

GULISTAN TEXTILE MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Abdul Shakoor - Chairman Mr. Naseer Ahmed - Chief Executive Mr. Tanveer Ahmed Mr. N. R. Siddiqui Mr. Mohammad Abdullah Mr. Riaz Ahmed Mr. Mohammad Younus
AUDIT COMMITTEE	Mr. Abdul Shakoor - Chairman Mr. N. R. Siddiqui Mr. Riaz Ahmed
CHIEF FINANCIAL OFFICER	Mr. Zulfiqar Ali
COMPANY SECRETARY	Mr. Zameer Q. Siddiqui
AUDITORS	M/s. Mushtaq & Co. Chartered Accountants Karachi
LEGAL ADVISOR	A. K. Brohi & Company - Advocates
TAX CONSULTANTS	M/s. Sharif & Company - Advocates
BANKERS	Muslim Commercial Bank Bank Al-Falah United Bank Limited Union Bank Hong Kong Shingahi Bank Faysal Bank Askari Commercial Bank Bank of Punjab Allied Bank Limited Habib Bank National Bank of Pakistan
SHARE REGISTRAR OFFICE	M/s. Hameed Majeed Associates (Pvt) Limited Karachi Chamber Hasrat Mohani Road Karachi. Ph. 2424826, 2412754 Fax. 2424835
REGISTERED OFFICE	2nd Floor Finlay House, I. I. Chundrigar Road, Karachi.
REGIONAL OFFICE	58 Main Gulberg Lahore.
MILLS	Unit I Sammasatta Distt. Bahawalpur Unit II & III Tibba Sultanpur Distt. Vihari Unit IV Ferozwatwan Distt. Shaikhupura

**GULISTAN TEXTILE MILLS LIMITED
DIRECTOR'S REVIEW TO THE SHAREHOLDERS
FOR THE HALF YEAR ENDED 31 DECEMBER, 2005**

Dear Shareholders,

Assalam-o-Alaikum

Your Directors are pleased to place before you the unaudited financial statements for the half-year ended 31 Dec 2005. These accounts have been duly reviewed by the Auditors and are being presented in accordance with the requirements of the Companies Ordinance, 1984.

Operating and Financial Results:

During the half year ended December 31, 2005, your company earned a gross profit of Rs. 221.986 million on sales of Rs. 1,520,087 million as compared to gross profit of Rs. 114.823 million on sales of Rs. 1,591,660 for the corresponding half year of the previous financial year. The Company made operating profit of Rs. 178.452 million and pre tax profit of Rs. 40.933 million as compared to operating profit of Rs.89.474 million and pre tax profit of Rs. (22.851) million during the corresponding period of last year.

As brought to your notice in our preceding report for the 1st quarter the estimation of the cotton crop for the current year was not correct consequently its prices remained volatile and now have reached upto 2650 per moud which is not viable for spinning industry against the current yarn prices. The future out look will depend mainly on the prices of yarn in home as well as international market. The cost of markup is also increasing continuously resulting in higher cost of production.

Your Company is making all efforts to reduce the cost of production wherever it is possible in order to remain competitive in the market. To achieve this object we have imported 4 Gas Generators of 900kw, each which are under installation in your unit No. 4 at Feroze Watwan. Operational cost on gas engines is less reducing the cost of power.

Your Company is constantly investing in balancing and modernization of the existing machinery, which is necessary to maintain the quality of the products but, at the same time the cost of balancing and modernization is added in the cost of Production.

The Management place on record the services of our employees and assistance extended from time to time by our financiers.

**Karachi
28-02-2006**

**Naseer Ahmed
Chief Executive**

GULISTAN TEXTILE MILLS LIMITED

BALANCE SHEET (UNAUDITED)

