

# **Gul Ahmed Textile Mills Limited**

**Annual Report 2000**

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## **COMPANY INFORMATION**

**BOARD OF DIRECTORS** IQBAL ALIMOHAMMED - Chief Executive  
DR. AMJAD WAHEED - (NIT)  
BASHIR H. ALIMOHAMMED  
GHULAM HAJI ALIMOHAMMED  
JAWAID IQBAL  
ZAIN BASHIR  
ZIAD BASHIR

**COMPANY SECRETARY** MOHAMMED HUSSAIN, FCA

**BANKERS** ABN AMRO BANK NV  
AMERICAN EXPRESS BANK LIMITED  
BANK AL HABIB LIMITED  
CITIBANK, N.A.  
DEUTSCHE BANK AG  
HABIB BANK AG ZURICH  
HABIB BANK LIMITED  
SOCIETE GENERALE THE FIB  
STANDARD CHARTERED BANK  
STANDARD CHARTERED GRINDLAYS BANK LIMITED  
UNION BANK LIMITED  
UNITED BANK LIMITED

**AUDITORS** HYDER BHIMJI & CO.  
Chartered Accountants

**REGISTERED OFFICE** PLOT NO. 82  
MAIN NATIONAL HIGHWAY  
LANDHI, KARACHI-75120

**SHARES DEPARTMENT** PLOT NO. HT/3A  
LANDHI INDUSTRIAL AREA  
KARACHI-75120

**MILLS** LANDHI INDUSTRIAL AREA  
KARACHI-75120

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## **NOTICE OF MEETING**

Notice is hereby given that the 48th Annual General Meeting of Gul Ahmed Textile Mills Limited will be held at Avari Towers, 242, Fatima Jinnah Road, Karachi, on Saturday March 31, 2001 at 10:00 A.M. to transact the following business:

1. To receive, consider and adopt the Directors' Report and Audited Accounts for the year ended September 30, 2000 and Auditors' Report thereon.
2. To approve the payment of cash dividend @ 70% as recommended by the Board.
3. To appoint Auditors and fix their remuneration.
4. To transact any other ordinary business as may be placed before the meeting with the permission of the Chairman.

By Order of the Board

Karachi:  
February 28, 2001

JAWAID IQBAL  
Director

**NOTES:**

1. Share Transfer Books of the Company will remain closed from March 22, 2001 to March 31,2001 (both days inclusive).
2. A member entitled to vote at the meeting may appoint a proxy. Proxies in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.
3. Shareholders who have deposited their shares into Central Depository Company of Pakistan Limited, must bring their original National Identity Card (NIC) or Original Passport at the time of attending the meeting. If proxies are granted by such shareholders the same must be accompanied with attested copies of the NIC or the Passport of the beneficial owners. Representatives of corporate members should bring the usual documents required for such purpose.
4. A proxy must be a member of the Company.
5. Shareholders are requested to immediately notify the change of address, if any.

**DIRECTORS' REPORT**

Your Directors are pleased to present the 48th Annual Report and the audited accounts for the year ended September 30, 2000.

These accounts include the results of Excel Textile Mills Limited which has merged with the Company effective October 01,1999. As you are aware the scheme of arrangement for amalgamation between the Company and Excel Textile Mills Limited was approved by the shareholders in the Extra Ordinary General Meeting held on December 19, 2000 and sanctioned by the Honorable High Court of Sindh in its order dated January 18, 2001.

**OPERATING RESULTS**

*Rs. 000s*

Operating results of the Company are noted below:

Profit after providing depreciation of Rs. 180 million amounts to	625,801
Less: Provision for taxation	67,650
	-----
Profit after taxation	558,151
Add: Unappropriated profit brought forward	5,320
Accumulated profit of Excel Textile Mills Limited	84,337
	-----
Amount available for appropriation	647,808
	=====
Appropriations	
Proposed dividend	238,513

General reserve	400,000
Amount carried forward	9,295
	-----
	647,808
	=====

Your Company's performance during the year under review has been exceptionally good. Profit before tax has increased to Rs. 626 million from Rs. 182 million.

Earnings per share work out to Rs. 16.38.

In order to comply with the requirements of IAS-19, Management is arranging actuarial valuation of the Company's gratuity liability.

#### **DIVIDEND**

Your Directors are pleased to recommend cash dividend @ 70% that is Rs. 7/- per share.

#### **FUTURE PROSPECTS**

A record capital expenditure of Rs. 372 million has been incurred by the Company on its balancing, modernization and replacement as well as expansion programme. The areas where this investment has been made include processing, printing and finishing, upgrading of the spinning back process facilities and setting up of a most modern laboratory having top of the line testing equipments.

In the current fiscal year the Company has plans both for upgrading of the existing facilities as well as addition to capacity in spinning and weaving.

On the economic side after the approval of Stand-by Arrangement by the IMF and debt rescheduling by the Paris Club, signs of modest recovery in the economy are now visible and it is expected that investors confidence will also build up.

However the economic slowdown in the US and its possible adverse impact on European Union is a cause of worry for sustaining the momentum of growth in export sales.

#### **BOARD OF DIRECTORS**

There has been no change in the composition of the Board of Directors during the year under review.

#### **PATTERN OF SHAREHOLDING**

A statement showing the pattern of shareholding in the Company as at September 30, 2000 is included in the report.

#### **AUDITORS**

The present auditors Hyder Bhimji & Co., Chartered Accountants, retire and offer themselves for re-appointment.

#### **EMPLOYEES' RELATIONS**

Relationship with the employees remained cordial and the Board is pleased to record its appreciation for the hard work and dedication shown by them.

