

Ibrahim Fibres Limited

Annual Report 1999

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Company Information

Board of Directors

Sheikh Mukhtar Ahmed
(Chairman & Chief Executive)
Sheikh Mohammad Yaseen
Mohammad Naeem Mukhtar
Mohammad Waseem Mukhtar
Asim Yaseen
Iqbal Begum
Ghazala Naeem

Secretary

Anwarul Haque
B. Com., F.C.A.

Auditors

M. Yousuf Adil Saleem & Co.,
Chartered Accountants,
Faisalabad, Pakistan.

Tax Consultants

F.R. Merchants & Co.
Chartered Accountants,
Karachi, Pakistan.

Information Technology Consultants

KPMG Peat Marwick Associates (Private) Limited Karachi, Pakistan.

Bankers

ABN-AMRO Bank N.V.
Allied Bank of Pakistan Limited
Citi Bank N.A.
DEG - Deutsche Investitions - und
Entwicklungsgesellschaft mbH,
Emirates Bank International PJSC
Faysal Bank Limited
Habib Bank Limited
National Bank of Pakistan
Standard Chartered Bank
The Hongkong and Shanghai
Banking Corporation Limited

Registered Office

Ibrahim Centre,
1-A, Ahmed Block,
New Garden Town,
Lahore, Pakistan.

Head Office

Ibrahim Centre,
15-Club Road,
Faisalabad, Pakistan.

Shares Registration Office

Ibrahim Centre,
GK-7/59, Bagh-e-Zehra Street,
Kharadar,
Karachi, Pakistan.

Plant

38-Kilometre,
Faisalabad-Sheikhupura Road,
Faisalabad, Pakistan.

Chairman's Review

I am pleased to report the performance of the company for the year ended September 30, 1999.

During the first half of our financial year the selling price of Polyester Staple Fibre (PSF) remained depressed due to the dumping at unrealistically low prices by South East Asian countries, but with the start of the second half of the year there was a turn around in the market as the international economic recession started fading away. The PSF selling prices in the international market also showed a marked improvement. Though, at the same time, the prices of the main raw

materials i.e. PTA and MEG also started increasing, yet the net margins showed a reasonable improvement.

By the grace of Almighty Allah, your company during this financial year has been able to earn optimum profits which were mainly due to effective cost controls adopted by your management.

During the year under review there was a growth of around 11% in the demand of PSF in Pakistan. The fibre/cotton consumption ratio was increased to a level of 23:77 which is still far below the worldwide fibre/cotton consumption ratio of 56:44. This indicates that there is still a great potential in the growth of PSF demand in Pakistan.

Production Operations

The performance of the plant, once again, remained impressive. The quality of the product was excellent and process wastage was minimal. The plant achieved a capacity utilization level of 96% and produced 67,209 tons of PSF during the year 1999 as against the capacity utilization of 94% and a production level of 66,107 tons during the year 1998.

Your management adhered to its policy of procuring the best quality raw materials i.e., PTA and MEG from the renowned suppliers of the world.

Marketing and Sales Activity

I am thankful to the blessings of Almighty Allah that, in 1999, we have achieved a sales level of 71,640 tons (as against 64,999 tons in 1998) which is even higher than the total installed production capacity of the plant. During the year under review the stress remained on the marketing of specialized premium products i.e., bright and trilobal, resulting in higher margins due to their improved share in the production and sales.

I am hopeful that, by the grace of Almighty Allah, we can further increase our share in the market by continuously following the present marketing strategy, maintaining high product quality, providing specialized customer support and exploiting the location advantage of the plant.

Financial Performance

During the year under review your company has recorded a sales of Rupees 3,461 million (net of sales tax) as against the sales of Rupees 3,273 million attained during the year 1998, resulting in a gross profit of Rupees 785 million, being 22.68% of net sales as compared to the gross profit of Rupees 303 million, being 9.26% of net sales achieved during the year 1998. The improvement in gross margins was mainly due to the turnaround in the international. PSF market, the efficiently run operations of the plant and the implementation of effective cost controls by your management. This enabled your company to earn after tax profit of Rupees 556 million during the year under review as against Rupees 107 million during the previous year, thus improving the earning per share to Rupees 2.78 as against Rupees 0.53 during

the previous year.

Your Directors have recommended for the payment of 10% cash dividend out of the profit for the current year.

Future Outlook

In my last year's review, I indicated that your management is fully aware of the large scale production and we are making all the preparations to meet the challenges of globalization of trade and elimination of trade barriers under the WTO agreement which is expected to be implemented by year 2005. Keeping in view the continuous growth in PSF demand over the years and the future potential in the PSF market, your management has decided to expand the production capacity of the plant. At present we are in the process of negotiating the contract with the plant suppliers and are finalizing the financial arrangements. The letter of credit for the import of plant and machinery for the expansion project will "INSHA-ALLAH" be opened in the very near future. We hope the new capacity would be in operation during the last quarter of year 2001. Lets pray to Almighty Allah to give us the guidance and strength to implement our plans.

