

GULISTAN TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE 1st QUARTER ENDED SEPTEMBER 30, 2006

1 STATUS AND NATURE OF BUSINESS

The 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. Its main business is manufacturing and sale of yarn. 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 have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies ordinance, 1984 or the requirements of the said directives take the precedence.

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, 2006.

4 PRESENTATIONS

All figures except June 30, 2006 figures appearing in the financial statements are unaudited. Figures have been rounded off to the nearest rupee.

5 PROPERTY, PLANT & EQUIPMENTS

	September 30,2006		June 30, 2006	
	Additions	Disposals	Additions	Disposals
Own Assets				
Revaluation of free hold land	-	-	236,264,340	-
Building on free/leased hold land	-	-	1,883,533	-
Plant & Machinery	12,710,295	-	109,292,368	17,890,000
Electric Installation	1,457,869	-	4,528,927	-
Office Equipments	157,470	-	-	-
Computers	-	-	34,700	-
Mill Equipments	88,000	-	619,108	-
Furniture & Fixtures	319,032	-	226,075	-
Vehicles	-	-	4,761,510	3,779,680
Leased Assets				
Plant & Machinery	-	-	123,109,231	-
Vehicles	-	-	5,883,000	-
	14,732,666	-	486,602,792	21,669,680
			September 30, 2006	June 30, 2006

6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	JUNE 30, 2006	Sept. 30, 2006			
	4,771,715	4,771,715	Ordinary shares of Rs.10/ each fully paid in cash.	47,717,150	47,717,150
	8,496,085	8,496,085	Ordinary shares of Rs.10/ each issued as fully paid bonus shares.	84,960,850	84,960,850
	13,267,800	13,267,800		132,678,000	132,678,000

7 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. 111.533 million (June 30, 2006: 58.327 million)

Commitments for other than capital expenditures amount to Rs. 36.395 million (June 30, 2006: 76.492 million)

8 COST OF SALES

Stock at beginning

Cost of goods manufactured

Yarn Purchase

Waste Purchase

Stock at end

8.01

	Quarter ended Sept. 30, 2006	Quarter ended Sept. 30, 2005
-----Rupees-----		
	423,836,956	319,960,391
	931,020,184	704,329,935
	22,556,979	-
	23,128	-
	1,377,437,247	1,024,290,326
	540,023,293	439,361,020
	837,413,954	584,929,306

8.01 COST OF GOODS MANUFACTURED

Work in process at the beginning

Raw material consumed

Overheads

Work in process at the end

	54,890,567	70,699,261
	679,730,962	509,472,696
	259,922,480	184,026,572
	939,653,442	693,499,268
	994,544,009	764,198,529
	63,523,825	59,868,594
	931,020,184	704,329,935

Quarter ended	
30th Sep., 2006	30th Sep., 2005

9 TRANSACTIONS WITH RELATED PARTIES

A) Purchases from related parties

Stores

Raw materials

Yarn

Electricity

Processing (Conversion & Dying etc.)

58,785

145,968,020

22,556,979

1,912,890

36,599,592

45,126

2,278,851

26,500

1,387,251

12,076

B) Sales to related parties

Stores

Machinery

Raw materials

Yarn

28,200

1,700,000

-

13,408,100

-

-

85,941,945

314,100

C) Mark-up allowed

On long term loan

4,723,802

-

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 take place the four months from october to January.

This leads to higher figures being reflected in respect of stocks & bank borrowings during that period.

11 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors and authorised for issue on Oct 31st, 2006.

12 GENERAL

Figures have been rounded off to the nearest of rupee.

NASEER AHMAD
CHIEF EXECUTIVE

MUHAMMAD ABDULLAH
DIRECTOR