

Gatron Industries Limited

Annual Report 2000

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COMPANY INFORMATION

BOARD OF DIRECTORS

Peer Mohammad Diwan
Haji Sharif Tayub
Haji Haroon Tayub
Abdul Razak Diwan
Zakaria Bilwani
Usman Habib
Iqbal Abdul Shakoor
Shabbir Diwan

Chief Executive

COMPANY SECRETARY

Mohammad Yasin Bilwani

BANKERS

ABN- AMRO Bank N V
American Express Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Citibank N.A.
Credit Agricole Indosuez
Faysal Bank Limited
Habib Bank Limited
Metropolitan Bank Limited
National Bank of Pakistan
Societe Generale, The French and International Bank
Standard Chartered Bank
The HongKong and Shanghai Banking Corporation Limited
Union Bank Limited (Formerly Bank of America NT & SA)

AUDITORS

M/ s. Hyder Bhimji & Co.
Chartered Accountants,
Karachi.

PLANT

Plot No. M-2, Sec. M, H.I.T.E.
Main R.C.D. Highway
Hub Chowki, Lasbela Distt.
Balochistan - Pakistan.

REGISTERED

Room No. 32, 1st Floor,
Ahmed Complex,
Jinnah Road,
Quetta - Pakistan.

LIAISON OFFICE

8th Floor, Textile Plaza
M.A. Jinnah/Dunolly Road
Karachi- 74000 Pakistan.

FINANCIAL HIGHLIGHTS

Turnover
Profit before tax
Profit after tax
Taxation
Gross assets employed
(excluding capital work-in-progress)
Issued share capital
Net shareholders' equity
Earning per share before tax - Rupees

DIRECTORS' REPORT

The Directors of your Company feel pleasure in presenting the report on the performance of the Company for the year ended June 30, 2000.

SUMMARY OF FINANCIAL RESULTS

The financial results for the year under review are as follows:

	(Rupees in '000)
Gross Sales	4,201,912
Net sales	3,735,076
Operating profit	348,858
Profit before taxation	153,255
Profit after taxation	93,995

OVERVIEW

By the Grace of Allah, the net sales of your Company increased by Rs. 1,022 million over last year, allowing the Company to cross a figure of Rs.4 billion gross sales mark for the first time in its history. The increase is partly due to increase in export sales of Polyester Chips Bottle Grade (PET Resin) and consequently better capacity utilization of the plant.

For the last 3 years the Polyester Chips Bottle Grade (PET Resin) industry has had an over supply situation on the international level and was consequently a loss making business. This had repercussions both on the financial side as well as on the marketing side. Due to the extra ordinary marketing efforts and improvement of margins to break-even level by the end of the year under review, the results of PET Resin were better than the last financial year. However the fact remains that your Company with a plant capacity of 21,000 tons has to compete with world scale economical size plants of 4 times higher capacity. The company is presently trying to de-bottleneck the existing 21,000 tons capacity of the plant but the maximum it can possibly reach is 24,500 tons. Insha Allah this is expected to be achieved in the maintenance shutdown in January, 2001. With the rising raw material prices expected in the coming years, the duty drawback on export of PET Resin in rupees per kilo is going to be continuously outdated. Your company is reviewing various options to tackle this situation.

The Company has established itself as a reliable Quality, local and export Supplier of PET Preforms (made from PET Resin). These PET Preforms are sold for converting into Carbonated Soft Drink PET bottles. However in the coming year, efforts are

being directed towards new applications for packaging purposes. These efforts will increase the consumption of PET Resin/PET Preforms in the country.

The whole chain of materials in the polyester industry, including the raw materials are showing an upward price trend, most of which is cost push. For e.g. Paraxylene (base raw material of PTA) rose from \$310 to \$510 in one year pushing the whole upstream chain. This cost push factor has also contributed to the increased sales figure of this year.

Due to the continued international pressure (dumping product prices in relation to raw material costs) on the Polyester Filament Yarn, current year's profitability in filament yarn did not show a remarkable improvement over last year. However by the Grace of Allah, your Company, manufacturing Filament Yarn from Polyester Chips did better than most of the other Chip-based Polyester Filament Yarn units. This was made possible by lower and efficient utilities and administrative costs. This was also possible since the product versatility and marketing strengths (developed by the Company over the years) enabled the Company to achieve Filament Yarn production far above rated capacity and near to maximum possible plant utilization. However the overall profitability of the Company was noticeably better than last year due to reduction of losses in the Polyester Chips Bottle Grade (PET Resin) business.

Some support during the year was given by the 10% excise duty imposed on import of Polyester Filament Yarn effective July 02, 1999 (making a total import duty 45%). However on January 15, 2000 while total import duty on raw material was decreased by 10% (from 35% to 25%), giving an impact of around Rs.3.60 per kg, whereas the total import duty on finished product i.e., Polyester Filament Yarn was reduced by 15% (from 45% to 30%) resulting an adverse impact of Rs.10/- per kg. The Government could and should have brought down the duty on Polyester Filament Yarn to 35% instead of as low as 30%.

At the same time the excise duty of Rs. 2.50 per kg. on local production (an anomaly) was not removed by Government - supposedly due to revenue consideration. Therefore the net protection level for the Polyester Filament Yarn industry was reduced drastically in rupee terms by around Rs.6.40 per kg. It is logical and necessary that the Government remove the excise duty on local production as even the reduced 5% differential between the import duty of Polyester Chips (raw material) and Polyester Filament Yarn (finished product) is being wiped out by the incidence of excise duty on local production of finished goods.

Due to very low net operating margin from operations (for reasons already explained) the "other income" portion formed a major chunk of the total income like the previous year - though it was lower than last year's figure of "other income."

Since there is very little water in Hub Dam, extra ordinary expenses were incurred this year for pumping and transporting over 2 lacs gallon/day of well water within and from 5 km range of the factory. Further expenses were incurred in treating this water through the R.O. unit. The water shortfall and resultant expenses expected to continue until sufficient rainfall is received, something which is eluding Karachi and Hub District

Lasbela (Balochistan) since last 3 years.

The repairs and maintenance charges of the year reflected the major maintenance on the utilities equipment required in view of their age and running hours. They also reflect the minor improvements made in the various existing assets. Increase in the sales volume of PET Resin meant a higher level of material handling charges.

The other costs as well as Administrative expenses were kept on strict control through effective management process and actions and the increase only reflect the Usual inflationary trend. The working capital requirements, compared to previous year, increased due to increased turnover and due to escalating cost of raw materials. While stocks of PET Resin were brought down, stocks of Polyester filament yarn were high due to a very depressed yarn market in June 2000. The physical level of raw material stock was also raised to normal levels compared to the extra ordinary low levels of the previous year ending. The increase in sales volume of PET Resin also meant an increase in Receivables of Cash L/C proceeds as well as usance L/Cs in transit and consequent increase in trade debts.

A second injection moulding machine with an investment of Rs. 70 million ordered in the year under review and was installed and commissioned during the on going year. Capital expenditure for debottlenecking the Polyester Chips Bottle Grade (PET Resin) plant will also be incurred in the on going year. The company has plans to incur capital expenditure to replace the 15 years' old power generators or to arrange additional power from Gatro Power (wholly owned subsidiary) to meet the power requirements and to increase standby equipment in texturising, compressors and chillers sections.

FUTURE OUTLOOK

As discussed above the local Polyester Filament industry has remained under pressure for the last few years and the import duty changes of January 2000 added further pressure. The under invoicing of imported yarn and fabric continuing unabated also adds to this pressure. The high stocks of yarn in June 2000 reflected this situation. Six units of Polyester Filament Yarn have closed down this year - four of them, it seems for a longer term. Gatron and a couple of other plants have transformed some of their production to new varieties. All this has reduced supply of normal variety. It is therefore expected that seasonal months of October to December (unlike last year) will see an improvement of margins - aided also by the depreciation of the rupee by over 10% in September 2000. However the impending liberal imports of filament yarn (on under-invoiced value and lower duty) to fill in this gap of seasonal months - may put pressure on the prices and margins in the following months. The Government should check and curb the under invoicing of filament yarn with the help of FYMA (Filament Yarn Manufacturers Association). A member of FYMA can be nominated on a valuation vigilance committee to provide free of charge professional assistance to prevent extreme under invoicing.

This would not only increase Government revenue but allow the Filament Yarn Industry to earn adequate and proportionate margins on the turnover and on the huge investment made in their respective plants and would also allow the revival of closed units.

The sharp weakening of Pak Rupee against major world currencies and significant upsurge in fuel prices is going to add to the inflationary pressure on direct and indirect costs. The Polyester Chips Bottle Grade (PET Resin) project after 2 years of losses is Insha Allah expected to generate profit next year

APPROPRIATION

Your Directors are pleased to report after tax profits of Rs. 93.995 million for the year ended June 30, 2000 and proposed that profit be appropriated as follows:

	(Rupees in'000)
Profit after taxation	93,995
Unappropriated profit brought forward	13,166

Profit available for appropriation	107,161
Appropriations:	
Proposed cash dividend @15%	57,547
Transfer to general reserve	30,000

	87,547

Unappropriated profit carried forward	19,614
	=====

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year, the Company's contribution to the national exchequer amounted to Rs. 654 million (June 1999: Rs. 630 million) in respect of payments towards sales tax, in come tax, excise duties, import duties and other statutory levies. This does not include the income tax paid by the employees of the Company in their individual capacities.