For and on behalf of the Board

Karachi:  
February 28, 2001

IQBAL ALIMOHAMMED  
Chief Executive

#### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of GUL AHMED TEXTILE MILLS LIMITED as at September 30, 2000 and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these

statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, except the deviation of IAS-19 as more fully explained in Note No.9.1 and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively with the exception of the matter reported earlier, give a true and fair view of the state of the Company's affairs as at September 30, 2000 and of the profit, its cash flow and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi:  
February 28, 2001

**HYDER BHIMJI & CO.**  
Chartered Accountants

## BALANCE SHEET AS AT SEPTEMBER 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>Rs. 000s</i>	
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 50,000,000 ordinary shares of Rs.10 each		500,000	500,000
		=====	=====
Issued, subscribed and paid-up capital	3	286,260	286,260
Share capital under issue	4	54,473	--
Reserves	5	972,645	551,086
Unappropriated profit		9,295	5,320
		-----	-----
		1,322,673	842,666
<b>REDEEMABLE CAPITAL</b>	6	--	32,445
<b>LONG TERM LOANS</b>	7	363,934	330,830
<b>DEFERRED LIABILITIES</b>			
Taxation	8	49,670	46,470
Gratuity	9	21,176	17,579
		-----	-----
		70,846	64,049
<b>CURRENT LIABILITIES AND PROVISIONS</b>			

Short term running finance	10	1,537,221	1,545,177
Short term loans	11	210,217	--
Current maturity of redeemable capital and long term loans	12	199,789	207,373
Creditors and accrued liabilities	13	463,829	334,028
Other liabilities	14	3,236	1,289
Provision for taxation - net		18,494	--
Proposed dividend		238,513	71,565
		-----	-----
<b>CONTINGENT LIABILITIES AND COMMITMENTS</b>	15	2,671,299	2,159,432
		-----	-----
		4,428,752	3,429,422
		=====	=====
<b>TANGIBLE FIXED ASSETS</b>			
Operating assets	16	1,732,613	1,321,453
Capital work-in-progress	17	82,971	33,627
		-----	-----
		1,815,584	1,355,080
<b>LONG TERM INVESTMENT</b>		--	50
<b>LONG TERM LOANS AND ADVANCES</b>	18	7,975	2,895
<b>LONG TERM DEPOSITS</b>		3,201	2,303
<b>CURRENT ASSETS</b>			
Stores and spares	19	106,167	97,456
Stock-in-trade	20	759,339	616,727
Trade debts	21	959,909	807,023
Loans, advances, prepayments and other receivables	22	131,294	115,919
Short term investment	23	537,821	430,264
Cash and bank balances	24	107,462	1,705
		-----	-----
		2,601,992	2,069,094
		-----	-----
		4,428,752	3,429,422
		=====	=====

The annexed notes form an integral part of these accounts.

**IQBAL alimohammed**  
Chief Executive

**JAWAID IQBAL**  
Director

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2000

		<i>2000</i>	<i>1999</i>
	<i>Note</i>	<i>Rs. 000s</i>	
Sales	25	4,516,744	4,362,814
Cost of sales	26	3,383,219	3,719,909
		-----	-----
Gross profit		1,133,525	642,905
Administrative expenses	27	146,046	124,179
Selling expenses	28	128,024	88,131
		-----	-----
		274,070	212,310
		-----	-----
Operating profit		859,455	430,595
Other income	29	4,942	4,939
		-----	-----
		864,397	435,534
Financial charges	30	202,560	243,158

Workers' profit participation fund		33,092	9,619
Workers' welfare fund		2,944	991
		-----	-----
		238,596	253,768
		-----	-----
Profit for the year before taxation		625,801	181,766
Provision for taxation	31	67,650	27,000
		-----	-----
Profit for the year after taxation		558,151	154,766
Unappropriated profit brought forward	32	89,657	2,119
		-----	-----
Profit available for appropriation		647,808	156,885
Appropriations			
Proposed dividend @ Rs. 7/-		238,513	71,565
(1999: Rs. 2.50) per share			
General reserve		400,000	80,000
		-----	-----
		638,513	151,565
		-----	-----
Unappropriated profit carried forward		9,295	5,320
		=====	=====
Earnings per share (Rs.)	33	16.38	5.41

The annexed notes form an integral part of these accounts.

**IQBAL alimohammed**  
Chief Executive

**JAWAID IQBAL**  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2000

	2000	1999
	Rs. 000s	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	625,801	181,766
Adjustments for:		
Depreciation	179,515	150,511
Staff gratuity	6,255	5,178
Financial charges	258,672	251,777
Provision for slow moving/obsolete stores and spares	4,647	--
Provision for doubtful debts	5,634	--
Long term investment written off	50	--
Profit on sales of operating assets	(1,891)	(2,204)
Interest income	(56,112)	(8,619)
	-----	-----
	1,022,571	578,409
Changes in working capital:		
(Increase)/Decrease in current assets		
Stores and spares	9,871	(17,489)
Stock-in-trade	123,268	218,292
Trade debts	(63,654)	(233,676)
Loans, advances, prepayments and other receivables	(5,716)	1,742
	-----	-----
	63,769	(31,131)
Increase in current liabilities		
Creditors, accrued and other liabilities	124,318	59,472
	-----	-----
	188,087	28,341
	-----	-----
Cash generated from operations	1,210,658	606,750
Payments for:		

