

**GULSHAN SPINNING 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 un audited 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. 140.489 million on sales of Rs. 1.001 billion as compared to gross profit of Rs. 77.601 million on sales of Rs. 1.005 billion for the corresponding half year of the previous financial year. The Company made operating profit of Rs. 100.419 million and pre tax profit of Rs.20.424 million as compared to operating profit of Rs. 47.756 million and pre tax loss of Rs. 8.272 million during the corresponding period of last year.

As brought to your notice in our preceding report for the 1<sup>st</sup> 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 Gas Generators which are under installation in your unit No. 2 in Chunnia. 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 financers.

**Karachi  
28-02-2006**

**Naseer Ahmed  
Chief Executive**