

Pakistan Synthetics Limited

Annual Report 2000

CONTENTS

Company Information
Performance of the Company at a Glance
Notice of Meeting
Report of the Directors
Auditors' Report to the Members
Balance Sheet
Profit and Loss Account
Cash Flow Statement
Statement of Changes in Equity
Notes to the Accounts
Pattern of Shareholding

COMPANY INFORMATION

BOARD OF DIRECTORS

EBRAHIM HAJI KARIM - CHAIRMAN
UMER HAJI KARIM-CHIEF EXECUTIVE
HAROON HAJI KARIM
ANWAR HAJI KARIM
YAKOOB HAJI KARIM
AHMED EBRAHIM
AALIYA DOSSA

SECRETARY

M. SALEEM AZIZ

BANKERS

HABIB BANK LIMITED
HABIB BANK AG ZURICH
CITIBANK N.A.
AMERICAN EXPRESS BANK LIMITED
METROPOLITAN BANK LIMITED
BANK AL-HABIB LIMITED
MUSLIM COMMERCIAL BANK LIMITED
NATIONAL BANK OF PAKISTAN
BANK ALFALAH LIMITED

AUDITORS

HYDER BHIMJI & COMPANY
CHARTERED ACCOUNTANTS

LEGAL ADVISORS

MANSOOR AHMED KHAN & COMPANY
ADVOCATES AND SOLICITORS

REGISTERED OFFICE

3RD FLOOR, KARACHI DOCK LABOUR BOARD
BUILDING, 58- WEST WHARF ROAD,

KARACHI-74000

FACTORY

F. 1,2,3, & F. 13, 14 & 15,
HUB INDUSTRIAL TRADING ESTATE,
DISTRICT LASBELLA, BALOCHISTAN

PERFORMANCE OF THE COMPANY AT A GLANCE

YEAR ENDED DECEMBER 31,

	1991	1992	1993	1994
STATISTICAL SUMMARY				
				<i>Rupees in million</i>
Gross sales	909	833	1,143	1,409
Profit/(loss) before taxation	15	35	154	257
Taxation	4	4	5	6
Profit/(loss) after taxation	11	31	149	251
Gross assets employed (including capital work-in-progre	1,452	1,290	1,365	1,443
Paid-up capital	374	374	374	448
Shareholders' equity	384	416	565	816
EARNING AND PAY OUT				<i>Rs. per share of Rs. 10</i>
Earnings per share after taxation	0.29	0.84	3.98	5.60
Break-up value	10.29	11.13	15.11	18.19
Bonus shares	--	--	1:5	1:4
Cash dividend	--	--	--	--
*The net earning per share for the year ended June 30,1998 was negative				
FINANCIAL RATIOS				<i>Ratios</i>
Current Assets: Current Liabilitie	0.66:1	0.63:1	0.86:1	1.12:1
Long-term Debts: Equity	62:38	55:45	42:58	25:75
PRODUCTION				<i>Tonnes</i>
Polyester Staple Fibre	17,457	16,673	20,858	19,430
Polyester Chips	--	--	497	772

NOTICE OF MEETING

Notice is hereby given that the Fifteenth Annual General Meeting of Pakistan Synthetics Limited will be held on Friday, the 24th November, 2000, at 3.30 p.m. at the General Assembly Hall, Islamic Chamber of Commerce and Industry, ST 2/A, Block-9, K.D.A. Scheme No. 5, Clifton, Karachi - Pakistan, to transact the following business:-

1. To confirm the minutes of the Fourteenth Annual General Meeting of the Company held on 22nd December, 1999.
2. To receive and adopt the Audited Accounts of the Company together with Directors' and Auditors' Reports for the year ended 30th June, 2000.
3. To approve the payment of a Final Dividend for the year ended 30th June, 2000, as recommended by the Board of Directors.
4. To appoint Auditors and fix their remuneration.
5. To transact such other ordinary business as may be placed before the meeting with the permission of the Chair.

By Order of the Board

**UMER HAJI KARIM
CHIEF EXECUTIVE**

Karachi: 20th October, 2000

NOTES :-

1. The Shares Transfer Books of the Company will remain closed from Friday, 17th November, 2000 to Monday, 27th November, 2000 (both days inclusive). Transfers received at the Registered Office of the Company at the close of business on 16th November, 2000 will be treated in time for the purpose of determining the entitlement for the payment of proposed cash dividend to the transferees and to attend the Annual General Meeting of the Company.
2. A member of the Company entitled to attend and to vote at the meeting may appoint any other member as his/her proxy to attend, speak and vote at the meeting on his/her behalf. Instrument appointing proxies, in order to be effective, must be received at the Registered Office of the Company at 3rd Floor, Karachi Dock Labour Board Building, 58-West Wharf Road, Karachi, duly stamped, signed and witnessed not less than 48 hours before the time of holding the meeting.
3. Account holders and sub-account holders holding book entry securities of the Company in Central Depository Company of Pakistan Limited, who wish to attend the Annual General Meeting, are requested to bring original National Identity Card with copy thereof duly attested by their Bankers for identification purpose and should present their CDC Account Number.
4. The Shareholders are requested to notify the Company if there is any change in their addresses immediately.