GENERAL

The Company by the Grace of Allan, achieved ISO-9002 certification for its Production and Marketing of Polyester Chips - Bottle Grade (PET Resin).

The Company has also fully provided for its deferred tax liability of Rs. 317.230 million which will mature in the next years.

SUBSIDIARY COMPANY

The Audited Accounts of the wholly owned subsidiary, Gatro Power (Pvt.) Limited for the year ended June 30, 2000 are annexed.

BOARD CHANGES

Mr. Muhammad Afzalullah Siddiqui, Director representing National Investment Trust (NIT) retired on the expiry of his term on December 23, 1999.

Mr. Z.I. Saifi, Nominee Director of Bankers Equity Limited ceased to hold Office of the Director under Section 188(b) of the Companies Ordinance, 1984 and Article 93(b) of the Articles of Association of the Company.

The Board of Directors would like to place on record its appreciation for the valuable services rendered to the Company by the outgoing Directors.

AUDITORS

The retiring auditors M/s. Hyder Bhimji & Company, Chartered Accountants being eligible, offer themselves for reappointment.

PATTERN OF SHAREHOLDING

A statement reflecting the pattern of shareholding is attached to the Annual Report.

ACKNOWLEDGEMENT

We offer our sincere thanks to our valued clients, bankers, financial institutions and the Government agencies for the cooperation extended by them during the course of business activities. We equally appreciate the hard work and commitment demonstrated by all our dedicated employees and team members in contributing towards achieving the objectives of the Company.

On behalf of the Board

PEER MOHAMMAD DIWAN
Chief Executive

November 08, 2000

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twentieth Annual General Meeting of Gatron (Industries) Limited will be held on Monday, January 01, 2001 at 11:30 a.m. at Serena Hotel, Quetta to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Nineteenth Annual General Meeting held on December 06, 1999.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2000 together with the Auditors' and Directors' Reports thereon.
3. To approve as recommended by the Board of Directors the payment of cash dividend at Rs. 1.50 per share (15%) for the year ended June 30, 2000.
4. To appoint Auditors for the next financial year and to fix their remuneration.
5. To transact any other ordinary business with the permission of the Chair.

SPECIAL BUSINESS

To consider and if thought fit to pass the following resolution as a Special Resolution:

"Resolved as Special Resolution that existing Article 95(22) of the Articles of Association of the Company be and is hereby deleted and be substituted with the following:

"Article 95(22)

To Subscribe or contribute or otherwise assist or to grant money to charitable, benevolent, religious, educational, scientific, to individuals or institutions for objects or purposes referred to herein."

By Order of the Board

Mohammad Yasin Bilwani
Company Secretary

December 01, 2000

Notes:

1) The Share Transfer Books of the Company will remain closed from December 19, 2000 to January 01, 2001 (both days inclusive). The shareholders are advised to notify to the Company of any change in their addresses.

2) A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf. Proxies in order to be effective must be received at the office of the Company not less than 48 hours before the time of holding the meeting.

3) Account holders and sub account holders and/or the persons whose shares are in group account and holding book entry of shares of the Company in Central Depository System of Central Depository Company of Pakistan Limited, who wish to attend the Annual General Meeting are requested to please bring original National Identity Card (NIC) with copy thereof duly attested or the original passport for identification purpose. In case of proxy, he/she must also produce attested copy of his/her NIC or original passport at the time of meeting.

4) In of case corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with proxy form to the Company.

Statement Under Section 160 of the Companies Ordinance, 1984

This statement sets out the material facts concerning the Special Business to be transacted at the Twentieth Annual General Meeting of the Company to be held on January, 01, 2001.

Gatron being one of the largest industrial concern in the Province of Balochistan it had to contribute donations in other backward areas of Balochistan. Moreover, sometimes circumstances compel for donations to other deserving sectors. At present there is no such clause in the Articles of Association of the Company authorizing it to make such charitable contributions. In the absence of such clause, the Company is unable to contribute any sum for the relief of the deserving people of the country. To empower Directors to comply such obligations, existing sub Article of Articles of Association of the Company needs substitution.

The Directors of the Company do not have any interest directly or indirectly, in relation to

the proposed amendment of the Articles of Association.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of GATRON (INDUSTRIES) 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 standards 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 accounts 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 accounts 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 confirm 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 the 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: November 08, 2000

HYDER BHIMJI & CO.
Chartered Accountants

BALANCE SHEET
As at June 30, 2000

	Note
SHARE CAPITAL AND RESERVES	
Authorised capital	
44,000,000 Ordinary shares of Rs. 10/- each	
Issued, subscribed and paid-up capital	3
Capital reserve	4
General reserve	
Unappropriated profit	
REDEEMABLE CAPITAL	5
LONG TERM LOANS	6
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	7
DEFERRED LIABILITIES	8
CURRENT LIABILITIES AND PROVISIONS	
Current maturity of redeemable capital	5
Current maturity of long term loans	6
Current maturity of liabilities against assets subject to finance lease	7
Short term / ruling finance under mark-up arrangements	9
Creditors, accrued and other liabilities	10
Taxation	
Proposed dividend	
CONTINGENCIES AND COMMITMENTS	11
TANGIBLE FIXED ASSETS	
Operating fixed assets	12

Capital work-in-progress	13
LONG TERM INVESTMENTS	14
LONG TERM DEPOSITS AND DEFERRED COSTS	15
LONG TERM LOANS	16
CURRENT ASSETS	
Stores, spares and loose tools	17
Stock-in-trade	18
Trade debts	19
Loans and advances	20
Trade deposits and short term prepayments	21
Other receivables	22
Cash and bank balances	23

The annexed notes form an integral part of these accounts.

Peer Mohammad Diwan
Chief Executive

PROFIT AND LOSS ACCOUNT
For the year ended June 30, 2000

	Note
Net sales	24
Cost of sales	25
Administration and selling expenses	26
Operating profit	
Other income	27
Financial charges	28
Other charges	29
Profit before taxation	
Taxation	30

Profit after taxation
Prior period item 31

Unappropriated profit brought forward

Profit available for appropriation

Appropriations:-

Proposed cash dividend @ 15% (1999: @ 12%)

Transfer to general reserve

Unappropriated profit carried forward

Basic earnings per share (Rupees) 34

The annexed notes form an integral part of these accounts.

Peer Mohammad Diwan
Chief Executive

Haji S
I

CASH FLOW STATEMENT

For the year ended June 30, 2000

Note

Cash Flow from Operating Activities

Profit before taxation

Adjustments for:

Depreciation and amortization

Profit on sale of fixed assets

Dividend income from subsidiary

Provision for gratuity

Financial charges

Movement in:

Working capital 32

Long term deposits

Long term loans

Cash generated from operations

Payments for:

Gratuity

Financial charges

Income tax

Net cash from operating activities

Cash Flow from Investing Activities

Capital expenditure

Sales proceeds of fixed assets

Custom duty refund against machineries

Dividend income from subsidiary

Net cash used in investing activities

Cash Flow from Financing Activities

Redeemable capital less repayments

Long term loans less repayments

Finance lease availed less repayments

Dividend paid

Net cash used in financing activities

Net increase in cash and cash equivalents

Cash and cash equivalents at 1st July

Cash and cash equivalents at 30th June

33

Peer Mohammad Diwan
Chief Executive

Haji S
I

STATEMENT OF CHANGES IN EQUITY
For the year ended June 30, 2000

*Issued, subscribed
and paid-up capital*

Balance as at June 30, 1998

383,645

Profit after taxation and
prior period items for the

year ended June 30,1999	--
Transfer to general reserve	--
Cash dividend @ 12%	
Balance as at June 30, 1999	383,645

Profit after taxation for the year ended June 30, 2000	--
Transfer to general reserve	--
Proposed cash dividend @ 15%	--

Balance as at June 30, 2000	383,645
	=====

Peer Mohammad Diwan
Chief Executive

NOTES TO THE ACCOUNTS

For the year ended June 30, 2000

1. STATUS AND NATURE OF BUSINESS

The Company is a Public Limited Company and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The present principal activities of the Company are manufacturing of Polyester Polymer and its various downstream products viz. Filament/Texturised Polyester Yarn, Polyester Chips Bottle Grade (E.E.T. Resin) and Polyester P.E.T. Preforms.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

a) The Company operated an unfunded gratuity scheme under the law upto December, 1991 for workers and upto June, 1993 for staff. Necessary provision has been made to cover this obligation. Thereafter in place of this gratuity scheme, a scheme of contributory provident funds under the law was introduced separately for workers from January, 1992 and for staff from July, 1993. In addition to the scheme of contributory provident fund, a special gratuity scheme (not mandatory under the law) was introduced from 1st January, 1993 for workers and from 1st July, 1994 for staff. This special gratuity scheme is not funded. Provision for this obligation has also been made in these accounts.

b) The Company also operates unfunded gratuity schemes for its paid directors and provision has been made to cover this obligation.

