

Indus Polyester Company Limited

Annual Report 1999

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COMPANY INFORMATION

CHAIRMAN:

Mr. Shaikh Mohammed Yousuf

CHIEF EXECUTIVE:

Mr. Naeem Akhtar Yousuf

DIRECTORS:

Mr. Tariq Yousuf
Mr. Atif Anis Barry
Mrs. Zuhra Yousuf
Mrs. Kausar Naeem
Mrs. Nabila Tariq

AUDITORS:

M/s. Hyder Bhimji & Company.
Chartered Accountants

BANKERS:

Muslim Commercial Bank Ltd.
Metropolitan Bank Limited.
Bank Al-Habib Limited.
National Bank of Pakistan.

REGISTERED OFFICE:

D 194, S.I.T.E, Karachi.
Phone: 6653371

FACTORY:

157-161 A, Phase V,

Hattar Industrial Area,
District Haripur.
Phone: 0995-617038

NOTICE OF THE MEETING

Notice is hereby given that the Seventh Annual General Meeting of Share Holders of Indus Polyester Company Limited will be held on Tuesday 14th December, 1999 at 12.00 noon at Registered .Office D-194, S.I.T.E., Karachi to consider the following Business.

1. To confirm minutes of Sixth Annual General Meeting.
2. To receive and approve audited Statement of Accounts & Balance Sheet of the company for the year ended 30.06.1999 together with reports of Directors and Auditors thereon.
3. To appoint Auditors of the Company and fix their remuneration for the year ending 30th June 2000 M/s. Hyder Bhimji & Co. who retire offer themselves for re-appointment.
4. To transact any other business with the permission of Chair.

Karachi, Dated: 22nd November 1999.

By order of the Board

MOHAMMAD HUSSAIN
Company Secretary

NOTE

1. Share Transfer books of the Company will be closed from 7th December to 16th December 1999 both days inclusive. No transfers will be accepted for registration in the names of the transferees during this period.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a Proxy to attend instead of him and such proxy will have the right to attend instead of him/her, speak and vote in place of the member. A proxy must be a member of the company. Forms of proxy in order to be valid, must be deposited at the Company's Registered office D-194, S.I.T.E., Karachi- 75700, not less than 48 hours before the time appointed for the meeting.

DIRECTORS' REPORT TO THE MEMBERS

We are pleased to submit to you the 7th Annual Report along with the Audited Accounts of the Company for the year ended 30th June, 1999.

REVIEW

During the year plant production remained excellent and efficiency level of 112% was achieved.

Despite excellent production level sales turnover decreased due to adverse market conditions. During

the second half of the year market price of yarn came under pressure due to Dumping of cheap yarn from the Far Eastern Markets. This eroded the profit margins of the company. However company was able to meet all its financial obligations.

OPERATIONAL AND FINANCIAL RESULTS

The financial results of the company for the year under review are given hereunder:

	<i>1999</i>
	<i>Rs. '000</i>
Operating Profit	43
Financial Charges	40

Profit on Sale of Fixed Assets	2
Workers Profit Participation Fund	(

Profit before Taxation	2

Profit after Taxation	2
	=====

FUTURE PROSPECTS

There exists a great deal of uncertainty as the prices of Petro Chemical Products are on the rise worldwide. Polyester Chip, primary raw material of the company being a Petrochemical product is also under pressure and its prices have increased by more than 20 percent during the last 3 months.

Cheap imports and dumping of Polyester Filament Yarn is still continuing which is resulting in lower yarn prices in the local market.

INDUS POLYESTER COMPANY LIMITED

Company is trying to change the product mix in order to improve the average selling price of its products and hope to improve the performance.

YEAR 2000 COMPLIANCE OF COMPUTER SYSTEM

The Company has successfully tested all its computer software for year 2000 compliance.

APPOINTMENT OF AUDITORS

The retiring auditors M/s Hyder Bhimji & Co, Chartered Accountants being eligible, offer themselves for re-appointment.

PATTERN OF SHARE HOLDING

Statement showing pattern of holding as on 30th June 1999 is annexed to the report.

EMPLOYEE RELATIONS:

Company's relation with Labour & Staff continued to remain cordial. We wish to record our appreciation for the devotion and hard work of the executives, staff members and workers of the company.

On Behalf of the Board

NAEEM AKHTAR YOUSU
Chief Executive

Karachi: 18th November, 1999

**PATTERN OF SHAREHOLDING OF SHARES
AS AT JUNE 30, 1999**

<i>NO. OF SHARE HOLDERS</i>	<i>SHARE HOLDING</i>		<i>TOTAL SHARES HELD</i>
	<i>FROM</i>	<i>TO</i>	
442	1	100	44,190
8663	101	500	4,220,400
61	501	1000	60,200
55	1001	5000	149,800
10	5001	10000	79,700
4	10001	15000	54,300
1	15001	20000	18,000
2	20001	25000	44,500
1	35001	40000	40,000
2	45001	50000	99,000
1	55001	60000	56,400
1	65001	70000	70,000
1	85001	90000	85,600
1	105001	110000	107,500
1	155001	160000	157,600
1	270001	275000	275,000
1	345001	350000	349,900
1	615001	620000	618,010
2	910001	915000	1,826,600
1	4000001	4005000	4,003,500
-----			-----
9252			12,360,200
=====			=====

<i>S. No.</i>	<i>Categories Of Share Holders</i>	<i>No. of Share Holders</i>	<i>Total Shares Held</i>	<i>Percentage</i>
1.	Individuals	9234	10,808,390	8
2.	Investment Companies	6	506,400	
3.	Joint Stock Companies	4	16,500	
4.	Financial Institutions	4	619,610	
5.	Modaraba Companies	4	409,300	
		-----	-----	-----
		9252	12,360,200	10

=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of INDUS POLYESTER COMPANY LIMITED as at June 30, 1999 and the related Profit & 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 accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the Balance Sheet, 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 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 June 30, 1999 and of the Profit and the Statement of Changes in Financial Position (Cash Flow Statement) for the year then ended; and

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

Karachi: 18th November, 1999.

HYDER BHIMJI & CO.
Chartered Accountants.

BALANCE SHEET AS AT JUNE 30, 1999

AUTHORISED CAPITAL
12,500,000 Ordinary Shares
of Rs. 10/- each

NOTE

1999
RUPEES

125,000

=====

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

12,360,200 Ordinary Shares
of Rs. 10/- each fully paid issued for cash
issued for cash

123,602

Accumulated (Loss)

(31,263,

REDEEMABLE CAPITAL (Secured)

3

92,338

166,454

CURRENT LIABILITIES

Current Maturity of Redeemable Capital

36,598

Short Term Running Finance

4

15,660

Creditors, Accrued and Other Liabilities

5

8,156

60,421

319,214
=====

TANGIBLE FIXED ASSETS

Operating Fixed Assets

6

246,916

Capital Work-in-Progress

7

400

DEFERRED COST

8

LONG TERM DEPOSIT

Security Deposits

1,568

CURRENT ASSETS

Stores & Spares

9

11,615

Stock in Trade

10

42,121

Trade Debts

11

11,645

Advance Income Tax- Refundable

600

Advances, Deposits, Prepayments & Other Receivables

12

1,539

Cash & Bank Balances

13

2,807

70,329

319,214
=====

NOTE: The annexed notes form an integral part of these accounts

Karachi: the 18th November, 1999.

NAEEM AKHTAR YOUSUF
Chief Executive

SHAIKH MUHAMMAD YOUSUF
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999**

	<i>NOTE</i>	<i>1999 RUPEES</i>
Sales	14	289,167
Less: Cost of Goods Sold	15	236,422

Gross Profit		52,744
OPERATING EXPENSES:		
Administrative Expenses	16	8,581
Selling Expenses	17	727

		9,309

Operating Profit		43,434
Financial Expenses	18	40,547

		2,887
Profit on sale of fixed Assets		6

		2,894
Workers Profit Participation Fund		(144,000)

Profit before Taxation		2,749

Profit after Taxation		2,749
Accumulated (Loss) Brought forward		(34,012)

Accumulated (Loss) Carried forward		(31,263)
		=====

NOTE: The annexed notes form an integral part of these accounts.

Karachi: the 18th November, 1999.

NAEEM AKHTAR YOUSUF
Chief Executive

SHAIKH MUHAMMAD YOUSUF
Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1999**

	<i>NOTE</i>	<i>1999 RUPEES</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations	20	71,600
Financial charges paid		(40,834,
Gratuity paid		

Net cash flow from operating activities		30,766
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure		(1,245,
Capital Work in Progress		(400,
Sale proceeds of Fixed Asset		300
(Increase) / Decrease in Long Term Deposits		(265,

		(1,880,
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Redeemable capital		(31,430,

Net increase/(decrease) in cash and cash equivalents		(2,544,
Cash and cash equivalents at beginning of the year		(10,314,

Cash and cash equivalents at end of the year	21	(12,859,
		=====

The annexed notes form an integral part of these accounts.

Karachi: the 18th November, 1999.

NAEEM AKHTAR YOUSUF
Chief Executive

SHAIKH MUHAMMAD YOU
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30,1999.

1. STATUS OF THE COMPANY

The Company was incorporated in Pakistan on December 2, 1992 as a Public Limited Company and is listed at Stock Exchanges of Karachi, Lahore & Islamabad. The principal activity of the Company is to manufacture and sale of Polyester Filament Yarn.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention:

These accounts have been prepared under historical cost convention.

2.2 Staff Retirement Benefit:

The Company operates provident fund scheme for all its employees eligible for the benefit.

2.3 Taxation:

Provision for current taxation is based on taxable income at the current rates of taxation after considering tax credits, rebates and exemptions, if any.

2.4 Deferred Cost:

The deferred cost will be written off over a period of 5 years from the commencement of commercial production.

2.5 Tangible Fixed Assets:

Fixed. Assets are stated at cost less accumulated depreciation except lease hold land and Capital Work-in-Progress which are stated at cost.

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

2.6 Stores, spares and Loose Tools:

Stores and Spare · Valued at average cost

2.7 Stock in Trade:

Raw and Packing Material	Valued at cost- FIFO
Raw Material in transit	Valued at actual
Work in process	Valued at cost of Raw Material and a proportion of manufacturing expenses.
Finished goods	Valued at lower of average cost and net realisable value.

2.8 Trade Debts:

Debts considered irrecoverable, if any, are written offered provision is made for Debts considered doubtful.

2.9 Revenue Recognition

Sales are recorded on despatch of goods.

1999
RUPEES

3. REDEEMABLE CAPITAL (Secured)

Long Term Demand Finance (Under Mark-up arrangements)	203,052
Less: Current Maturity	36,598

	166,454
	=====

a. Security:

The above finance is secured by:

i. 1st Charge by way of equitable mortgage of the Project and hypothecation of Plant/ Machinery and Equipment.

ii. Personal guarantee of the main sponsors.

b. Rate of Mark - up:

The rate of Mark- up is 48 paisas per 1,000 per day upto 31st March, 1999 and from 1st April, 1999 rate of Mark-up has been reduced to 43 paisas per 1,000 per day.

c. Repayment:

The demand finance are repayable in monthly installments of Rs. 5.800 Million including mark-up commencing from May' 1997 upto September' 2003.

**1999
RUPEES**

**4. SHORT TERM RUNNING FINANCE (SECURED)
utilised under Mark - up arrangements**

Muslim Commercial Bank Limited

15,666
=====

- i. Secured against hypothecation of Stock of Raw Materials and Finished goods.
- ii. Running Finance facility is Rs. 15.000 Million.
- iii. Mark-up @57 Paisas per 1,000 per day.

5. CREDITORS, ACCRUED & OTHER LIABILITIES

Creditors and Accrued Expenses

5,690

Accrued Mark-up on secured Redeemable Capital

2,282

Staff Income Tax

3

Workers Profit Participation Fund (5.1)

179

8,156
=====

5.1 Workers Profit Participation Fund:

Opening Balance

159

Add:-Allocation for the year

144

Add: Interest on fund

304

22

Less: Amount paid to workers

326

147

Closing Balance

179

6. TANGIBLE FIXED ASSETS

<i>PARTICULARS</i>	<i>COST</i>			<i>RATE</i>
	<i>AS ON 01.07.98</i>	<i>ADDITION/ (DELETION)</i>	<i>AS ON 30.06.99</i>	
Land-Lease Hold	5,364,788	--	5,364,788	--
Factory Building on Lease Hold Land	22,645,010	--	22,645,010	10%
Plant & Machinery	311,186,300	43,000	311,229,300	10%
Electrical Installation	9,471,527	35,627	9,507,154	10%
Furniture & Fixtures	965,933	235,347	1,201,280	10%
Office Equipments	1,421,698	159,350	1,581,048	10%
Air Conditioner(s) & Refrigerators	533,823	51,800	585,623	10%
Tubewell	584,190	44,560	628,750	10%
Fire Fighting Equipments	67,890	--	67,890	10%
Laboratory Equipments	166,165	--	166,165	10%
Vehicles	3,701,525	675,820 (50,800)	4,326,545	20%
Total Rupees 1999	356,108,849	1,245,504 (50,800)	357,303,553	
Total Rupees 1998	353,698,667	2,410,182	356,108,849	

**1999
RUPEES**

6.1 Depreciation charged for the year has been allocated as under

Cost of Goods Sold.
Administrative Expenses

26,790
376

27,167

6.2 DISPOSAL OF FIXED ASSETS

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>W.D.V</i>	<i>Sale Proceed</i>
HONDACD-70	50,800	27,391	23,409	30

Total rupees 1999	----- 50,800	----- 27,391	----- 23,409	----- 30
Total rupees 1998	=====	=====	=====	=====
	----- --	----- --	----- --	----- --
	=====	=====	=====	=====

**1999
RUPEES**

7. CAPITAL WORK-IN-PROGRESS

Feasibility Fee Paid To Consultant For BMR. 400

8. DEFERRED COST

Preliminary Expenses 56

Flotation Expenses 1,041

Less: Written off during the year 1,098

9. STORES & SPARES

10. STOCK IN TRADE

Finished Goods 19,509

Raw & Packing Material 13,907

Raw Material in transit 1,720

Work-in-Process 6,984

11. TRADE DEBTS (Un Secured)

Considered Good 11,645

**12. ADVANCES, DEPOSITS, PREPAYMENTS &
OTHER RECEIVABLES: (Considered Good)**

Advances against supplies 346

Advance to Staff 18

Deposit: against Excise duty 130

against Sales Tax 542

Prepayments 472

Other Receivables

29

1,539
=====

The maximum amount due from Executive of the Company at the end of any month during the year is
NIL (1998: NIL)

13. CASH AND BANK BALANCES

Cash in Hand

44

Balance with Banks (in current account)

2,762

2,807
=====

14. SALES

Sales - Local

289,629

Less: Sales Tax

462

289,167
=====

15. COST OF GOODS SOLD

Raw & Packing Material Consumed

NOTE

153,451

Stores & Spares Consumed

5,781

Excise Duty

4,591

Repair & Maintenance

977

Salaries, Wages, Allowances

9,984

Fuel, Electricity & Power

31,645

Postage, Telegram & Telephone

212

Printing, Periodical & Stationery

102

Travelling & Conveyance

159

Vehicle & Transport Expenses

1,260

Entertainment

109

Rent, Rates & Taxes

399

Insurance

1,596

Professional Tax

124

Other Expense

622

Security Services

371

Depreciation

26,790

238,179

Work in Process

Opening

6,373

Closing	(6,984,
---------	---------

(611,

Cost of Goods Manufactured

237,568

Finished Goods

Opening	18,364
---------	--------

Closing	(19,509,
---------	----------

(1,145,

236,422
=====

15.1 Raw & Packing Material Consumed

Opening Stock	20,240
---------------	--------

Add: Purchases	147,117
----------------	---------

167,358

Less: Closing Stock	(13,907,
---------------------	----------

153,451
=====

16. ADMINISTRATIVE EXPENSES

Salaries, Allowances & Other Benefits	3,388
---------------------------------------	-------

Electricity & Utilities	191
-------------------------	-----

Postage, Telegram & Telephone	454
-------------------------------	-----

Printing & Stationery	43
-----------------------	----

Travelling & Conveyance	988
-------------------------	-----

Entertainment	37
---------------	----

Repair & Maintenance	415
----------------------	-----

Legal & Professional	193
----------------------	-----

Fee & Subscription	241
--------------------	-----

Advertisement	56
---------------	----

Software Charges	66
------------------	----

Security Services	398
-------------------	-----

Miscellaneous Expenses	206
------------------------	-----

Auditor's Remuneration	30
------------------------	----

Deferred Cost Written off (Note 8)	1,098
------------------------------------	-------

Depreciation	376
--------------	-----

8,581
=====

16.1 Auditors' Remuneration

Audit Fee	30
-----------	----

=====

17. SELLING EXPENSES

Carriage Outward	720
Sampling	7

727
=====

18. FINANCIAL EXPENSES

Mark-up one Redeemable Capital	37,881
Mark-up on Running Finance	2,579
Bank Charges	63
Interest on W.P.P.F.	22

40,547
=====

**19. REMUNERATION OF CHIEF EXECUTIVE,
DIRECTORS AND EXECUTIVES**

				<i>Rupees 1999</i>
	<i>Directors</i>	<i>Chief Executive</i>	<i>Executives</i>	
Fees	--	--	--	
Remuneration	480,000	720,000	1,545,955	2,745
Perquisites & Allowances	309,252	144,160	772,969	1,226
	-----	-----	-----	-----
Total Rupees	789,252	864,160	2,318,924	3,972
	=====	=====	=====	=====
Number of Persons 1999	6	1	5	
	-----	-----	-----	-----
Number of persons 1998	6	1	5	
	=====	=====	=====	=====

NOTE: In addition of above three Directors have been provided with Company's maintained Car for Office use.

20. CASH GENERATED FROM OPERATIONS

Profit / before taxation	2,749
Adjustment for non cash charges and other items:	
Depreciation	27,167
Profit on sale of fixed Assets	(6,
Financial charges	40,547
Amortization	1,098

Working Capital changes (20.1)

43

71,600
=====

1999
RUPEES

20.1 Working Capital Changes

(Increase) / Decrease in current assets

Stores and Spares

(4,266,

Stock in Trade

2,856

Trade Debts

(1,004,

Advance Income Tax

2,594

Deposits, Prepayments and Other Receivables

(426,

(247,

Increase / (Decrease) in Current Liabilities

Creditors, Accrued and Other Liabilities

291

43
=====

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the Balance Sheet.

Cash and Bank balances

2,807

Short term Running Finance utilized
under mark-up arrangements

(15,666,

(12,859,
=====

22. PRODUCTION CAPACITY

a) Capacity based on 75 Deniers

2100

b) Actual Production of various
Deniers converted to 75 Deniers

2358

23. GENERAL

23.1. Factory of the Company is situated in Hattar (N.W.F.P.) hence it is exempted from tax for 8 years from the date of commencement of commercial production. The commercial production commenced from 01-01-1995. According to the honourable Supreme Court's decision the company falling under tax holidays and set up between 1990-1995 are not to be taxed on turn over basis therefore, no provision for tax is made in the accounts.

23.2. Figures have been re-arranged and regrouped where ever necessary for the purpose of comparison.

23.3. Figures have been rounded off to the nearest rupee.

NAEEM AKHTAR YOUSUF
Chief Executive

SHAIKH MUHAMMAD YOUSUF
Director