

GULSHAN SPINNING MILLS LIMITED
DIRECTORS REVIEW TO THE SHAREHOLDERS
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2005

Dear Shareholders,
Assalam-o-Alaikum,

Your Directors are pleased to place before you the Un-audited financial statement for the 1st Quarter ended on 30th September, 2005.

The sales during the period under review was Rs. 491 million and profit before tax is Rs. 8.3 million which comes to Rs. 4.7 million after tax.

Originally the estimated cotton crop was 150 million bales but according to the revised estimates it is reduced to 125 million. As a result of unexpected shortage in the size of the crop the prices have gone up. It is difficult to project the real market trend due to volatile prices. We brought to your notice earlier as well that we have tough competition in the world market particularly with china as their manufacturer are enjoying various Govt. subsidies coupled with cheap labour. The cost of markup is continuously increasing. In these circumstances the results for the future will depend mainly on the prices of the cotton and yarn in the home and foreign markets.

The Management continued to modernize & balance whenever needed its production capacity to withstand the market requirement. All possible efforts are being taken to reduce the cost of production without compromising on the quality of the product.

The Management places on record the efforts and endeavors made by employees at all levels and assistance extended by our financiers.

Karachi
October 31, 2005

NASEER AHMED
Chief Executive