Staff gratuity	(5,934)	(3,249)
Financial charges	(284,314)	(264,797)
Income tax	(29,126)	(35,886)
Long term loans and advances	(5,080)	(674)
	-----	-----
Net cash generated from operating activities	886,204	302,144
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(372,002)	(198,858)
Sale proceeds of operating assets	18,616	5,960
Interest received	49,558	7,704
Long term deposits	(436)	91,257
	-----	-----
Net cash used in investing activities	(304,264)	(93,937)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Short term loans	125,629	--
Redemption of redeemable capital	(31,190)	(27,734)
Long term borrowings	200,000	57,240
Long term borrowings - repayments	(280,551)	(280,855)
Dividends paid	(75,367)	(50,095)
	-----	-----
Net cash used in financing activities	(61,479)	(301,444)
	-----	-----
Net increase/(decrease) in cash and cash equivalents	520,461	(93,237)
<b>Cash and cash equivalents - at the beginning of the year</b>	(1,113,208)	(1,019,971)
<b>- transferred on merger</b>	(299,191)	--
	-----	-----
	(1,412,399)	(1,019,971)
	-----	-----
<b>Cash and cash equivalents - at the end of the year</b>	(891,938)	(1,113,208)
	=====	=====
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents include:		
Short term investment	537,821	430,264
Cash and bank balances	107,462	1,705
Short term running finance	(1,537,221)	(1,545,177)
	-----	-----
	(891,938)	(1,113,208)
	=====	=====

**IQBAL alimohammed**  
Chief Executive

**JAWAID IQBAL**  
Director

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2000

	<i>Shares</i>	<i>Revenue</i>	<i>Share</i>	<i>Accumulated</i>	<i>Rs. 000s</i>
	<i>Capital</i>	<i>Reserve</i>	<i>Premium</i>	<i>Profit</i>	<i>Total</i>
Balance as at September 30, 1998	286,260	340,000	131,086	2,119	759,465
Profit for the year	--	--	--	154,766	154,766
Transferred from profit and loss account	--	80,000	--	(80,000)	--
Proposed dividend	--	--	--	(71,565)	(71,565)
	-----	-----	-----	-----	-----
Balance as at September 30, 1999	286,260	420,000	131,086	5,320	842,666
Unappropriated profit transferred on merger	--	--	--	84,337	84,337
Profit for the year	--	--	--	558,151	558,151
Capital under issue	54,473	--	--	--	54,473
Book difference of share capital under issue	--	--	21,559	--	21,559
Transferred from profit and loss account	--	400,000	--	(400,000)	--
Proposed dividend	--	--	--	(238,513)	(238,513)
	-----	-----	-----	-----	-----

Balance as at September 30, 2000	340,733	820,000	152,645	9,295	1,322,673
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**IQBAL alimohammed**  
Chief Executive

**JAWAID IQBAL**  
Director

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2000**

### **1. THE COMPANY AND ITS OPERATIONS**

1.1 Gul Ahmed Textile Mills Limited is a public limited company incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. It is engaged in the manufacture and sale of textile products.

1.2 Assets, liabilities and accumulated profits of Excel Textile Mills Limited have been merged with the Company with effect from 01 October, 1999 at carrying values in its (Excel Textile Mills Limited) books of account, in accordance with the scheme of arrangement sanctioned by Honorable High Court of Sindh. Profit and loss account figures for the current year include operating results of Excel Textile Mills Limited.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 Accounting convention**

Accounts of the Company have been prepared on historical cost convention, modified by adjustments of exchange difference referred in Note 2.2.

#### **2.2 Foreign currency translation**

Assets and liabilities in foreign currencies are translated in Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual agreements.

Foreign currency transactions are translated in Pak Rupees at the rates ruling on the transaction date or as fixed under contractual agreements.

Exchange differences on loans and deposits created to hedge these loans are adjusted to assets acquired under the loans. Other exchange differences are included in current year's income.

#### **2.3 Retirement gratuity**

The Company provides for the liability of gratuity payable to its employees under the law.

#### **2.4 Taxation**

Provision for current taxation is based on taxable income at the current rates of taxation after considering tax credits and rebates, if any. Deferred taxation is accounted for on all material timing differences using the liability method.

#### **2.5 Fixed assets**

Fixed assets are stated at cost less accumulated depreciation except leasehold land and capital work-in-progress which are stated at cost. Depreciation is charged on reducing balance method at rates specified in the note on operating assets. Full year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on pro-rata basis for the period of use during the year and no depreciation is charged on assets in the year of its disposal. Gains and losses on disposal of fixed assets are included in current year's income.

#### **2.6 Stores and spares**

Stores, chemicals and spares are valued at average cost and goods-in-transit are stated at actual cost.

#### **2.7 Stock-in-trade**

Raw materials are valued at average cost. Finished goods are valued at lower of average manufacturing cost and net realisable value. Work-in-process is valued at average cost of raw materials plus a proportion of the production overheads. Waste products are valued at net realisable value.

#### **2.8 Trade debts**

Debts considered irrecoverable are written off and provision is made for debts considered doubtful.



**2.9 Revenue recognition**

Sales are recorded on despatch of goods to buyers

**2000**                  **1999**  
**Rs. 000s**

**3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

17,484,722 ordinary shares of Rs. 10 each fully paid issued for cash	174,847	174,847
11,141,249 ordinary shares of Rs.10 each fully paid issued as bonus shares	111,413	111,413
	-----	-----
	286,260	286,260
	=====	=====

**4. SHARE CAPITAL UNDER ISSUE**

Share capital to be issued to shareholders of Excel Textile Mills Limited	54,473	--
	=====	=====

In accordance with the scheme of arrangement sanctioned by Honorable High Court of Sindh for amalgamation, the Company will issue its 5,447,326 ordinary shares of Rs. 10 each credited as fully paid to the shareholders of Excel Textile Mills Limited in the ratio of one fully paid ordinary share of Rs.10 each of the Company for every 1.39 ordinary shares of Rs.10 each of Excel Textile Mills Limited.