CDC Account Holders will further have to follow the undermentioned guidelines as laid down in Circular I dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:

A. For Attending the Meeting:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- iii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his original NIC or original passport at the time of the meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH JUNE, 2000

Your Directors are pleased to present 15th Annual Report of your Company together with the Audited Accounts for the year ended 30th June, 2000.

BOARD OF DIRECTORS

Mr. Nasim Beg, a Director of the Company resigned and in his place Mr. S. Zubair Ahmed was appointed as a Director. Mr. Nasim Beg was associated with the Company for last three years and he actively participated in the meetings of the Company. The Board placed on record appreciation of the valuable services rendered by him.

The Board welcomes Mr. S. Zubair Ahmed as a Director of the Company and hopes that the Company would be benefited by his active participation.

OVERVIEW

During the period under review, there was considerable improvement in the overall performance of the local Polyester Staple Fibre Industry. Fibre consumption in the country has increased considerably in the last few years. Demand for Polyester Staple Fibre remained strong during the year under review inspite of sharp decline in the cotton prices. The production, turnover and profitability of your Company have improved significantly.

PRODUCTION

The Company produced 22,142 tons of Polyester Staple Fibre during the year under review as against 18,745 tons of Polyester Staple Fibre in the corresponding period of last year. In addition, 2,834 tons of Polyester Chips were also produced during the year.

FINANCIAL RESULTS

The gross turnover for the year ended 30th June, 2000 increased to Rs. 1,558 million

as compared to the gross turnover of Rs. 1,013 million for the year ended 30th June, 1999, which was due to higher sales volume and increase in the selling price of Polyester Staple Fibre.

The raw material in-put cost increased during the year under review due to upward trend in international prices of PTA and MEG resulting in increase in the overall cost of production for the year under review.

By the grace of Almighty Allah, the Company earned a net profit, before taxation of Rs. 121.898 million, after providing for depreciation and financial charges aggregating to Rs. 108.760 million, as against a net profit of Rs.12.340 million in the last year. The net profit, after providing for taxation and prior years' tax adjustment, worked out to Rs.83.965 million.

Your Directors are pleased to propose payment of cash dividend of Re. 1/- per share for the year under review (1999: Re. 0.75 per share).

Accordingly, the following appropriations have been proposed:-

	<i>(Rs' 000)</i>
Net profit after taxation	83,965
Unappropriated profit brought forward	956

Profit available for appropriation	84,921
Appropriations:-	
Final dividend @ Re. 1/- per share of Rs. 10/- each	56,040
Transfer to general reserve	25,000

Unappropriated profit carried forward	3,881
	=====

EARNINGS PER SHARE

The net earning per share after providing for taxation for the year ended 30th June, 2000 was Rs. 1.50 (1999: Re. 0.21).

FUTURE OUTLOOK

The prices of PTA and MEG have shown upward trend in the international market in view of unprecedented oil crisis. The landed cost of raw materials has risen due to depreciation of Pak currency by over 10% since July, 2000 and incidence of 30% cash margin on imports. Increase in the cost of other inputs due to prevailing inflationary trend in the country, increase in rate of mark-up and cost of power generation due to increase in gas charges would add to the overall cost of production.

The local prices of Polyester Staple Fibre have increased in the first quarter of the current year.

Future trend of the local prices of Polyester Staple Fibre, depending upon local as well as international market forces, would determine the financial results of the Company for the current year.

Your Directors are fully cognisant of the present situation and are striving their best to improve the financial results of the Company by maximizing the production, improving the operating efficiencies and taking appropriate cost reduction measures.

AUDITORS

The present Auditors, M/s. Hyder Bhimji & Co., Chartered Accountants, retire at the conclusion of the 15th Annual General Meeting and being eligible, offer themselves for re-appointment as auditors of the Company.

PATTERN OF SHAREHOLDING

A Statement showing the pattern of shareholding in the Company as on 30th June, 2000 is attached to this report on Page. 31.

ACKNOWLEDGEMENT

The Management Employees relations remained cordial throughout the year. The Management expresses its gratitude for the continuing support and hardwork rendered by its employees and workers for the progress of the Company.