2.3 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.

2.4 Tangible fixed assets and depreciation

Company owned assets

Operating fixed assets (except lease-hold/free-hold land, property and capital work-in-progress) are stated at cost less accumulated depreciation. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Depreciation is charged at normal tax rates on diminishing balance method.

Full year's depreciation is charged on additions during the year except in case of significant additions or expansions where the charge for depreciation is made with reference to the date of commencement of operation of such assets. No depreciation is charged on assets deleted or retired during the year.

Profit and loss on sale of fixed assets, if any, are included in income currently.

Leased assets

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreements or the fair value of the assets. The related obligations of the lease are accounted for as liabilities. Assets acquired under the finance lease are depreciated over the useful life of the assets at the rates applicable to the Company own assets. Finance charges under the lease agreements are allocated to periods during the lease terms so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

2.5 Investment

These are stated at cost. However, provision against diminution in value are made if considered permanent.

2.6 Stores, spares, loose tools and stock-in-trade

Stores, spares, tools, raw and packing materials are recorded at cost (computed on the basis of moving average) and work-in-process is also recorded at cost. Finished goods are valued at lower of cost or net realizable value. Goods-in-transit are valued at actual.

2.7 Trade debts

Debts considered irrecoverable if any, are written off and provision is made for debts considered doubtful.

2.8 Foreign currency translation

Un-booked short term foreign currency liabilities for goods supplied, if any, are translated into Pak Rupees at the rates prevailing on the date of bill of lading of relative letter of credit or balance sheet date whichever is higher. Exchange

differences, if any, on account of goods supplied are charged to profit and loss account.

2.9 Revenue recognition

Revenue is recognised on dispatch/shipment of goods to customers. Dividend income is recognised when the right to receive is established.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

30,136,080 Ordinary shares of Rs.10/- each
fully paid in cash

8,228,400 Ordinary shares of Rs.10/- each
issued as fully paid bonus shares

38,364,480

=====

4. CAPITAL RESERVE

Share premium

Reserve premium

(4.1)

(4.1) This represents outstanding balances on time barred long term foreign debts.

5. REDEEMABLE CAPITAL- SECURED

Term Finance Certificates

1. Bankers Equity Ltd. - Syndicate

(Original Financing: Rs. 112.570 million)

Less: Current maturity

i) Term Finance Certificates (TFCs) have been issued to the consortium, led by Bankers Equity Limited in March, 1992.

ii) The committed amount on TFCs of Rs.112.570 million represents the sales price. The corresponding purchase price is Rs.187.880 million provided the Company redeems the TFCs on or before the due dates under the TFCs agreement. In the event, the Company fails to redeem TFCs on due dates it shall pay to TFC holders an additional amount of Rs.12.953 million by way of liquidated damages.

iii) These TFCs are redeemable in 14 equal semi annual instalments. The first instalment fell due in January, 1994.

iv) These TFCs are secured by first mortgage on all assets of the Company and charge by way of hypothecation of the entire plant, machinery, equipments and book debts of the Company ranking pari passu with other principal creditors of the Company.

2. Term Finance Certificates - quoted

Less: Current maturity

The Company issued Term Finance Certificates in June, 1998 to raise funds for its expansion projects. These TFCs are quoted on Karachi Stock Exchange (Guarantee) Limited. The certificates are issued in set of 10 scrips each with a face value of Rs.5,000/- and Rs.100,000/- accompanied by a certificate of holding. The TFCs are redeemable in 10 semi-annual instalments commencing from December, 1998. The first six redemption instalments comprise of token principal redemption of Re.1 and Rs.20 and profits on each Rs.5,000 and Rs.100,000 TFC respectively. Thereafter the balance principal redemption is payable in four equal and consecutive semi-annual instalments alongwith profits from December 2001. The rate of profit on the TFCs is 18% per annum payable semi-annually in arrears. The TFCs are secured by a pari passu charge on the immovable property of the Company.

6. LONG TERM LOANS - SECURED

Notes PARTICULARS

	<i>Original Amount in Thousands</i>	<i>DM</i>	2000	Bala
Kreditanstalt Fur Wiederaufbau, Germany				
6.1 Loan No. F-1949	DM 20,948		1,453	
6.1 Loan No. F-2109			--	
6.1 Loan No. F-2156	DM 10,812		772	
	-----		-----	
	DM 31,760		2,225	
Al-Faysal Investment Bank Limited				
American Express Bank Limited				
6.2 Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited	Rs.48,000			
Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited				

Less: Amount classified as current maturity

- Amount repayable for current year awaiting approval of State Bank of Pakistan

- Instalments falling due within the following 12 months

Note: The outstanding loans for acquisition of fixed assets in foreign currency are translated in Pak Rupees at the booking rates registered with the State Bank of Pakistan.

6.1 50% of these loans are secured against three guarantees issued by Habib Bank Limited under syndicate led by Bankers Equity Limited. The said guarantees are secured by way of creation of mortgages on land, building, plants and other immovable assets of the Company, floating charges on all other respective assets both present and future and charges by way of hypothecation in respect of all machineries both present and future ranking pari passu with other principal creditors of the Company.

Balance 50% of these loans are secured by way of creation of mortgages on land, building, plants and other immovable assets of the Company and floating charge on all other respective assets both present and future and charges by way of hypothecation in respect of all machineries both present and future, directly in favour of the lender Kreditanstalt Fur Wiederaufbau, Germany ranking pari passu with other principal creditors of the Company.

6.2 This loan is secured by equitable mortgages on all present and future fixed assets of the Company.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Total gross obligation

Less: Financial charges not yet due

Less: Current maturity

The Company has entered into various sale and leaseback agreements for machineries. Rates of financial charges range between 18.50% to 22.00% per annum. The balance principal liabilities are payable latest by March, 2004.

The Company intends to exercise its option to acquire the leased machineries upon completion of the lease periods.

8. DEFERRED LIABILITIES

Gratuity
Taxation

9. SHORT TERM/RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS - SECURED

Short term/Running finance
Export Re-finance

(9.1) The Company has aggregate short term running finance and export re-finance facilities amounting to Rs.703 million (1999:Rs.556 million) from various commercial banks (as listed in Note 9.3). The mark up rates for short term/running finance range between Rs.0.2603 to 0.3836 per Rs.1000/- per day and for export re-finance at 7% to 8% per annum.

(9.2) These arrangements are secured against hypothecation of stocks and book debts.

(9.3) ABN-Amro Bank N.V., American Express Bank Limited, Bank Alfalah Limited, Bank A1-Habib Limited, Citibank N.A., Credit Agricole Indosuez, Habib Bank Limited, Metropolitan Bank Limited, Societe Generale, The French and International Bank, Standard Chartered Bank, The Hong Kong and Shanghai Banking Corporation Limited and Union Bank Limited (Formerly Bank of America NT & SA).

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors
Bills payable
Capital expenditure payable
Payable to subsidiary company
Interest and financial charges on long term loans
Mark-up on short term/running finance
Workers' Profit Participation Fund
Workers' Welfare Fund
Other accrued expenses
Unclaimed dividend
Sales tax
Central excise duty on bank/lease financing
Advance against export sales
Others

(10.1)

(10.1) Workers' Profit Participation Fund

Opening balance

Add: Interest on fund utilised in
Company's business

Allocation for the year

Less: Paid during the year

11. CONTINGENCIES AND COMMITMENTS

a) Guarantees

Bank guarantees issued on behalf of Company outstanding as on June 30, 2000 amounted to Rs. 16.971 million (1999:Rs.17.022 million)

b) Commitments

i) Commitments in respect of capital expenditure as at the balance sheet date are Rs.98.038 million (1999:Rs.1.580 million).

ii) Commitments in respect of letters of credit as at the balance sheet date are Rs.46.361 million (1999:Rs.65.062 million).

iii) Commitments for rentals under finance lease agreements (as mentioned in Note 7) are as follows

Years (Rupees in '000)

2000-2001	134,322
2001-2002	137,598
2002-2003	112,089
2003-2004	24,034

12. OPERATING FIXED ASSETS

PARTICULARS	As At 1-Jul 1999	Additions	COST	
			Transfers	
Lease hold / Free hold land and property	18,136	350	--	
Factory building on lease hold land	253,688	1,323	--	

Plant and machinery on lease hold land	2,822,013	38,082	34,000
Furniture, Fixtures and Equipments	62,622	5,165	--
Vehicles	44,934	6,624	--
	-----	-----	-----
	3,201,393	51,544	34,000
Assets held under finance lease			
Plant and machinery	486,320	--	(34,000)
	-----	-----	-----
Total	3,687,713	51,544	--
	-----	-----	-----
Total 1999	3,282,404	412,452	(6,050)
	-----	-----	-----

This represent matured leased assets taken over by the Company during the year.