**5. RESERVES**

Revenue reserve		
General reserve	420,000	340,000
Add: Transfer from profit and loss account	400,000	80,000
	-----	-----
	820,000	420,000
Capital reserve		
Shares premium	131,086	131,086
Book difference of capital under scheme of arrangement for amalgamation	21,559	--
	-----	-----
	152,645	131,086
	-----	-----
	972,645	551,086
	=====	=====

**6. REDEEMABLE CAPITAL - SECURED**

Habib Bank Limited - Long term finance	--	2,885
National Investment Trust Limited -TFCs (note 6.1)	32,445	60,262
	-----	-----
	32,445	63,147
Less: Current maturity shown under current liabilities	32,445	30,702
	-----	-----
	--	32,445
	=====	=====

<i>Amount</i>	<i>Rate of</i>	<i>Total</i>	<i>Re-payment Period</i>	<i>Amount of Instalment</i>
<i>(Rs. 000s)</i>	<i>Mark-up</i>	<i>Mark-up</i>		<i>(Rs. 000s)</i>
	Paisa/Rs. 1000	(Rs. 000s)		
	Per Day			
6.1	150,000	44	152,724	Dec,1992 to Jun,2001
				12,000 upto Jun,1994 18,195 from Dec,1994 both half yearly

Finance from Habib Bank Limited was repaid during the year.

TFCs issued to National Investment Trust Limited are secured by first pari passu charge by way of equitable mortgage over the fixed assets of the Company.

	2000	1999
	Rs. 000s	
<b>7. LONG TERM LOANS - SECURED</b>		
7.1 Suppliers Credit 2	--	6,003
7.2 Suppliers Credit 4	--	13,801
7.3 Suppliers Credit 5	--	19,541
7.4 Citibank, N.A. Loan 3	12,500	25,000
7.5 Orix Investment Bank Pakistan Limited	--	20,000
7.6 Suppliers Credit 7	87,011	113,460
7.7 Suppliers Credit 8	44,298	60,764
7.8 Bank AL Habib Limited Loan 1	25,000	58,333
7.9 Bank AL Habib Limited Loan 2	25,000	--
7.10 Standard Chartered Bank	20,000	40,000
7.11 Suppliers Credit 9	106,137	123,532
7.12 Habib Bank Limited	100,000	--
7.13 Suppliers Credit 10	11,332	--
7.14 Standard Chartered Grindlays Bank Limited	100,000	--
	-----	-----
	531,278	480,434
Less: Current maturity shown under current liabilities	167,344	149,604
	-----	-----
	363,934	330,830
	=====	=====

7.1 to 7.3 Suppliers Credit 2,4 and 5 were repaid during the year.

7.4 Citibank,N.A. Loan 3 is repayable in four annual equal instalments commencing from October, 1997. Mark-up is payable half yearly @ 1.5% above the average State Bank's repurchase rate of Short Term Federal Bonds during the previous instalment period with a minimum rate of 16.5% per annum. The loan is secured by hypothecation charge over specified machinery.

7.5 Orix Investment Bank Pakistan Limited Loan was repaid during the year.

7.6 Suppliers Credit 7 is repayable in 12 half yearly equal instalments commencing from May, 1999. Interest is payable half yearly @ 1.5% above six months DEM LIBOR. The loan is guaranteed by Habib Bank Limited and the guarantee is secured by hypothecation charge over the fixed assets of the Company.

7.7 Suppliers Credit 8 is repayable in 12 half yearly equal instalments commencing from August, 1998. Interest is payable half yearly @ 1.5% above six months DEM LIBOR. The loan is guaranteed by Habib Bank AG Zurich and the guarantee is secured by hypothecation charge over specified fixed assets.

7.8 & 7.9 Bank AL Habib Limited Loans 1 and 2 are repayable in 12 quarterly equal instalments commencing from September, 1998. Mark-up is payable quarterly @ 16% per annum. The loan is secured by hypothecation charge over specified machinery.

7.10 Standard Chartered Bank Loan is repayable in five half yearly equal instalments commencing from September, 1999. Mark-up is payable @ 2.5% above the last six months weighted average of Short Term Federal Bonds cut-off rate, with a minimum rate of 41.10 paisas per Rs.1,000 per day. The loan is secured by hypothecation charge over specified machinery.

7.11 Suppliers Credit 9 is repayable in 12 half yearly equal instalments commencing from May, 2000. Interest is payable half yearly @ 1.5% above six months DEM LIBOR. The loan is guaranteed by Habib Bank Limited and the guarantee is secured by hypothecation charge over the fixed assets of the Company.

7.12 Habib Bank Limited Loan is repayable in nine half yearly equal instalments commencing from December 2000. Mark-up is payable on average cut-off yield on Treasury Bills auction during the six months immediately preceding the mark-up payment date plus 250 basis points with a minimum rate of 15% per annum. The loan is secured by hypothecation charge over the fixed assets of the Company.

7.13 Supplier Credit 10 is repayable in 10 half yearly equal instalments commencing from April, 1996. Interest is payable half yearly @ 1.5% above six months USD LIBOR. The loan is secured against machinery acquired through this facility.

7.14 Standard Chartered Grindlays Bank Limited Loan is repayable in eight half yearly equal instalments commencing from January, 2002. Mark-up is payable quarterly @ 1.5% above SBP discount rate immediately preceding the previous mark-up payment date with a minimum rate of 13% per annum. The loan is secured by way of pari passu charge over the fixed assets of the Company.

## 8. TAXATION

Liability for deferred taxation as on the Balance Sheet date has been provided in full.

