

## **REVIEW REPORT TO THE MEMBERS**

We have reviewed the annexed balance sheet of **Gulistan Textile Mills Limited** (“the Company”) as at December 31, 2006 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 six months period 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. The figures of the profit and loss account for the quarter ended December 31, 2005 and 2006 and the notes forming part thereof have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2006.

We conducted our review in accordance with the International Standards on Review Engagements 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, 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.

**Karachi**

**Mushtaq and Company**  
**Chartered Accountants**

**GULISTAN TEXTILE MILLS LIMITED**

BALANCE SHEET

AS AT DECEMBER 31, 2006 (UN-AUDITED)

	(UN-AUDITED)		(AUDITED)	
	NOTE	December 31, 2006	June 30, 2006	
ASSETS				
NON CURRENT ASSETS				
Fixed assets- tangible				
Property, plant and equipments	5	1,688,130,017	1,727,973,717	
Capital work-in-progress		102,436,173	52,292,054	
		1,790,566,190	1,780,265,771	
<b>Long term investments</b>		1,287,671,375	1,284,913,538	
<b>Long term deposits</b>		19,632,471	16,288,054	
CURRENT ASSETS				
Stores, spares and loose tools		99,448,794	97,544,430	
Stock in trade		2,518,448,225	1,573,238,504	
Trade debts		573,510,074	724,446,617	
Loans and advances		61,217,108	68,352,379	
Trade deposits and short term prepayments		576,993	8,403,645	
Other receivables		34,462,105	38,119,264	
Income tax refundable		-	11,971,175	
Sales tax refundable		37,692,611	36,096,137	
Other financial assets		82,462,437	82,559,982	
Cash and bank balances		49,029,640	34,844,750	
		3,456,847,987	2,675,576,883	
		<b>6,554,718,023</b>	<b>5,757,044,246</b>	
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital				
Authorized capital				
20,000,000 (June 30, 2006: 20,000,000)				
Ordinary shares of Rs. 10. each		20,000,000	200,000,000	
<b>Issued, subscribed and paid up capital</b>	6	145,945,800	132,678,000	
Reserves				
Reserves		583,001,394	583,001,394	
Unappropriated profit		1,305,060,290	1,307,672,728	
		1,888,061,684	1,890,674,122	
Shareholders' equity		2,034,007,484	2,023,352,122	
<b>Surplus on revaluation of property, plant and equipments</b>		236,264,340	236,264,340	
NON CURRENT LIABILITIES				
<b>Long term financing</b>		646,351,447	702,442,396	
<b>Liabilities against assets subject to finance lease</b>		181,466,509	138,602,752	
Deferred liabilities				
Staff retirement benefits-gratuity		32,544,450	36,614,851	
Taxation		64,397,234	65,829,255	
		96,941,684	102,444,106	
CURRENT LIABILITIES				
Short term borrowings		2,821,565,638	2,029,740,073	
Short term borrowings-for machinery imports		37,629,985	15,968,900	
Current portion of long term borrowings		192,543,521	228,273,903	
Trade and other payables		155,369,160	154,304,019	
Accrued mark-up and interest		109,684,870	91,636,822	
Provision for taxation		42,893,383	34,014,813	
		3,359,686,558	2,553,938,530	
<b>CONTINGENCIES AND COMMITMENTS</b>	7	<b>6,554,718,023</b>	<b>5,757,044,246</b>	

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**

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2006 (UN-AUDITED)