AS AT DECEMBER 31, 2005

ASSETS	NOTE	(UNAUDITED)	(AUDITED)
		December 31, 2005	June 30, 2005
-----Rupees-----			
NON CURRENT ASSETS			
Fixed assets			
Property, plant and equipments	6	1,617,317,163	1,379,298,712
Capital work-in-progress		164,830,578	96,703,484
		1,782,147,741	1,476,002,196
Long term investments			
Investment in associates		229,673,647	238,498,714
Investment property		64,838,000	64,838,000
Long term deposits		15,162,043	17,319,478
CURRENT ASSETS			
Stores, spare parts & loose tools		120,265,204	120,573,500
Stock in trade		1,886,568,824	1,286,957,971
Trade debts - considered good		688,656,608	647,667,477
Loans and advances		24,516,961	23,633,216
Trade deposits and short term prepayments		15,083,034	11,585,994
Other receivables		37,535,244	34,608,860
Income tax refundable		30,344,897	20,292,096
Sales tax refundable		52,639,858	38,752,415
Other financial assets		84,249,651	60,242,514
Cash & bank balances		26,538,845	38,669,392
		2,966,399,126	2,282,983,435
		<u>5,058,220,557</u>	<u>4,079,641,823</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
<i>Authorized capital</i>			
20,000,000 (June 30,2005: 15,000,000)			
Ordinary shares of Rs. 10. each		200,000,000	150,000,000
Issued, subscribed & paid up capital	7	132,678,000	126,360,000
Reserves			
Share premium		379,080,000	379,080,000
General reserves		203,921,394	203,921,394
Unappropriated profit		275,807,208	252,273,926
		858,808,602	835,275,320
Shareholders Equity		991,486,602	961,635,320
Surplus on revaluation of property, plant and equipments		184,539,824	-
NON CURRENT LIABILITIES			
Long term financing		657,220,000	622,924,534
Liabilities against assets subject to finance lease		139,191,953	65,761,178
Deferred liabilities			
Staff retirement benefits		38,497,359	37,955,860
Taxation		72,055,332	68,693,396
		110,552,691	106,649,256
CURRENT LIABILITIES			
Short term borrowings		2,447,616,407	1,840,596,032
Short term borrowings-for machinery imports		21,298,498	43,513,432
Current portion of long term borrowings		261,762,386	253,669,747
Trade & other payables		147,098,333	106,145,748
Interest / mark-up on loans		74,399,740	63,411,937
Provision for taxation		23,054,123	15,334,639
		2,975,229,487	2,322,671,535
CONTINGENT LIABILITIES / COMMITMENTS	8	<u>5,058,220,557</u>	<u>4,079,641,823</u>

The annexed notes form an integral part of these financial statements.

NASEER AHMAD
CHIEF EXECUTIVE

MUHAMMAD ABDULLAH
DIRECTOR

GULISTAN TEXTILE MILLS LIMITED
CASH FLOW STATEMENT (UNAUDITED)
#REF!

	Half Year Ended	
	December 31, 2005	December 31, 2004
	Rupees	Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit/(loss) before taxation	40,932,701	(22,850,999)
<i>Adjustments for:</i>		
Depreciation	64,390,428	62,884,758
Staff retirement benefits (net)	541,499	(562,314)
Finance cost	140,330,589	111,232,708
Interest income	(3,396,614)	(616,433)
Increase/decrease in value of investment in associated	(14,883,742)	(1,382,950)
Gain on fair value of investment property	-	(762,800)
Profit on sale of fixed assets	(864,563)	(8,920,845)
Amortization of TFC issue expenses	476,878	1,370,166
Amortization of deferred cost	-	559,780
Dividend income	(780,911)	(120,616)
Cash flows from operation before working capital changes	226,746,265	140,830,455
Movement in working capital		
(Increase)/decrease in current assets:		
Stores , spare parts & loose tools	308,296	(17,038,175)
Stocks in trade	(599,610,853)	(700,606,478)
Trade debts	(40,989,131)	98,392,344
Loans & advances	(1,623,989)	(1,965,872)
Trade deposits & short term prepayments	(3,497,040)	(1,118,973)
Other receivables	(2,869,801)	(3,026,871)
Sales tax refundable	(13,887,443)	7,179,133
	(662,169,961)	(618,184,892)
Increase/(decrease) in Current liabilities:		
Trade and other payables	40,955,923	48,639,417
Cash (used in)/generated from operations	(394,467,773)	(428,715,020)
(Payments)/receipts for:		
Finance cost	(129,342,785)	(88,323,445)
Income Tax	(9,312,557)	(7,383,339)
Net cash used in operating activities	(533,123,115)	(524,421,804)
B. CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale proceeds of fixed assets	2,305,000	19,007,006
Fixed capital expenditure	(90,015,701)	(167,573,505)
Purchase of short term investment	-	(494,000)
Dividend received	780,911	120,616
Interest received	3,085,604	664,822
Dividend paid	(3,338)	(10,230)
(Increase)/decrease in long term deposits	2,157,435	2,461,615
Net cash inflows/(outflows) from investing activities:	(81,690,089)	(145,823,676)
Net cash inflows/(outflows) before financing activities:	(614,813,204)	(670,245,480)
C. CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of finance lease	(45,897,471)	(53,399,304)
Repayment of long term financing	(93,401,412)	(112,425,594)
Proceed from long term financing	157,220,000	210,000,000
Proceed from short term borrowings	607,020,375	579,252,386
(Repayment) / proceeds of short term loans - Machinery	(22,214,934)	38,545,111
Net cash used in / from financing activities	602,726,558	661,972,599
Net increase / (decrease) in cash and		
Cash equivalents	(12,086,646)	(8,272,881)
Cash and cash equivalents at beginning of the period	62,368,894	44,243,540
Cash and cash equivalents at end of the period	50,282,248	35,970,659
Cash & cash equivalents comprise of the following :-		
Cash & bank balances	26,538,845	12,457,374
Other financial assets- US \$ Bonds	23,743,403	23,513,284
	50,282,248	35,970,658
NON CASH TRANSACTIONS		
Purchase of fixed assets against finance lease	97,420,885	6,558,700

The annexed notes form an integral part of these financial statements.