(12.1) Depreciation for the year has been allocated as follows:

Cost of goods sold
Administration and selling expenses

12.2 The following fixed assets were disposed off during the year.

Description	Cost	Book Value	Sale Proceed	
VEHICLES				
Daihatsu Charade (LS-5724)	96	3	65	Ne
Suzuki Margalla (AB-4850)	410	168	200	Ne
Suzuki Car (Z-6900)	385	126	170	Ne
Suzuki Alto (R-6117)	13	3	74	Ne
Suzuki Margalla (AB-4851)	410	168	180	Ne

Toyota Corolla (Z-8993)	649	213	274	Ne
Toyota Corolla XE (Z-8147)	549	180	250	Ne
Toyota Hi-Ace (LSA-1380)	150	150	160	Ne
Honda CDI-70 (KAR-4445)	60	48	50	Insura
Honda CDI-70 (KAR-5481)	61	49	50	Insura
Honda CDI-70 (KAR-8003)	63	50	50	Insura
Honda CDI-70 (KAR-9032)	64	51	55	Insura
EQUIPMENT				
Photocopy Machine NASHUA-4400	65	18	16	Ne
TOTAL	2,975	1,227	1,594	
TOTAL - 1999	1,093	597	859	

13. CAPITAL WORK-IN-PROGRESS

Plant and machinery
Machinery components for capital expenditure
Others

14. LONG TERM INVESTMENTS

Unquoted

In Wholly owned Subsidiary Company

M/s. Gatro Power (Private) Limited
11,800,000 Ordinary shares of Rs.10/- each

In Associated Company

M/s. Novatex Limited

15,000,000 Ordinary shares of Rs.10/- each

The value of the Company's investment on the basis of the net assets of the subsidiary and associated company as disclosed in its audited accounts for the year ended June 30, 2000 amounted to Rs. 134.864 million (1999:Rs.152.103 million) and Rs.170.700 million (1999:Rs.117.300 million) respectively. Mr. Abdul Razak Diwan is the Chief Executive of the associated company.

15. LONG TERM DEPOSITS AND DEFERRED COSTS

Security deposits (15.1)

Deferred costs (15.2)

(15.1) Security Deposits

For assets acquired on lease

Others

(15.2) Deferred Costs

On issue of Term Finance Certificates and

Right Shares

Less: Amortization

16. LONG TERM LOANS**Unsecured - Considered good****Loans due from**

Executives

Staff

Less: Recoverable within one year

Executives

Staff

All the loans are interest free and are recoverable within a period of 3 years.

17. STORES, SPARES AND LOOSE TOOLS

Stores
Spares
Tools
Spares in transit

18. STOCK IN TRADE

Raw and packing material
Raw material in transit
Work in process
Stock of finished goods

19. TRADE DEBTS

Considered good- Secured (19.1)
- Unsecured (19.2)

(19.1) These are secured against letters of credit.

(19.2) It includes Rs. 5.432 million (1999: Nil) receivable from associated undertaking.

20. LOANS AND ADVANCES

Unsecured - Considered good

Loans recoverable within one year from:

Executives
Staff

Advances to:

Staff
Suppliers/Contractors (20.1)
Income tax
Letter of credits
Others

(20.1) It includes Rs.0.122 million (1999: Nil) receivable from associated undertaking.

21. TRADE DEPOSITS AND SHORT

TERM PREPAYMENTS

Trade deposits	
Sales tax	
Excise duty	
Short term prepayments	(21.1)
L/G. margin held by banks	
Others	

(21.1) It includes Rs.2.25 million (1999: Nil) to associated undertaking.

22. OTHER RECEIVABLES - Considered good

Duty draw back	
Income tax	
Exchange risk fee	
Others	(22.1)

(22.1) It includes Rs.2.018 million (1999: Nil) receivable from associated undertaking.

23. CASH AND BANK BALANCES

Cash in hand
Balances with banks in current accounts
Fixed deposit receipts with banks in lieu of excise duty

24. NET SALES

Sales - Local
- Export

Gross Sales
Less: Sales tax on local sales

25. COST OF GOODS SOLD

Raw and packing materials consumed
Stores and spares consumed
Salaries, wages, allowances and other benefits
Rent and taxes
Power, gas and chemicals
Insurance

Transportation
Repairs and maintenance
Staff and workers welfare
Depreciation
Excise duty
Other manufacturing expenses

Opening stock of work-in-process
Closing stock of work-in-process

Cost of goods manufactured
Opening stock of finished goods
Closing stock of finished goods

Duty draw back

26. ADMINISTRATION AND SELLING EXPENSES

Salaries, allowances and other benefits
Printing and stationery
Communication
Rent, rates and taxes
Insurance
Advertisement
Transportation
Repairs and maintenance
Legal and professional fees
Donation
Travelling
Material handling charges
Octroi
Depreciation
Sundry

(26.1)

(26.1) None of the directors or their spouses have any interest in any donee fund except an amount of Rs.1.640 million (1999:Rs.0.788 million) donated to Gatron Foundation in which Chief Executive and seven Directors of the Company are trustees/governors.

27. OTHER INCOME

Dividend income
Profit on sale of fixed assets
Scrap sales
Miscellaneous income
Income on deposit

28. FINANCIAL CHARGES

Interest and financial charges on long term loans
Mark-up on short term/running finance
Exchange (gain)/loss
Interest on Workers' Profit Participation Fund
Bank charges

29. OTHER CHARGES

Workers' Profit Participation Fund
Workers' Welfare Fund
Amortization on deferred costs

(29.1)

(29.1) Auditors' remuneration

Audit fee
Audit fees of Staff and Workers Provident Funds
and Workers Profit Participation Fund

30. TAXATION

Current
Deferred

31. PRIOR PERIOD ITEM

Accumulated depreciation reversed
Less: Income tax

32. MOVEMENTS IN WORKING CAPITAL

(Increase)/Decrease in current assets

Stores, spares and loose tools

Stock in trade

Trade debts

Loans and advances

Trade deposits and short term prepayments

Other receivables

Increase/(Decrease) in current liabilities

Creditors, accrued and other liabilities

33. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

Short term/running finance under mark up arrangements

Cash and bank balances

34. BASIC EARNINGS PER SHARE

Net profit for the year

Number of Ordinary shares

Basic earnings per share (Rupees)

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Fair value of Financial assets and liabilities

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

Concentration of credit risk

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

Foreign exchange risk management

Foreign currency risk arises where receivables and payables exist due to transactions with foreign undertakings. The management takes out forward foreign exchange contracts, where appropriate, to mitigate the risk.

Interest rate risk management

Interest rate risk arises from the possibility of changes in interest rates which may effect the value of financial instruments. The Company is not exposed to interest rate risk except as mentioned in Note 6.

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Company are as follows:

	Chief Executive		Directors
	2000	1999	2000
Meeting fee	--	--	6
Managerial remuneration	1,961	1,696	4,909
Retirement benefits	470	382	1,289
Utilities	145	156	353
Other benefits	--	--	430
	-----	-----	-----
	2,576	2,234	6,987
	=====	=====	=====
Number of persons for remuneration	1	1	4
for meeting fee	--	--	4

In addition, the Chief Executive is provided with company maintained car and certain directors and executives are provided with household furniture and cars under Company policies. The monetary impact of which is not quantifiable.

37. PLANT CAPACITY AND ACTUAL PRODUCTION

Polyester yarn

Annual capacity

Actual production

Polyester chips bottle grade (P.E.T. Resin)

Annual capacity

Actual production

(37.1)

Polyester P.E.T. Preform

Annual capacity

Actual production
(1999: One and a half month production approximately)

(37.2)

Reason for shortfall in production

(37.1) Due to unforeseen mechanical shutdowns and relatively weak international market in the first half of the year.

(37.2) Due to 50% capacity dedicated to export which could not be fully established in this year, being the first full year of production of this item.

38. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchase of power (From wholly owned subsidiary)

Purchase of goods, materials and services

Dividend received

Rent/storage and handling

Sale of goods, materials and services

39. NUMBER OF EMPLOYEES

The total number of employees as at year end was 1306 (1999: 1294)

40. GENERAL

(40.1) Comparative figures have been re-arranged for comparison, where necessary.

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

Peer Mohammad Diwan
Chief Executive

STATEMENT UNDER SECTION 237(1)(e)
of the Companies Ordinance, 1984

a) Subsidiary

Name of subsidiary
Accounting year end

Gatro Power (Private) Limited
June 30, 2000

Percentage holding

100 Percent

Nature of Business

Generating supply of electric power
to industrial and other consumers

b) The net aggregate amount of profits after deducting losses, if any, of the subsidiary company so far as these concern members of the holding company and have not been dealt

with in the accounts of the holding company for the year ended June 30, 2000 are:

(i) for the financial year of the subsidiary;

(ii) for the previous years of the subsidiary since it became the holding company's subsidiary;

c) The net aggregate amount of profits after deducting losses, if any, of the subsidiary company so far as these have been dealt with or provision made for losses in the accounts of the holding company for the year ended June 30, 2000 are:

(i) for the financial year of the subsidiary;

(ii) for the previous years of the subsidiary; since it became the holding company's subsidiary.

