

# MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

407-Commerce Centre,  
Hasrat Mohani Road,  
Karachi-74200,  
Pakistan

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## Auditors' Report to the Members on Review of Condensed Interim Financial Information

### Introduction

We have reviewed the accompanying condensed interim balance sheet of **Gulistan Textile Mills Limited** as at December 31, 2008 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as "condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures for the quarters ended December 31, 2007 and 2008 in the condensed interim profit and loss account have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2008.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2008 is not prepared in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

Karachi

Date: \_\_\_\_\_

Mushtaq & Company  
Chartered Accountants

Engagement Partner: \_\_\_\_\_

**GULISTAN TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM BALANCE SHEET**  
**AS AT DECEMBER 31, 2008**

ASSETS	NOTE	(UN-AUDITED)	(AUDITED)
		December 31, 2008	June 30, 2008
-----Rupees-----			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	2,157,581,476	2,080,376,737
Long term investments		1,396,594,135	1,488,884,368
Long term deposits		32,994,106	30,246,025
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		124,523,245	124,438,721
Stock in trade		4,188,714,529	2,872,063,135
Trade debts		624,962,608	992,689,190
Loans and advances		23,494,979	30,593,718
Trade deposits and short term prepayments		4,593,925	5,600,690
Other receivables		7,239,885	7,492,385
Tax refunds due from Government		64,415,237	45,329,359
Other financial assets		98,623,722	115,435,322
Cash and bank balances		41,223,310	28,828,503
		5,177,791,442	4,222,471,024
		<b>8,764,961,158</b>	<b>7,821,978,153</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized capital</b>			
20,000,000 (June 30, 2008: 20,000,000) Ordinary shares of Rs. 10 each		200,000,000	200,000,000
<b>Issued, subscribed and paid up capital</b>	6	172,580,900	160,540,380
<b>Reserves</b>			
Reserves		583,001,394	583,001,394
Unappropriated profit		1,249,481,574	1,255,693,413
		1,832,482,968	1,838,694,807
		2,005,063,868	1,999,235,187
Surplus on revaluation of property, plant and equipment		517,222,628	532,684,743
Deferred income		328,088	393,706
<b>NON CURRENT LIABILITIES</b>			
Long term financing		467,049,100	568,055,301
Liabilities against assets subject to finance lease		359,969,429	355,238,480
Deferred liabilities			
Staff retirement benefits - gratuity		44,402,439	48,125,699
Deferred taxation		98,187,738	97,101,284
		142,590,177	145,226,983
<b>CURRENT LIABILITIES</b>			
Trade and other payables		527,210,755	432,508,261
Accrued mark up / interest		202,783,700	131,623,652
Short term borrowings		4,253,713,325	3,380,024,395
Current portion of long term financing		282,657,413	276,987,445
Provision for taxation		6,372,675	-
		5,272,737,868	4,221,143,753
<b>CONTINGENCIES AND COMMITMENTS</b>	7		
		<b>8,764,961,158</b>	<b>7,821,978,153</b>

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

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

**TANVEER AHMAD**  
**DIRECTOR**

**GULISTAN TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE QUARTER AND SIX MONTHS ENDED DECEMBER 31, 2008**

**A. CASH FLOW FROM OPERATING ACTIVITIES:**

	Six months ended	
	December 31, 2008	December 31, 2007
Net profit before taxation	13,287,810	55,494,017
Adjustments for:		
Depreciation	47,350,049	42,518,012
Staff retirement benefits - gratuity (net)	(3,723,260)	445,067
Finance cost	381,958,156	229,209,447
Interest income	(566,962)	(556,884)
Share of profit of associated companies	(21,947,962)	(17,386,787)
Fair value of investment at fair value through profit and loss	17,524,338	7,349,900
Profit / (loss) on sale of property, plant and equipment	(17,190)	(3,278,680)
Gain on sale and lease back of assets	(65,618)	(65,618)
Dividend income	(395,595)	(1,165,344)
<b>Profit before working capital changes</b>	<b>433,403,766</b>	<b>312,563,130</b>

**Movement in working capital**

**(Increase) / decrease in current assets**

Stores, spare parts and loose tools	(84,524)	(7,396,985)
Stocks in trade	(1,316,651,395)	(1,333,774,055)
Trade debts	367,726,582	17,570,091
Loans and advances	7,098,740	18,217,798
Trade deposits and short term prepayments	1,006,765	(364,141)
Other receivables	410,746	193,998
Tax refunds due from Government	(8,058,785)	-
	<b>(948,551,870)</b>	<b>(1,310,074,515)</b>

**Increase / (decrease) in current liabilities**

Trade and other payables	94,702,494	75,904,155
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**Cash used in operating activities**

	<b>(420,445,610)</b>	<b>(921,607,230)</b>
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**Payments for:**