**For and on behalf of
Board of Directors**

**UMER HAJI KARIM
CHIEF EXECUTIVE**

Karachi: 20th October, 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of PAKISTAN SYNTHETICS LIMITED as at June 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 standard 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, and, 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 June 30, 2000 and of the profit, its cash flows 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: 20th October, 2000

HYDER BHIMJI & CO.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in thousand)</i>	
SHARE CAPITAL AND RESERVES			
Authorised Capital			
70,000,000 (1999: 70,000,000) ordinary shares of Rs. 10 each		700,000	700,000
		=====	=====
Issued, subscribed and paid-up capital	3	560,400	560,400
Revenue reserves	4	432,500	407,500
Unappropriated profit		3,881	956
		-----	-----
		996,781	968,856
REDEEMABLE CAPITAL	5	--	--
DEFERRED LIABILITIES	6	49,038	11,310
CURRENT LIABILITIES AND PROVISIONS			

Short - term running finance utilized under mark up arrangement	7	--	232,782
Current portion of redeemable capital	5	--	16,160
Creditors, accrued and other liabilities	8	206,611	109,515
Taxation		8,920	11,760
Proposed dividend		56,040	42,030
		-----	-----
		271,571	412,247
CONTINGENT LIABILITIES AND CAPITAL CO	9	--	--
		-----	-----
TOTAL		1,317,390	1,392,413
		=====	=====

The annexed notes form an integral part of these accounts.

TANGIBLE FIXED ASSETS

Operating fixed assets	10	749,634	815,291
Capital work - in - progress	11	20,486	450
		-----	-----
		770,120	815,741

LONG - TERM LOANS AND ADVANCES

	12	317	898
--	----	-----	-----

LONG - TERM DEPOSITS

		2,601	2,601
--	--	-------	-------

CURRENT ASSETS

Stores and spares	13	112,262	105,105
Stock-in-trade	14	261,251	264,137
Trade debts	15	95,430	110,685
Loans and advances	16	1,886	1,364
Trade deposits and short-term prepayments	17	--	1,067
Other receivables	18	45,125	70,025
Cash and bank balances	19	28,398	20,790
		-----	-----
		544,352	573,173

TOTAL		1,317,390	1,392,413
		=====	=====

EBRAHIM HAJI KARIM
CHAIRMAN

UMER HAJI KARIM
CHIEF EXECUTIVE

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2000**

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in thousand)</i>	
Net sales	20	1,347,822	883,912

Cost of goods sold	21	1,169,650	791,913
		-----	-----
Gross profit		178,172	91,999
Administration and general expenses	22	25,948	27,140
		-----	-----
Operating profit		152,224	64,859
Other income	23	966	586
		-----	-----
		153,190	65,445
Financial charges	24	24,802	52,401
Other charges	25	6,490	704
		-----	-----
Profit before taxation		121,898	12,340
Taxation	27	37,933	614
		-----	-----
Profit after taxation		83,965	11,726
Unappropriated profit/(accumulated loss) brought forward		956	(11,240)
		-----	-----
Profit available for appropriation		84,921	486
Appropriations:			
Transfer (to)/from revenue reserve		(25,000)	42,500
Proposed final dividend @ Re. 1/- per share of Rs. 10/- each (1999: Re. 0.75)		(56,040)	(42,030)
		-----	-----
Unappropriated profit carried forward		3,881	956
		=====	=====
		Rs.	Re.
Earnings per share	28	1.50	0.21
		=====	=====

The annexed notes form an integral part of these accounts.

EBRAHIM HAJI KARIM
CHAIRMAN

UMER HAJI KARIM
CHIEF EXECUTIVE

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2000

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousand)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	121,898	12,340
Adjustments for:		
Depreciation	83,958	90,616
Provision for staff gratuity	3,422	1,698

Profit on disposal of fixed assets	(483)	(501)
Interest income	--	(85)
Financial charges	24,802	52,401
	-----	-----
	233,597	156,469
Movement in:		
Working capital	121,354	15,393
Long-term loans	581	362
Long-term deposits	--	(603)
	-----	-----
Cash inflow from operations	355,532	171,621
Payments for:		
Staff gratuity	(1,194)	(624)
Financial charges	(35,759)	(53,948)
Taxes	17,542	(16,201)
	-----	-----
Net cash inflow from operating activities	336,121	100,848
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure including		
Capital work-in-progress	(38,647)	(28,656)
Proceeds from disposal of fixed assets	793	2,971
Interest received	--	85
	-----	-----
Net cash (out flow) from investing activities	(37,854)	(25,600)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of redeemable capital- LT-TFCs	(16,160)	(28,950)
Repayment of long-term loan to ADB	--	(24,046)
Repayment of long-term loan under LMM financing	--	(755)
Dividends paid	(41,717)	(10)
	-----	-----
Net cash (out flow) from financing activities	(57,877)	(53,761)
	-----	-----
Net increase in cash and cash equivalents	240,390	21,487
Cash and cash equivalents as at July 1,	(211,992)	(233,479)
	-----	-----
Cash and cash equivalents as at June 30,	28,398	(211,992)
	=====	=====

MOVEMENT IN WORKING CAPITAL

(Increase)/decrease in current assets		
Stores and spares	(7,157)	(3,461)
Stock-in-trade	2,886	36,175
Trade debts	15,255	(26,484)
Loans and advances	(522)	214
Trade deposits and short-term prepayments	1,087	(683)
Other receivables	2,085	4,586

=====

The annexed notes form an integral part of these accounts.

EBRAHIM HAJI KARIM
CHAIRMAN

UMER HAJI KARIM
CHIEF EXECUTIVE

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000

1. STATUS OF THE COMPANY

The Company was incorporated on 18th November, 1984 as a Private Limited Company and subsequently converted into a Public Limited Company on 30th December, 1987. The shares of the Company have been listed on Karachi and Lahore Stock Exchanges w.e.f. 16th and 17th July, 1990 respectively and with Islamabad Stock Exchange w.e.f. 27th June, 1995. The principal activity of the Company is manufacturing and sale of Polyester Staple Fibre.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under historical cost convention.

2.2 Staff Gratuity

The Company accounts for gratuity payable to all its employees who are eligible under the law, using liability method.

2.3 Tangible Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation except freehold land and capital work-in-progress, if any, which are stated at cost.

Depreciation is charged on reducing balance method at the normal tax rates. Additions in a year are depreciated for a full year irrespective of the date of purchases. No depreciation is charged on assets in the year of their disposal.

Cost of capital work-in-progress includes costs pertaining to the acquisition, construction, erection and installation of building, plant and machinery and other fixed assets. Borrowing cost and other expenditure incurred during the process of acquisition, construction, erection and installation of the assets are capitalised.

The cost of leasehold land is amortised in equal installments over the lease period from the date of commercial production.

Maintenance and normal repairs are charged to income as and when incurred; major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Profits and losses on disposal of fixed assets are taken to profit and loss account.

2.4 Stores and Spares

These are valued at moving average cost except goods in transit which are valued at cost.

2.5 Stock-in-trade

All stocks are valued at lower of average cost and estimated net realisable value. Cost of raw and packing material is determined by average method except for those in transits, which are valued at cost.

Cost of work-in-process comprises of raw material cost only. Conversion costs are not included as these are not significant.

Cost of finished goods comprises of prime cost and appropriate portion of production overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business, less cost necessary to be incurred in order to make the sale.

2.6 Foreign Currency translation

Assets and liabilities in foreign currencies are translated into rupees at rates of exchange approximating those prevailing at the balance sheet date except for liabilities covered under forward exchange contracts which are translated at the contracted rates. Exchange differences are taken to the profit and loss account.

2.7 Taxation

Provision for current taxation is based on current rates of taxation after taking into account tax credits available, if any.

The Company accounts for deferred taxation on all material timing differences using the liability method.

2.8 Interest and Charges

Interest, mark-up and other charges on Redeemable Capital, Long-Term Loans and Debentures are capitalised in the cost of relevant fixed assets for the period upto the date of commercial production, subsequent interest, mark-up and other charges are expensed during the year.

2.9 Revenue Recognition

Sales are recorded on despatch of goods to customers. Income on investments is recognised on accrual basis.

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousand)</i>	
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
37,360,000 ordinary shares of Rs. 10 each fully paid in cash	373,600	373,600
18,680,000 ordinary shares of Rs. 10 each issued as fully paid bonus shares	186,800	186,800
-----	-----	-----
56,040,000	560,400	560,400
=====	=====	=====

4. REVENUE RESERVES

General reserve

Balance as at July 01,	407,500	450,000
Transfer from/(to) profit and loss account	25,000	(42,500)
	-----	-----
	432,500	407,500
	=====	=====

5. REDEEMABLE CAPITAL - SECURED

(Non-participatory)

Long - term TFCs	--	16,160
Less:- current portion shown under current liabilities	--	16,160
	-----	-----
	--	--
	=====	=====

6. DEFERRED LIABILITIES

Deferred taxation		
Credit balance arising due to		
-accelerated tax depreciation allowances	75,000	--
Debit balance arising in respect of		
-provision for staff gratuity	(4,500)	--
-tax losses carried forward	(35,000)	--
	-----	-----
	(39,500)	--
	-----	-----
	35,000	--
Provision for staff gratuity	13,538	11,310
	-----	-----
	49,038	11,310
	=====	=====

7. SHORT - TERM RUNNING FINANCE UTILIZED UNDER MARK-UP ARRANGEMENTS - SECURED

The facilities for short-term running finances available from various banks amounted to Rs. 275.00 million as at June 30, 2000 (1999: Rs. 250.00 million). The rates of mark-up net of prompt payment rebates range from Re. 0.36 to 0.40 (1999: Re. 0.41 to 0.45) per Rs. 1,000 per day. These arrangements are secured against hypothecation of the Company's stock-in-trade, stores and spares and trade debts. The facilities expire on various dates by June 30, 2001.

8. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors	178,249	83,481
Sales tax payable	5,126	--
Mark-up accrued - redeemable capital (secured)	--	2,144
Mark-up accrued - short-term running finance (secured)	1,304	10,117
Bank guarantee commission	4,477	4,477
Workers' profit participation fund (note 8.1)	6,417	651
Unclaimed dividend	466	153
Accrued expenses	6,306	5,958
Other current liabilities	4,266	2,534
	-----	-----

	206,611	109,515
	=====	=====
8.1 WORKERS' PROFIT PARTICIPATION FUND		
Balance as at July 1,	651	11
Interest on funds utilized in the Company's business	59	--
	-----	-----
	710	11
Allocation for the year	6,415	640
	-----	-----
	7,125	651
Less: Amounts paid during the year	708	--
	-----	-----
Balance as at June 30,	6,417	651
	=====	=====

The undistributed balance of workers' profit participation fund is being utilized by the Company.

9. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

9.1 Contingent Liabilities - Rs. 17.640 million (1999: Rs. 13.988 million)

(a) Habib Bank Limited (HBL), Cloth Market Branch, Karachi, issued a Bank Guarantee for Rs. 13.988 million in favour of Sui Southern Gas Company Limited for payments of gas bills. The Guarantee shall be secured by second charge on the Company's undertaking, on all its present and future properties, assets, rights and interests.

(b) Bank Al-Habib Limited, Main Branch, Karachi issued a Bank Guarantee for Rs. 3.652 million in favour of Sui Southern Gas Company Limited for payments of gas bills. The Guarantee has been secured by letter of hypothecation of movables and receivables of the Company's stock-in-trade, stores and spares and trade receivables.

(c) Inland bills discounted upto June 30, 2000 Rs. 47.491 million.

9.2 Capital Commitments

Commitments in respect of capital expenditure contracted for as at June 30, 2000 amounted to Re. Nil (1999: Rs. 1.00 million).

9.3 Bank Guarantees

The facility for obtaining Letters of Credit and Guarantees as at June 30, 2000 amounted to Rs. 767.00 million (1999: Rs. 1,137.00 million) of which the amount remaining unutilised at year end was Rs. 517.00 million.

10. OPERATING FIXED ASSETS

The following is a statement of operating fixed assets:

<i>Particulars</i>	<i>Cost as at 01.07.99</i>	<i>Additions (deletions)</i>	<i>Cost as at 30.06.00</i>	<i>Accumulated depreciation upto</i>
--------------------	------------------------------------	----------------------------------	------------------------------------	--

30.06.00

(Rupees in thousand)

Land - leasehold	10,231	--	10,231	873
Building on leasehold land	67,969	--	67,969	39,989
Plant and machinery	1,593,457	12,304	1,605,761	909,415
Vehicles	23,830	6,168	28,491	16,961
		(1,507)		
Furniture and equipments	10,458	139	10,597	6,177
Total-2000	1,705,945	18,611	1,723,049	973,415
		(1,507)		
Total-1999	1,680,258	29,468	1,705,945	890,654
		(3,781)		

10.1 The following fixed assets were disposed off during the year ended June 30, 2000.

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale proceeds</i>	<i>Mode of disposal</i>	
<i>(Rupees in thousand)</i>						
Motor vehicles						
Toyota Corola	698	539	159	400	Negotiation	Mr
Suzuki Swift	317	280	37	125	Negotiation	Mr
Suzuki Khyber	233	179	54	123	Negotiation	Mr
Suzuki Khyber	235	181	54	127	Negotiation	Mr
Motor Cycle-CD	24	18	6	18	Negotiation	M/
Total-2000	1,507	1,197	310	793		
Total-1999	3,781	1,311	2,470	2,971		

2000 **1999**
(Rupees in thousand)

10.2 The depreciation charge for the year has been allocated as follows:

Cost of goods sold - note 21	80,584	88,066
------------------------------	--------	--------

Administration and general expenses - note 22	3,374	2,550
	-----	-----
	83,958	90,616
	=====	=====

11. CAPITAL WORK - IN - PROGRESS

Plant and machinery	14,635	420
Advance for motor vehicles purchased	5,334	--
Civil Work	300	--
Advances to contractors	217	30
	-----	-----
	20,486	450
	=====	=====

12. LONG-TERM LOANS AND ADVANCES - CONSIDERED GOOD

Due from executives	1,022	1,900
Less: receivable within one year (note 16)	848	1,065
	-----	-----
	174	835
Due from employees	668	362
Less: receivable within one year (note 16)	525	299
	-----	-----
	143	63
Outstanding for periods	-----	-----
- less than three years	317	898
	=====	=====

Loans and advances are granted to the Executives and Employees of the Company for various purposes in accordance with their terms of employment and are repayable over one to three years. The maximum aggregate amount due from the Executives at the end of any month during the year was Rs.1.828 million (1999: Rs. 3.099 million).

13. STORES AND SPARES

Stores	27,417	22,605
Spares (including items in - transit Rs. 0.438 million; 1999: Rs. 0.307 million)	84,845	82,500
	-----	-----
	112,262	105,105
	=====	=====

14. STOCK-IN-TRADE

Raw and packing materials(including items in-transit Rs. 16.649 million; 1999: Rs. 0.172 million)	120,736	176,516
Work-in- process	3,531	1,252
Finished goods	136,984	86,369
	-----	-----
	261,251	264,137
	=====	=====

15. TRADE DEBTS- UNSECURED

Considered good

- Due from Associated Undertaking	--	--
- Others	95,430	110,685
	-----	-----
	95,430	110,685
Considered doubtful	3,341	3,341
Less: provision for doubtful debts	3,341	3,341
	-----	-----
	--	--
	-----	-----
	95,430	110,685
	=====	=====

The maximum aggregate amount due from Associated Undertaking at the end of any month during the year was Rs.1.974 million (1999: Rs. 9.907 million).

16. LOANS AND ADVANCES - CONSIDERED GOOD

Loans and advances due from:

-Executives	848	1,065
-Employees	525	299
	-----	-----
	1,373	1,364
-Advance to suppliers/Contractors	513	--
	-----	-----
	1,886	1,364
	=====	=====

The maximum aggregate amount of advances to the Executives at the end of any month during the year was Re. nil (1999: Re. nil).

17. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Margin against guarantee held by Banks	--	133
Prepayments	--	934
	-----	-----
	--	1,067
	=====	=====

18. OTHER RECEIVABLES - CONSIDERED GOOD

Sales tax recoverable	1,723	3,115
Octroi refunds due	1,408	2,625
Advance income tax	40,152	62,967
Others	1,842	1,318
	-----	-----
	45,125	70,025
	=====	=====

19. CASH AND BANK BALANCES

Cash at banks in current accounts	28,386	20,769
Cash in hand	12	21
	-----	-----
	28,398	20,790
	=====	=====

20. NET SALES

Sales	1,557,607	1,012,985
Less: sales tax	203,166	124,658
brokerage and discounts	6,619	4,415
	-----	-----
	209,785	129,073
	-----	-----
Net sales	1,347,822	883,912
	=====	=====

21. COST OF GOODS SOLD

Raw and packing materials consumed		
Opening stock	176,344	176,265
Purchases	901,531	532,866
	-----	-----
	1,077,875	709,131
Closing stock	(104,087)	(176,344)
	-----	-----
	973,788	532,787
Salaries, wages and benefits	37,536	34,390
Stores and spares consumed	33,035	23,559
Oil, gas and electricity	77,810	67,166
Insurance	4,134	5,268
Repairs and maintenance	1,834	2,577
Depreciation (note 10.2)	80,584	88,066
General expenses	12,670	5,957
Rent, rates and taxes	1,153	178
	-----	-----
	1,222,544	759,948
Opening stock of work-in-process	1,252	8,747
Closing stock of work-in-process	(3,531)	(1,252)
	-----	-----
	1,220,265	767,443
Opening stock of finished goods	86,369	110,839
Closing stock of finished goods	(136,984)	(86,369)
	-----	-----
	1,169,650	791,913
	=====	=====

22. ADMINISTRATION AND GENERAL EXPENSES

Salaries and benefits	8,612	7,243
Repairs & Maintenance	102	--
Rent, rates and taxes	466	444
Depreciation (note 10.2)	3,374	2,550
Outward freight and handling charges	1,602	4,865
Vehicles running and transport hiring charges	8,115	8,757
Travelling expenses	869	823
Postage, telegram, telephone and telex	637	713
Printing, stationery and subscription fees	764	759
Advertisement	68	80
Legal and professional charges	511	147
General expenses	828	759
	-----	-----
	25,948	27,140
	=====	=====

23. OTHER INCOME

Profit on short-term and call deposit accounts		
- From other banking companies	--	85
Profit on disposal of fixed assets	483	501
Scrap sales	483	--
	-----	-----
	966	586
	=====	=====

24. FINANCIAL CHARGES

Mark-up on redeemable capital	--	6,261
Mark-up on short-term running finance	17,673	36,188
Mark-up on locally manufactured machinery loan	--	19
Interest on long-term loans	--	1,242
Interest on workers' profit participation fund	59	--
Exchange risk cover fee to State Bank of Pakistan	--	1,575
Bank guarantee commission	370	224
Discounting charges on receivable	6,370	6,602
Others	330	290
	-----	-----
	24,802	52,401
	=====	=====

25. OTHER CHARGES

Auditors' remuneration (note 26)	65	64
Workers' profit participation fund	6,415	640
Donation (note 25.1)	10	--
	-----	-----
	6,490	704
	=====	=====

25.1 Recipients of donation do not include any donee in whom a director or his spouse had any interest.

26. AUDITORS' REMUNERATION

Audit fee	60	60
Out-of-pocket expenses	5	4
	-----	-----
	65	64
	=====	=====

27. TAXATION

Current - for the year (minimum tax on turnover)	6,739	4,419
- for prior year (note 34(i))	(4,306)	(3,805)
Deferred	35,500	--
	-----	-----
	37,933	614
	=====	=====

28. EARNINGS PER SHARES

Net profit for the year after taxation	83,965	11,726
	=====	=====

Number of shares

Average ordinary shares in issue during the year	56,040,000	56,040,000
	=====	=====

Rs.**Re.**

Earnings per share	1.50	0.21
	=====	=====

29. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company were as given below:

PARTICULARS	CHIEF EXECUTIVE		DIRECTORS		(Rupees in
	2000	1999	2000	1999	
Meeting fees	1	1	7	6	
Managerial remuneration	--	--	--	--	
Housing and utilities	--	--	--	--	
Medical expenses	--	--	--	--	
Gratuity	--	--	--	--	
Leave encashment	--	--	--	--	
Other allowances	--	--	--	--	
	-----	-----	-----	-----	
TOTAL	1	1	7	6	

No. of persons	1	1	7	8
----------------	---	---	---	---

In addition, Chief Executive, two Directors and some of the Executives are provided with free use of Company cars.

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousand)</i>	
30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS		
Sale of goods	186,717	127,030
Share of rentals paid	466	444
31. NUMBER OF EMPLOYEES		
Number of employees as at June 30,	318	329

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

	<i>Interest/Mark-up Bearing</i>			<i>No</i>
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-Total (a)</i>	
FINANCIAL ASSETS				
Long term loans and advances	--	--	--	1,373
Long term deposits	--	--	--	--
Trade debts	--	--	--	95,430
Trade deposits	--	--	--	--
Other receivables	--	--	--	1,842
Cash & bank balances	--	--	--	28,398
	-----	-----	-----	-----
	--	--	--	127,043
	=====	=====	=====	=====
FINANCIAL LIABILITIES				
Short term running finance	--	--	--	--
Redeemable capital	--	--	--	--
Creditors, accrued & other liabilities	--	--	--	200,194
Proposed dividend	--	--	--	56,040
	-----	-----	-----	-----
	--	--	--	256,234
	=====	=====	=====	=====

32.1 FINANCIAL INSTRUMENTS & RISK MANAGEMENT

The Company issues financial instruments mainly to finance its operations. In addition, trade debts and trade

creditors arise directly from the Company's operations.

The Company finances its operations primarily by a mixture of issued share capital, retained profits and long and short term loans, running finance and redeemable capital. The Company borrows funds in foreign as well as local currency usually at fixed rates of interest or on mark-up basis.

A) FAIR VALUE OF FINANCIAL ASSETS & LIABILITIES

The carrying value of all financial assets and liabilities reflected in the financial statements approximates to their fair value.

B) CONCENTRATION OF CREDIT RISK

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

c) FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where receivable and payable exist due to sales and purchase transactions with foreign undertakings. Payable exposed to foreign currency risks are identified as either "Creditors" or "Bills Payable". Foreign currency risks relating to some payable are not covered through forward foreign exchange contracts due to excessive costs involved.

