

PAKISTAN SYNTHETICS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS	EBRAHIM HAJI KARIM – CHAIRMAN UMER HAJI KARIM – CHIEF EXECUTIVE OFFICER ANWAR HAJI KARIM YAKOOB HAJI KARIM AHMED EBRAHIM RAFIQUIE EBRAHIM SAJID HAROON SHAHID ANWAR
AUDIT COMMITTEE	YAKOOB HAJI KARIM– CHAIRMAN AHMED EBRAHIM RAFIQUIE EBRAHIM
CHIEF FINANCIAL OFFICER/ COMPANY SECRETARY	M. SALEEM AZIZ
BANKERS	HABIB BANK LIMITED HABIB METROPOLITAN BANK LIMITED BANK AL-HABIB LIMITED NATIONAL BANK OF PAKISTAN BANK ALFALAH LIMITED MEEZAN BANK LIMITED
AUDITORS	KPMG TASEER HADI & CO. CHARTERED ACCOUNTANTS
LEGAL ADVISOR	TASAWUR ALI HASHMI - ADVOCATE
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

PAKISTAN SYNTHETICS LIMITED
THIRD QUARTERLY REPORT TO THE SHAREHOLDERS

DIRECTORS' REVIEW

Your Directors present the unaudited financial statements for the third quarter ended 31 March 2007 to the shareholders of the Company in accordance with Section 245 of the Companies Ordinance, 1984.

BOARD OF DIRECTORS

The term of office of the Directors expired on 5 April 2007 and the following persons were re-elected Directors of the Company to hold office for a period of three years commencing from 5 April 2007 in the Twelfth Extra-Ordinary General Meeting of the Company held on 4 April 2007:

- | | |
|---------------------------|------------------------------|
| 1. Mr. Ebrahim Haji Karim | 5. Mr. Ahmed Ebrahim |
| 2. Mr. Umer Haji Karim | 6. Mr. Rafique Ebrahim |
| 3. Mr. Anwar Haji Karim | 7. Mr. Sajid Haroon |
| 4. Mr. Yakoob Haji Karim | 8. Mr. Shahid Anwar – N.I.T. |

PRODUCTION

The total production of polyester fibre and chips during the quarter under review was 2,844 tons as against total production of 5,685 tons in the corresponding quarter last year. Decrease in production was mainly due to closure of the unit for more than one month during the quarter under review, to carry out 'Polyester Staple Fibre Production Line Modification Plan'.

The sales volume of polyester fibre and chips were 2,689 tons and 132 tons respectively as compared to 5,000 tons and 50 tons respectively in the corresponding quarter last year.

The unit restarted normal production of fibre during the month of February, 2007.

FINANCIAL RESULTS

The net sales decreased from Rs. 407.562 million in the corresponding period last year to Rs. 232.838 million during the quarter under review. The main reason was decrease in sales volume of polyester fibre during the quarter under review.

During the quarter under review, the prices of PTA and MEG were high, due to surge in prices of their feed stocks, as compared to their prices in the corresponding quarter last year. Consequently, the cost of raw materials consumed per unit of fibre produced increased substantially. The prices of PTA and MEG are expected to increase further during the fourth quarter ending 30 June 2007.

Due to acute crisis in fibre industry on account of over production, low demand for polyester fibre by domestic spinning industry and high raw material cost, the margins were squeezed. Moreover, overhead cost incurred during the closure period remained unabsorbed. Consequently, the Company incurred a loss before taxation of Rs. 52.126 million during the quarter under review as against loss before taxation of Rs. 5.398 million in the corresponding quarter last year. The loss after taxation was Rs. 39.145 million due to reversal in deferred taxation as compared to loss after taxation of Rs. 3.271 million in the corresponding period last year.

FUTURE OUTLOOK

As mentioned above, it is expected that the prices of PTA and MEG would increase in the fourth quarter ending 30 June 2007 which coupled with other input costs would result in increase in the cost of production. On the other hand, the prices of polyester staple fibre are under tremendous pressure due to its low demand in domestic market. Currently, fibre is being sold below its production cost.

In view of the prevalent crisis in fibre industry, the results in the fourth quarter ending 30 June 2007 would not be encouraging.

ACKNOWLEDGEMENT

The Management recognizes and records its gratitude for the valuable services rendered by the executives and other staff members of the Company.

For and on behalf of the
Board of Directors

UMER HAJI KARIM
CHIEF EXECUTIVE

Karachi: 28 April 2007

7. PROPERTY, PLANT AND EQUIPMENT

	2007	
	Additions	Disposals
Following are the additions and disposals made during the period:	(Rupees in '000)	
Plant and machinery	157,500	-
Vehicles	-	160
Furniture and equipment	111	-
	157,611	160

8. STOCK-IN-TRADE

	31 March	30 June
	2007	2006
	(Rupees in '000)	
Raw and packing materials [including items in-transit Rs. 35.853 million (30 June 2006: Rs. 30.812 million)]	156,900	185,114
Work-in-process	12,000	6,843
Finished goods	8.1 100,687	221,119
	269,587	413,076

8.1 As at 31 March 2007 the company has recognized a write down of finished goods amounting to Rs. 2.929 million. There were no inventory write downs recognized during the third quarter ended 31 March 2007.

9. CASH FLOWS FROM OPERATING ACTIVITIES

	31 March	31 March
	2007	2006
	(Rupees in '000)	
(Loss) / profit before taxation	(68,095)	28,429
Adjustments for non cash charges and other items		
- Depreciation	61,564	57,347
- Charge for staff gratuity	4,047	3,448
- Profit on disposal of property, plant and equipment	(1,053)	(6,954)
- Profit on saving and deposit accounts	(210)	-
- Finance cost	7,915	7,174
- Provision for slow moving stores and spares	6,000	6,000
- Provision for doubtful debts-net	398	1,936
	78,661	68,951
Profit before working capital changes	10,566	97,380
Working capital changes		
Decrease / (increase) in current assets		
- Stores and spares	15,184	(23,592)
- Stock in trade	143,489	(87,227)
- Trade debts	(7,515)	971
- Loans and advances	(2,108)	(5,081)
- Trade deposits and short term prepayments	(1,612)	(1,033)
- Other receivables	(4,439)	51,023
	142,999	(64,939)
(Decrease) in current liabilities		
- Trade and other payables	(29,533)	(43,967)
Cash generated from / (used in) operations	124,032	(11,526)

10 RELATED PARTIES

The related party comprises of entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors and key management personnel. The company has a policy whereby all transactions with related parties, are entered into using the comparable uncontrolled price method. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	Nine months ended	
	31 March 2007	31 March 2006
	(Rupees in '000)	
Associates		
Sale of goods	81,480	148,886
Liabilities against assets subject to finance lease	83,090	-
Long term security deposits	8,309	-
Key management compensation		
Managerial remuneration	9,849	11,110
Bonus	661	656
Utilities	417	507
Leave encashment	500	460
Medical	448	476
	31 March	30 June
Period end balances arising from transactions	2007	2006
	(Rupees in '000)	
Associates:		
- Receivables	14,629	27,357
- Payables	38	66
Current account balance with bank	3,569	634
Dividend account balance with bank	80	38

11 DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue by the Board of Directors in their meeting held on 28 April 2007.

EBRAHIM HAJI KARIM
CHAIRMAN

UMER HAJI KARIM
CHIEF EXECUTIVE

M. SALEEM AZIZ
CHIEF FINANCIAL OFFICER