

GUL AHMED TEXTILE MILLS LIMITED

Directors' Report

Your Directors take pleasure in presenting 51st Annual Report and the audited accounts for the year ended September 30, 2003.

OPERATING RESULTS

Rs. in 000s

Operating results of the Company are noted below:

Profit after providing depreciation/amortization of Rs. 294 million amounts to	381,834
Less: Provision for taxation	80,000
Profit after taxation	<u>301,834</u>
Add: Unappropriated profit brought forward	2,099
Amount available for appropriation	<u><u>303,933</u></u>

Appropriations

Proposed dividend	102,220
General reserves	200,000
Amount carried forward	1,713
	<u><u>303,933</u></u>

Although sales and profit are marginally lower compared to the previous year, we consider these results as sound in view of the challenging business realities under which the Company operated.

DIVIDEND

Your Directors are pleased to recommend cash dividend @ 30% that is Rs. 3 per share.

FUTURE PROSPECTS

From the last quarter of the financial year, positive change in European Community's economy is evident which is expected to continue.

However, out come of anti-dumping investigation on bed linen exports started by European Commission last year is still awaited. Cotton production worldwide has suffered as compared to the previous year, which has caused its prices to increase by more than 50%. These issues may have a dampening effect on the exports and outweigh the advantages expected from the improvement in European Community's economy.

With the move towards quota free trade, global business strategies will change dramatically. Strategies have been developed to meet the challenges of quota free environment to ensure that not only the current market share is maintained but also to tap the new avenues for healthy growth as well.

Along with focusing on exports, your Company is also trying to concentrate on local market share. “IDEAS by Gul Ahmed” – our first retail out-let, is the initial step towards this objective.

SUBSIDIARY COMPANIES

To service our export customers better, the Company has under its ultimate ownership set up a wholly owned subsidiary in Europe. This new subsidiary in Europe as well as the existing subsidiary in UAE have commenced their trading activities during the financial year under review. Consolidated accounts for the group are included in the annual report.

CORPORATE GOVERNANCE

We are pleased to report that your Company has taken necessary steps to comply with the provisions of the Code of Corporate Governance as incorporated in the Listing Rules of the Stock Exchanges.

- The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operation, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimate are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure, if any, has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The process of review will continue and any weaknesses in controls will be removed.
- There are no significant doubts upon the Company’s ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulation.
- The key operating and financial data for the last six years, in a summarized form, is annexed.

- During the year six board meetings were held and the attendance by each Director is included in the annual report.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding in the Company as at September 30, 2003 is included in the annual report.

AUDITORS

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

ACKNOWLEDGMENT

Your Directors are pleased to record their appreciation for the continued dedication, commitment and loyalty of the employees of the Company. We also appreciate the assistance and continued support of the various Government Departments and Bankers.

For and on behalf of the Board

Karachi
December 03, 2003

ZAIN BASHIR
Director