	<i>2000</i>	<i>1999</i>
	<i>Rs. 000s</i>	
<b>9. GRATUITY</b>		
Opening	17,579	15,650
Transferred on merger	3,276	--
Provision during the year	6,255	5,178
	-----	-----
	27,110	20,828
Paid during the year	(5,934)	(3,249)
	-----	-----
	21,176	17,579
	=====	

9.1 The Company has accounted for the gratuity on liability method as per past history. However as required by IAS-19, the liability has not been determined on actuarial valuation. It is expected that the provision accounted for under liability method will be slightly more than liability which may arise under actuarial valuation.

## 10. SHORT TERM RUNNING FINANCE - SECURED

10.1 Under mark-up arrangements from banking companies

10.1 (a) - for operations	1,537,221	1,460,177
10.1 (b) - for hedging	--	85,000
	-----	-----
	1,537,221	1,545,177
	=====	

10.1(a) These are secured by hypothecation/floating charge over stores and spares, stock-in-trade, trade debts and other receivables. Mark-up rates range from 7% to 14% per annum. Unavailed facility at the year end was Rs. 2,210 million (1999:Rs. 1,724 million).

10.1(b) This facility was obtained against the security of US Dollar Bonds, referred to in note 23. Mark-up rate is fixed according to the prevailing money market rates. Unavailed facility at the year end was Rs. 500 million (1999:Rs. 315 million).

	<i>2000</i>	<i>1999</i>
	<i>Rs. 000s</i>	
<b>11. SHORT TERM LOANS</b>		
These are from Directors and their associates and are unsecured	210,217	--
	=====	

## 12. CURRENT MATURITY OF REDEEMABLE CAPITAL AND LONG TERM LOANS

Redeemable capital	32,445	30,702
Long term loans (note 12.1 )	167,344	176,671
	-----	-----
	199,789	207,373
	=====	

12.1 Includes Rs. NIL (1999: Rs. 27 million) due but not paid as permission from State Bank of Pakistan to remit equivalent foreign currency was awaited.

### 13. CREDITORS AND ACCRUED LIABILITIES

Creditors	296,584	184,211
Accrued expenses	100,495	89,249
Due to associated undertaking	714	--
Workers' profit participation fund	34,583	10,202
Mark-up accrued on redeemable capital (secured)	1,645	5,277
Interest accrued on secured loans (note 13.1)	14,771	24,297
Mark-up accrued on running finance (secured)	15,037	20,792
	-----	-----
	463,829	334,028
	=====	=====

13.1 Includes Rs. NIL (1999: Rs. 12 million) due but not paid as permission from State Bank of Pakistan to remit equivalent foreign currency was awaited.

### 14. OTHER LIABILITIES

Unclaimed dividend	377	266
Others	2,859	1,023
	-----	-----
	3,236	1,289
	=====	=====

### 15. CONTINGENT LIABILITIES AND COMMITMENTS

15.1 The Company is contingently liable for:

(a) Rs. 82 million (1999: Rs. 38 million) against guarantees issued by Banks which are secured by hypothecation/floating charge over stores and spares, stock-in-trade, trade debts and other receivables.

(b) Post dated cheques amounting to Rs. 3 million (1999: Rs. 14 million) issued to various Government Agencies.

15.2 Aggregate commitments for capital expenditure as at September 30, 2000 amounting to Rs. 775 million (1999: Rs. 79 million).

### 16. OPERATING ASSETS

	Gul Ahmed		Excel		COST			DEPRECIATION		Rs. 000s
	as at Oct. 1, 1999	as at Oct. 1, 1999	Additions	Disposals	As at Sep. 30, 2000	Accumulated depreciation upto Sep. 30, 2000	Written down value as at Sep. 30, 2000	Rate %	Charge for the year	
Leasehold lands	16,048	155	10,926	--	27,129	--	27,129	--	--	
Buildings on leasehold lands	152,236	133,933	22,648	--	308,817	147,198	161,619	5 to 10	16,758	
Plant and machinery	2,049,628	402,868	248,181	25,881	2,674,796	1,223,509	1,451,287	10	142,599	
Office equipment, furniture and fixture	67,391	7,973	13,532	6,180	82,716	38,099	44,617	10 to 20	8,168	
Transport equipment	70,713	10,855	27,371	12,820	96,119	48,158	47,961	20	11,990	
<b>Total 2000</b>	2,356,016	555,784	322,658	44,881	3,189,577	1,456,964	1,732,613			179,515
<b>Total 1999</b>	2,188,446	--	177,160	9,590	2,356,016	1,034,563	1,321,453			150,511

16.1 Additions to plant and machinery include net financial charges and exchange differences amounting to Rs. 83 million credit (1999: Rs. 35 million credit).

16.2 Depreciation charge for the year has been allocated as follows:

	<i>2000</i>	<i>1999</i>
Cost of goods manufactured (note 26.1 )	171,347	143,922
Administrative expenses (note 27)	8,168	6,589
	-----	-----
	179,515	150,511
	=====	=====

16.3 Details of operating assets sold (by negotiation)

<b>Particulars</b>	<b>Rs. 000s</b>			<b>Names of purchasers</b>
	<b>Cost</b>	<b>Written down value</b>	<b>Sale proceeds</b>	
Plant and machinery	10,763	3,651	3,575	Ghani Spinning Mills 301, Trade Centre, Block 13-A Gulshan-e-Iqbal, Karachi
	1,262	421	600	A.J. Corporation Quality Godown, Shershah Karachi
	2,512	1,081	1,100	Webtex (Pvt) Ltd. Suite # 108, Block-9, KDA Scheme # 5 Clifton, Karachi
	6,683	2,319	2,400	Cortex Traders 1002, Trade Centre, I.I. Chundrigar Road Karachi
	4,455	1,546	1,806	Siftaq International New Block-2, Hockey Stadium Liaquat barracks, Karachi
	206	12	--	Scrapped
Office equipment, furniture and fixture	544	73	55	Farid & Co. Uni Centre, I.I. Chundrigar Road Karachi
	453	54	57	Rambo Office Automation I.I. Chundrigar Road Karachi
	814	98	35	Union Old Furniture Mart Liaquatabad Furniture Market Karachi
	4,369	528	--	Scrapped
Transport equipment	377	124	195	Mr. Khursheed Ali Akbari Masjid F-18/30 Pathan Colony Karachi.
	1,813	1,161	1,350	Toyota Central Motors 3, Main Shahrah-e-Faisal Karachi

	960	629	605 Grand Industries (Pvt) Ltd. 35-B, Block-6, P.E.C.H.S. Karachi
	147	16	60 Mr. Mohammed Safdar Khan House # 36, Street # 3, Area 3A Landhi, Karachi
	120	20	43 Mr. Abdul Rauf D-214, Block 14 Jut Lines Karachi
	657	172	335 Mr. Sibghatullah A-143, Block T, North Nazimabad Karachi
	208	35	108 Mr. Rizwan Flat No. C-5, Saify Plaza Garden West Karachi.
	773	396	450 Ms. Shahnaz Khalid 140, Defence Officers Society 2 Malir Cantt, Karachi
	707	289	335 Dr. Capt. Safdar Awan, 9-A/II-B Sunset Lane, Phase II, D.H.A. Karachi
	1,156	194	250 Mr. Zaki Block 6, P.E.C.H.S Karachi
	942	309	330 Ms. Shagufta A-7, KDA Scheme 1 Karachi
	171	36	65 Ms. Yasmin Khan House No. C/620, Parsi Colony Sukkur, Sindh
	4,619	3,548	4,608 Insurance Claim
Written down value below Rs. 5,000 each	170	13	254 Various
<b>Total 2000</b>	<b>44,881</b>	<b>16,725</b>	<b>18,616</b>
Total 1999	9,590	3,756	5,960

**2000                      1999**  
**Rs. 000s**

**17. CAPITAL WORK-IN-PROGRESS**

Machinery under installation	68,659	32,534
Building construction	13,110	--
Stores items held for capitalization	1,211	1,093
	<b>82,971</b>	<b>33,627</b>

**18. LONG TERM LOANS AND ADVANCES**

Considered good, due from

Executives	9,257	3,502
Less: Receivable within one year	3,686	1,813
	-----	-----
	5,571	1,689
Other employees	6,954	4,272
Less: Receivable within one year	4,550	3,066
	-----	-----
	2,404	1,206
	-----	-----
	7,975	2,895
	=====	=====

18.1 Loans and advances have been given for the purchase of cars, scooters and household equipment and housing assistance in accordance with the terms of employment and are repayable in monthly instalments.

18.2 The maximum amount due from Directors and Executives at the end of any month during the year was Rs. NIL and Rs. 9 million respectively (1999: Rs. NIL and Rs. 4 million respectively).

18.3 Outstanding for a period exceeding three years Rs. 294 (000).

#### 19. STORES AND SPARES

Stores and chemicals (including in transit Rs. 2 million; 1999: Rs. 8 million)	44,748	38,411
Spare parts	66,066	59,045
	-----	-----
	110,814	97,456
Less: Provision for slow moving/obsolete stores and spares	4,647	--
	-----	-----
	106,167	97,456
	=====	=====

#### 20. STOCK-IN-TRADE

Raw materials	275,046	206,069
Work-in-process	41,649	31,842
Finished goods	442,644	378,816
	-----	-----
	759,339	616,727
	=====	=====

#### 21. TRADE DEBTS- UNSECURED

Considered good	959,909	807,023
Considered doubtful	5,634	--
	-----	-----
	965,543	807,023
Less: Provision for doubtful trade debts	5,634	--
	-----	-----
	959,909	807,023
	=====	=====

#### 22. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES - CONSIDERED GOOD

Current portion of loans and advances to employees (note 18)	8,236	4,879
Advances	51,946	41,514
Due from associated undertakings (note 22.1)	--	7,609
Prepayments and other receivables	17,399	2,366
Accrued interest	7,469	915
Sales tax refundable	13,443	11,602
Duty drawback receivable	32,801	35,245
Advance income tax - net	--	11,789
	-----	-----
	131,294	115,919
	=====	=====

22.1 The maximum aggregate amount due from associated undertakings at the end on any month during the year was Rs. NIL (1999: Rs. 50 million)

### 23. SHORT TERM INVESTMENT

US Dollar Bonds	537,821	430,264
	=====	=====

USD 9.241 million (1999: USD 8.371 million). These are under lien for borrowings referred to in note 10.1 (b)

### 24. CASH AND BANK BALANCES

In hand	919	263
With banks in - current accounts	2,636	1,442
- short term deposits	103,907	--
	-----	-----
	107,462	1,705
	=====	=====

**2000**      **1999**  
**Rs. 000s**

### 25. SALES

Local	1,714,999	1,619,381
Export	2,810,237	2,749,140
	-----	-----
	4,525,236	4,368,521
Less: Commission and brokerage	8,492	5,707
	-----	-----
	4,516,744	4,362,814
	=====	=====

### 26. COST OF SALES

Opening stock of finished goods	378,816	641,659
Finished goods transferred on merger	188,631	--
Add: Cost of goods manufactured (note 26.1)	3,052,926	3,197,639
Purchases and processing charges	205,490	259,427
	-----	-----
	3,825,863	4,098,725
Less: Closing stock of finished goods	442,644	378,816
	-----	-----
	3,383,219	3,719,909
	=====	=====

#### 26.1 Cost of goods manufactured

Raw materials consumed (note 26.2)	1,463,262	1,853,177
Stores consumed	523,486	498,470
Salaries, wages and benefits	445,239	360,605
Fuel, power and water	281,481	216,354
Insurance	27,594	20,628
Repairs and maintenance	116,492	95,845
Depreciation	171,347	143,922
Provision for slow moving/obsolete stores and spares	4,647	--
Other expenses	7,000	9,205
	-----	-----
	3,040,548	3,198,206
Work-in-process		
Opening	31,842	31,275
Transferred on merger	22,185	--
Closing	(41,649)	(31,842)
	-----	-----
	12,378	(567)
	-----	-----
	3,052,926	3,197,639
	=====	=====

#### 26.2 Raw materials consumed



Opening stock	206,069	162,085
Raw material transferred on merger	55,064	--
Purchases during the year	1,477,175	1,897,161
Closing stock	(275,046)	(206,069)
	-----	-----
	1,463,262	1,853,177
	=====	=====

**27. ADMINISTRATIVE EXPENSES**

Salaries and benefits	44,185	35,915
Rent, rates and taxes	8,892	9,006
Repairs and maintenance	5,033	3,791
Vehicle up keep	16,903	14,006
Conveyance and travelling	26,521	29,219
Printing and stationery	10,132	7,957
Postage and telecommunication	13,631	10,383
Legal and consultancy fees	2,405	4,545
Depreciation	8,168	6,589
Provision for doubtful debts	5,534	--
Auditors' remuneration (note 27.1)	153	173
Donations (note 27.2)	1,089	324
Other expenses	3,300	2,271
	-----	-----
	146,046	124,179
	=====	=====

**27.1 Auditors' remuneration**

Audit fee	110	70
Tax services	20	90
Audit of worker's profit participation fund and other services	3	4
Out of pocket expenses	20	9
	-----	-----
	153	173
	=====	=====

27.2 Donations include Rs. 250(000) (1999:Rs. 250(000)) paid to Haji Alimohammed Foundation.

Mr. Iqbal Alimohammed, Chief Executive, Mr. Bashir H. Alimohammed, Director, Mr. Ghulam

Haji Alimohammed, Director and Mr. Ziad Bashir, Director are amongst the Trustees of the

Foundation.

**28. SELLING EXPENSES**

Freight and shipment expenses	104,674	68,371
Insurance and bank charges	1,761	1,397
Advertisement and publicity	12,144	6,559
Other expenses	9,445	11,804
	-----	-----
	128,024	88,131
	=====	=====

**29. OTHER INCOME**

Profit on sale of operating assets	1,891	2,204
Scrap sales	3,094	2,192
Provisions and unclaimed balances written back	7	537
Miscellaneous	(50)	6
	-----	-----
	4,942	4,939
	=====	=====

**30. FINANCIAL CHARGES**

Mark-up on redeemable capital and interest on long term loans	71,394	71,467
Mark-up on running finance	167,774	161,606

Interest on worker's profit participation fund	1,491	583
Bank charges	18,013	18,121
	-----	-----
	258,672	251,777
Less: Interest income on - foreign currency deposits	52,924	7,549
- local currency deposits	3,188	1,070
	-----	-----
	202,560	243,158
	=====	=====

**31. PROVISION FOR TAXATION**

Deferred	3,200	--
Current	62,000	27,000
Prior	2,450	--
	-----	-----
	67,650	27,000
	=====	=====

**32. UNAPPROPRIATED PROFIT BROUGHT FORWARD**

Balance at the beginning of the year	5,320	2,119
Transferred on merger	84,337	--
	-----	-----
	89,657	2,119
	=====	=====

**33. EARNINGS PER SHARE**

Profit for the year	558,151	154,766
	=====	=====

**Number of shares**

Average ordinary shares in issue during the year	28,625,971	28,625,971
Ordinary shares under issue	5,447,326	--
	-----	-----
	34,073,297	28,625,971
	=====	=====

Earnings per share (Rs.)	16.38	5.41
--------------------------	-------	------

**34. REMUNERATION OF DIRECTORS AND EXECUTIVES**

	2000				1999			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial remuneration	1,200	2,460	57,418	61,078	915	1,175	35,869	37,959
House rent allowance	480	1,014	19,643	21,137	393	507	12,938	13,838
Utility allowance	120	246	4,767	5,133	92	118	3,233	3,443
Other allowances	--	--	2,677	2,677	--	--	2,010	2,010
	-----	-----	-----	-----	-----	-----	-----	-----
	1,800	3,720	84,505	90,025	1,400	1,800	54,050	57,250
	=====	=====	=====	=====	=====	=====	=====	=====
Number of persons	1	4	230	235	1	2	169	172

34.1 The Chief Executive, Directors and certain Executives are provided with free use of Company cars.

34.2 The Chief Executive and some Directors are also provided with free residential telephones.

34.3 Aggregate amount charged in the accounts for the year for meeting fees to three Directors was Rs. 4 (000) (1999: five Directors Rs. 5 (000)).

**35. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

The Company purchased from and sold to associated undertakings goods, materials and services in the aggregate sum of Rs. 1 million and Rs. NIL respectively (1999: Rs. 9 million and Rs. 103 million respectively). The basis of transactions is prevailing market rates.

**36. CAPACITY AND PRODUCTION**

Unit	2000 (000s)			1999 (000s)	
	Capacity	Production	Working	Capacity	Production
Cloth Sq. metres (50 Picks converted)	47,221	46,923	3 shifts	37,621	37,152
Yarn Kgs. (20 Counts converted)	22,922	23,814	3 shifts	23,021	22,396

### 37. FINANCIAL ASSETS AND LIABILITIES

							Rs. 000s	
	Interest/mark-up bearing			Non Interest/mark-up bearing			2000 Total	1999 Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		
<b>Financial assets</b>								
Long term investment	--	--	--	--	--	--	--	50
Long term loans and advances	--	--	--	--	7,975	7,975	7,975	2,895
Long term deposits	--	--	--	--	3,201	3,201	3,201	2,303
Trade debts	--	--	--	959,909	--	959,909	959,909	807,023
Loans, advances, prepayments and other receivables	7,469	--	7,469	9,399	--	9,399	16,868	20,461
Short term investment	537,821	--	537,821	--	--	--	537,821	430,264
Cash and bank balances	103,907	--	103,907	3,555	--	3,555	107,462	1,705
	649,197	--	649,197	972,863	11,176	984,039	1,633,236	1,264,701
<b>Financial liabilities</b>								
Redeemable capital	32,445	--	32,445	--	--	--	32,445	63,147
Long term loans	167,344	363,934	531,278	--	--	--	531,278	507,501
Short term running finance	1,537,221	--	1,537,221	--	--	--	1,537,221	1,545,177
Short term loans	--	--	--	210,217	--	210,217	210,217	--
Creditors and accrued liabilities	31,453	--	31,453	394,893	--	394,893	426,346	323,045
Proposed dividend	--	--	--	238,513	--	238,513	238,513	71,565
Guarantees	--	--	--	82,000	--	82,000	82,000	38,000
Commitments	--	--	--	775,000	--	775,000	775,000	79,000
	1,768,463	363,934	2,132,397	1,700,623	--	1,700,623	3,833,020	2,627,435

#### 37.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparts failed to perform as contracted. The Company believes that it is not exposed to major concentration of credit risk.

#### 37.2 Foreign exchange risk management

Foreign currency risk arises when receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risk are covered partially through forward foreign exchange contracts and partially through hedging by purchase of US Dollar Bonds.

#### 37.3 Fair value of financial assets and liabilities

The carrying amounts of the financial assets and liabilities approximate their fair values.

### 38. NUMBER OF EMPLOYEES

	2000	1999
Number of employees at 30 September	5,984	5,684

### 39. GENERAL

39.1 Corresponding figures have been rearranged where necessary for comparison purposes and are in respect of Gul Ahmed Textile Mills Limited only.

39.2 Figures have been rounded off to the nearest thousand rupees.

**IQBAL ALIMOHAMMED**  
Chief Executive

**JAWAID IQBAL**  
Director

**PATTERN OF SHAREHOLDING**  
**As AT SEPTEMBER 30, 2000**

No. of Shareholders		Shareholding		Shares Held	
668	From	1	to	100	26,705
687	From	101	to	500	147,629
118	From	501	to	1,000	84,554
134	From	1,001	to	5,000	288,432
14	From	5,001	to	10,000	92,713
10	From	10,001	to	15,000	124,036
1	From	15,001	to	20,000	16,315
4	From	20,001	to	25,000	91,584
1	From	25,001	to	30,000	26,881
3	From	30,001	to	35,000	93,953
1	From	35,001	to	40,000	38,629
2	From	40,001	to	45,000	82,553
2	From	55,001	to	60,000	114,486
3	From	60,001	to	65,000	186,744
1	From	65,001	to	70,000	67,765
6	From	80,001	to	85,000	490,779
2	From	85,001	to	90,000	174,048
2	From	105,001	to	110,000	215,161
1	From	110,001	to	115,000	111,683
1	From	120,001	to	125,000	120,519
2	From	125,001	to	130,000	256,383
1	From	130,001	to	135,000	134,740
1	From	135,001	to	140,000	135,128
1	From	140,001	to	145,000	140,433
4	From	145,001	to	150,000	588,282
1	From	160,001	to	165,000	163,185
4	From	165,001	to	170,000	672,970
1	From	205,001	to	210,000	206,164
1	From	225,001	to	230,300	229,255
1	From	270,001	to	275,300	272,461
2	From	275,001	to	280,300	558,325
1	From	280,001	to	285,300	281,116
1	From	285,001	to	290,300	288,658
1	From	295,001	to	300,000	299,980
1	From	300,001	to	305,000	300,781
5	From	305,001	to	310,000	1,537,181
1	From	315,001	to	320,000	319,600
1	From	355,001	to	360,000	357,281
1	From	415,001	to	420,000	419,404
3	From	420,001	to	425,000	1,269,905
1	From	430,001	to	435,000	432,832
2	From	520,001	to	525,000	1,047,510
3	From	530,001	to	535,000	1,600,182
1	From	550,001	to	555,000	552,032
1	From	595,001	to	600,000	595,960
1	From	850,001	to	855,000	850,406
1	From	1,185,001	to	1,190,000	1,186,359
1	From	1,255,001	to	1,260,000	1,257,414
1	From	1,300,001	to	1,305,000	1,303,573
1	From	1,320,001	to	1,325,000	1,323,618
1	From	1,660,001	to	1,665,000	1,662,162
1	From	1,735,001	to	1,740,000	1,738,609
1	From	1,870,001	to	1,875,000	1,874,326

1	From	2,170,001	to	2,175,000	2,174,587
-----					-----
1,712					28,625,971
=====					=====

<b>Categories of Shareholders</b>	<b>Number</b>	<b>Shares Held</b>	<b>Percentage</b>
Individuals	1,676	22,371,312	78.15
Investment Companies	11	995,234	3.48
Insurance Companies	6	1,480,197	5.17
Joint Stock Companies	6	14,732	0.05
Modaraba Companies	4	111,072	0.39
Financial Institutions	3	153,028	0.53
Foreign Investors	2	3,478,160	12.15
Charitable Institutions	2	17,478	0.06
Government Departments	2	4,758	0.02
	-----	-----	-----
	1,712	28,625,971	100.00
	=====	=====	=====