

GULISTAN TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2005

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 Sultanpur and Feroz Wattwan.

2 STATEMENT OF COMPLIANCE

These financial statements, duly reviewed by the auditors, are being submitted to the shareholders in compliance with the requirements of Section 245 the Companies Ordinance, 1984. These financial statements are presented in condensed form in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting".

3 ACCOUNTING POLICIES

The present accounting policies and methods of computation followed for the preparation of these accounts are the same as those applied in the preparation of the preceding annual accounts of the company for the period ended June 30, 2005.

4 INVESTMENT IN ASSOCIATES

The company did not accounting for investment in associates under equity method as necessitated by the "IAS-28 Investment in Associates". These are stated at fair value (quoted securities) and cost (unquoted securities) due to non availability of financial statements of unquoted associated companies as on December 31, 2005.

5 PRESENTATIONS

All figures except June 30, 2005 figures appearing in the financial statements are unaudited. Figures have been rounded off to the nearest rupee.

6 PROPERTY, PLANT & EQUIPMENTS

During the period the company had revalued its free hold land which resulted in a surplus on Rs. 184,539,824. The revaluation is carried by independent valuer M/s. Consultancy support & services, Karachi as on December 20, 2005. Following is the additions and disposals made during the period in property, plant and equipments.

	December 31,2005		June 30, 2005	
	Additions	Disposals	Additions	Disposals
Owned Assets				
Land	-	-	18,098,144	-
Building on free/leased hold land	440,774	-	1,321,171	-
Plant & machinery	80,554,551	5,200,000	149,657,400	5,975,000
Electric Installation	7,670,451	-	2,007,705	-
Electric equipments	-	-	956,495	-
Office equipments	360,650	-	1,161,391	-
Mill equipments	884,507	-	3,117,069	-
Furniture & fixtures	722,508	-	357,341	-
Fire fighting equipments	235,000	-	570,050	-
Vehicles	1,663,320	3,160,180	2,382,182	2,578,043
Leased Assets				
Plant & machinery	22,147,732	-	32,147,847	-
Vehicles	4,630,000	-	6,670,000	-
	119,309,494	8,360,180	218,446,796	8,553,043
			December 31, 2005	June 30, 2005

7 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	JUNE 30, 2005	DECEMBER 31, 2005		
	4,771,715	4,771,715	Ordinary shares of Rs.10/ each fully paid in cash.	47,717,150
	7,864,285	8,496,085	Ordinary shares of Rs.10/ each issued as fully paid bonus shares.	78,642,850
	12,636,000	13,267,800		132,678,000
				126,360,000

8 CONTINGENT LIABILITIES/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. 49.44 million (June 30, 2005: Nil)

Commitments for other than capital expenditures amount to Rs. 69.66 million (June 30, 2005: 160.26 million)

Quarter ended	Half year ended	Quarter ended	Half year ended
December 31, 2005		December 31, 2004	

9 COST OF SALES

-----Rupees-----				
Opening stock	439,361,020	319,960,391	338,252,569	483,705,476
Cost of goods manufactured	766,150,038	1,470,479,973	688,352,045	1,400,709,678
Yarn purchase	2,203,559	2,203,559	7,937,500	11,971,500
	1,207,714,617	1,792,643,923	1,034,542,114	1,896,386,654
Closing stock	494,542,942	494,542,942	419,548,857	419,548,857
	713,171,675	1,298,100,981	614,993,257	1,476,837,797

9.1 COST OF GOODS MANUFACTURED

Opening work in process	59,868,594	70,699,261	89,761,052	88,019,452
Raw material consumed	586,863,269	1,096,335,965	469,178,170	1,031,302,978
Overheads	184,615,240	368,641,812	175,940,987	327,915,412
	771,478,509	1,464,977,777	645,119,157	1,359,218,390
	831,347,103	1,535,677,038	734,880,209	1,447,237,842
Closing work in process	65,197,065	65,197,065	46,528,164	46,528,164
	766,150,038	1,470,479,973	688,352,045	1,400,709,678

Half year ended	
December 31, 2005	June 30, 2005

10 TRANSACTIONS WITH RELATED PARTIES

A) Purchases from related parties

Stores	236,763	2,377,618
Raw materials	2,865,526	8,074,466
Yarn	26,500	1,434,000
Cloth	-	823,282
Electricity	1,466,209	22,332,581
Machinery	-	4,000,000
Processing (Dying & Doubling)	26,509	290,884

B) Sales to related parties

Stores	485,570	-
Raw materials	103,891,691	42,916,704
Yarn	1,130,750	10,656,990

C) Mark-up allowed

On long term loan	857,025	-
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Transactions with related parties are carried out at arm's length price, determined in accordance with comparable uncontrolled price method.

11 SEASONALITY

The textile business is an all year business however, major raw material purchase i.e. cotton take place the four months from October to January. This leads to higher figures being reflected in respect of stocks & bank borrowings during the period.

12 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on February 28, 2006.

13 GENERAL

Figures have been rounded off to the nearest of rupee.

NASEER AHMAD
CHIEF EXECUTIVE

MUHAMMAD ABDULLAH
DIRECTOR