

GULISTAN TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2006 (UN-AUDITED)

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 Sultan pur 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, related judgments, estimates and assumptions adopted in the preparation of these financial statements are the same as those applied in the preparation of the preceding annual financial statements for the year ended June 30, 2006.

4 PRESENTATIONS

All figures except June 30, 2006 figures appearing in the financial statements are un-audited. Figures have been rounded off to the nearest rupee, unless otherwise stated.

5 PROPERTY, PLANT AND EQUIPMENTS

Following are the additions (including revaluation, if any) and disposals made during the period in property, plant and equipments :-

	December 31, 2006		June 30, 2006	
	Additions	Disposals	Additions	Disposals
<u>Owened Assets</u>				
Revaluation of free hold land	-	-	236,264,340	-
Building on free/leased hold land	3,671,520	-	1,883,533	-
Plant and machinery	13,334,022	1,700,000	109,292,368	17,890,000
Electric installation	160,563	-	4,528,927	-
Electric equipments	58,085	-	-	-
Office equipments	355,820	-	34,700	-
Mill equipments	143,000	-	619,108	-
Furniture and fixtures	138,232	-	226,075	-
Vehicles	2,427,218	-	4,761,510	3,779,680
<u>Leased Assets</u>				
Plant and machinery	7,869,960	-	123,109,231	-
Vehicles	2,565,515	-	5,883,000	-
	30,723,934	1,700,000	486,602,792	21,669,680

December 31, 2006	June 30, 2006
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6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

December 31, 2006	June 30, 2006		December 31, 2006	June 30, 2006
4,771,715	4,771,715	Ordinary shares of Rs.10/ each fully paid in cash.	47,717,150	47,717,150
9,822,865	8,496,085	Ordinary shares of Rs.10/ each issued as fully paid bonus shares.	98,228,650	84,960,850
14,594,580	13,267,800		145,945,800	132,678,000

7 CONTINGENCIES AND 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 amounts to Rs. 73.208 million (June 30, 2006: 58.327 million)

Commitments for other than capital expenditures amounts to Rs. 23.075 million (June 30, 2006: 76.492 million)

Quarter ended	Six months period ended	Quarter ended	Six months period ended
December 31, 2006		December 31, 2005	
-----Rupees-----			

8 COST OF SALES

Opening stock		540,023,293	423,836,959	439,361,020	319,960,391
Cost of goods manufactured	8.1	951,010,080	1,882,030,264	766,150,038	1,470,479,973
Yarn purchase		5,101,200	27,658,176	2,203,559	2,203,559
Towel purchase		109,000	109,000		
Waste purchase			23,128		
		1,496,243,573	2,333,657,527	1,207,714,617	1,792,643,923
Closing stock		668,395,926	668,395,926	494,542,942	494,542,942
		827,847,647	1,665,261,601	713,171,675	1,298,100,981

8.1 COST OF GOODS MANUFACTURED

Opening work in process		63,523,825	54,890,567	59,868,594	70,699,261
Raw material consumed		708,431,583	1,394,151,620	586,863,269	1,096,335,965
Overheads		248,757,165	502,690,570	184,615,240	368,641,812
		957,188,748	1,896,842,190	771,478,509	1,464,977,777
		1,020,712,573	1,951,732,757	831,347,103	1,535,677,038
Closing work in process		69,702,493	69,702,493	65,197,065	65,197,065
		951,010,080	1,882,030,264	766,150,038	1,470,479,973

Six months period ended	
December 31, 2006	December 31, 2005

9 TRANSACTIONS WITH RELATED PARTIES

A) Purchases from related parties

Stores		345,111	236,763
Raw materials		153,784,283	2,865,526
Yarn		22,556,979	26,500
Electricity		1,912,890	1,466,209
Processing (conversion and dyeing)		66,360,124	26,509

B) Sales to related parties

Stores		86,620	485,570
Machinery		1,700,000	-
Raw materials		538,132	103,891,691
Yarn		38,278,686	1,130,750

C) Mark-up allowed

On long term loan		9,586,023	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.

10 SEASONALITY

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

11 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on February 28, 2007.

NASEER AHMAD
CHIEF EXECUTIVE

MUHAMMAD ABDULLAH
DIRECTOR