

GULISTAN SPINNING MILLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2008 (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.

2.1 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements for the period ended September 30, 2008 are the same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2008

3 PROPERTY, PLANT AND EQUIPMENT

	September 30, 2008		June 30, 2008	
	Additions	Disposals	Additions	Disposals
Owned Assets	----- Rupees -----			
Buildings on Freehold land	-	-	14,855,920	-
Plant & Machinery	5,104,607	-	4,948,416	-
Electric Installations	-	-	1,657,497	-
Factory Equipment	742,676	-	3,752,304	-
Office Equipments	-	-	880,300	-
Furniture and Fixtures	-	-	396,790	-
Vehicles	-	-	-	-
Leased Assets	-	-	-	-
Plant & Machinery	-	-	-	-
Vehicles	-	-	-	-
	<u>5,847,283</u>	<u>-</u>	<u>26,491,227</u>	<u>-</u>

4 SHARE CAPITAL

	September 30, 2008	June 30, 2008
Authorised Capital	----- Rupees -----	
15,000,000 Ordinary shares of Rs. 10 each	<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	<u>68,383,300</u>	<u>68,383,300</u>
5,261,670 Ordinary shares of Rs. 10 each issued as fully paid bonus shares	<u>52,616,700</u>	<u>52,616,700</u>
	<u>121,000,000</u>	<u>121,000,000</u>

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, 2008

Commitments

Letter of credit for:	Rupees (in millions)	
- Capital expenditure	(in millions)	- 5.226
- Other than Capital expenditure	(in millions)	61.911 58.660

6 COST OF SALES

	September 30, 2008	September 30, 2007
	----- Rupees -----	
Stocks at the beginning	138,727,674	93,925,911
Purchases	4,474,444	9,867,000
Cost of goods manufactured	314,394,266	237,143,692
	<u>457,596,383</u>	<u>340,936,603</u>
Stocks at the end	<u>(167,414,435)</u>	<u>(124,153,979)</u>
	<u>290,181,949</u>	<u>216,782,624</u>

GULISTAN SPINNING MILLS LIMITED

NOTES TO THE ACCOUNTS FOR THE QUARTER ENDED SEPTEMBER 30, 2008 (UN-AUDITED)

	September 30, 2008	September 30, 2007
	----- Rupees -----	
6.01 Cost of goods manufactured		
Work in process at the beginning	14,080,684	11,715,199
Raw material consumed	261,512,922	195,497,875
Overheads	57,037,188	43,817,389
	<u>318,550,110</u>	<u>239,315,264</u>
	332,630,794	251,030,463
Work in process at the end	(18,236,528)	(13,886,771)
	<u><u>314,394,266</u></u>	<u><u>237,143,692</u></u>

7 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)

8,050,957	736,125
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Number of shares

Weighted average number of ordinary shares outstanding
during the period

12,100,000	12,100,000
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Earning per share- basic and diluted (Rupees per share)

<u>0.67</u>	<u>0.06</u>
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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, 2008	September 30, 2007
	----- Rupees -----	
8 TRANSACTIONS WITH RELATED PARTIES		
Purchases from Associates		
Stores	151,700	-
Yarn	4,474,444	9,867,000
Cotton	-	24,154,523
Processing	1,937,672	1,072,588
Sales to Associates		
Yarn	25,489,903	26,245,350
Waste	20,043,449	7,778,357

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

9 CHANGES IN WORKING CAPITAL

Decrease / (increase) in stores, spare parts and loose tools
Decrease / (increase) in stock-in-trade
Decrease / (increase) in trade debts
Decrease / (increase) in loan and advances
Decrease / (increase) in deposits and short-term prepayments
Decrease / (increase) in other receivables
Decrease / (increase) in sales tax refundable
(Decrease) / increase in trade and other payables

(3,346,003)	(2,240,940)
(190,990,328)	(14,171,194)
40,189,851	(3,120,030)
6,141,635	3,149,060
500,311	(500,311)
203,041	4,818
(1,206,115)	(1,609,624)
<u>102,694,417</u>	<u>(5,998,982)</u>
<u>(45,813,192)</u>	<u>(24,487,203)</u>

10 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for issue on October 31, 2008

11 CORRESPONDING FIGURES

Corresponding period's figures in respect of depreciation on plant and machinery has been restated, as a result of change in accounting estimate as reported in financial statements for the year ended June 30, 2008 in accordance with International Accounti

PRESENTATION

- 12 - All figures except 30 June, 2008 figures appearing in the financial statements are unaudited.
- Figures have been rounded off to nearest Rupee.

TANVEER AHMED
CHIEF EXECUTIVE

NASEER AHMED
DIRECTOR