

GULISTAN SPINNING MILLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE QUARTER ENDED SEPTEMBER 30,2007 (UN-AUDITED)

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

The Interim,financial Statements("the financial statements") have been prepared in accordance with directives issued by the Securities and Exchange Commission of Pakistan and are in compliance with requirements of the Companies Ordinance, 1984 and international Financial Reporting Standard (IAS 34) "interim Financial Reporting" as applicable in Pakistan.

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements for the period ended 30 September,2007 are the same as those applied in the preparation of the annual audited financial statements for the year ended 30 June 2007

4 All figures except 30 June, 2007 figures appearing in the financial statements are unaudited.

Figures have been rounded off to nearest Rupee.

5 PROPERTY, PLANT AND EQUIPMENT

	September 30, 2007		June 30, 2007	
	Additions	Disposals	Additions	Disposals
Owned AssetsRupees.....			
Free hold land	-	-	8,262,384	-
Buildings on Freehold land	-	-	1,134,937	-
Plant & Machinery	2,896,717	-	12,895,257	65,767,211
Electric Installations	294,877	-	5,449,926	-
Factory Equipment	356,900	-	5,590,424	-
Office Equipments	1,340,556	-	114,900	-
Furniture and Fixtures	193,515	-	202,195	-
Vehicles	-	-	60,600	472,765
Leased Assets				
Plant & Machinery	-	-	62,550,152	-
Vehicles	-	-	600,000	-
	<u>5,082,565</u>	<u>-</u>	<u>87,998,391</u>	<u>66,239,976</u>

AS AT

6 SHARE CAPITAL

Authorised Capital

15,000,000 Ordinary shares of Rs, 10 each

	September 30, 2007	June 30, 2007
	<u>150,000,000</u>	<u>150,000,000</u>

Issued, subscribed and paid-up capital

6,838,330 Ordinary shares of Rs.10 each fully paid up in cash
4,161,670 Ordinary shares of Rs.10 each issued as fully paid bonus shares

	<u>68,383,300</u>	<u>68,383,300</u>
	<u>41,616,700</u>	<u>41,616,700</u>
	<u>110,000,000</u>	<u>110,000,000</u>

AS AT

7 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

Commitments

Letter of credit for: Rupees
- Other than Capital expenditure (in millions) 78.102 74.750

8 COST OF SALES

	September 30, 2007	September 30, 2006
Rupees.....	
Stocks at the beginning	93,925,911	69,209,420
Purchases	9,867,000	6,756,822
Cost of goods manufactured	<u>242,744,801</u>	<u>220,722,622</u>
	<u>346,537,712</u>	<u>296,688,864</u>
Stocks at the end		(100,307,468)
	<u>346,537,712</u>	<u>196,381,396</u>

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FOR THE QUARTER ENDED SEPTEMBER 30, 2007 (UN-AUDITED)

	September 30, 2007	September 30, 2006
8.01 Cost of goods manufacturedRupees.....	
Work in process at the beginning	11,715,199	10,483,266
Raw material consumed	195,497,875	170,501,429
Overheads	49,418,498	50,884,778
	<u>244,916,373</u>	<u>221,386,207</u>
	256,631,572	231,869,473
Work in process at the end	(13,886,771)	(11,146,851)
	<u>242,744,801</u>	<u>220,722,622</u>

9 EARNINGS PER SHARE - BASIC AND DILUTED

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

Earnings (Rupees)

Earnings for the purpose of basic earnings per share
(Profit after tax for the year)

736,125	634,824
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Number of shares

Weighted average number of ordinary shares outstanding
during the period

11,000,000	11,000,000
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Earning per share- basic and diluted (Rupees per share)

0.07	0.06
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Earning per share- basic and diluted for the Comparative period has been adjusted for the increase in the number of ordinary shares outstanding as a result of bonus issue.

	September 30, 2007	September 30, 2006
10 TRANSACTIONS WITH RELATED PARTIESRupees.....	
Purchases from Associates		
Stores	-	299,000
Yarn	9,867,000	-
Cotton	24,154,523	-
Processing	1,072,588	8,625
Sales to Associates		
Yarn	26,245,350	16,873,833
Stores	-	5,919
Waste	7,778,357	12,173,630
Processing	-	170,949

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

	September 30, 2007	September 30, 2006
11 CHANGES IN WORKING CAPITALRupees.....	
Increase in stores, spare parts and loose tools	(2,240,940)	(3,410,794)
Decrease / (increase) in stock-in-trade	(14,171,194)	(67,139,110)
(Increase) / decrease in trade debts	(3,120,030)	(57,657,086)
(Increase) / decrease in loan and advances	3,149,060	17,402,463
(Increase) / decrease in deposits and short-term prepayments	(500,311)	(84,008)
Decrease/(increase) in other receivables	4,818	(2,027,275)
Increase in sales tax refundable	(1,609,624)	3,408,597
(Decrease) / increase in trade and other payables	(5,998,982)	27,710,761
	<u>(24,487,203)</u>	<u>(81,796,452)</u>

12 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for issue on October 31, 2007

13 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.

TANVEER AHMED
CHIEF EXECUTIVE

MUHAMMAD ABDULLAH
DIRECTOR