrap	-	21,600
	Sales to Associates		
	Yarn	16,873,833	14,724,050
	Stores	5,919	66,893
	Waste	12,173,630	10,765,835
	Processing	170,949	525,580

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

9 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for issue on October 31,2006.

10 RE-ARRANGEMENT AND RE-CLASSIFICATION

Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purposes of comparison.

MUHAMMAD ABDULLAH
DIRECTOR

TANVEER AHMED
CHIEF EXECUTIVE