NASEER AHMAD
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH
DIRECTOR

GULISTAN TEXTILE MILLS LIMITEDSTATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	Share Capital	Share premium	General Reserves	Unappropriated Profit	TOTAL
-----Rupees-----					
Balance as at June 30, 2004	126,360,000	379,080,000	203,921,394	269,313,549	978,674,943
Profit/(Loss) for the half year ended December 31, 2004	-	-	-	(35,718,377)	(35,718,377)
Balance as at December 31,2004	126,360,000	379,080,000	203,921,394	233,595,172	942,956,566
Final dividend @ 7.5% related to the year ended September 30, 2004	-	-	-	(9,477,000)	(9,477,000)
Profit for the six months ended June 30, 2005	-	-	-	28,155,754	28,155,754
Balance as at June 30,2005	126,360,000	379,080,000	203,921,394	252,273,926	961,635,320
Issue of bonus shares	6,318,000	-	-	(6,318,000)	-
Profit for the half year ended Dececeber 31, 2005	-	-	-	29,851,282	29,851,282
Balance as at December 31, 2005	132,678,000	379,080,000	203,921,394	275,807,208	991,486,602

The annexed notes form an integral part of these financial statements.

NASEER AHMAD
CHIEF EXECUTIVE**MUHAMMAD ABDULLAH**
DIRECTOR

GULISTAN TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2005

1 STATUS AND NATURE OF BUSINESS

Gulistan Textile Mills Limited (the company) was incorporated on February 2, 1966 as a private company limited by shares and converted into public limited company on April 11, 1966. The shares of the company are listed on Karachi and Lahore Stock Exchanges in Pakistan. The company is principally engaged in the manufacture and sale of yarn. The registered office of the company is located at 2nd floor, Finlay House, I.I. Chundrigar Road, Karachi while mills are situated at Samma Satta, Tibba Sultanpur and Feroz Wattwan.

2 STATEMENT OF COMPLIANCE

These financial statements, duly reviewed by the auditors, are being submitted to the shareholders in compliance with the requirements of Section 245 the Companies Ordinance, 1984. These financial statements are presented in condensed form in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting".

3 ACCOUNTING POLICIES

The present accounting policies and methods of computation followed for the preparation of these accounts are the same as those applied in the preparation of the preceding annual accounts of the company for the period ended June 30, 2005.

4 INVESTMENT IN ASSOCIATES

The company did not accounting for investment in associates under equity method as necessitated by the "IAS-28 Investment in Associates". These are stated at fair value (quoted securities) and cost (unquoted securities) due to non availability of financial statements of unquoted associated companies as on December 31, 2005.

5 PRESENTATIONS

All figures except June 30, 2005 figures appearing in the financial statements are unaudited. Figures have been rounded off to the nearest rupee.

6 PROPERTY, PLANT & EQUIPMENTS

During the period the company had revalued its free hold land which resulted in a surplus on Rs. 184,539,824. The revaluation is carried by independent valuer M/s. Consultancy support & services, Karachi as on December 20, 2005. Following is the additions and disposals made during the period in property, plant and equipments.

	December 31,2005		June 30, 2005	
	Additions	Disposals	Additions	Disposals
Owned Assets				
Land	-	-	18,098,144	-
Building on free/leased hold land	440,774	-	1,321,171	-
Plant & machinery	80,554,551	5,200,000	149,657,400	5,975,000
Electric Installation	7,670,451	-	2,007,705	-
Electric equipments	-	-	956,495	-
Office equipments	360,650	-	1,161,391	-
Mill equipments	884,507	-	3,117,069	-
Furniture & fixtures	722,508	-	357,341	-
Fire fighting equipments	235,000	-	570,050	-
Vehicles	1,663,320	3,160,180	2,382,182	2,578,043
Leased Assets				
Plant & machinery	22,147,732	-	32,147,847	-
Vehicles	4,630,000	-	6,670,000	-
	119,309,494	8,360,180	218,446,796	8,553,043
			December 31, 2005	June 30, 2005

7 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	JUNE 30, 2005	DECEMBER 31, 2005		
	4,771,715	4,771,715	Ordinary shares of Rs.10/ each fully paid in cash.	47,717,150
	7,864,285	8,496,085	Ordinary shares of Rs.10/ each issued as fully paid bonus shares.	78,642,850
	12,636,000	13,267,800		132,678,000
				126,360,000

8 CONTINGENT LIABILITIES/COMMITMENTS

Contingencies

There have been no significant change in the status of contingent liabilities since the last audited financial statements.

