

GULSHAN SPINNING MILLS LIMITED
DIRECTORS REVIEW TO THE SHAREHOLDERS
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2006.

Dear Shareholders,

Assalam-o-Alaikum,

Your Directors are pleased to place before you the un-audited financial statements for the 1st quarter ended 30th September 2006.

The sale during the period under review was Rs. 395.184 million and profit before tax is Rs. 3.321 million which comes to Rs. 0.752 million after tax.

As brought to your notice in our Annual Report the harvest of cotton crop during the year under review is estimated to be around 12 million bales. As a result of unexpected shortage in the size of crop the prices in comparison to the preceding year have gone up. It is quite difficult to project the real market trend due to volatile prices. In our previous reports / reviews we brought to your notice that we have tough competition in the world market particularly with India China as their manufacturing cost is lower because of the various subsidies / incentives extended to their manufacturing by their Government. To arrest the rising inflation and narrow the trade deficit the State Bank of Pakistan adopted certain monetary policies which resulted into increases in discount rate. The said monetary measures have also pushed up the market rates, in these circumstances the results for the future would depend mainly on the prices of the cotton and yarn in the home and International markets.

The Management is adopting all possible efforts to reduce the cost of production without compromising on the quality of the product by constantly modernizing and balancing its each Unit. The Management place on record the efforts and endeavors made by the employees at all levels and assistance extended by our financiers.

Naseer Ahmed
Chief Executive

Karachi 30th, October 2006