Year 2000 Compliance

All computer hardware and software applications of your company are Y2K complaint.

Acknowledgment

I thank the members of the board of Directors of the company, shareholders, bankers, financial institutions, our valued customers and suppliers. I also thank executives and employees of the company for their dedication, support and assistance and hope to get the same co-operation in the future.

I would like to thank the plant suppliers M/s. Lurgi Zimmer AG, Germany for their continuous technical support in the operation and maintenance of the plant.

Lahore:
December 17, 1999

Sheikh Mukhtar Ahmed
Chairman

Notice of Meeting

Notice is hereby given that the 13th Annual General Meeting of the shareholders of the Company will be held on 29-01-2000 at 11.00 A.M. at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

1. To confirm the minutes of the preceding meeting of the shareholders

of the Company.

2. To consider and approve the Annual Audited Accounts of the Company for the year ending 30-09-1999.

3. To consider and approve the declaration of Cash Dividend @ 10% as recommended by the Board of Directors.

4. To elect 7 (seven) Directors in accordance with the Provisions of Section 178 (5) of the Companies Ordinance, 1984 for a term of 3 (three) years commencing from 30-01-2000. The number of Directors fixed by the Board of Directors in their meeting held on 17-12-1999 pursuant to Section 178(1) of the Companies Ordinance, 1984 is 7 (seven).

The following directors shall retire on 29-01-2000 in accordance with the requirement of Section 180(1) of the Companies Ordinance, 1984:-

- | | |
|----------------------------|-------------------|
| 1. Sheikh Mukhtar Ahmed | |
| 2. Sheikh Mohammad Yaseen | 5. Asim Yaseen |
| 3. Mohammad Naeem Mukhtar | 6. Iqbal Begum |
| 4. Mohammad Waseem Mukhtar | 67. Ghazala Naeem |

The retiring Directors are eligible for re-election.

5. To appoint Auditors for the year 1999-2000 and to fix their remuneration. The present auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, being eligible for appointment, offer themselves for re-appointment.

6. Special Business

To approve following special business.

To fix the remuneration of Sheikh Mukhtar Ahmad, Chief Executive of the Company w.e.f. 01-01-2000.

"Resolved that the remuneration of Sheikh Mukhtar Ahmed, Chief Executive of the company be and is hereby fixed w.e.f. 01-01-2000 as follows:

- | | |
|-------------------------|-----------------------|
| 1. Basic Salary | Rs. 200,000 per month |
| 2. House Rent Allowance | Rs. 90,000 per month |
| 3. Utilities | Rs. 20,000 per month |

To revise the remuneration of Mr. Asim Yaseen working Director of the Company w.e.f. 01-01-2000.

"Further resolved that keeping in view the inflationary condition, the remuneration of Mr. Asim Yaseen, Director of the Company be and is hereby revised w.e.f. 01-01-2000 as follows:

1. Basic Salary	Rs. 200,000 per month
2. House Rent Allowance	Rs. 90,000 per month
3. Utilities	Rs. 20,000 per month

To discontinue the remuneration of Mr. Mohammad Waseem Mukhtar Director the Company w.e.f. 01-01-2000.

"Further resolved that the remuneration of Mr. Mohammad Waseem Mukhtar Director of the Company be and is hereby discontinued w.e.f. 01-01-2000.

7. To transact any other business with the permission of the chair.

By Order of the Board

Lahore:
December 17, 1999

Anwarul Haque
Company Secretary

Note:

i) The share transfer books of the Company shall remain closed from 20-1-2000 to 29-01-2000 (both days inclusive) to determine the names of members entitled to receive dividend and to attend the meeting. Transfers received in order at the Shares Registration office of the Company at the close of business on 19-01-2000 will be treated in time.

ii) A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf.

iii) The proxies, in order to be effective, must be received by the Company at least 48 hours before the time of holding the meeting.

iv) Any person who seeks to contest election to the office of Director shall, whether he is retiring or otherwise, file with the Company not later than 14 (fourteen) days before the date of the meeting, notice of his/her intention to offer himself/herself as a Director together with his/her consent.

Directors' Report to the Shareholders

We feel pleasure in presenting the annual audited report for the year

ended 3-0-09-1999.

Financial Results

The company has generated a gross sales revenue of Rs. 3,967,667,526/= as compared to gross sales revenue of Rs. 3,682,757,144/= in the previous year. The summarized position of financial results is being furnished hereunder:

	<i>Year ended September 30 1999 Rupees</i>	<i>Year ended September 30 1998 Rupees</i>
Gross profit	785,027,361	303,2
Miscellaneous income	7,026,022	6,3
	-----	-----
	792,053,383	309,6
Operating expenses	41,181,963	35,2
	-----	-----
Operating profit	750,871,420	274,3
Financial and other charges	177,801,111	151,4
	-----	-----
Profit before taxation	573,070,309	122,9
Provision for taxation	17,340,746	16,3
	-----	-----
Profit after taxation	555,729,563	106,5
Unappropriated profit brought forward	60,123,531	153,5
	-----	-----
Profit available for appropriation	615,853,094	260,1
	=====	=====
 Dividend		
Your directors are pleased to recommend 10% cash Dividend i.e. Re. 1.00 per share out of profits earned during the year and the profit has been appropriated as under:		
 Appropriations		
Proposed dividend @ 10% (1998 @ 10%)	200,000,000	200,0
Transfer to general reserve	415,800,000	
	-----	-----
	615,800,000	200,0
Unappropriated profit carried forward	53,094	60,1
	-----	-----
Earning per share	2.78	
	=====	=====

Chairman's Review

Directors of the Company fully endorse the Chairman's review on the performance of the Company during the year ended September 30, 1999.

Auditors

The present auditors M/s M. Yousuf Adil Saleem & Co., Chartered Accountants retire and being eligible, consented for re-appointment for the next financial year 1999-2000.

Pattern of shareholding

Pattern of shareholding of the company is annexed.

Acknowledgment

The management wishes to place on record its deep appreciation for the hard work and positive efforts made by the executives and employees. The management would also like to thank for the whole hearted support and co-operation extended by our valued customers, bankers, financial institutions and shareholder and hope to get the same cooperation in future.

On behalf of the Board

Lahore:
December 17, 1999

Sheikh Mukhtar Ahmed
Chief Executive

Group Performance

Sales	6,338,041,149
Net profit after tax	762,674,074
Total assets	7,165,295,568
Equity	4,759,496,909
Contribution to National Exchequer	1,139,424,828

Auditors' Report to the Members

We have audited the annexed balance sheet of Ibrahim Fibres Limited as at September 30, 1999 and the related profit and loss account and statement of changes in financial position (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;

(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 and profit and loss account and the statement of changes in financial position (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, 1999 and of the profit and the changes in financial position for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Faisalabad,
December 17, 1999.

M. Yousaf Adil Saleem & Co.,
Chartered Accountants

Balance Sheet as at September 30, 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
FIXED CAPITAL EXPENDITURE			
Operating assets	3	2,645,420,546	2,960,7
Capital work in progress	4	47,660,845	24,9
		-----	-----
		2,693,081,391	2,985,7
LONG TERM DEPOSITS AND DEFERRED COSTS			
	5	917,750	18,7
CURRENT ASSETS			
Stores, spares and loose tools	6	38,589,583	23,8
Stock in trade	7	746,437,872	645,6
Trade debts	8	102,758,614	141,0
Advances, deposits, prepayments and other receivables	9	59,735,941	66,2

Cash and bank balances	10	639,362,464	426,4
		-----	-----
		1,586,884,474	1,303,1
CURRENT LIABILITIES			
Current portion of long term liabilities	11	211,789,884	209,0
Creditors, accrued and other liabilities	12	96,567,215	454,6
Taxation		33,739,781	26,0
Dividend		210,688,604	22,4
		-----	-----
		552,785,484	712,2
WORKING CAPITAL		1,034,098,990	590,9
TOTAL CAPITAL EMPLOYED		3,728,098,131	3,595,4
LONG TERM AND DEFERRED LIABILITIES			
Long term loans	13	294,211,993	527,7
Liabilities against assets subject to finance lease	14	152,939	3
Staff gratuity		17,880,105	7,2
		-----	-----
		312,245,037	535,3
CONTINGENCIES AND COMMITMENTS	15	--	--
		-----	-----
NET WORTH		3,415,853,094	3,060,1
		-----	-----
REPRESENTED BY:			
Share capital	16	2,000,000,000	2,000,0
Capital reserve-premium on shares		1,000,000,000	1,000,0
General reserve		415,800,000	
Unappropriated profit		53,094	60,1
		-----	-----
		3,415,853,094	3,060,1
		=====	=====

The annexed notes from 1 to 28 form an integral part of these accounts.

Chief Executive

Director

**Profit and Loss Account
for the year ended September 30, 1999**

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Sales - Gross		3,967,667,526	3,682,7
Sales tax		506,726,604	409,3
		-----	-----
Sales - Net		3,460,940,922	3,273,4
Cost of goods sold	17	2,675,913,561	2,970,1

Gross profit		785,027,361	303,2
Miscellaneous income		7,026,022	6,3
		792,053,383	309,6
Operating expenses			
Administration	18	29,930,769	23,2
Selling	19	11,251,194	11,9
		41,181,963	35,2
Operating profit		750,871,420	274,3
Other charges			
Financial	20	129,730,990	136,2
Amortisation of deferred costs		17,860,625	8,6
Workers' profit participation fund		30,209,496	6,5
		177,801,111	151,4
Net profit for the year before taxation		573,070,309	122,9
Taxation - current	21	17,340,746	16,3
Net profit for the year after taxation		555,729,563	106,5
Unappropriated profit brought forward		60,123,531	153,5
Profit available for appropriation		615,853,094	260,1
Appropriation			
Proposed cash dividend @ 10% (1998 @ 10%)		200,000,000	200,0
Transfer to general reserve		415,800,000	
Unappropriated profit carried forward		53,094	60,1

The annexed notes from 1 to 28 form an integral part of these accounts.

Chief Executive

Director

**Statement of Changes in Financial Position (Cash Flow Statement)
for the year ended September 30, 1999**

	1999	1998
	Rupees	Rupees
a) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the year before taxation	573,070,309	122,9
Depreciation	293,401,446	328,2

Amortisation of deferred costs	17,860,625	8,6
Provision for gratuity	11,235,749	5,0
Gratuity paid	(630,554)	(30
Gain on sale of fixed assets	(263,990)	
Profit on deposits	(815,729)	
Financial charges	129,730,990	136,2
	-----	-----
Operating profit before working capital changes	1,023,588,846	600,9
	-----	-----
Changes in working capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(14,738,995)	(14,30
Stock in trade	(100,792,475)	83,8
Trade debts	38,259,755	107,4
Advances, deposits and other receivables	6,470,142	13,1
Decrease in current liabilities		
Creditors, accrued and other liabilities	(334,997,407)	(155,64
	-----	-----
	(405,798,980)	34,5
	-----	-----
Cash generated from operations	617,789,866	635,4
Financial charges paid	(153,244,987)	(131,18
Payment of tax	(9,673,367)	
	-----	-----
Net cash generated from operating activities	454,871,512	504,2
	=====	=====
b) CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(22,839,727)	(162,67
Proceeds from disposal of fixed assets	925,000	
Long term deposits	(7,000)	(69
Profit on deposits	815,729	
	-----	-----
Net cash (used in) investing activities	(21,105,998)	(163,36
	=====	=====
c) CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term loans	(208,705,515)	(106,93
Repayment of lease finances	(343,416)	(56
Payment of dividend	(11,795,129)	(177,51
	-----	-----
Net cash used in financing activities	(220,844,060)	(285,00
	-----	-----
NET INCREASE IN CASH AND BANK BALANCES (a+b+c)	212,921,454	55,9
CASH & BANK BALANCES AT THE BEGINNING OF THE YEAR	426,441,010	370,5
	-----	-----
CASH AND BANK BALANCES AT THE END OF THE YEAR	639,362,464	426,4
	=====	=====

Notes to the Accounts for the year ended September 30, 1999

1. STATUS AND ACTIVITIES

The Company is incorporated in Pakistan under the Companies Ordinance, 1984, and is listed on Stock Exchanges in Pakistan. The principal object of the Company is manufacture and sale of polyester staple fibre.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the "historical cost convention" and certain exchange elements mentioned in note 2.10 have been incorporated in the cost of relevant assets.

2.2 Staff retirement benefits

The company operates an unfunded gratuity scheme covering all its employees. Provision is made annually to cover the liability under the scheme.

2.3 Taxation

Current

Provision for current taxation is based on taxable income at current tax rates after taking into account tax rebates and tax credits available under the law.

Deferred

The Company accounts for deferred taxation on material timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that these differences will not reverse in the foreseeable future.

2.4 Operating assets

Operating assets, except freehold land, are stated at cost less accumulated depreciation. Freehold land is stated at cost.

Depreciation is charged applying the reducing balance method at the rates specified in the operating assets note.

Depreciation on additions during the year is charged on the basis of whole year, however on major cost capitalised during the year, the depreciation is charged on the basis of proportionate period of use during the year. No depreciation is charged on deletions during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains and losses on disposal of assets are included in current income.

2.5 Capital work in progress

All costs / expenditure connected with specific assets are collected under this head. These are transferred to specific assets as and when assets are available for intended use.

2.6 Assets subject to finance lease

In view of certainty of ownership of the assets at the end of the lease period, assets subject to finance lease are stated at cost less accumulated depreciation. Depreciation is charged at the rates and basis applicable to Company owned assets. The outstanding obligations under the finance lease less financial charges allocated to future periods are shown as liability. The financial charges are allocated to future periods in a manner so as to produce a constant periodical rate of charge on the outstanding liability.

2.7 Deferred costs

These are amortised over a maximum period of five years from the year of deferment.

2.8 Stores, spares and loose tools

These are valued at moving average cost. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

2.9 Stocks

These are valued at lower of cost and net realisable value. Cost has been determined as follows:

Raw material	
In hand	Weighted average cost
In transit	Cost comprising invoice value and other charges incurred thereon
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost

Wastes are valued at net realisable value.

2.10 Foreign currency translation

Assets and liabilities in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the balance sheet date, except those covered under forward exchange contracts which are translated at the contracted rates. Exchange differences in respect of foreign currency transactions relating to fixed assets are incorporated in the cost of relevant assets, other exchange differences are included in current income.

2.11 Revenue recognition

Sales are recorded on despatch of goods.

3. OPERATING ASSETS

<i>Particulars</i>	<i>Cost as at October 01, 1998</i>	<i>Additions/ (deletions)</i>	<i>Transferred from leased to owned assets</i>	<i>Cost as at September 30, 1999</i>	<i>Accumu depreciat at Septe 30, 19</i>
Freehold land	23,677,074	--	--	23,677,074	
Building on					
Freehold land	391,710,843	1,653,379	--	393,364,222	89,8

Leasehold land	13,374,558	--	--	13,374,558	3,0
Plant and machinery	2,992,583,261	650,550	--	2,959,505,561	680,6
		(33,728,250)			
Factory equipment	4,225,803	135,307	--	4,361,110	1,1
Office equipment, furniture and fixture	9,390,645	4,440,212	--	13,830,857	3,0
Vehicles	20,354,448	5,567,128	1,334,350	26,092,297	11,2
		(1,163,629)			
	3,455,316,632	12,446,576	1,334,350	3,434,205,679	789,0
		(34,891,879)			
Assets subject to finance lease					
Vehicles	1,975,350	--	(1,334,350)	641,000	3
	-----	-----	-----	-----	-----
Rupees	3,457,291,982	12,446,576	--	3,434,846,679	789,4
		(34,891,879)			
	-----	-----	-----	-----	-----
1998-Rupees	3,290,088,053	167,203,929	--	3,457,291,982	496,5
	=====	=====	=====	=====	=====

1999
Rupees

3.1 Depreciation for the year has been allocated as under:

Cost of goods manufactured	292,272,811	327,6
Administration expenses	1,128,635	6
	-----	-----
	293,401,446	328,2
	=====	=====

3.2 Detail of disposal of fixed assets

<i>Description</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Written down value</i>	<i>Sale proceed</i>	<i>Purchaser Mode of d</i>
Vehicle (FDT-730)	509,579	183,443	326,136	475,000	E.F.U. Ge Ahmed Pl (Insurance
Vehicle (FDS-6852)	654,050	319,176	334,874	450,000	Sh. Khalic near Natio (By Negot
	-----	-----	-----	-----	
1999 Rupees	1,163,629	502,619	661,010	925,000	
	=====	=====	=====	=====	

3.2.1 Deletion to plant and machinery of Rs. 33,728,250/- represents exchange fluctuation gain in respect of foreign currency loan (1998 Exchange loss amounting to Rs. 125,016,500/- was

included in additions to plant and machinery).

4. CAPITAL WORK IN PROGRESS

Buildings	27,319,845	5,7
Advance against fixed assets	20,341,000	19,2
	-----	-----
	47,660,845	24,9
	=====	=====

5. LONG TERM DEPOSITS AND DEFERRED COSTS

Long term deposits	917,750	9
Deferred cost - Share issue expenses		
Commission and brokerage	11,984,272	11,9
Other expenses	14,512,254	14,5
	-----	-----
	26,496,526	26,4
Amortisation		
Opening balance	8,635,901	
During the year	17,860,625	8,6
	-----	-----
	26,496,526	8,6
	-----	-----
	917,750	18,7
	=====	=====

1999
Rupees

1998
Rupees

6. STORES, SPARES AND LOOSE TOOLS

Stores	36,449,039	23,4
Spares (6.1)	1,971,504	2
Loose tools	169,040	1
	-----	-----
	38,589,583	23,8
	=====	=====

6.1 It includes spares in transit Rs. 1,074,802/- (1998 - Nil)

7. STOCK IN TRADE

Raw materials (7.1)	649,630,248	351,6
Work in process	18,812,709	19,6
Finished goods	77,846,217	273,8
Waste	148,698	5
	-----	-----
	746,437,872	645,6
	=====	=====

7.1 It includes raw materials in transit Rs. 152,838,158/- (1998 - Rs. 44,291,524/-).

8. TRADE DEBTS

Unsecured

Considered good

102,758,614 141,0

8.1 It includes Rs. 41,729,506/- (1998 - Rs. 62142,703/-) being trade credit allowed to associated undertakings against sale of polyester staple fibre in the normal course of business. Maximum aggregate amount at the end of any month during the year was. Rs. 41,947,326/- (1998 - Rs. 64,713,322/-).

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to employees

735,179 6

Advances to suppliers/contractors (9.1)

24,078,506 22,3

Letters of credit fee, margin and expenses

857,912 3,1

Income tax

30,199,693 37,6

Prepayments

3,378,435 1,8

Other

486,216 6

59,735,941 66,2

9.1 It includes Rs. 18,977,081/- (1998 - Rs. 21,370,395/-) on account of purchase of power from an associated undertaking. Maximum aggregate amount at the end of any month during the year was Rs. 24,409,329/- (1998 - Rs. 22,014,517/-).

1999
Rupees

199
Rupe

10. CASH AND BANK BALANCES

Cash in hand

14,366,463 18,0

Cash at banks

In current accounts

492,334,700 209,8

In deposit accounts

132,661,301 198,5

624,996,001 408,3

639,362,464 426,4

11. CURRENT PORTION OF LONG TERM LIABILITIES

Long term loans (Note 13)

211,637,904 208,7

Liabilities against assets subject to
finance lease (Note 14)

151,980 3

211,789,884 209,0

12. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	15,166,340	10,8
Capital expenditure payable	5,107,042	4,6
Bills payable	--	363,0
Advances from customers	1,666,089	2,2
Accrued charges	11,142,551	13,9
Mark up / interest on secured loans	15,382,965	38,8
Workers' profit participation fund (12.1)	30,209,496	6,5
Sales tax payable	15,748,175	10,0
Other	2,144,557	4,4

-----	-----
96,567,215	454,6
=====	=====

12.1 Workers' profit participation fund

Opening balance	6,506,893	8,4
Interest on funds utilised in the Company's business	460,118	6

-----	-----
6,967,011	9,1
(6,967,011)	(9,1
-----	-----

Paid to the fund

-----	-----
--	--
30,209,496	6,5
-----	-----

Allocation for the year

-----	-----
30,209,496	6,5
=====	=====

13. LONG TERM LOANS - SECURED

Foreign currency loan (13.1)	354,256,250	526,6
Local currency loan (13.2)	151,593,647	209,8

-----	-----
505,849,897	736,4
211,637,904	208,7
-----	-----

Less: Current portion

-----	-----
294,211,993	527,7
=====	=====

13.1 Foreign currency loan

13.1.1 An off-shore financing of DM 20,000,000 obtained from DEG-Deutsche Investitions- und Entwicklungsgesellschaft mbH, a financial institution, is repayable in 8 bi-annual installments commenced from May 15, 1998 and ending on November 15, 2001.

13.1.2 The loan is secured against first equitable mortgage on present and future immovable properties and hypothecation of all the present and future movable fixed assets of the Company ranking pari passu with the charge created in respect of local currency loan (Refer Note 13.2.2) accompanied by an irrevocable power of attorney authorising the lender to create and register an English mortgage in case of any default in repayment of the loan.

13.1.3 It is subject to interest at six months net DM LIBOR plus 3.25% per annum. The DM LIBOR is determined half yearly.

13.2 Local currency loan

13.2.1 Demand finance of Rs. 300 million was obtained from a banking company and is repayable in 10 bi-annual installments made on annuity basis commenced from 30 December 1996 and ending on 30 June 2001.

13.2.2 The loan is secured against first equitable mortgage on fixed assets of the Company ranking pari passu with the charge created in respect of foreign currency loan (Refer Note 13.1.2). This is further secured by personal guarantee of directors of the Company.

13.2.3 The loan is subject to mark up @ 15% per annum.

14. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Company has acquired vehicles under lease agreements with a leasing company. The liability represents total minimum lease payments discounted @ 21.50% per annum, being the company's effective rate of borrowing. The purchase option is available to the Company on payment of last installment and surrender of deposit under the lease agreement.

The amount of future payments and the period in which these payments will become due are as under:

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
Year ending September 30,		
1999	--	4
2000	196,260	1
2001	162,890	1
	-----	-----
	359,150	7
Less: Financial charges not due	(54,231)	(13)
	-----	-----
	304,919	6
Less: Current portion	(151,980)	(34)
	-----	-----
	152,939	3
	=====	=====

15. CONTINGENCIES AND COMMITMENTS

15.1 The Company is claiming exemption from levy of regulatory duty of Rs. 189,734,442/- on the import of plant and machinery. (1998 - Rs. 189,734,442/-). The Honourable High Court have granted relief from payment of Regulatory Duty in various Writ Petitions on the subject. The indemnity bond submitted for the release of machinery with Karachi Custom are still lying with them pending final disposal.

15.2 Outstanding letters of credits Rs. 264,000,262/- (1998 - Rs. 57,922,066/-).

1999

1998

	<i>Rupees</i>	<i>Rupees</i>
16. SHARE CAPITAL		
Authorised		
500,000,000 Ordinary shares of Rs. 10/- each	5,000,000,000	5,000,000,000
	=====	=====
Issued, subscribed and paid up		
200,000,000 ordinary shares of Rs. 10/- each fully paid in cash	2,000,000,000	2,000,000,000
	=====	=====
17. COST OF GOODS SOLD		
Raw materials consumed		
Opening stock	307,383,605	289,383,605
Purchases including purchase expenses-net	2,072,577,464	2,379,777,464
Closing stock	(496,792,090)	(307,383,605)
	-----	-----
	1,883,168,979	2,361,777,464
Salaries, wages and benefits	77,941,741	67,441,741
Packing material	30,592,488	33,292,488
Stores and spares	25,096,773	8,946,773
Power and fuel	152,543,675	156,043,675
Insurance	6,636,557	7,936,557
Depreciation	292,272,811	327,672,811
Other	10,497,893	6,047,893
	-----	-----
	2,478,750,917	2,969,177,464
Work in process		
Opening stock	19,626,937	22,926,937
Closing stock	(18,812,709)	(19,626,937)
	-----	-----
	814,228	3,300,000
Cost of goods manufactured	2,479,565,145	2,972,477,464
Finished goods		
Opening stock	274,343,331	272,043,331
Closing stock	(77,994,915)	(274,343,331)
	-----	-----
	196,348,416	(2,300,000)
	-----	-----
	2,675,913,561	2,970,177,464
	=====	=====
18. ADMINISTRATION EXPENSES		
Directors' remuneration	3,720,000	2,420,000
Salaries, wages and benefits	9,951,322	7,551,322
Travelling and conveyance	3,270,788	2,770,788
Vehicles running and maintenance	938,658	3,338,658
Power and fuel	2,582,896	2,682,896
Postage and telecommunication	1,270,908	1,270,908
Printing and stationery	891,258	1,791,258