Commitments

Commitments for capital expenditures amount to Rs. 49.44 million (June 30, 2005: Nil)

Commitments for other than capital expenditures amount to Rs. 69.66 million (June 30, 2005: 160.26 million)

Quarter ended	Half year ended	Quarter ended	Half year ended
December 31, 2005		December 31, 2004	

9 COST OF SALES

-----Rupees-----				
Opening stock	439,361,020	319,960,391	338,252,569	483,705,476
Cost of goods manufactured	766,150,038	1,470,479,973	688,352,045	1,400,709,678
Yarn purchase	2,203,559	2,203,559	7,937,500	11,971,500
	1,207,714,617	1,792,643,923	1,034,542,114	1,896,386,654
Closing stock	494,542,942	494,542,942	419,548,857	419,548,857
	713,171,675	1,298,100,981	614,993,257	1,476,837,797

9.1 COST OF GOODS MANUFACTURED

Opening work in process	59,868,594	70,699,261	89,761,052	88,019,452
Raw material consumed	586,863,269	1,096,335,965	469,178,170	1,031,302,978
Overheads	184,615,240	368,641,812	175,940,987	327,915,412
	771,478,509	1,464,977,777	645,119,157	1,359,218,390
	831,347,103	1,535,677,038	734,880,209	1,447,237,842
Closing work in process	65,197,065	65,197,065	46,528,164	46,528,164
	766,150,038	1,470,479,973	688,352,045	1,400,709,678

Half year ended	
December 31, 2005	June 30, 2005

10 TRANSACTIONS WITH RELATED PARTIES

A) Purchases from related parties

Stores	236,763	2,377,618
Raw materials	2,865,526	8,074,466
Yarn	26,500	1,434,000
Cloth	-	823,282
Electricity	1,466,209	22,332,581
Machinery	-	4,000,000
Processing (Dying & Doubling)	26,509	290,884

B) Sales to related parties

Stores	485,570	-
Raw materials	103,891,691	42,916,704
Yarn	1,130,750	10,656,990

C) Mark-up allowed

On long term loan	857,025	-
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Transactions with related parties are carried out at arm's length price, determined in accordance with comparable uncontrolled price method.

11 SEASONALITY

The textile business is an all year business however, major raw material purchase i.e. cotton take place the four months from October to January. This leads to higher figures being reflected in respect of stocks & bank borrowings during the period.

12 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on February 28, 2006.

13 GENERAL

Figures have been rounded off to the nearest of rupee.

NASEER AHMAD
CHIEF EXECUTIVE

MUHAMMAD ABDULLAH
DIRECTOR

GULISTAN TEXTILE MILLS LIMITED

PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2005

NOTE	Quarter ended	Half year ended	Quarter ended	Half year ended
	December 31, 2005		December 31, 2004	
	-----Rupees-----			
Sales - net	825,648,016	1,520,087,341	713,020,743	1,591,660,906
Cost of sales	9 713,171,675	1,298,100,981	614,993,257	1,476,837,797
Gross profit	112,476,341	221,986,360	98,027,486	114,823,109
Other operating income	(842,769)	(2,988,214)	(2,979,657)	(10,346,455)
Distribution cost	12,382,152	33,499,220	17,976,162	13,082,401
Administrative expenses	13,091,913	24,811,311	10,402,659	24,072,094
<i>Fair value adjustment of:</i>				
-investment property	-	-	-	(762,800)
-investment in associated	(16,919,415)	(14,883,742)	(21,533,310)	(1,382,950)
Other operating expenses	2,100,524	3,095,708	2,251,866	687,115
	9,812,405	43,534,283	6,117,720	25,349,405
Profit from operation	102,663,936	178,452,077	91,909,766	89,473,704
Finance cost	72,921,793	137,519,376	61,601,618	112,324,703
Profit before taxation	29,742,143	40,932,701	30,308,148	(22,850,999)
<i>Provision for taxation</i>				
-current	3,792,550	7,719,484	4,042,940	7,783,912
-prior year	-	-	-	107,985
-deferred	-	3,361,935	-	4,975,481
	3,792,550	11,081,419	4,042,940	12,867,378
Profit for the period	25,949,593	29,851,282	26,265,208	(35,718,377)
Earning per share-basic & diluted	1.96	2.25	2.08	(2.83)

The annexed notes form an integral part of these financial statements.

NASEER AHMAD
CHIEF EXECUTIVE

MUHAMMAD ABDULLAH
DIRECTOR

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of **Gulistan Textile Mills Limited** (“the Company”) as at December 31, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the “financial statements”) for the half year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standards on Review Engagement 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, except for the contents in note 4 to the financial statements and to the extent of its effect on financial statements, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

**MUSHTAQ AND COMPANY
CHARTERED ACCOUNTANTS**

KARACHI: