

Gul Ahmed Textile Mills Limited

Annual Report 1998

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COMPANY INFORMATION

BOARD OF DIRECTORS

IQBAL ALI MOHAMMED - Chief Executive
RAZI-UR-RAHMAN KHAN - (NIT)
BASHIR H. ALI MOHAMMED
GHULAM HAJI ALI MOHAMMED
JAVAID IQBAL
ZAIN BASHIR
ZIAD BASHIR

COMPANY SECRETARY

MOHAMMED HUSSAIN, FCA

BANKERS

ABN AMRO BANK NV
AMERICAN EXPRESS BANK LIMITED
ANZ GRINDLAYS BANK
BANK AL-HABIB LIMITED
BANK OF AMERICA NT & SA
CITIBANK, N.A.
DEUTSCHE BANK AG
HABIB BANK AG ZURICH
HABIB BANK LIMITED
SOCIETE GENERALE THE FIB
STANDARD CHARTERED BANK

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

NOTICE OF MEETING

NOTICE is hereby given that the 46th Annual General Meeting of the Shareholders of Gul Ahmed Textile Mills Limited will be held at Avari Towers, 242, Fatima Jinnah Road, Karachi, on Wednesday March 31, 1999 at 10:00 A.M. to transact the following business:

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended September 30, 1998 and Auditors' Report thereon.

2. To approve the payment of cash dividend @ 17.5% as recommended by the Board.
3. To elect seven Directors as fixed by the Board for a term of three years, in accordance with the provisions of Section 178 of the Companies Ordinance, 1984, in the place of the following retiring Directors:
 1. Mr. Iqbal Alimohammed
 2. Mr. Razi-ur-Rahman Khan - (NIT)
 3. Mr. Bashir H. Alimohammed
 4. Mr. Ghulam Haji Alimohammed
 5. Mr. Javaid Iqbal
 6. Mr. Zain Bashir
 7. Mr. Ziad Bashir
4. To appoint Auditors and fix their remuneration.
5. 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 22, 1999

BASHIR H. ALI MOHAMMED
Director

NOTES:

1. Share Transfer Books of the Company will remain closed from March 24, 1999 to March 31,1999 (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. A proxy must be a member of the Company.
4. Shareholders are requested to immediately notify the change of address, if any.

DIRECTORS' REPORT

Your Directors are pleased to present the 46th Annual Report and the audited accounts for the year ended September 30, 1998.

OPERATING RESULTS

	Rs. 000s
Operating results of the Company are noted below:	
Net profit after providing depreciation of Rs. 135.081 million amounts to	111,557
Less: Provision for taxation	17,048

Profit after tax	94,509
Add: Unappropriated profit brought forward	2,705

Amount available for appropriation	97,214
	=====
Appropriations	
Proposed dividend	50,095
General reserve	45,000
Amount carried forward	2,119

	97,214
	=====

Your Company has managed to achieve growth in sales of 10% and profit before tax has increased to Rs. 111.557 million from Rs. 81.423 million.

Net earning per share works out to Rs. 3.30.

DIVIDEND

Your Directors are pleased to recommend cash dividend @ 17.5% that is Rs. 1.75 per share.

FUTURE PROSPECTS

Balancing, modernisation and replacement programme which was started last year has, at the time of writing this report, been completed.

In today's world, technology is fast changing and it is very important to keep-up with the changes. Management is alert to these technological advances. Upgrading of the plant and equipment is now a continuous process and no longer a one time affair to be taken up after every few years.

Current world economic scenario is not very encouraging and Pakistan's economy cannot remain isolated from any unfavourable economic changes in the world economy. It is however expected that the economy will move forward after the conclusion of the agreements with the IMF, World Bank and other multilateral agencies and consequent easing of pressure on the foreign exchange reserves.

At the same time implications of the globalisation, a process which is irreversible, have to be managed successfully.

We on our part are continuing with efforts to reduce any adverse impacts of these factors and have a positive outlook for the future.

Your Company is aware of the Year 2000 problem relating to its computer based systems. All hardware, software and applications have been investigated and work needed is in progress. By September 1999, the end of current fiscal year, we expect all systems would be Year 2000 compliant.

BOARD OF DIRECTORS

In accordance with the provisions of Section 178 of the Companies Ordinance, 1984, election of the Directors will be held at the forthcoming Annual General Meeting. The number of Directors remains unchanged at seven.

During the course of the year Mr. A. Latif Valimohammed resigned from the Board and was replaced by Mr. Ziad Bashir.

The Board while welcoming Mr. Ziad Bashir wishes to place on record its thanks to Mr. A. Latif Valimohammed.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding in the Company as at September 30, 1998 is included in this report.

AUDITORS

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

EMPLOYEES' RELATIONS

The Board is pleased to report that the workers and the staff management relations remained cordial and wishes to express its deep appreciation for the commitment and hard work put in by the employees at all levels.

For and on behalf of the Board

Karachi:
February 22, 1999

IQBAL ALI MOHAMMED
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of GUL AHMED TEXTILE MILLS LIMITED as at September 30, 1998 and the related Profit and Loss Account and Cash Flow Statement, 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 and, after due verification thereof, we report that:

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

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 and the Cash Flow Statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 1998 and of the profit and the cash flows for the year then ended; and

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

HYDER BHIMJI & CO.

Chartered Accountants

Karachi:

February 22, 1999

BALANCE SHEET AS AT SEPTEMBER 30, 1999

	Note	1998 Rs. 000s	1997
SHARE CAPITAL AND RESERVES			
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
Reserves	4	471,086	426,086
Unappropriated profit		2,119	2,705
		-----	-----
		759,465	715,051
REDEEMABLE CAPITAL	5	63,147	90,881
DEBENTURES AND LONG TERM LOANS			
For operations	6	447,243	487,767
For hedging	7	83,209	272,774
		-----	-----
		530,452	760,541
DEFERRED LIABILITIES			
Taxation	8	46,470	46,470
Gratuity		15,650	12,937
		-----	-----
		62,120	59,407
CURRENT LIABILITIES AND PROVISIONS			
Short term running finance	9	1,312,241	1,271,285
Current maturity of redeemable capital, debentures and long term loans	10	228,398	149,658
Creditors and accrued liabilities	11	286,955	268,976
Other liabilities	12	1,910	1,078
Provision for taxation - net		-	2,459
Proposed dividend		50,095	35,782
		-----	-----
		1,879,599	1,729,238
CONTINGENT LIABILITIES AND COMMITMENTS	13		

-----	-----
3,294,783	3,355,118
=====	=====

	Note	1998 Rs. 000s	1997
TANGIBLE FIXED ASSETS			
Operating assets	14	1,298,560	1,125,225
Capital work-in-progress	15	11,929	142,782
		-----	-----
		1,310,489	1,268,007
LONG TERM INVESTMENT	16	50	50
LONG TERM LOANS AND ADVANCES	17	2,221	177
LONG TERM DEPOSITS	18	93,560	312,504
CURRENT ASSETS			
Stores and spares	19	79,967	75,080
Stock-in-trade	20	835,019	1,160,498
Trade debts	21	573,347	436,721
Loans, advances, prepayments and other receivables	22	107,860	94,416
Cash and bank balances	23	292,270	7,665
		-----	-----
		1,888,463	1,774,380
		-----	-----
		3,294,783	3,355,118
		=====	=====

The annexed notes form an integral part of these accounts.

IQBAL ALI MOHAMMED
Chief Executive

BASHIR H. ALI MOHAMMED
Director

**PROFIT AND Loss ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

	Note	1998 Rs. 000s	1997
Sales	24	3,403,185	3,091,856
Cost of sales	25	2,815,424	2,548,596
		-----	-----
GROSS PROFIT		587,761	543,260
		-----	-----
Administrative expenses	26	121,679	107,687
Selling expenses	27	67,404	55,325
		-----	-----
		189,083	163,012
		-----	-----
OPERATING PROFIT		398,678	380,248
Other income	28	6,851	3,820
		-----	-----
		405,529	384,068
		-----	-----
Financial charges	29	287,182	297,747
Workers' profit participation fund		5,917	4,316
Workers' welfare fund		873	582
		-----	-----
		293,972	302,645
		-----	-----

Net profit for the year before taxation	111,557	81,423
Provision for taxation for the year	17,048	15,900
	-----	-----
Net profit for the year after taxation	94,509	65,523
Provision for taxation- prior years	-	(29,221)
Unappropriated profit brought forward	2,705	2,185
	-----	-----
Net profit available for appropriation	97,214	38,487

APPROPRIATIONS

Proposed dividend @ Rs. 1.75 (1997: Rs. 1.25) per share	50,095	35,782
General reserve	45,000	-
	-----	-----
	95,095	35,782
	-----	-----
Unappropriated profit carried forward	2,119	2,705
	=====	=====

The annexed notes form an integral part of these accounts.

IQBAL ALI MOHAMMED
Chief Executive

BASHIR H. ALI MOHAMMED
Director

CASH FLOW STATEMENT**FOR THE YEAR ENDED SEPTEMBER 30, 1998**

	1998	1997
	Rs. 000s	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	111,557	81,423
Adjustments for:		
Depreciation	135,081	119,783
Staff gratuity	4,556	2,810
Financial charges	298,014	298,261
Profit on sale of operating assets	(4,681)	(1,705)
Interest income	(10,832)	(514)
	-----	-----
	533,695	500,058
Changes in working capital:		
(Increase)/Decrease in current assets		
Stores and spares	(4,887)	(16,654)
Stock-in-trade	325,479	(439,972)
Trade debts	(136,626)	(175,360)
Loans, advances, prepayments and other receivables	(11,031)	12,369
	-----	-----
	172,935	(619,617)
Increase in current liabilities		
Creditors, accrued and other liabilities	21,530	63,614
	-----	-----
	194,465	(556,003)
	-----	-----
Cash generated from/(used in) operations	728,160	(55,945)
Payments for:		
Staff gratuity	(1,843)	(1,204)
Financial charges	(300,732)	(285,530)
Income tax	(21,920)	(21,301)
Long term loans and advances	(2,044)	(177)
	-----	-----
Net cash generated from/(used in) operating activities	401,621	(364,157)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(180,379)	(298,628)

Sale proceeds of operating assets	7,496	3,636
Interest received	10,832	-
Long term deposits	218,944	(310,208)
	-----	-----
Net cash generated from/(used in) investing activities	56,893	(605,200)

	1998	1997
	Rs. 000s	
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of right shares with premium	-	84,818
Long term borrowings	134,094	641,437
Long term borrowings-repayment	(288,846)	(96,049)
Redemption of redeemable capital	(24,331)	(21,415)
Increase in short terms borrowings	40,956	382,378
Dividends paid	(35,782)	(15,903)
	-----	-----
Net cash (used in)/generated from financing activities	(173,909)	975,266
	-----	-----
Net increase in cash and cash equivalents	284,605	5,909
Cash and cash equivalents at October 1	7,665	1,756
	-----	-----
Cash and cash equivalents at September 30	292,270	7,665
	=====	=====

IQBAL ALI MOHAMMED
Chief Executive

BASHIR H. ALI MOHAMMED
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 1998

1. THE COMPANY AND ITS OPERATIONS

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.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

Accounts of the Company have been prepared on historical cost convention.

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 arrangements.

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. Gain and losses on disposal of fixed assets are included in current year's income.

2.6 Investments

Investments in shares are stated at cost. No adjustment for market value as on the balance sheet date is made in the accounts.

2.7 Stores and spares

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

2.8 Stock-in-trade

Raw materials are valued at average cost. Finished goods are valued at lower of average 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.

2.9 Trade debts

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

2.10 Revenue recognition

Sales are recorded on despatch of goods to buyers. Income on investment is recognized when received.

	1998	1997
	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. RESERVES		
Revenue reserve		
General reserve	295,000	295,000
Add: Transfer from profit and loss account	45,000	-
	-----	-----
	340,000	295,000
Capital reserve		
Share premium	131,086	88,677
Add: Premium on right shares issued during the year	-	42,409
	-----	-----
	131,086	131,086
	-----	-----
	471,086	426,086
	=====	=====
5. REDEEMABLE CAPITAL - SECURED		
5.1 Habib Bank Limited - Long term finance	6,770	10,655
5.2 National Investment Trust Limited -TFCs	84,111	104,557
	-----	-----
	90,881	115,212
Less: Current maturity shown under current liabilities	27,734	24,331
	-----	-----
	63,147	90,881
	=====	=====

	Amount (Rs. 000s)	Rate of Mark-up Paisa/Rs. 1000 Per Day	Total Mark-up (Rs. 000s)	Re-payment Period	Amount of Installment (Rs. 000s)
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5.1(a)	10,000	33	10,028	Mar, 1990 to Sep, 1999	1,001 half yearly
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(b)	28,850	36	31,560	Jan, 1991 to Jul, 2000	3,020	half yearly
5.2	150,000	44	152,724	Dec, 1992 to Jun, 2001	12,000	upto Jun, 1994 18,195 from Dec, 1994 both half yearly

Finances from Habib Bank Limited are secured by first equitable mortgage over machinery purchased through this facility and additional equitable mortgage over the then existing fixed assets of the Company.

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.

	1998	1997
	Rs. 000s	

6. DEBENTURES AND LONG TERM LOANS FOR OPERATIONS

6.1 Customs debentures - Unsecured	-	1,394
6.2 Long-term loans - Secured		
(a) Suppliers Credit 2	18,008	30,014
(b) Suppliers Credit 3	21,499	42,999
(c) Suppliers Credit 4	27,601	41,402
(d) Suppliers Credit 5	39,081	58,622
(e) Habib Co-operative Bank	-	10,000
(f) Habib Bank AG Zurich Loan 1	-	10,000
(g) Citibank Loan 3	37,500	50,000
(h) Habib Bank AG Zurich Loan 2	35,000	40,000
(i) Orix Investment Bank	40,000	40,000
(j) Suppliers Credit 7	121,324	66,612
(k) Suppliers Credit 8	72,797	66,325
(l) Bank AL-Habib	91,667	100,000
(m) Standard Chartered Bank	50,000	50,000
(n) Suppliers Credit 9	66,292	-
	-----	-----
	620,769	607,368
Less: Current maturity shown under current liabilities	173,526	119,601
	-----	-----
	447,243	487,767
	=====	=====

6.2 (a&b) Suppliers Credit 2 and 3 are repayable in 14 half yearly installments commencing from June, 1993 and January, 1993 respectively and carry interest @ 9.25% per annum payable half yearly. Principal and interest are guaranteed by Habib Bank Limited. The guarantees are secured by equitable mortgage over the fixed assets of the Company.

(c&d) Suppliers Credit 4 and 5 are repayable in 10 half yearly installments, commencing from November, 1995 and February, 1996 respectively. Interest is payable half yearly @ 1.5% above 6 months USD LIBOR. These loans are secured against the machinery acquired through these facilities.

(e) Habib Co-operative Bank loan was repaid during the year.

(f) Habib Bank AG Zurich Loan 1 was repaid during the year.

(g) Citibank Loan 3 is repayable in four annual equal installments 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 installment period with a minimum rate of 16.5% per annum. The loan is secured by hypothecation charge over specified machinery.

(h) Habib Bank AG Zurich Loan 2 is repayable in three annual installments commencing from June, 1998. The first installment is of Rs. 5 million and remaining two are of Rs.17.5 million each. Mark-up is payable quarterly @ 49.32 paisas per Rs.1,000 per day. The loan is secured by hypothecation charge over specified machinery.

(i) Orix Investment Bank loan is repayable in eight equal installments, payable half yearly,

commencing from October, 1998. Mark-up is payable half yearly @ 3% over the 6 months Short Term Federal Bonds weighted average cut-off rate of the last 6 months with a minimum rate of 18% per annum. The loan is secured by hypothecation charge over specified machinery.

(j) Suppliers Credit 7 (equivalent to DEM 4.371 million) is repayable in twelve half yearly equal installments commencing from May, 1999. Interest is payable half yearly @ 1.5% above 6 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.

(k) Suppliers Credit 8 (equivalent to DEM 2.623 million) is repayable in twelve half yearly equal installments commencing from August, 1998. Interest is payable half yearly @ 1.5% above 6 months DEM LIBOR. The loan is guaranteed by Habib Bank AG Zurich and the guarantee is secured by hypothecation charge over specified fixed assets.

(l) Bank AL-Habib Loan is repayable in 12 quarterly equal installments commencing from September, 1998. Mark-up is payable quarterly @ 19%. The loan is secured by hypothecation charge over specified machinery.

(m) Standard Chartered Bank Loan is repayable in 5 equal semi-annual installments commencing from September, 1999. Mark-up is payable @ 2.5% above the last 6 months weighted average of Short Term Federal Bonds cut-off rate, with a minimum floor of 49.30 paises per Rs. 1,000 per day. The loan is secured by hypothecation charge over specified machinery.

(n) Suppliers Credit 9 (equivalent to DEM 4.363 million including undrawn amount of DEM 1.974 million) is repayable in twelve half yearly equal installments commencing 18 months after the last major shipment is effected. Interest is payable half yearly @ 1.5% above 6 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.

	1998	1997
	Rs.000s	
7. LONG TERM LOANS FOR HEDGING - SECURED		
From banking companies	83,209	278,500
Less: Current maturity shown under current liabilities	-	5,726
	-----	-----
	83,209	272,774
	=====	=====

These loans have been obtained for the purchase of foreign currencies to hedge the liability of Suppliers Credits 7,8 and 9 (Note 6.2 (j), (k) and (n)). The repayment of these loans will be in accordance with the repayment of the above referred Suppliers Credits. Mark-up is payable quarterly at rates ranging from 38 to 41 paises per Rs.1,000 per day. These loans are secured against long term deposits referred to in notes 18.1 and 23.1 and fixed assets of the Company.

Unavailed facility against this loan was Rs. 238 million (1997: Rs. NIL)

8. TAXATION

Liability for deferred taxation as on the balance sheet date has been provided in full.

	1998	1997
	Rs.000s	
9. SHORT TERM RUNNING FINANCE - SECURED		
Under mark-up arrangements		
from banking companies	1,312,241	1,271,285
	=====	=====

These are secured by pari passu charge by way of hypothecation of stores and spares, stock-in-trade, trade debts and other receivables. These carry various mark-up rates. The unavailed credit facility at the year end was Rs. 1,742 million (1997: Rs. 1,774 million).

10. CURRENT MATURITY OF REDEEMABLE CAPITAL, DEBENTURES AND LONG TERM LOANS

Redeemable capital	27,734	24,331
Debentures and long term loans (note 10.1)	200,664	125,327
	-----	-----
	228,398	149,658
	=====	=====

10.1 The above amount includes Rs. 27.138 million (1997: Rs. NIL) due but not paid as permission from State Bank of Pakistan to remit equivalent foreign currency is awaited.

11. CREDITORS AND ACCRUED LIABILITIES

Creditors	153,386	143,452
Accrued expenses	63,852	54,730
Workers' profit participation fund	6,331	4,690
Mark-up on redeemable capital (secured)	7,798	11,842
Interest accrued on unsecured loans	-	33
Interest accrued on secured loans (note 11.1)	31,725	20,614
Mark-up on running finance (secured)	23,863	33,615
	-----	-----
	286,955	268,976
	=====	=====

11.1 Includes Rs. 9.522 million (1997: Rs. NIL) due but not paid as permission from State Bank of Pakistan to remit equivalent foreign currency is awaited.

12. OTHER LIABILITIES

Unclaimed dividend	370	286
Others	1,540	792
	-----	-----
	1,910	1,078
	=====	=====

CONTINGENT LIABILITIES AND COMMITMENTS

13.1 The Company is contingently liable for:

(a) Rs. 39 million (1997: Rs. 38 million) against guarantees issued by Banks which are secured by pari passu charge by way of hypothecation of stores and spares, stock-in-trade, trade debts and other receivables.

(b) Rs.13 million (1997: Rs. 6 million) for post dated cheques issued to the Custom Authorities.

13.2 Aggregate commitments for capital expenditure as at September 30,1998 is Rs. 123 million (1997: Rs. 138 million).

14. OPERATING ASSETS

	COST			DEPRECIATION					Rs. 000s
	As at Oct, 1, 1997	Additions	Disposals	As at Sep, 30, 1998	Accumulated depreciation up to Sep, 30, 1998	Net Book Value as at Sep, 30, 1998	Rate %	Charge for the year	
Leasehold lands	14,448	1,600	-	16,048	-	16,048	-	-	
Buildings on leasehold lands	143,787	7,436	-	151,223	63,058	88,165	5 to 10	9,258	
Plant and machinery	1,645,188	278,777	20,531	1,903,434	770,549	1,132,885	10	112,556	
Office equipment, furniture and fixture	48,608	10,284	-	58,892	27,291	31,601	10 to 20	5,802	
Transport equipment	48,770	13,135	3,056	58,849	28,988	29,861	20	7,465	
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total 1998	1,900,801	311,232	23,587	2,188,446	889,886	1,298,560		135,081	
	=====	=====	=====	=====	=====	=====	=====	=====	=====

Total 1997	1,690,641	214,985	4,825	1,900,801	775,576	1,125,225	119,783
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14.1 Additions to plant and machinery include net financial charges and exchange differences amounting to Rs. 30 million (1997: Rs. 5 million).

14.2 Depreciation charged for the year has been allocated as follows:

	1998	1997
Cost of goods manufactured (note 25.1)	129,279	114,973
Administrative expenses (note 26)	5,802	4,810
	-----	-----
	135,081	119,783
	=====	=====

14.3 Details of operating assets sold (by negotiation)

Particulars	Cost	Book Value	Sale Proceeds	Rs. 000s	
				Name of Purchasers	
Plant and machinery	2,732	119	740	Yousuf Textile Printing Mills B-35, S.I.T.E., Karachi	
	7,399	775	1,025	Jubilee Textile Industries Ltd. Abdullah Pur, Faisalabad	
	9,337	532	2,200	Choti Textile Mills Ltd. Dera Ghazi Khan	
	1,063	31	420	Shahdadkot Textile Mills (Pvt) Ltd., Distt. Larkana, Sindh	
Transport equipment	14	4	105	Muhammad Imran 35/D, Sector-22 Korangi No. 5 Karachi	
	145	38	122	Niaz Mohammed C/o Cambelpur Kiryana Store Mohammed Nagar, Landhi, Karachi	
	149	13	110	Amin Shakoor Dhoki B-32, 4th Floor, Usman Plaza, Gulshan-e-Iqbal, Block-3, Karachi	
	142	12	85	Raja Arif Mehmood 38/216 Darakhshah Society Malir, Kalaboard, Karachi	
	148	10	115	Azmat All S-1/20 Saudabad, Malir Colony Karachi	
	18	6	105	Shirazee Industrial Corporation Shirazee House 57/2/4, Block-6, P.E.C.H.S., Karachi	
	608	219	370	Toyota Central Motors 3 Main Shahrah-e-Faisal, Karachi	
	380	41	254	Muhammad Ikramuddin A-314, Block-3, Gulshan-e-Iqbal, Karachi	

18.1 These deposits of USD 1.983 million (1997: USD 7.514 million) placed with banking companies are under lien for the loans referred to in note 7.

	1998	1997
	Rs. 000s	
19. STORES AND SPARES		
Stores and chemicals	36,613	33,744
Spare parts	43,354	41,336
	-----	-----
	79,967	75,080
	=====	=====

20. STOCK-IN-TRADE		
Raw materials	162,085	236,757
Work-in-process	31,275	31,758
Finished goods	641,659	891,983
	-----	-----
	835,019	1,160,498
	=====	=====

21. TRADE DEBTS - UNSECURED		
Considered good	573,347	436,721
	=====	=====

22. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Current portion of long term loans to employees (note 17)	2,961	3,430
Advances	42,433	51,073
Advance income tax - net	2,903	-
Income tax refund receivable	-	490
Duty drawback receivable	38,617	33,968
Prepayments and other receivables	20,946	5,455
	-----	-----
	107,860	94,416
	=====	=====

	1998	1997
	Rs. 000s	
23. CASH AND BANK BALANCES		
In hand	829	165
With banks in current accounts	7,530	989
With banks in deposit accounts (note 23.1)	283,911	6,511
	-----	-----
	292,270	7,665
	=====	=====

23.1 These deposits of USD 6.172 million (1997:USD0.158million)are under lien for loans referred to in note 7.

24. SALES		
Local	1,277,782	1,224,148
Export	2,126,878	1,868,012
	-----	-----
	3,404,660	3,092,160
Less: Commission and brokerage	1,475	304
	-----	-----

3,403,185 3,091,856
 =====

25. COST OF SALES

Opening stock of finished goods	891,983	433,123
Add: Cost of goods manufactured (note 25.1)	2,398,078	2,725,246
Purchases and processing charges	167,022	282,210
	-----	-----
	3,457,083	3,440,579
Less: Closing stock of finished goods	641,659	891,983
	-----	-----
	2,815,424	2,548,596
	=====	=====

25.1 Cost of goods manufactured

Raw materials consumed (note 25.2)	1,312,453	1,671,696
Stores consumed	373,492	399,104
Salaries, wages and benefits	295,220	268,443
Fuel, power and water	202,321	195,617
Insurance	22,411	16,338
Repairs and maintenance	54,847	50,760
Other manufacturing expenses	8,055	8,315
Depreciation	129,279	114,973
	-----	-----
	2,398,078	2,725,246
	=====	=====

1998 1997
Rs. 000s

25.2 Raw materials consumed

Opening stock	236,757	253,663
Purchases during the year	1,237,298	1,652,808
Closing stock	(162,085)	(236,757)
	-----	-----
	1,311,970	1,669,714
Work-in-process		
Opening	31,758	
Closing	(31,275)	483
	-----	-----
	1,312,453	1,671,696
	=====	=====

26. ADMINISTRATIVE EXPENSES

Salaries and benefits	52,195	42,382
Rent, rates and taxes	6,989	6,435
Repairs and maintenance	6,802	5,392
Vehicle up keep	12,258	10,189
Conveyance and travelling	17,936	16,299
Printing and stationery	6,719	6,525
Postage and telecommunication	8,105	8,619
Legal and consultancy fees	2,951	2,653
Miscellaneous	1,528	3,012
Depreciation	5,802	4,810
Auditors' remuneration (note 26.1)	70	64
Donations (note 26.2)	324	1,307
	-----	-----
	121,679	107,687
	=====	=====

26.1 Audit fee

Audit of workers' profit participation fund and other services	70	60
	-	4
	-----	-----

70 64
 ===== =====

26.2 Donations include Rs. 250(000) (1997: Rs. 250(000)) paid to Haji Alimohammed Foundation. Mr. Iqbal Alimohammed, Chief Executive, Mr. Bashir H. Alimohammed, Director, Mr. A. Latif Valimohammed, Director and Mr. Ghulam Haji Alimohammed, Director are amongst the Trustees of the Foundation.

Freight and shipment expenses	46,093	39,066
Insurance and bank charges	295	395
Advertisement and publicity	11,609	10,385
Other expenses	9,407	5,479
	-----	-----
	67,404	55,325
	=====	=====

1998 1997
Rs. 000s

28. OTHER INCOME

Profit on sale of operating assets	4,681	1,705
Scrap sales	2,046	1,900
Provisions and unclaimed balances written back	124	130
Others	-	85
	-----	-----
	6,851	3,820
	=====	=====

29. FINANCIAL CHARGES

Mark-up on redeemable capital and interest on long term loans	116,413	79,943
Mark-up on running finance	170,791	207,336
Interest on debentures	297	1,032
Interest on workers' profit participation fund	414	374
Bank charges	10,099	9,576
	-----	-----
	298,014	298,261
Less: Interest income on foreign currency depos	10,832	514
	-----	-----
	287,182	297,747
	=====	=====

30. REMUNERATION OF DIRECTORS AND EXECUTIVES

	1998				1997			
	Chief Executive	Director	Executives	Total	Chief Executive	Director	Executives	Total
Managerial remuneration	785	785	28,294	29,864	550	390	19,358	20,298
House rent allowance	337	337	10,636	11,310	235	171	6,688	7,094
Utility allowance	78	78	2,658	2,814	55	39	1,671	1,765
Other allowances	-	-	245	245	-	-	183	183
	-----	-----	-----	-----	-----	-----	-----	-----
	1,200	1,200	41,833	44,233	840	600	27,900	29,340
	=====	=====	=====	=====	=====	=====	=====	=====
Number of persons	1	1	145	147	1	1	107	109

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

30.2 Aggregate amount charged in the accounts for the year for meeting fees to three Directors was

Rs. 3 (000) (1997: three Directors Rs. 2 (500)).

31. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The Company purchased from and sold to associated undertakings goods, materials and services in the aggregate sum of Rs. 41 million and Rs. 15 million respectively (1997: Rs. 10 million and Rs. 94 million respectively). The basis of transactions is prevailing market rates.

The maximum aggregate amount due to and due from associated undertakings at the end of any month during the year was Rs. 7 million and Rs. 6 million respectively (1997: Rs. NIL and Rs. 21 million respectively). There was Rs. NIL due to and Rs. NIL due from associated undertakings as at the end of the year (1997: Rs. NIL and Rs. NIL respectively).

32. CAPACITY AND PRODUCTION

	Unit	1998 (000s)		Working	1997 (000s)	
		Capacity	Production		Capacity	Production
Cloth	Sq. metres (50 Picks converted)	34,292	31,820	3 shifts	31,360	28,922
Yarn	Kgs. (20 Counts converted)	23,021	20,002	3 shifts	24,017	18,504

Note: a) Cloth production is lower as compared to capacity due to changes in the production mix of the quality of cloth and closure due to maintenance.

b) Yarn production is lower as compared to capacity due to production of fine counts of yarn and closure due to maintenance.

33. GENERAL

33.1 Previous year's figures have been rearranged where necessary for comparison purposes.

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

IQBAL ALI MOHAMMED
Chief Executive

BASHIR H. ALI MOHAMMED
Director

PATTERN OF SHAREHOLDING

As AT SEPTEMBER 30, 1998

No. of Shareholders		Shareholding		Shares Held	
652	From	1	to	100	24,223
708	From	101	to	500	151,387
116	From	501	to	1000	80,868
1,016	From	1001	to	5000	2,989,342
29	From	5001	to	10000	193,427
8	From	10001	to	15000	102,693
2	From	15001	to	20000	35,181
4	From	20001	to	25000	93,075
1	From	25001	to	30000	26,881
2	From	30001	to	35000	63,353
2	From	40001	to	45000	82,553
2	From	45001	to	50000	99,370
1	From	50001	to	55000	54,939
2	From	55001	to	60000	114,486
2	From	60001	to	65000	128,482
2	From	65001	to	70000	135,743
2	From	70001	to	75000	145,038

2	From	80001	to	85000	165,063
1	From	85001	to	90000	89,009
2	From	90001	to	95000	186,690
3	From	105001	to	110000	322,680
2	From	110001	to	115000	222,116
4	From	130001	to	135000	529,910
2	From	135001	to	140000	278,983
1	From	140001	to	145000	140,433
2	From	145001	to	150000	293,643
1	From	150001	to	155000	153,508
1	From	155001	to	160000	158,019
2	From	160001	to	165000	323,704
1	From	165001	to	170000	169,824
1	From	170001	to	175000	171,485
1	From	185001	to	190000	188,321
1	From	205001	to	210000	206,164
1	From	250001	to	255000	252,600
1	From	260001	to	265000	263,653
5	From	265001	to	270000	1,340,719
1	From	270001	to	275000	272,461
1	From	280001	to	285000	281,681
1	From	290001	to	295000	290,027
1	From	295001	to	300000	299,980
1	From	320001	to	325000	324,810
1	From	335001	to	340000	338,523
2	From	355001	to	360000	712,576
1	From	370001	to	375000	370,696
1	From	395001	to	400000	396,960
1	From	415001	to	420000	419,404
2	From	420001	to	425000	845,212
1	From	430001	to	435000	432,832
1	From	480001	to	485000	483,874
1	From	520001	to	525000	524,500
2	From	530001	to	535000	1,066,308
1	From	595001	to	600000	595,960
1	From	1185001	to	1190000	1,186,359
1	From	1255001	to	1260000	1,257,414
1	From	1300001	to	1305000	1,303,573
1	From	1320001	to	1325000	1,323,618
1	From	1735001	to	1740000	1,738,609
1	From	2005001	to	2010000	2,008,442
1	From	2170001	to	2175000	2,174,587

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2,611		28,625,971
=====		=====

Categories of Shareholders

	Number	Shares Held	Percentage
Individuals	2,579	20,743,806	72.46
Investment Companies	7	2,251,701	7.87
Insurance Companies	6	1,480,197	5.17
Joint Stock Companies	6	14,775	0.05
Modaraba Companies	4	111,572	0.39
Financial Institutions	3	523,524	1.83
Foreign Investors	2	3,478,160	12.15
Charitable Institutions	2	17,478	0.06
Government Departments	2	4,758	0.02
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	2,611	28,625,971	100.00
=====	=====	=====	=====