Peer Mohammad Diwan
Chief Executive

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PATTERN OF SHAREHOLDING AS AT JUNE 30, 2000

<i>No. of Shareholding</i>	SHAREHOLDING		<i>Total Shares Held</i>
	<i>From</i>	<i>To</i>	
167	1		12,310
1508	101	500	720,500
1272	501	1,000	755,350
348	1,001	5,000	818,940
75	5,001	10,000	505,812
8	10,001	15,000	96,160
9	20,001	25,000	202,300
4	25,001	30,000	103,450
3	35,001	40,000	110,590
1	40,001	45,000	45,000
3	45,001	50,000	145,100
2	50,001	55,000	108,000
2	55,001	60,000	115,500
1	65,001	70,000	70,000
1	85,001	90,000	88,220
1	90,001	95,000	92,840
8	110,001	115,000	920,000

1	120,001	125,000	120,184
1	125,001	130,000	128,260
1	135,001	140,000	139,317
1	140,001	145,000	144,400
2	145,001	150,000	294,660
1	160,001	165,000	161,911
1	165,001	170,000	169,400
1	205,001	210,000	205,880
1	225,001	230,000	230,000
1	245,001	250,000	249,840
1	250,001	255,000	255,000
1	280,001	285,000	281,100
1	285,001	290,000	286,440
1	350,001	355,000	354,950
1	370,001	375,000	374,590
1	410,001	415,000	412,872
1	420,001	425,000	421,320
1	495,001	500,000	497,000
1	625,001	630,000	625,356
1	955,001	960,000	958,678
1	1,325,001	1,330,000	1,328,606
1	1,600,001	1,605,000	1,602,920
1	1,620,001	1,625,000	1,620,387
1	1,820,001	1,825,000	1,820,379
1	1,955,001	1,960,000	1,958,599
1	1,995,001	2,000,000	1,996,320
1	3,445,001	3,450,000	3,445,400
1	3,460,001	3,465,000	3,463,370
1	4,760,001	4,765,000	4,763,270
-----	-----	-----	-----
3,451			38,364,480
=====	=====	=====	=====

Categories of shareholders

	<i>Number of Shareholders</i>	<i>Shares Held</i>	<i>Holding Percentage</i>
Individuals	3,403	24,887,633	64.87
Joint Stock Companies	16	3,324,527	8.67
Financial Institutions	12	5,946,590	15.50
Insurance Companies	8	490,250	1.28
Investment Companies	6	3,688,320	9.61
Modaraba Companies	4	22,160	0.06
Others	2	5,000	0.01
	-----	-----	-----
	3,451	38,364,480	100.00
	=====	=====	=====

Gatro Power (Private) Limited
(Subsidiary Company)

COMPANY INFORMATION

BOARD OF DIRECTORS	Shabbir Diwan Zakaria Bilwani Usman Habib Iqbal Abdul Shakoor	Chief Executive
COMPANY SECRETARY	Mohammad Yasin Bilwani	
BANKERS	American Express Bank Limited Habib Bank Limited Metropolitan Bank Limited National Bank of Pakistan Societe Generale, The French and International Bank	
AUDITORS	M/s. Hyder Bhimji & Co. Chartered Accountants Karachi.	
PLANT	Plot No. M-2/1, Sec. M, H.I.T.E. Main R.C.D. Highway Hub Chowki, Lasbela Distt. Balochistan - Pakistan.	
REGISTERED OFFICE	Room No. 32, 1st Floor Ahmed Complex Jinnah Road Quetta - Pakistan.	
LIAISON OFFICE	8th Floor, Textile Plaza M.A. Jinnah / Dunolly Road Karachi- 74000- Pakistan.	

DIRECTORS' REPORT

The Directors take pleasure in presenting their Report together with the Audited Accounts of the Company for the year ended June 30, 2000.

During the year under review both generators produced 8.802 million units as compared to 24.727 million units produced in previous year.

Despite the efforts of the company, performance of the generators was still affected by new mechanical problems that surfaced during the year. Since items affected were major items on the generator, the delivery period and arrival took a long time affecting the year's output.

However, by the grace of Allah, at the time of writing this report both the generators are now running smoothly for over 4 months which is a preliminary demonstration that in the

coming year the full potential of the generators would be utilized which is above 30 million units.

The Company has paid 20% interim dividend and the directors recommend to treat the same as final dividend for the year under consideration.

External Auditors, M/s. Hyder Bhimji & Company retire and offer themselves for re-appointment.

Statement showing pattern of shareholding in the Company as at June 30, 2000 is annexed. The Company is a wholly owned subsidiary of Gatron (Industries) Limited.

On behalf of the Board

SHABBIR DIWAN
Chief Executive

November 06, 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of GATRO POWER (PRIVATE) 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 :

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 standards 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 accounts 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 accounts 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 confirm 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 the changes in equity for the year then ended; and

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

Karachi: November 06, 2000

HYDER BHIMJI & CO.
Chartered Accountants

BALANCE SHEET
As at June 30, 2000

	<i>Note</i>
SHARE CAPITAL AND RESERVES	
Authorised capital	
17,000,000 Ordinary shares of Rs.10/- each	
Issued, subscribed and paid up capital	3
Unappropriated profit	
DEFERRED LIABILITY	
Gratuity	
CURRENT LIABILITIES	
Creditors and accrued liabilities	4
CONTINGENT LIABILITIES	5
TANGIBLE FIXED ASSETS	
Operating fixed assets	6
CURRENT ASSETS	
Stores, spares & tools	

Stock in trade	7
Trade debts - unsecured considered good (due from holding Company)	
Short term prepayments	
Cash and bank balances	8

The annexed notes form an integral part of these accounts.

Shabbir Diwan
Chief Executive

PROFIT AND LOSS ACCOUNT
For the year ended June 30, 2000

		<i>Note</i>
Sales		
Less: Sales tax		
Net Sales		
Cost of sales		
Cost of goods sold		9
Administration expenses		10
Operating Profit		
Financial charges		
Other charges	11	
Exchange(gain) / loss		
Net profit		
Unappropriated profit brought forward		
Profit available for appropriation		
Appropriation:		
Interim cash dividend @ 20% (1999: 25%)		

Unappropriated profit carried forward

Basic earnings per share (Rupees)

15

The annexed notes form an integral part of these accounts.

Shabbir Diwan
Chief Executive

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CASH FLOW STATEMENT
For the year ended June 30, 2000

Note

Cash Flow from Operating Activities

Net Profit

Adjustments for:

Depreciation

Provision for gratuity

Financial charges

Movement in working capital

13

Cash generated from operations

Payments for:

Gratuity

Financial charges

Net cash from operating activities

Cash Flow from Investing Activities

Capital expenditure

Net cash used in investing activities

Cash Flow from Financing Activities

Dividend paid

Net cash used in financing activities

Net increase in cash and cash equivalents

Cash and cash equivalents at 1st July

Cash and cash equivalents at 30th June

Shabbir Diwan
Chief Executive

Zakaria Bilwani
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2000

	(Rupees in '000)		
	<i>Issued, subscribed and paid-up capital</i>	<i>Unappropriated profit</i>	<i>Total</i>
Balance as at June 30, 1998	118,000	23,537	141,537
Profit after taxation for the year ended June 30,1999	--	40,066	40,066
Interim cash dividend @ 25%	--	(29,500)	(29,500)
	-----	-----	-----
Balance as at June 30,1999	118,000	34,103	152,103
Profit after taxation for the year ended June 30, 2000	--	6,361	6,361
Interim cash dividend @ 20%	--	(23,600)	(23,600)
	-----	-----	-----
Balance as at June 30, 2000	118,000	16,864	134,864
	=====	=====	=====

Shabbir Diwan
Chief Executive

Zakaria Bilwani
Director

NOTES TO THE ACCOUNTS

For the year ended June 30, 2000

1. STATUS AND PRINCIPAL ACTIVITY

The Company was incorporated on 15th June 1994. The exclusive object of the Company is to setup and operate electric power generating project for generating and supply of electric power to Industrial and other consumers. The Company is wholly owned subsidiary of Gatron (Industries) Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

The Company contributes to provident fund scheme of all employees. In addition to the scheme of contributory provident fund, a special gratuity scheme (not mandatory under the law) was introduced. This' special gratuity scheme is not funded. Provision for this obligation has also been made in these accounts.

2.3 Taxation

The Company is exempt from tax under clause 176 of Part I of the Second Schedule to the Income Tax Ordinance 1979.

2.4 Tangible fixed assets and depreciation

Operating fixed assets (except capital work-in-progress) are stated at cost less accumulated depreciation. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Depreciation is computed at the rates mentioned in Note 6 whereby the cost of assets will be written off over its estimated useful life, by the diminishing balance method.

Full year's depreciation is charged on additions during the year except in case of significant additions or expansions where the charge for depreciation is made with reference to the date of commencement of operation of such assets. No depreciation is charged on assets deleted or retired during the year.

Profit and loss on sale of fixed assets, if any, are included in income currently.

2.5 Stores, spares, loose tools and stock in trade

Stores, spares, tools and raw material are recorded at cost (computed on the basis of moving average) and work-in-process is also recorded at cost.

2.6 Trade debts

Debts considered irrecoverable if any, are written off and provision is made for debts considered doubtful.