	Six months period ended	
	December 31, 2006 Rupees	December 31, 2005 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit before taxation	18,101,911	40,932,701
Adjustments for:		
Depreciation	69,075,884	64,390,428
Staff retirement benefits-gratuity ( net )	(4,070,401)	541,499
Finance cost	195,529,412	140,330,589
Interest income	(381,823)	(3,396,614)
Share of profit of associated companies	(2,757,837)	-
Fair value of investment at fair value through profit and loss	(2,499,917)	(14,883,742)
Profit on sale of property, plant and equipment	(208,250)	(864,563)
Amortization of TFC issue expenses	-	476,878
Dividend income	(1,940,368)	(780,911)
<b>Profit before working capital changes</b>	<b>270,848,611</b>	<b>226,746,265</b>
<b>Movement in working capital</b>		
<b>(Increase)/decrease in current assets:</b>		
Stores, spares and loose tools	(1,904,365)	308,296
Stocks in trade	(945,209,721)	(599,610,853)
Trade debts	150,936,544	(40,989,131)
Loans and advances	18,588,687	(1,623,989)
Trade deposits and short term prepayments	7,826,652	(3,497,040)
Other receivables	3,683,075	(2,869,801)
Income tax refundable	11,971,175	-
Sales tax refundable	(1,596,473)	(13,887,443)
	(755,704,426)	(662,169,961)
<b>Increase/(decrease) in current liabilities:</b>		
Trade and other payables	1,065,141	40,955,923
<b>Cash used in operating activities</b>	<b>(483,790,674)</b>	<b>(394,467,773)</b>
<b>Payments for:</b>		
Finance cost	(177,481,363)	(129,342,785)
Income Tax	(11,453,416)	(9,312,557)
<b>Net cash used in operating activities</b>	<b>(672,725,453)</b>	<b>(533,123,115)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Sale proceeds of property, plant and equipment	1,700,000	2,305,000
Fixed capital expenditure	(26,330,593)	(90,015,701)
Sale proceeds of long term investment - shares	14,537,447	-
Dividend received	1,940,368	780,911
Interest received	355,908	3,085,604
Dividend paid	-	(3,338)
Increase in long term deposits	(3,344,417)	2,157,435
<b>Net cash outflow from investing activities:</b>	<b>(11,141,287)</b>	<b>(81,690,089)</b>
<b>Net cash outflow before financing activities:</b>	<b>(683,866,740)</b>	<b>(614,813,204)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Repayment of finance lease	(26,031,707)	(45,897,471)
Repayment of long term financing	(130,662,651)	(93,401,412)
Proceed from long term financing	41,528,571	157,220,000
Proceed from short term borrowings	791,825,566	607,020,375
(Repayment) / proceeds of short term loans - machinery	21,661,085	(22,214,934)
<b>Net cash generated from financing activities</b>	<b>698,320,864</b>	<b>602,726,558</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>14,454,124</b>	<b>(12,086,646)</b>
Cash and cash equivalents at beginning of the period	58,750,567	62,368,894
<b>Cash and cash equivalents at end of the period</b>	<b>73,204,691</b>	<b>50,282,248</b>
Cash and cash equivalents comprise of the following :-		
Cash and bank balances	49,029,640	26,538,845
Other financial assets- US Dollar Bonds	24,175,051	23,743,403
	<b>73,204,691</b>	<b>50,282,248</b>
<b>NON CASH TRANSACTIONS</b>		
Purchase of fixed assets against finance lease	66,208,213	97,420,885

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

**NASEER AHMAD**  
**CHIEF EXECUTIVE**
**MOHAMMAD ABDULLAH**  
**DIRECTOR**

# **GULISTAN TEXTILE MILLS LIMITED**

## **COMPANY INFORMATION**

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

**Gulistan Textile Mills Limited**  
**Directors Report**  
**For the half year ended 31 December 2006**

Dear Shareholders  
Assalam o Alaikum

Your Directors are pleased to present financial statements for the half year ended December 31,2006 duly reviewed by the auditors.

**Operating Performance**

During the period under review the Company achieved net sales of Rs. 1,940 million as compared to Rs. 1,520 million sales of last year which shows growth of 27.6%. In spite of the increase in sales volume, the net profit before tax has reduced from Rs. 40 million to Rs 18 million, which is mainly due to the increase in input cost, increase in minimum wage rate, increase in fuel and power due to increase in gas rates and also due to increase in cost of finance.

**Future Out look**

In our recent reports to you, we comprehensively brought to your notice the problems of textile industry on account of consistently increasing input costs and declining competitive position in international market. We again would like to apprise you that no significant relief has so far been provided to the textile sector. Our regional competitors are enjoying subsidies/incentives in shape of interest rate subsidy, duty draw backs, fuel and electricity subsidies, zero rated taxes and levies and duty free import of machinery and raw material. We would like to reiterate here that Government must immediately provide the needed incentives/subsidies to improve the competitive position of our textile industry. The future of textile industry is hugely dependent upon the provision of similar incentives which are currently available to our regional competitors.