Finance cost	(310,798,109)	(176,316,011)
Income Tax	(14,556,573)	(10,081,346)

**Net cash used in operating activities**

	<b>(745,800,292)</b>	<b>(1,108,004,587)</b>
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**B. CASH FLOW FROM INVESTING ACTIVITIES:**

Sale proceeds of property, plant and equipment	40,000	3,440,000
Fixed capital expenditure	19,599,893	(117,438,250)
Dividend received	395,595	1,165,344
Interest received	(158,247)	506,884
Long term deposits	(2,748,081)	(3,034,991)
<b>Net cash outflow from investing activities</b>	<b>17,129,160</b>	<b>(115,361,012)</b>
<b>Net cash outflow before financing activities</b>	<b>(728,671,132)</b>	<b>(1,223,365,599)</b>

**C. CASH FLOW FROM FINANCING ACTIVITIES:**

Repayment of finance lease	(36,642,052)	(23,440,769)
Repayment of long term financing	(95,268,201)	(90,522,000)
Proceed from short term borrowings	873,688,930	1,235,249,152
(Repayment) / proceeds of short term loans - machinery	-	(1,876,644)
<b>Net cash generated from financing activities</b>	<b>741,778,677</b>	<b>1,228,265,739</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>13,107,545</b>	<b>4,900,140</b>
Cash and cash equivalents at beginning of the period	33,226,471	59,307,354
<b>Cash and cash equivalents at end of the period</b>	<b>46,334,016</b>	<b>64,207,494</b>

**Cash and cash equivalents comprise of the following :-**

Cash and bank balances	41,223,310	60,239,827
Other financial assets - US Dollar Bonds	5,110,706	3,967,667
	<b>46,334,016</b>	<b>64,207,494</b>

**NON CASH TRANSACTIONS**

Purchase of fixed assets against finance lease	41,304,969	55,348,519
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*The annexed notes form an integral part of these condensed interim financial statements.*

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

**TANVEER AHMAD**  
**DIRECTOR**

# **GULISTAN TEXTILE MILLS LIMITED**

## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS**

Mr. Abdul Shakoor (Chairman)  
Mr. Naseer Ahmed (Chief Executive)  
Mr. Tanveer Ahmed  
Mr. Sohail Maqsood  
Mr. Muhammad Tanveer  
Mr. Muhammad Younus  
Mr. Riaz Ahmed

### **AUDIT COMMITTEE**

Mr. Tanveer Ahmed (Chairman)  
Mr. Sohail Maqsood  
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**

M/s. A.K. Brohi & Company-Advocate

### **TAX CONSULTANT**

M/s. Sharif & Company-Advocate

### **BANKERS**

United Bank Limited, Muslim Commercial Bank  
Allied Bank Limited, Habib Bank Limited  
National Bank of Pakistan Limited, Bank Al Falah  
Askari Commercial Bank Limited

### **SHARE REGISTRAR OFFICE**

M/s. Hameed Majeed Associates (Pvt) Ltd.  
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 Samassatta Distt. Bahawalpur  
Unit II & III Tibba Sultanpur Distt. Vihari  
Unit IV Ferozwatwan Distt. Sheikhpura

**Gulistan Textile Mills Limited**  
**Directors Review Report**  
**For the half year ended 31st December 2008**

Dear Shareholders  
Assalam o Alaikum

Your Directors are pleased to present financial statements for the half year ended December 31st 2008 duly reviewed by the auditors.

**Economic and Sector Environment**

The Economic and business environment during the half year has been unfavorable on account of higher inflation, massive power shortage, increase in borrowing rates, minimum wages and gas tariff and declining demand due to economic slowdown in export markets. Declining business volumes coupled with power shortages and rising financial cost severely affected the textile business and many small and medium size textile units are at the brink of closure. Textile market has become extremely unpredictable and it is almost impossible to take long position in buying and selling.

**Operating and Financial Performance**

The Company despite difficult sector fundamentals has been successful in registering growth of 5% in sales and 35% in gross profit over same period last year. The gross profit margin improved to 19% from 15% in corresponding period last year. Due to strict control on operating expenses, the said expenses remained at 3.20% of sales despite of inflationary trend during the period under review. The improved gross profit and control on operating expenses led to 37% rise in operating profit. The Financial cost has shown substantial rise of 37% over corresponding period last year attributed to higher higher short term borrowings to meet working capital requirements and 5% points higher 6MKIBOR over corresponding period last year. Net profit before taxation dropped mainly on account of higher financial cost.

**Future Out look**

Although your company has withstand all economic challenges and achieve reasonable profits so far, however in view of deteriorating economic and industry conditions such as rising interest rates, production loss due to massive electricity and gas load shedding, dropping export orders due to global economic slowdown, it becomes really difficult to maintain profitability in Textile business. We strongly feel that if appropriate measures would not be taken by the Government to reduce cost of doing business particularly financial cost then in present environment of shrinking profitability margins, it would be difficult for textile industry to survive.