2.7 Foreign currency translation

Un-booked short term foreign currency liabilities for goods supplied, if any, are translated into Pak Rupees at the rates prevailing on the date of bill of lading of relative letter of credit or balance sheet date whichever is higher. Exchange differences, if any, on account of goods supplied are charged to profit and loss account.

2.8 Revenue recognition

Revenue is recognised on transmission of electricity to customers.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

11,800,000 Ordinary shares of Rs.10/- each
fully paid in cash

4. CREDITORS AND ACCRUED LIABILITIES

Capital expenditure payable
(4.1)
Other accrued expenses
Sales tax
Excise duty on electricity

(4.1) Workers' Profit Participation Fund

Opening balance
Add: Allocation for the year

Less: Paid during the year

5. CONTINGENT LIABILITIES

Bank guarantee issued on behalf of Company outstanding as on June 30, 2000 amounted to Rs. 1.546 million. (1999:Rs.1.546 million).

6. OPERATING FIXED ASSETS

PARTICULARS	<i>As At</i> <i>1-Jul</i> <i>1999</i>	<i>Additions</i>	COST	
			<i>Transfers</i>	<i>a</i>
Factory Building	4,301	--	--	--
Plant and Machinery	155,490	700	--	--
Furniture, Fixtures and Equipments	133	75	--	--
	-----	-----	-----	-----
Total	159,924	775	--	--
	-----	-----	-----	-----
Total 1999	158,552	1,372	--	--
	=====	=====	=====	=====

6.1 Depreciation for the year has been allocated to cost of goods sold amounts to Rs. 6,717 (1999: Rs. 7,046)

7. STOCK IN TRADE

Raw material
Work-in-process

8. CASH AND BANK BALANCES

Cash in hand
Balance with banks

9. COST OF GOODS SOLD

Raw material consumed
Stores and spares consumed
Salaries, wages, allowances and other benefits
Rent and taxes
Insurance
Repair and maintenance
Octroi
Depreciation
Other manufacturing expenses

Opening stock of work-in-process
Closing stock of work-in-process

10. ADMINISTRATION EXPENSES

Salaries, allowances and other benefits
Rent, rates and taxes
Legal and professional fees
Sundry

11. OTHER CHARGES

Workers' Profit Participation Fund
Audit fees

12. TAXATION

The Company is exempt from tax as provided in Clause 176 of Part 1 of Second Schedule to the Income Tax Ordinance, 1979. Therefore, no provision is required to be made.

13. MOVEMENTS IN WORKING CAPITAL

(Increase) / Decrease in current assets

Stores, spares and tools

Stock in trade

Trade debts

Trade deposits and short term prepayments

Increase/(Decrease) in current liabilities

Creditors, accrued and other liabilities

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

Cash and bank balances

15. BASIC EARNINGS PER SHARE

Net profit for the year

Number of Ordinary shares

Basic earnings per share (Rupees)

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Fair value of financial assets and liabilities

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

Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. The Company's all exposure of credit risk is to its holding Company.

Foreign exchange risk management

Foreign currency risk arises where receivables and payables exist due to transactions

with foreign undertakings. The Company has exposed to foreign exchange risk in respect of capital expenditure payable.

Interest rate risk management

Interest rate risk arises from the possibility of changes in interest rates which may effect the value of financial instruments. The Company is not exposed to interest rate risk

17. REMUNERATION OF EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits to Executives of the Company are as follows:

Managerial remuneration.
Retirement benefits
Other benefits

Number of persons

18. CAPACITY AND ACTUAL POWER GENERATION

Power Generation

Annual capacity
Actual generation

Reason for shortfall

Due to mechanical problems and longer lead time for arrival of new redesigned parts.

19. NUMBER OF EMPLOYEES

The total number of employees as at year end was 6 (1999: 7)

20. GENERAL

(20.1) Comparative figures have been re-arranged for comparison, where necessary.

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

Shabbir Diwan
Chief Executive

PATTERN OF SHAREHOLDING AS AT JUNE 30 2000

<i>No. of Shareholding</i>	SHAREHOLDING		<i>Total Shares Held</i>
	<i>From</i>	<i>To</i>	
4	1	100	4
1	11,795,001	11,800,000	11,799,996
-----	-----	-----	-----
5			11,800,000

Categories of Shareholders	Number of Shareholders	Shares Held	Holding Percentage
Individuals (nominees of Gatron (Industries) Ltd.)	4	4	0.00
Joint Stock Company	1	11,799,996	100.00
Total	5	11,800,000	100.00

Consolidated Financial Statements For the year ended June 30, 2000

AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed Consolidated Financial Statements comprising the Consolidated Balance Sheet of Gatron (Industries) Limited and its Subsidiary Company as at June 30, 2000 and the related Consolidated Profit and Loss Account, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity together with the Notes forming part thereof, for the year ended June 30, 2000. We have also expressed a separate opinion on the financial statements of Gatron (Industries) Limited and Gatro Power (Private) Limited. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was made in accordance with International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the Consolidated Financial Statements examined by us present fairly the financial position of Gatron (Industries) Limited and its Subsidiary Company as at June 30, 2000 and the results of their operations for the year then ended.

Karachi: November 08, 2000

HYDER BHIMJI & CO.
Chartered Accountants

CONSOLIDATED BALANCE SHEET As at June 30, 2000

SHARE CAPITAL AND RESERVES

Authorised capital
44,000,000 Ordinary shares of Rs.10/- each

Note

Issued, subscribed and paid up capital	3
Capital reserve	4
General reserve	
Unappropriated profit	
REDEEMABLE CAPITAL	5
LONG TERM LOANS	6
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	7
DEFERRED LIABILITIES	8
CURRENT LIABILITIES AND PROVISIONS	
Current maturity of redeemable capital	5
Current maturity of long term loans	6
Current maturity of liabilities against assets subject to finance lease	7
Short term/ruling finance under mark-up arrangements	9
Creditors, accrued and other liabilities	10
Taxation	
Proposed dividend	
CONTINGENCIES AND COMMITMENTS	11
TANGIBLE FIXED ASSETS	
Operating fixed assets	12
Capital work-in-progress	13
LONG TERM INVESTMENTS	14
LONG TERM DEPOSITS AND DEFERRED COSTS	15
LONG TERM LOANS	16
CURRENT ASSETS	
Stores, spares and loose tools	17
Stock in trade	18
Trade debts	19
Loans and advances	20
Trade deposits and short term prepayments	21
Other receivables	22
Cash and bank balances	23

The annexed notes form an integral part of these accounts.

Peer Mohammad Diwan
Chief Executive

Haji S
I

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended June 30, 2000

	<i>Note</i>
Net sales	24
Cost of sales	
Cost of goods sold	25
Administration and selling expenses	26
Operating Profit	
Other income	27
Financial charges	28
Other charges	29
Profit before taxation	
Taxation	30
Profit after taxation	
Prior period item	31
Unappropriated profit brought forward	
Profit available for appropriation	
Appropriations:	
Proposed cash dividend @ 15% (1999: @ 12%)	
Transfer to general reserve	
Unappropriated profit carried forward	

Basic earnings per share (Rupees)

34

The annexed notes form an integral part of these accounts.

Peer Mohammad Diwan
Chief Executive

CONSOLIDATED CASH FLOW STATEMENT
For the year ended June 30, 2000

Note

Cash Flow from Operating Activities

Profit before taxation

Adjustments for:

Depreciation and amortization

Profit on sale of fixed assets

Provision for gratuity

Financial charges

Movement in:

Working capital

Long term deposits

Long term loans

32

Cash generated from operations

Payments for:

Gratuity

Financial charges

Income tax

Net cash from operating activities

Cash Flow from Investing Activities

Capital expenditure

Sales proceeds of fixed assets

Custom duty refund against machineries

Net cash used in investing activities

Cash Flow from Financing Activities

Redeemable capital less repayments

Long term loans less repayments

Finance lease availed less repayments

Dividend paid

Net cash used in financing activities

Net increase in cash and cash equivalents

Cash and cash equivalents at 1st July

Cash and cash equivalents at 30th June

33

**Peer Mohammad Diwan
Chief Executive**

**Haji S
I**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2000

	<i>Issued, subscribed and paid-up capital</i>
Balance as at June 30, 1998	383,645
Profit after taxation and prior period items for the year ended June 30, 1999	--
Transfer to general reserve	--
Cash dividend @ 12%	--

Balance as at June 30, 1999	383,645
Profit after taxation for the year ended June 30, 2000	--
Transfer to general reserve	--
Proposed cash dividend @ 15%	--

Balance as at June 30, 2000	383,645 =====

**Peer Mohammad Diwan
Chief Executive**

NOTES TO THE CONSOLIDATED ACCOUNTS

For the year ended June 30, 2000

1. THE GROUP AND ITS OPERATIONS

The Group consists of:

- Gatron (Industries) Limited
- Gatro Power (Private) Limited

Gatro Power (Private) Limited is a wholly Owned Subsidiary Company of Gatron (Industries) Limited.

