

GULSHAN SPINNING MILLS LIMITED

Director's Report to Shareholders

The Directors of your Company are pleased to present unaudited financial statements of the Company for the first quarter ended September 30, 2011.

Financial Results

Operating indicators	1 st Quarter Ended September 30, 2011 (Rupees)	1 st Quarter Ended September 30, 2010 (Rupees)	Variance (%)
Sales	944,507,724	917,355,267	2.96 %
Gross Profit	144,781,289	201,866,119	-28.28 %
Pre Tax Profit	(11,658,557)	53,971,385	
Profit after Taxation	5,085,636	38,223,170	-86.69 %
Earnings Per Share	0.11	1.72	

During the period under review abnormal high levels of volatility in cotton and yarn prices were observed and such high volatility in the market has never been witnessed before. The severe gas and electricity load shedding and rising trends of energy costs has further aggravated the position. The above factors together with deteriorating law and order situation, made it difficult to run the operations on the sound footings. Moreover, Global recession coupled with fragile economic conditions in United States and sudden decline in cotton prices worldwide has hit results of the industry. Consequently the Textile sector in the country as a whole remained under tremendous economic pressure. During this quarter, we remained under immense selling pressure and offered products at low rates to get rid of inventories.

In order to remain competitive through economy of scale and vertical integration of production facilities, merger petition of the Gulshan Spinning Mills Limited and Gulistan Spinning Mills Limited with Paramount Spinning Mills Limited as reported earlier has been filed with Honorable Sindh High Court (the Court). The matter is presently pending adjudication before the Court

Future Outlook:

Though the cotton crop in the country is damaged by the Flood. However Cotton prices both in domestic and international markets are expected to remain in acceptable limits during the remaining quarters of the financial year. Moreover, present trend of increase in inflation, unpredictable abnormal hike in power costs and load shedding are likely to continue. All these factors may affect the profitability for the next quarter. In spite of these circumstances, the Management would be putting its best efforts to ensure continued growth, operational efficiency and optimum results for the Company and its valued stakeholders.

Acknowledgement:

We appreciate the efforts and with thanks place on record the continued support extended to us by our customers, suppliers and bankers. The valuable services rendered by our team of employees are gratefully acknowledged.

KARACHI
October 31, 2011

TANVEER AHMED
CHIEF EXECUTIVE