	<i>1999</i>	<i>2000</i>
	<i>(Metric tonnes)</i>	
33. PLANT CAPACITY AND PRODUCTION		
Polyester staple fibre		
Capacity	28,000	28,000
Actual production - Polyester staple fibre	22,142	18,745
- Polyester chips (Intermediary product)	2,834	--

33.1 The capacity was not utilised in full in order to avoid carry forward of larger stocks.

34. GENERAL

(i) In view of the decision of the Honourable Supreme Court of Pakistan vide order No. C.A. No. 307/95(80-D) dated 4th June, 1997, the minimum tax on turnover under Section 80-D of the Income Tax Ordinance, 1979 levied in the case of assesseees during the Tax Holiday period has been held to be illegal and as such our Company is entitled for refund of tax. The Company has claimed a refund of Rs.23,489,952/- (1999: Rs. 23,489,952/-) on account of turnover tax paid during the Assessment Years 1992-93 to 1995-96, out of which the Company has received Rs. 8,110,962 up to June 30, 2000 (1999: Rs. 3,804,748). The matter is pending before the Income Tax authorities.

(ii) Previous year's figures have been regrouped and rearranged wherever necessary for the purpose of comparison.

(iii) Figures have been rounded off to the nearest thousand rupees.

EBRAHIM HAJI KARIM
CHAIRMAN

UMER HAJI KARIM
CHIEF EXECUTIVE

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2000**

<i>NO. OF SHARE HOLDERS</i>	<i>SHAREHOLDING</i>		<i>TOTAL SHARES HELD</i>
	<i>From</i>	<i>To</i>	
317	1	100	19,109
749	101	500	229,426
576	501	1000	466.54
859	1001	5000	2,093,785
133	5001	10000	979,675
36	10001	15000	469,600
24	15001	20000	425,470
14	20001	25000	323,175
11	25001	30000	311,450
5	30001	35000	165,600
7	35001	40000	261,200
5	40001	45000	208,850
1	45001	50000	47,750
5	50001	55000	263,925
4	55001	60000	231,400
6	60001	65000	375,900
4	65001	70000	275,640
7	70001	75000	516,700
11	75001	80000	880,000
1	80001	85000	80,500
1	85001	90000	86,250
1	90001	95000	93,750
3	95001	100000	296,250
4	100001	105000	417,900
1	110001	115000	114,300
1	115001	120000	116,700
4	120001	125000	499,300
2	125001	130000	256,135
1	130001	135000	132,900
2	135001	140000	277,650
3	140001	145000	425,550
5	145001	150000	750,000
1	150001	155000	153,750
2	155001	160000	315,000
2	160001	165000	323,550
3	165001	170000	501,750
2	170001	175000	347,050
2	175001	180000	351,750
2	185001	190000	373,650
1	190001	195000	195,000

1	195001	200000	197,500
2	200001	205000	403,300
1	205001	210000	208,650
1	210001	215000	210,750
2	220001	225000	448,375
1	235001	240000	240,000
3	245001	250000	746,250
1	270001	275000	271,650
1	310001	315000	311,400
2	320001	325000	644,850
4	330001	335000	1,337,550
2	340001	345000	680,100
1	365001	370000	367,350
5	370001	375000	1,871,850
1	395001	400000	397,050
1	475001	480000	479,375
1	480001	485000	483,000
1	585001	590000	586,200
1	655001	660000	660,000
1	660001	665000	663,000
2	665001	670000	1,334,700
1	680001	685000	680,100
2	745001	750000	1,499,400
1	945001	950000	945,150
1	1180001	1185000	1,183,600
1	1200001	1205000	1,203,000
1	1775001	1780000	1,778,125
1	1800001	1805000	1,801,800
1	1865001	1870000	1,867,500
1	2040001	2045000	2,041,000
1	2140001	2145000	2,142,700
1	2240001	2245000	2,245,000
1	2375001	2380000	2,375,200
1	2435001	2440000	2,435,650
1	3130001	3135000	3,135,000
1	3505001	3510000	3,510,000
-----			-----
2869			56,040,000
=====			=====

<i>S. NO.</i>	<i>CATEGORIES OF SHAREHOLDERS</i>	<i>NUMBER OF SHARE HOLDERS</i>	<i>TOTAL SHARES HELD</i>	<i>PERCENTAGE</i>
1	INDIVIDUALS	2,738	32,554,970	58.08%
2	JOINT STOCK COMPANIES	47	6,568,910	11.72%
3	FINANCIAL INSTITUTIONS	29	10,796,445	19.27%
4	INVESTMENT COMPANIES	11	66,875	0.12%
5	INSURANCE COMPANIES	8	2,192,225	3.91%

6	FOREIGN INVESTORS	7	3,535,500	6.31%
7	BANKS	4	14,200	0.03%
8	MODARABAS	16	166,800	0.30%
9	LEASING COMPANIES	4	132,975	0.24%
10	MUTUAL FUNDS	5	11,100	0.02%
			-----	-----
	TOTAL	2,869	56,040,000	100.00%
		=====	=====	=====