Gatron (Industries) Limited is a Public Limited Company, its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges and its present principal activities are manufacturing of Polyester Polymer and its various downstream products viz. Filament/Texturised Polyester Yarn, Polyester Chips Bottle Grade (EE.T. Resin) and Polyester EE.T. Preforms. Gatro Power (Private) Limited is engaged in generating and supply of electric power to industrial and other consumers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of consolidation

The consolidated financial statements include the accounts of Gatron (Industries) Limited and Gatro Power (Private) Limited. The financial statements of the subsidiary company have been consolidated on a line by line basis. Material intercompany balances and transactions have been eliminated.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention.

2.3 Staff retirement benefits

a) The Company operated an unfunded gratuity scheme under the law upto December, 1991 for workers and upto June, 1993 for staff. Necessary provision has been made to cover this obligation. Thereafter in place of this gratuity scheme, a scheme of contributory provident funds under the law was introduced separately for workers from January, 1992 and for staff from July, 1993. In addition to the scheme of contributory provident fund, a special gratuity scheme (not mandatory under the law) was introduced from 1st January, 1993 for workers and from 1st July, 1994 for staff. This special gratuity scheme is not funded. Provision for this obligation has also been made in these accounts.

b) The Company also operates unfunded gratuity schemes for its paid directors and provision has been made to cover this obligation.

2.4 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.

The Subsidiary Company is exempt from tax as provided in clause 176 of part 1 of Second Schedule to the Income Tax Ordinance, 1979.

2.5 Tangible fixed assets and depreciation

Company owned assets

Operating fixed assets (except lease-hold/free-hold land, property and capital work-in-progress) are stated at cost less accumulated depreciation. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Depreciation is charged at the rates mentioned in Note 12 whereby the cost of assets will be written off over its estimated useful life, by the diminishing balance method.

Full year's depreciation is charged on additions during the year except in case of significant additions or expansions where the charge for depreciation is made with reference to the date of commencement of operation of such assets. No depreciation is charged on assets deleted or retired during the year.

Profits and losses on sale of fixed assets, if any, are included in income currently.

Leased assets

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreements or the fair value of the assets. The related obligations of the lease are accounted for as liabilities. Assets acquired under the finance lease are depreciated over the useful life of the assets at the rates applicable to the company own assets. Finance charges under the lease agreements are allocated to periods during the lease terms so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

2.6 Investment

These are stated at cost. However, provisions against diminution in value are made if considered permanent.

2.7 Stores, spares, loose tools and stock in trade

Stores, spares, tools, raw and packing materials are recorded at cost (computed on the basis of moving average) and work-in-process is also recorded at cost. Finished goods are valued at lower of cost or net realizable value. Goods-in-transit are valued at actual.

2.8 Trade debts

Debts considered irrecoverable if any, are written off and provision is made for debts considered doubtful.

2.9 Foreign currency translation

Un-booked short term foreign currency liabilities for goods supplied, if any, are translated into Pak Rupees at the rates prevailing on the date of bill of lading of relative letters of credit or balance sheet date whichever is higher. Exchange differences, if any, on account of goods supplied are charged to profit and loss account.

2.10 Revenue recognition

Revenue is recognised on dispatch/shipment of goods to customers. Dividend income is recognised when the right to receive is established.

Revenue from power generation is recognised on transmission of electricity to consumers.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

30,136,080 Ordinary shares of Rs.10/- each
fully paid in c3sh

8,228,400 Ordinary shares of Rs.10/- each
issued as fully paid bonus shares

38,364,480

=====

4. CAPITAL RESERVE

Share premium

Reserve for contingencies

(4.1)

(4.1) This represents outstanding balances on time barred long term foreign debts.

5. REDEEMABLE CAPITAL - SECURED

Term Finance Certificates

1. Bankers Equity Ltd.- Syndicate

(Original Financing: Rs. 112.570 million)

Less: Current maturity

i) Term Finance Certificates (TFCs) have been issued to the consortium, led by Bankers Equity Limited in March, 1992.

ii) The committed amount on TFCs of Rs.112.570 million represents the sales price. The corresponding purchase price is Rs.187.880 million provided the Company redeems the TFCs on or before the due dates under the TFC agreement. In the

event, the Company fails to redeem TFCs on due dates it shall pay to TFCs holders an additional amount of Rs.12.953 million by way of liquidated damages.

iii) These TFCs are redeemable in 14 equal semi annual instalments. The first instalment fell due in January, 1994.

iv) These TFCs are secured by first mortgage on all assets of the Company and charge by way of hypothecation of the entire plant, machinery, equipments and book debts of the Company ranking pari passu with other principal creditors of the Company.

2. Term Finance Certificates - Quoted

Less: Current Maturity

The Company issued Term Finance Certificates in June, 1998 to raise funds for its expansion projects. These TFCs are quoted on Karachi Stock Exchange (Guarantee) Limited. The certificates are issued in set of 10 scrips each with a face value of Rs.5,000/- and Rs. 100,000/- accompanied by a certificate of holding. The WFCs are redeemable in 10 semi-annual instalments commencing from December, 1998. The first six redemption instalments comprises of token principal redemption of Re.1 and Rs.20 and profits on each Rs.5,000 and Rs.100,000 TFC respectively. Thereafter the balance principal redemption is payable in four equal and consecutive semi-annual instalments alongwith profits. The rate of profit on the TFCs is 18% per annum payable semi-annually in arrears. The TFCs are secured by a pari passu charge on the immovable property of the Company.

6. LONG TERM LOANS - SECURED

Notes PARTICULARS

	<i>Original Amount in Thousands</i>	<i>DM</i>	2000	Bala
Kreditanstalt Fur Wiederaufbau, Germany				
6.1 Loan No. F-1949	DM 20,948		1,453	
6.1 Loan No. F-2109			--	
6.1 Loan No. F-2156	DM 10,812		772	
	-----		-----	
	DM 31,760		2,225	
Al-Faysal Investment Bank Limited				
American Express Bank Limited				
6.2 Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited	Rs.48,000			

Saudi Pak Industrial and Agricultural
Investment Company (Pvt) Limited

Less: Amount classified as current maturity

- Amount repayable for current year awaiting
approval of State Bank of Pakistan

- Instalments falling due within the following
12 months

Note: The outstanding loans for acquisition of fixed assets in foreign currency are translated in Pak Rupees at the booking rates registered with the State Bank of Pakistan.

6.1 50% of these loans are secured against three guarantees issued by Habib Bank Limited under syndicate led by Bankers Equity Limited. The said guarantees are secured by way of creation of mortgages on land, building, plants and other immovable assets of the Company, floating charges on all other respective assets both present and future and charges by way of hypothecation in respect of all machineries both present and future ranking pari passu with other principal creditors of the Company.

Balance 50% of these loans are secured by way of creation of mortgages on. land, building, plants and other immovable assets of the Company and floating charge on all other respective assets both present and future and charges by way of hypothecation in respect of all machineries both present and future, directly in favour of the lender Kreditanstalt Fur Wiederaufbau, Germany ranking pari passu with other principal creditors of the Company.

6.2 This loan is secured by equitable mortgages on all present and future fixed assets of the Company.

**7. LIABILITIES AGAINST ASSETS
SUBJECT TO FINANCE LEASE**

Total gross obligation

Less: Financial charges not yet due

Less: Current maturity

The Company has entered into various sale and leaseback agreements for machineries. Rates of financial charges range between 18.50% to 22.00% per annum. The balance principal liabilities are payable latest by March, 2004.

The Company intends to exercise its option to acquire the leased machineries upon completion of the lease periods.

8. DEFERRED LIABILITIES

Gratuity

Taxation

9. SHORT TERM/RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS - SECURED

Short term/running finance

Export Re-finance

(9.1) The Company has aggregate short term running finance and export re-finance facilities amounting to Rs. 703 million (1999: Rs. 556 million) from various commercial banks (as listed in Note 9.3). The mark up rates for short term/running finance range between Rs. 0.2603 to 0.3836 per Rs. 1000/- per day and for export re-finance at 7% to 8% per annum.

(9.2) These arrangements are secured against hypothecation of stocks and book debts.

(9.3) ABN-Amro Bank N.V., American Express Bank Limited, Bank Alfalah Limited, Bank A1-Habib Limited, Citibank N.A., Credit Agricole Indosuez, Habib Bank Limited, Metropolitan Bank Limited, Societe Generale, The French and International Bank, Standard Chartered Bank, The Hong Kong and Shanghai Banking Corporation Limited and Union Bank Limited (Formerly, Bank of America NT & SA).

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors

Bills payable

Capital expenditure payable

Interest and financial charges on long term loans

Mark-up on short term/running finance

Workers' Profit (10.1)

Workers' Welfare Fund

Others accrued expenses
 Unclaimed dividend
 Sales tax
 Excise duty on electricity
 Central excise duty on bank/lease financing
 Advance against export sales
 Others

(10 1) Workers' Profit Participation Fund
 Opening balance
 Add: Interest on fund utilised in Company's business
 Allocation for the year

Less: Paid during the year

11. CONTINGENCIES AND COMMITMENTS

a) Guarantees

Bank guarantees issued on behalf of Company outstanding as on June, 30 2000 amounted to Rs. 18.517 million (1999: Rs. 18.568 million)

b) Commitments

- i) Commitments in respect of capital expenditure as at the balance sheet date are Rs. 98.038 million (1999: Rs. 1.580 million).
- ii) Commitments in respect of letters of credit as at the balance sheet date are Rs. 46.361 million (1999: Rs. 65.062 million).
- iii) Commitments for rentals under finance lease agreements (as mentioned in Note 7) are as follows.

