

**GULISTAN TEXTILE MILLS LIMITED**  
**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2011**

**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 BASIS OF PREPARATION**

**2.1 Statement of compliance**

This condensed interim financial information is un audited and has been prepared in accordance with the requirements of the International Financial Reporting Standard (IFRS) IAS 34 'Interim Financial Reporting' as applicable in Pakistan. This condensed interim financial information does not include all of the information and disclosures required for annual financial statements, and should be read in conjunction with the financial statements of company as at and for the year ended 30th June, 2010.

This condensed interim financial information is being submitted to the shareholders as required by the Listing regulations of Karachi and Lahore Stock Exchanges and section 245 of Companies Ordinance, 1984.

These condensed interim financial statements comprise of condensed interim balance sheet, condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the selected notes for the half year ended December 31, 2010 which have been subjected to a review but not audited. These condensed interim financial statements also include the condensed interim income statement for the quarter ended December 31, 2010.

**3 SIGNIFICANT ACCOUNTING POLICIES**

**3.1** The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended June 30, 2010.

**3.2** Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the company's operations or did not have any impact on the accounting policies of the company.

**4 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT**

**4.1** The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgements and estimates made by management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended June 30, 2010.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2010.

**5 PROPERTY, PLANT AND EQUIPMENT**

	Note	March 31, 2011	June 30, 2010
		-----Rupees-----	
Operating fixed assets	5.1	2,237,861,763	2,270,112,975
Capital work in progress - at cost		124,801,349	50,116,310
		<b>2,362,663,112</b>	<b>2,320,229,285</b>
<b>5.1 Operating assets</b>			
Opening written down value		2,270,112,975	2,071,642,735
Additions during the period	5.2	46,669,758	296,480,209
		<b>2,316,782,733</b>	<b>2,368,122,944</b>
Disposals during the period	5.2	(267,176)	(767,063)
Depreciation during the period		(78,653,794)	(97,242,906)
Closing written down value		<b>2,237,861,763</b>	<b>2,270,112,975</b>

**5.2 Additions and disposals during the period**

	March 31, 2011		June 30, 2010	
	Additions	Disposals	Additions	Disposals
	-----Rupees-----		-----Rupees-----	
<b>Owned Assets</b>				
Free hold land	-	-	38,903,762	-
Building on free / leased hold land	1,060,833	-	35,541,723	-
Plant and machinery	2,050,000	-	47,831,487	-
Electric installation	-	-	17,391,759	-
Electric equipments	422,153	-	1,249,880	-
Office equipments	615,169	-	892,700	-
Mill equipments	366,250	-	-	-
Furniture and fixtures	107,050	-	3,070,060	-
Vehicles	2,848,303	267,176	135,797	767,063
<b>Leased Assets</b>				

Plant and machinery	39,200,000	-	148,372,041	-
Vehicles	-	-	3,091,000	-
	<u>46,669,758</u>	<u>267,176</u>	<u>296,480,209</u>	<u>767,063</u>

6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL			March 31, 2011	June 30, 2010
-----No. of Shares-----			-----Rupees-----	
March 31, 2011	June 30, 2010			
4,771,715	4,771,715	Ordinary shares of Rs. 10 each fully paid in cash	47,717,150	47,717,150
14,212,184	14,212,184	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	142,121,840	142,121,840
<u>18,983,899</u>	<u>18,983,899</u>		<u>189,838,990</u>	<u>189,838,990</u>

#### 7 CONTINGENCIES AND COMMITMENTS

##### Contingencies

There have been no significant change in the status of contingent liabilities since the last audited financial statements as on 30 June, 2010.

##### Commitments

Other than capital expenditures amount to Rs. 524.272 million (June 30, 2010: 519.520 Million).  
Export bills negotiated amounting to Rs. 1,093.847 million (June 30, 2010 : Rs.812.356 million).

8 SALES - net	Quarter ended	Nine months period ended	Quarter ended	Nine months period ended
	March 31, 2011		March 31, 2010	
	-----Rupees-----		-----Rupees-----	
Export - Yarn	1,424,508,505	3,116,054,646	491,036,092	1,949,666,802
Local				
- Yarn	1,317,247,939	4,161,256,224	1,476,470,749	3,309,510,471
- Waste / scrap	31,823,825	67,533,890	16,818,916	38,009,862
	<u>2,773,580,269</u>	<u>7,344,844,760</u>	<u>1,984,325,756</u>	<u>5,297,187,135</u>
Local - Raw material				
- Cotton	-	-	-	33,894,847
- M.M.Fibre	-	-	-	1,277,356
	-	-	-	35,172,203
Add: Export rebate	118,224	465,568	52,539	395,465
	<u>2,773,698,493</u>	<u>7,345,310,328</u>	<u>1,984,378,295</u>	<u>5,332,754,803</u>
Commission / discounts	36,629,109	83,630,266	19,004,279	66,774,428
Sales tax adjustment	-	-	505,719	505,719
	<u>36,629,109</u>	<u>83,630,266</u>	<u>19,509,997</u>	<u>67,280,147</u>
	<u>2,737,069,385</u>	<u>7,261,680,062</u>	<u>1,964,868,298</u>	<u>5,265,474,656</u>

#### 9 TRANSACTIONS WITH RELATED PARTIES

		March 31, 2011	March 31, 2010
		-----Rupees-----	
Nature	Relationship		
Sales	Associated companies	113,568,045	113,971,129
Purchases	Associated companies	111,949,226	18,841,449
Processing charges	Associated companies	135,312,178	129,616,108

Transactions with related parties are carried out at arm's length price, determined in accordance with comparable uncontrolled price method.

#### 10 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been authorized for issue on April 30, 2011 by the board of directors of the company.

#### 11 GENERAL

All figures except June 30, 2010 figures appearing in the financial statements are un audited. Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR