

Gulistan Textile Mills Limited
Directors Report
For the half year ended 31 December 2006

Dear Shareholders
Assalam o Alaikum

Your Directors are pleased to present financial statements for the half year ended December 31,2006 duly reviewed by the auditors.

Operating Performance

During the period under review the Company achieved net sales of Rs. 1,940 million as compared to Rs. 1,520 million sales of last year which shows growth of 27.6%. In spite of the increase in sales volume, the net profit before tax has reduced from Rs. 40 million to Rs 18 million, which is mainly due to the increase in input cost, increase in minimum wage rate, increase in fuel and power due to increase in gas rates and also due to increase in cost of finance.

Future Out look

In our recent reports to you, we comprehensively brought to your notice the problems of textile industry on account of consistently increasing input costs and declining competitive position in international market. We again would like to apprise you that no significant relief has so far been provided to the textile sector. Our regional competitors are enjoying subsidies/incentives in shape of interest rate subsidy, duty draw backs, fuel and electricity subsidies, zero rated taxes and levies and duty free import of machinery and raw material. We would like to reiterate here that Government must immediately provide the needed incentives/subsidies to improve the competitive position of our textile industry. The future of textile industry is hugely dependent upon the provision of similar incentives which are currently available to our regional competitors.

Despite of very tough conditions, your management is making its best efforts to achieve the optimum production efficiency and quality standards at reduced costs through needed balancing and modernization programme.

We would like to thank our customers, suppliers and bankers for their continued support and would like to place on record appreciation for the valuable services of our employees.

For and On behalf of Board of Directors

(Naseer Ahmed)
Chief Executive

Karachi
27-02-07