

**GULISTAN TEXTILE MILLS LIMITED**  
**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE 1st QUARTER ENDED SEPTEMBER 30, 2010**

**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, Lahore and Islamabad 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 1st quarter ended September 30, 2010 which have been subjected to a review but not audited. These condensed interim financial statements also includes the condensed interim income statement for the 1st quarter ended September 30, 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 30 June, 2010 except amendments in International Accounting Standard 1 (Revised), 'Presentation of Financial Statements' which became applicable from the financial periods beginning on or after January 01, 2009. The application of this standard has resulted in certain increased disclosures including the statement of other comprehensive income which has been reflected in the company's condensed interim financial information.

**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 judgments that affects the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments 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.

Judgments 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 30 June, 2010.

**4.2** 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 | September 30,<br>2010 | June 30,<br>2010     |
|------------------------------------|------|-----------------------|----------------------|
| -----Rupees-----                   |      |                       |                      |
| Operating assets                   | 5.1  | 2,244,505,230         | 2,270,112,975        |
| Capital work in progress - at cost |      | 91,307,383            | 50,116,310           |
|                                    |      | <b>2,335,812,613</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  | 377,432               | 296,480,209          |
|                                    |      | <b>2,270,490,407</b>  | <b>2,368,122,944</b> |
| Disposals during the period        | 5.2  | -                     | (767,063)            |
| Depreciation during the period     |      | (25,985,177)          | (97,242,906)         |
| Closing written down value         |      | <b>2,244,505,230</b>  | <b>2,270,112,975</b> |

**5.2 Additions and disposals during the period**

|                                     | September 30, 2010 |           | June 30, 2010      |                |
|-------------------------------------|--------------------|-----------|--------------------|----------------|
|                                     | Additions          | Disposals | Additions          | Disposals      |
| -----Rupees-----                    |                    |           |                    |                |
| <b>Owned Assets</b>                 |                    |           |                    |                |
| Free hold land                      | -                  | -         | 98,776,080         | -              |
| Building on free / leased hold land | -                  | -         | 2,705,947          | -              |
| Plant and machinery                 | -                  | -         | 9,135,095          | -              |
| Electric installation               | -                  | -         | 586,702            | -              |
| Electric equipments                 | 60,053             | -         | 377,385            | -              |
| Office equipments                   | 262,319            | -         | 1,113,017          | -              |
| Furniture and fixtures              | -                  | -         | 149,900            | -              |
| Vehicles                            | 55,060             | -         | 1,309,804          | 767,063        |
| <b>Leased Assets</b>                |                    |           |                    |                |
| Plant and machinery                 | -                  | -         | 65,187,364         | -              |
| Vehicles                            | -                  | -         | 2,889,801          | -              |
|                                     | <b>377,432</b>     | <b>-</b>  | <b>182,231,096</b> | <b>767,063</b> |

| 6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL |                   |  | September 30,<br>2010 | June 30,<br>2010   |
|--|-------------------|--|-----------------------|--------------------|
| -----No. of Shares-----                  |                   |  | -----Rupees-----      |                    |
| September 30,<br>2010                    | June 30,<br>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. 201.748 million (June 30, 2010: 519.520 Million).

Export bills negotiated amounting to Rs.818.435 million (June 30, 2010 : Rs.812.356 million).

| 8 SALES - net          |  |  | September 30,<br>2010 | September 30,<br>2009 |
|------------------------|--|--|-----------------------|-----------------------|
| -----Rupees-----       |  |  |                       |                       |
| Export - Yarn          |  |  | 592,729,414           | 575,207,828           |
| Local                  |  |  |                       |                       |
| - Yarn                 |  |  | 1,483,539,392         | 915,382,314           |
| - Waste / scrap        |  |  | 11,898,313            | 5,835,203             |
|                        |  |  | <u>2,088,167,118</u>  | <u>1,496,425,345</u>  |
| Local - Raw material   |  |  |                       |                       |
| - Cotton               |  |  | -                     | 33,894,847            |
| - M.M.Fibre            |  |  | -                     | 682,950               |
|                        |  |  | -                     | 34,577,797            |
| Add: Export rebate     |  |  | -                     | 61,249                |
|                        |  |  | <u>2,088,167,118</u>  | <u>1,531,064,391</u>  |
| Commission / discounts |  |  | 28,006,714            | 27,172,742            |
| Sales tax adjustment   |  |  | -                     | 162,103               |
|                        |  |  | <u>28,006,714</u>     | <u>27,334,845</u>     |
|                        |  |  | <u>2,060,160,404</u>  | <u>1,503,729,546</u>  |

## 9 TRANSACTIONS WITH RELATED PARTIES

### Purchases from related parties

|               |            |            |
|---------------|------------|------------|
| Stores        | 4,500      | 11,855     |
| Raw materials | 27,408,574 | 67,130     |
| Electricity   | 2,385,041  | -          |
| Processing    | 47,977,767 | 42,926,715 |

### Sales to related parties

|                          |            |            |
|--------------------------|------------|------------|
| Stores sale/return (net) | -          | 19,995     |
| Raw materials            | -          | 682,950    |
| Yarn                     | 50,352,020 | 45,604,850 |

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 October 30, 2010 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, unless otherwise stated.

NASEER AHMAD  
CHIEF EXECUTIVE

SOHAIL MAQSOOD  
DIRECTOR