Under these adverse circumstances your management is making its best efforts to keep the company profitable through exercising better control on input costs and improvement in operating efficiencies.

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  
28-02-09

**GULISTAN TEXTILE MILLS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE QUARTER AND SIX MONTHS ENDED DECEMBER 31, 2008**

**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 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standard (IFRS) issued by International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the provision of and directive issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

These condensed interim financial statements have been prepared in compliance with the International Accounting Standard (IAS) 34 Interim Financial Reporting and in compliance with the requirements of section 245 of the Companies Ordinance 1984.

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting. These condensed interim financial statements are unaudited but a limited scope review have been performed by the external auditors of the company in accordance with the requirements of the Code of Corporate Governance and they have issued their report thereon.

**2.2 Accounting convention**

These condensed interim financial statements have been prepared under "Historical Cost Convention" except as disclosed in the company's accounting policies.

**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, 2008.

**4 PRESENTATIONS**

All figures except June 30, 2008 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 EQUIPMENT**

		December 31, 2008	June 30, 2008
	Note	-----Rupees-----	
Operating assets	5.1	2,104,800,511	2,013,508,150
Capital work in progress - at cost		52,780,965	66,868,586
		<b>2,157,581,476</b>	<b>2,080,376,737</b>
<b>5.1 Operating assets</b>			
Opening book value		2,013,508,150	1,800,846,867
Additions during the period	5.2	39,889,140	304,111,769
Revaluation during the period		98,776,080	-
		<b>2,152,173,370</b>	<b>2,104,958,636</b>
Disposals during the period	5.2	(22,810)	(1,840,369)
Depreciation during the period		(47,350,049)	(89,610,117)
		<b>2,104,800,511</b>	<b>2,013,508,150</b>

## 5.2 Additions and disposals during the period

	December 31, 2008		June 30, 2008	
	Additions	Disposals	Additions	Disposals
	-----Rupees-----		-----Rupees-----	
<b><u>Owned Assets</u></b>				
Free hold land	-	-	2,180,550	-
Building on free / leased hold land	40,800	-	3,424,841	-
Plant and machinery	391,928	-	92,563,147	1,545,257
Electric equipments	68,023	-	-	-
Office equipments	568,225	-	536,323	-
Mill equipments	-	-	1,395,400	-
Furniture and fixtures	79,140	-	437,701	-
Vehicles	859,753	22,810	3,077,920	295,112
<b><u>Leased Assets</u></b>				
Plant and machinery	37,881,271	-	200,495,887	-
	<b>39,889,140</b>	<b>22,810</b>	<b>304,111,769</b>	<b>1,840,369</b>
			<b>December 31, 2008</b>	<b>June 30, 2008</b>
			-----Rupees-----	
<b>6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>	<b>December 31, 2008</b>	<b>June 30, 2008</b>		
	4,771,715	4,771,715	Ordinary shares of Rs. 10 each fully paid in cash	47,717,150
	12,486,375	11,282,323	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	124,863,750
	<b>17,258,090</b>	<b>16,054,038</b>		<b>172,580,900</b>
				<b>160,540,380</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 amount to Rs. Nil (June 30, 2008: 15.853 million)

Commitments for other than capital expenditures amount to Rs. 192.096 Million (June 30, 2008: 28.849 Million).

	Quarter ended	Six months period ended	Quarter ended	Six months period ended
	December 31, 2008		December 31, 2007	
	-----Rupees-----		-----Rupees-----	
<b>8 COST OF SALES</b>				
Opening stock	861,186,231	725,610,413	539,400,723	469,899,504
Cost of goods manufactured	8.1 1,161,131,445	2,374,382,847	1,157,719,492	2,236,571,732
Yarn / fabric purchase/return (net)	(57,928,370)	(37,932,293)	2,459,030	3,981,530
	<u>1,964,389,306</u>	<u>3,062,060,968</u>	<u>1,699,579,245</u>	<u>2,710,452,766</u>
Closing stock	1,080,537,430	1,080,537,430	726,498,899	726,498,899
	<u>883,851,876</u>	<u>1,981,523,538</u>	<u>973,080,346</u>	<u>1,983,953,867</u>
<b>8.1 COST OF GOODS MANUFACTURED</b>				
Opening work in process	108,563,923	93,339,514	83,320,267	77,002,435
Raw material consumed	858,760,982	1,817,162,756	909,687,535	1,732,788,721
Overheads	289,739,878	559,813,915	252,978,111	515,046,997
	<u>1,148,500,860</u>	<u>2,376,976,671</u>	<u>1,162,665,646</u>	<u>2,247,835,718</u>
	<u>1,257,064,783</u>	<u>2,470,316,185</u>	<u>1,245,985,913</u>	<u>2,324,838,153</u>
Closing work in process	95,933,338	95,933,338	88,266,421	88,266,421
	<u>1,161,131,445</u>	<u>2,374,382,847</u>	<u>1,157,719,492</u>	<u>2,236,571,732</u>