Despite of very tough conditions, your management is making its best efforts to achieve the optimum production efficiency and quality standards at reduced costs through needed balancing and modernization programme.

We would like to thank our customers, suppliers and bankers for their continued support and would like to place on record appreciation for the valuable services of our employees.

For and On behalf of Board of Directors

(Naseer Ahmed)  
Chief Executive

Karachi  
27-02-07

# GULISTAN TEXTILE MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2006 (UN-AUDITED)

### 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 Sultan pur 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, related judgments, estimates and assumptions adopted in the preparation of these financial statements are the same as those applied in the preparation of the preceding annual financial statements for the year ended June 30, 2006.

### 4 PRESENTATIONS

All figures except June 30, 2006 figures appearing in the financial statements are un-audited. Figures have been rounded off to the nearest rupee, unless otherwise stated.

### 5 PROPERTY, PLANT AND EQUIPMENTS

Following are the additions (including revaluation, if any) and disposals made during the period in property, plant and equipments :-

	December 31, 2006		June 30, 2006	
	Additions	Disposals	Additions	Disposals
<b><u>Owned Assets</u></b>				
Revaluation of free hold land	-	-	236,264,340	-
Building on free/leased hold land	3,671,520	-	1,883,533	-
Plant and machinery	13,334,022	1,700,000	109,292,368	17,890,000
Electric installation	160,563	-	4,528,927	-
Electric equipments	58,085	-	-	-
Office equipments	355,820	-	34,700	-
Mill equipments	143,000	-	619,108	-
Furniture and fixtures	138,232	-	226,075	-
Vehicles	2,427,218	-	4,761,510	3,779,680
<b><u>Leased Assets</u></b>				
Plant and machinery	7,869,960	-	123,109,231	-
Vehicles	2,565,515	-	5,883,000	-
	<b>30,723,934</b>	<b>1,700,000</b>	486,602,792	21,669,680

December 31, 2006	June 30, 2006
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### 6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

December 31, 2006	June 30, 2006		December 31, 2006	June 30, 2006
4,771,715	4,771,715	Ordinary shares of Rs.10/ each fully paid in cash.	47,717,150	47,717,150
9,822,865	8,496,085	Ordinary shares of Rs.10/ each issued as fully paid bonus shares.	98,228,650	84,960,850
<b>14,594,580</b>	<b>13,267,800</b>		<b>145,945,800</b>	<b>132,678,000</b>

### 7 CONTINGENCIES AND 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 amounts to Rs. 73.208 million (June 30, 2006: 58.327 million)

Commitments for other than capital expenditures amounts to Rs. 23.075 million (June 30, 2006: 76.492 million)

Quarter ended	Six months period ended	Quarter ended	Six months period ended
December 31, 2006		December 31, 2005	

-----Rupees-----

## 8 COST OF SALES

Opening stock		540,023,293	423,836,959	439,361,020	319,960,391
Cost of goods manufactured	8.1	951,010,080	1,882,030,264	766,150,038	1,470,479,973
Yarn purchase		5,101,200	27,658,176	2,203,559	2,203,559
Towel purchase		109,000	109,000		
Waste purchase			23,128		
		1,496,243,573	2,333,657,527	1,207,714,617	1,792,643,923
Closing stock		668,395,926	668,395,926	494,542,942	494,542,942
		827,847,647	1,665,261,601	713,171,675	1,298,100,981

## 8.1 COST OF GOODS MANUFACTURED

Opening work in process		63,523,825	54,890,567	59,868,594	70,699,261
Raw material consumed		708,431,583	1,394,151,620	586,863,269	1,096,335,965
Overheads		248,757,165	502,690,570	184,615,240	368,641,812
		957,188,748	1,896,842,190	771,478,509	1,464,977,777
		1,020,712,573	1,951,732,757	831,347,103	1,535,677,038
Closing work in process		69,702,493	69,702,493	65,197,065	65,197,065
		951,010,080	1,882,030,264	766,150,038	1,470,479,973

Six months period ended	
December 31, 2006	December 31, 2005

## 9 TRANSACTIONS WITH RELATED PARTIES

### A) Purchases from related parties

Stores		345,111	236,763
Raw materials		153,784,283	2,865,526
Yarn		22,556,979	26,500
Electricity		1,912,890	1,466,209
Processing (conversion and dyeing)		66,360,124	26,509

### B) Sales to related parties

Stores		86,620	485,570
Machinery		1,700,000	-
Raw materials		538,132	103,891,691
Yarn		38,278,686	1,130,750

### C) Mark-up allowed

On long term loan		9,586,023	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.