Fees, subscriptions and periodicals	1,282,556	5
Rent, rates and taxes	718,000	7
Legal and professional	646,400	8
Entertainment	627,108	4
Audit fee	125,000	1
Advertisement	43,515	
Insurance	510,014	3
Depreciation	1,128,635	6
Other	2,223,711	8
	-----	-----
	29,930,769	23,2
	=====	=====

19. SELLING EXPENSES

Salaries, wages and benefits	7,641,190	5,6
Freight and forwarding	1,922,638	4,7
Travelling and conveyance	383,386	7
Vehicles running and maintenance	659,952	4
Postage and telecommunication	162,581	1
Insurance	121,482	1
Other	359,965	1
	-----	-----
	11,251,194	11,9
	=====	=====

20. FINANCIAL CHARGES

Mark up / interest on:		
Long term and short term loans	127,029,159	133,9
Lease finances	77,969	1
Workers' profit participation fund	460,118	6
Bank charges, excise duty and commission	2,163,744	1,5
	-----	-----
	129,730,990	136,2
	=====	=====

21. TAXATION

Current

The assessment of the Company has been finalised upto accounting year ended September 30, 1997.

Provision for taxation has been made on the basis of Section 80-D of the Income Tax Ordinance, 1979.

Deferred

Tax effect of major timing differences, after adjustment of available tax losses, work out to Rs. 303.48 million (1998 - Rs. 102.45 million). No. provision for deferred taxation has been made in these accounts as the timing differences are not likely to reverse in the foreseeable future due to expansion programme.

22. REMUNERATION TO DIRECTORS AND EXECUTIVES

	1999		1998	
	Rupees		Rupees	
	Directors	Executives	Directors	Executives
Remuneration	2,400,000	16,446,058	1,587,500	14,000,000
House rent allowance	1,080,000	7,398,136	714,000	6,300,000
Utilities	240,000	1,806,729	158,500	1,500,000
Reimbursable expenses				
Vehicles, running and maintenance	--	2,511,520	--	1,200,000
	3,720,000	28,162,443	2,460,000	23,200,000
	=====	=====	=====	=====
No. of persons	2	71	2	71

	1999	1998
	Rupees	Rupees

23. AGGREGATE TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sales / store issued	528,263,480	496,600,000
Power purchased	104,402,088	103,500,000

	1999	1998
	(M. Ton)	(M. Ton)

24. PLANT CAPACITY AND ACTUAL PRODUCTION

Annual production capacity (350 working days)	70,000
Actual production	67,209
Percentage of capacity utilization	96.01

Shortfall in production is due to plant maintenance.

	1999	1998
25. EARNING PER SHARE - Basic		
Net profit for the year	Rupees 555,729,563	106,500,000
Weighted average number of ordinary shares	200,000,000	200,000,000
Earning per share	Rupees 2.78	5.33

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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 applies credit limits to its customers and does not have significant exposure to any individual customer.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The Company is not exposed to any significant interest rate risk.

Fair values of financial assets and liabilities

The carrying values of all the financial assets and liabilities reported in the financial statements approximate their fair value.

27. OWNERS' EQUITY

Movements in owners' equity during the year are identified and adequately disclosed in the financial statements.

28. GENERAL

- Figures have been rounded off to the nearest Rupee.

- Corresponding figures have been rearranged and regrouped wherever necessary for the purpose of comparison.

Chief Executive

Director

**Pattern of Shareholdings
as at September 30, 1999**

<i>No. of Shareholders</i>	<i>Having Shares</i>		<i>Shares Held</i>	<i>Percentage</i>
	<i>From</i>	<i>To</i>		
69	1	100	6,900	0.0035
1127	101	500	549,700	0.2749
445	501	1000	440,100	0.2201
907	1001	5000	2,893,500	1.4468
448	5001	10000	3,850,900	1.9255
143	10001	15000	1,859,900	0.9300
103	15001	20000	1,918,400	0.9592
86	20001	25000	2,024,300	1.0122
50	25001	30000	1,426,800	0.7134
24	30001	35000	791,800	0.3959
23	35001	40000	894,000	0.4470
11	40001	45000	482,700	0.2414
66	45001	50000	3,264,600	1.6323
6	50001	55000	328,100	0.1641
4	55001	60000	234,900	0.1175
6	60001	65000	372,500	0.1863
3	65001	70000	204,800	0.1024
9	70001	75000	661,300	0.3307
8	75001	80000	629,100	0.3146
5	80001	85000	413,800	0.2069

4	85001	90000	349,800	0.1749
5	90001	95000	461,100	0.2306
33	95001	100000	3,299,300	1.6497
4	100001	105000	406,500	0.2033
6	105001	110000	647,800	0.3239
6	110001	115000	675,000	0.3375
2	115001	120000	235,600	0.1178
5	145001	150000	744,900	0.3725
2	150001	155000	306,500	0.1533
1	155001	160000	158,200	0.0791
1	160001	165000	164,000	0.0820
2	165001	170000	339,500	0.1698
1	190001	195000	192,200	0.0961
6	195001	200000	1,199,900	0.6000
1	200001	205000	203,000	0.1015
1	215001	220000	218,400	0.1092
1	225001	230000	227,700	0.1139
1	235001	240000	237,000	0.1185
3	245001	250000	747,000	0.3735
1	250001	255000	253,000	0.1265
1	255001	260000	255,200	0.1276
2	265001	270000	536,100	0.2681
2	270001	275000	545,300	0.2727
3	275001	280000	835,500	0.4178
3	280001	285000	846,700	0.4234
2	295001	300000	593,300	0.2967
1	310001	315000	312,500	0.1563
1	340001	345000	341,500	0.1708
2	350001	355000	706,700	0.3534
1	355001	360000	356,716	0.1784
1	390001	395000	394,800	0.1974
1	400001	405000	403,000	0.2015
2	425001	430000	853,500	0.4268
1	445001	450000	448,900	0.2245
1	470001	475000	474,900	0.2375
1	475001	480000	476,000	0.2380
1	480001	485000	483,500	0.2418
1	495001	500000	500,000	0.2500
1	500001	505000	503,500	0.2518
1	510001	515000	512,400	0.2562
1	515001	520000	517,000	0.2585
1	535001	540000	539,200	0.2696
1	540001	545000	540,500	0.2703
1	555001	560000	555,600	0.2778
1	595001	600000	600,000	0.3000
1	600001	605000	604,700	0.3024
1	670001	675000	674,100	0.3371
1	710001	715000	713,500	0.3568
1	775001	780000	777,800	0.3889

6	870001	875000	5,250,000	2.6250
1	875001	880000	879,484	0.4397
1	985001	990000	986,200	0.4931
2	990001	995000	1,989,600	0.9948
1	995001	1000000	1,000,000	0.5000
1	1035001	1040000	1,036,800	0.5184
1	1085001	1090000	1,086,800	0.5434
1	1215001	1220000	1,215,200	0.6076
1	1310001	1315000	1,313,500	0.6568
1	1345001	1350000	1,350,000	0.6750
1	1640001	1645000	1,644,500	0.8223
1	1745001	1750000	1,750,000	0.8750
2	1795001	1800000	3,597,600	1.7988
1	1800001	1805000	1,801,000	0.9005
1	1955001	1960000	1,960,000	0.9800
1	2195001	2200000	2,200,000	1.1000
1	2240001	2245000	2,240,300	1.1202
1	2250001	2255000	2,250,200	1.1251
1	2615001	2620000	2,619,400	1.3097
1	2685001	2690000	2,689,500	1.3448
2	3120001	3125000	6,245,500	3.1228
1	3215001	3220000	3,217,300	1.6087
5	3495001	3500000	17,500,000	8.7500
1	3595001	3600000	3,595,200	1.7976
1	4370001	4375000	4,375,000	2.1875
1	4580001	4585000	4,583,900	2.2920
1	5055001	5060000	5,059,700	2.5299
1	5120001	5125000	5,125,000	2.5625
1	5285001	5290000	5,288,600	2.6443
1	5390001	5395000	5,392,800	2.6964
1	6265001	6270000	6,270,000	3.1350
2	6995001	7000000	14,000,000	7.0000
1	8245001	8250000	8,250,000	4.1250
1	10995001	11000000	11,000,000	5.5000
1	11015001	11020000	11,020,000	5.5100
-----			-----	-----
3,715			200,000,000	100.0000
=====			=====	=====

Categories of Shareholders

<i>Particulars</i>	<i>Shareholders</i>	<i>Share holding</i>	<i>Percentage</i>
Individuals	3524	126,021,800	63.0109
Foreign/Non Resident shareholders	53	28,033,516	14.0168
Leasing/Investment Bank/Companies	20	10,804,684	5.4023
Joint Stock Companies	56	13,182,600	6.5913
Financial Institutions	24	18,790,900	9.3955
Modaraba/Insurance Companies	31	3,125,300	1.5626

Modaraba Management Companies	1	21,000	0.0105
Others	6	20,200	0.0101
	-----	-----	-----
	3715	200,000,000	100.0000
	=====	=====	=====