	December 31, 2008	December 31, 2007
	-----Rupees-----	
<b>9 TRANSACTIONS WITH RELATED PARTIES</b>		
<b>Purchases from related parties</b>		
Stores	178,158	655,697
Raw materials	1,547,213	6,161,999
Yarn	4,956	-
Electricity	751,562	663,449
Processing	81,979,672	75,098,638
<b>Sales to related parties</b>		
Stores sale/return (net)	(100,260)	3,283,630
Yarn	184,350,368	90,996,040
<b>Mark up allowed</b>		
On long term loans	-	12,774,074

Transactions with related parties are carried out at arm's length price, determined in accordance with comparable uncontrolled price method.

#### 10 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been authorized for issue on February 28, 2009 by the board of directors of the company.

NASEER AHMAD  
CHIEF EXECUTIVE

TANVEER AHMAD  
DIRECTOR



**GULISTAN TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE QUARTER AND SIX MONTHS ENDED DECEMBER 31, 2008**

NOTE	Quarter ended	Six months period ended	Quarter ended	Six months period ended
	December 31, 2008		December 31, 2007	
	-----Rupees-----		-----Rupees-----	
Turnover - net	1,141,475,406	2,447,412,450	1,151,045,367	2,327,506,585
Cost of sales	8	883,851,876	1,981,523,538	973,080,346
<b>Gross profit</b>		<b>257,623,530</b>	<b>465,888,912</b>	<b>177,965,021</b>
Other operating income		(2,994,946)	(3,429,879)	(1,971,176)
Distribution cost		22,345,327	44,141,292	20,774,193
Administrative expenses		16,161,230	34,355,157	14,732,219
Other operating expenses		2,796,987	17,524,338	1,347,042
Finance cost		248,318,162	381,958,156	117,503,940
Share of profit of associated companies		(21,947,962)	(21,947,962)	(17,386,787)
		264,678,798	452,601,102	134,999,430
<b>Profit / (loss) from operation</b>		<b>(7,055,268)</b>	<b>13,287,810</b>	<b>42,965,591</b>
<i>Provision for taxation</i>				
-Current		3,400,228	6,372,675	5,841,926
-Deferred		1,086,454	1,086,454	7,206,281
		4,486,682	7,459,129	13,048,207
<b>Profit / (loss) for the period after taxation</b>		<b>(11,541,950)</b>	<b>5,828,681</b>	<b>29,917,384</b>
Earnings per share - basic and diluted (Rupees)		(0.67)	0.34	1.73

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

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

**TANVEER AHMAD**  
**DIRECTOR**

**GULISTAN TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE QUARTER AND SIX MONTHS ENDED DECEMBER 31, 2008**

Share Capital	RESERVES				TOTAL	
	CAPITAL	REVENUE				
	Share Premium	General Reserve	Bonus Shares	Unappropriated Profit		
-----Rupees-----						
Balance as at July 01, 2007	145,945,800	379,080,000	203,921,394	-	1,217,496,473	1,946,443,667
Transfer for issue of bonus shares	-	-	-	14,594,580	(14,594,580)	-
Issue of 1,459,458 ordinary shares of Rs. 10 each fully paid as bonus shares	14,594,580	-	-	(14,594,580)	-	-
Profit for the six months ended December 31, 2007	-	-	-	-	36,476,547	36,476,547
<b>Balance as at 31 December 2007</b>	<b>160,540,380</b>	<b>379,080,000</b>	<b>203,921,394</b>	<b>-</b>	<b>1,239,378,440</b>	<b>1,982,920,214</b>
Profit for the six months ended June 30, 2008	-	-	-	-	16,314,973	16,314,973
<b>Balance as at July 01, 2008</b>	<b>160,540,380</b>	<b>379,080,000</b>	<b>203,921,394</b>	<b>-</b>	<b>1,255,693,413</b>	<b>1,999,235,187</b>
Transfer for issue of bonus shares	-	-	-	12,040,520	(12,040,520)	-
Issue of 1,204,052 ordinary shares of Rs. 10 each fully paid as bonus shares	12,040,520	-	-	(12,040,520)	-	-
Profit for the six months ended December 31, 2008	-	-	-	-	5,828,681	5,828,681
<b>Balance as at December 31, 2008</b>	<b>172,580,900</b>	<b>379,080,000</b>	<b>203,921,394</b>	<b>-</b>	<b>1,249,481,574</b>	<b>2,005,063,868</b>

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

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

**TANVEER AHMAD**  
**DIRECTOR**