## 10 SEASONALITY

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

## 11 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on February 28, 2007.

NASEER AHMAD  
CHIEF EXECUTIVE

MUHAMMAD ABDULLAH  
DIRECTOR

**GULISTAN TEXTILE MILLS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2006 (UN-AUDITED)**

NOTE	Quarter ended	Six months period ended	Quarter ended	Six months period ended
	December 31, 2006		December 31, 2005	
	-----Rupees-----			
Sales - net	954,319,091	1,940,246,939	825,648,016	1,520,087,341
Cost of sales	8 827,847,647	1,665,261,601	713,171,675	1,298,100,981
<b>Gross profit</b>	<b>126,471,444</b>	<b>274,985,338</b>	112,476,341	221,986,360
Other operating income	(7,573,751)	(7,249,348)	(17,762,184)	(17,871,956)
Distribution cost	19,760,943	40,076,745	12,382,152	33,499,220
Administrative expenses	16,538,745	29,129,822	13,091,913	24,811,311
Other operating expenses	422,253	952,732	2,100,524	3,095,708
Finance cost	89,300,451	196,731,313	72,921,793	137,519,376
Share of profit of associated companies	(2,757,837)	(2,757,837)	-	-
	115,690,804	256,883,427	82,734,198	181,053,659
<b>Profit from operation</b>	<b>10,780,640</b>	<b>18,101,911</b>	29,742,143	40,932,701
<i>Provision for taxation</i>				
-current	4,783,916	8,878,570	3,792,550	7,719,484
-deferred	(1,432,021)	(1,432,021)	-	3,361,935
	3,351,895	7,446,549	3,792,550	11,081,419
<b>Profit for the period</b>	<b>7,428,745</b>	<b>10,655,362</b>	25,949,593	29,851,282
Earnings per share-basic and diluted	0.51	0.73	1.78	2.05

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

**NASEER AHMAD**  
**CHIEF EXECUTIVE**

**MUHAMMAD ABDULLAH**  
**DIRECTOR**

**GULISTAN TEXTILE MILLS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2006 (UN-AUDITED)**

	RESERVES					TOTAL
	CAPITAL	REVENUE			Unappropriated Profit	
	Share Premium	General Reserve	Bonus Shares			
-----Rupees-----						
Balance as at 01 July 2005-Restated	126,360,000	379,080,000	203,921,394	-	1,105,026,377	1,814,387,771
Transfer from profit and loss for bonus shares	-	-	-	6,318,000	(6,318,000)	-
Issue of 631,800 ordinary shares of Rs. 10 each fully paid as bonus shares	6,318,000	-	-	(6,318,000)	-	-
Profit for the period ended December 31, 2005	-	-	-	-	29,851,282	29,851,282
Balance as at 31 December 2005-restated	132,678,000	379,080,000	203,921,394	-	1,128,559,659	1,844,239,053
Balance as at 01 July 2006	<b>132,678,000</b>	<b>379,080,000</b>	<b>203,921,394</b>	-	<b>1,307,672,728</b>	<b>2,023,352,122</b>
Transfer from profit and loss for bonus shares	-	-	-	<b>13,267,800</b>	<b>(13,267,800)</b>	-
Issue of 1,326,780 ordinary shares of Rs. 10 each fully paid as bonus shares	<b>13,267,800</b>	-	-	<b>(13,267,800)</b>	-	-
Profit for the period ended December 31, 2006	-	-	-	-	<b>10,655,362</b>	<b>10,655,362</b>
Balance as at 31 December 2006	<b>145,945,800</b>	<b>379,080,000</b>	<b>203,921,394</b>	-	<b>1,305,060,290</b>	<b>2,034,007,484</b>

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

**NASEER AHMAD**  
**CHIEF EXECUTIVE**

**MUHAMMAD ABDULLAH**  
**DIRECTOR**