Years (Rupees in '000)

2000-2001	134,322
2001-2002	137,598
2002-2003	112, 089
2003-2004	24,034

12. OPERATING FIXED ASSETS

PARTICULARS	COST		
	<i>As At 1-Jul 1999</i>	<i>Additions</i>	<i>Transfers</i>
Lease hold / Free hold land			

and property	18,136	350	--
Factory building on lease hold land	257,989	1,323	--
Plant and machinery on lease hold land	2,977,503	38,782	34,000
Furniture, Fixtures and Equipments	62,755	5,240	--
Vehicles	44,934	6,624	--
	-----	-----	-----
	3,361,317	52,319	34,000
Assets held under finance lease			
Plant and machinery	486,320	--	(34,000)
	-----	-----	-----
Total	3,847,637	52,319	--
	-----	-----	-----
Total 1999	3,440,956	413,824	(6,050)
	-----	-----	-----

This represent matured leased assets taken over by the Company during the year.

(12.1) Depreciation for the year has been allocated as follows:

Cost of goods sold
Administration and selling expenses

12.2 The following fixed assets were disposed off during the year.

Description	Cost	Book Value	Sale Proceed	
VEHICLES				
Daihatsu Charade (LS-5724)	96	3	65	Ne
Suzuki Margalla (AB-4850)	410	168	200	Ne
Suzuki Car (Z-6900)	385	126	170	Ne
Suzuki Alto (R-6117)	13	3	74	Ne

Suzuki Margalla (AB-4851)	410	168	180	No
Toyota Corolla (Z-8993)	649	213	274	No
Toyota Corolla XE (Z-8147)	549	180	250	No
Toyota Hi-Ace (LSA-1380)	150	150	160	No
Honda CDI-70 (KAR-4445)	60	48	50	Insura
Honda CDI-70 (KAR-5481)	61	49	50	Insura
Honda CDI-70 (KAR-8003)	63	50	50	Insura
Honda CDI-70 (KAR-9032)	64	51	55	Insura
EQUIPMENT				
Photocopy Machine NASHUA-4400	65	18	16	No
TOTAL	2,975	1,227	1,594	
TOTAL - 1999	1,093	597	859	

13. CAPITAL WORK-IN-PROGRESS

Plant and machinery
Machinery components for capital expenditure
Others

14. LONG TERM INVESTMENT

Unquoted

In Associated Company

M/s. Novarex Limited

15,000,000 Ordinary shares of Rs. 10/- each

The value of the Company's investment on the basis of the net assets of the associated company as disclosed in its audited accounts for the year ended June 30, 2000 amounted to Rs. 170.700 million (1999: Rs. 117.300 million). Mr. Abdul Razak Diwan is the Chief Executive of the associated company.

15. LONG TERM DEPOSITS AND DEFERRED COSTS

Security deposits (15.1)

Deferred costs (15.2)

(15.1) Security Deposits

For assets acquired on lease

Others

(15.2) Deferred Costs

On issue of Term Finance Certificates and

Right Shares

Less: Amortization

16. LONG TERM LOANS

Unsecured - Considered good

Loans due from

Executives

Staff

Less: Recoverable within one year

Executives

Staff

All the loans are interest free and are recoverable within a period of 3 years.

17. STORES, SPARES AND LOOSE TOOLS

Stores
Spares
Tools
Spares in transit

18. STOCK IN TRADE

Raw and packing material
Raw material in transit
Work in process
Stock of finished goods

19. TRADE DEBTS

Considered good - Secured (19.1)
- Unsecured (19.2)

(19.1) These are secured against letters of credit.

(19.2) It includes Rs. 5.432 million (1999: Nil) receivable form associated undertaking.

20. LOANS AND ADVANCES

Unsecured - Considered good

Loans recoverable within one year from:

Executives
Staff

Advances to:

Staff
Suppliers/Contractors (20.1)
Income tax
Letter of credits
Others

(20.1) It includes Rs. 0.122 million (1999: Nil) payable to associated undertaking.

21. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits

Sales tax

Excise duty

Short term prepayments

(21.1)

L/G. margin held by banks

Others

(21.1) It includes Rs. 2.25 million (1999: Nil) to associated undertaking.

22. OTHER RECEIVABLES - Considered good

Duty draw back

Income tax

Exchange risk fee

Others

(22.1)

(22.1) It includes Rs. 2.018 million (1999: Nil) receivable from associated undertaking.

23. CASH AND BANK BALANCES

Cash in hand

Balances with banks in current accounts

Fixed deposit receipt with banks in lieu of excise duty

24. NET SALES

Sales - Local

- Export

Gross Sales

Less: Sales tax on local sales

25. COST OF GOODS SOLD

Raw and packing materials consumed

Stores and spares consumed

Salaries, wages, allowances and other benefits
Rent and taxes
Power / fuel, gas and chemicals
Insurance
Transportation
Repairs and maintenance
Staff and workers' welfare
Depreciation
Excise duty
Other manufacturing expenses

Opening stock of work-in-process
Closing Stock of work-in-process

Cost of goods manufactured

Opening stock of finished goods
Closing stock of finished goods

Duty draw back

26. ADMINISTRATION AND SELLING EXPENSES

Salaries, allowances and other benefits
Printing and stationery
Communication
Rent, rates and taxes
Insurance
Advertisement
Transportation
Repairs and maintenance
Legal and professional fees
Donation
Travelling
Material handling charges
Octroi
Depreciation
Sundry

(26.1)

(26.1) None of the directors or their spouses have any interest in any donee fund except an amount of Rs. 1.640 million (1999: Rs. 0.788 million) donated to Gatron Foundation in which Chief Executive and Seven directors of the Company are

27. OTHER INCOME

Profit on sale of fixed assets
Scrap sales
Miscellaneous income
Income on deposit

28. FINANCIAL CHARGES

Interest and financial charges on long term loans
Mark-up on short term/ruling finance
Exchange (gain)/loss
Interest on Workers' Profit Participation Fund
Bank charges

29. OTHER CHARGES

Workers' Profit Participation Fund
Workers' Welfare Fund
Amortization on deferred costs
Auditors' remu (29.1)

(29.1) Auditors' remuneration

Audit fee
Audit fees of Staff and Workers Provident Funds
and Workers Profit Participation Fund

30. TAXATION

Current
Deferred

31. PRIOR PERIOD ITEM

Accumulated depreciation reversed
Less: Income tax

32. MOVEMENTS IN WORKING CAPITAL

(Increase)/Decrease in current assets

Stores, spares and loose tools

Stock in trade

Trade debts

Loans and advances

Trade deposits and short term prepayments

Other receivables

Increase/(Decrease) in current liabilities

Creditors, accrued and other liabilities

33. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

Short term/running finance

under mark up arrangements

Cash and bank balances

34. BASIC EARNINGS PER SHARE

Net profit for the year

Number of ordinary shares

Basic Earnings per share (Rupees)

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Fair value of financial assets and liabilities

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

Concentration of credit risk

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

Foreign exchange risk management

Foreign currency risk arises where receivables and payables exist due to transactions.

with foreign undertakings. The management takes out forward foreign exchange contracts, where appropriate, to mitigate the risk except capital expenditure payable of Subsidiary Company.

Interest rate risk management

Interest rate risk arises from the possibility of changes in interest rates which may effect the value of financial instruments. The Company is not exposed to interest rate risk except as mentioned in Note 6.

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Company are as follows:

	Chief Executive		Directors	
	2000	1999	2000	1999
Meeting fee	--	--	6	7
Managerial remuneration	1,961	1,696	4,909	4,204
Retirement benefits	470	382	1,289	962
Utilities	145	156	353	265
Other benefits	--	--	430	403
	-----	-----	-----	-----
	2,576	2,234	6,987	5,841
	=====	=====	=====	=====
Number of persons for meeting fee	--	--	4	5
for remuneratio	1	1	4	4

In addition, the Chief Executive is provided with company maintained car and certain directors and executives are provided with household furniture and cars under Company policies. The monetary impact of which is not quantifiable.

37. PLANT CAPACITY AND ACTUAL PRODUCTION

Polyester Yarn

Annual capacity

Actual production

Polyester chips bottle grade (P.E.T. Resin)

Annual capacity

Actual production

(37.1)

Polyester P.E.T. Preforms

Annual capacity

Actual production

(37.2)

(1999: One and a half month
production approximately)

Power Generation

Annual capacity

Actual generation

(37.3)

Reason for shortfall

(37.1) Due to unforeseen mechanical shutdowns and relatively weak international market in the first half of the year.

(37.2) Due to 50% capacity dedicated to export which could not be fully established in P Y this year, being the first full year of production of this item.

(37.3) Due to mechanical problems and longer lead time for arrival of new redesigned parts.

38. TRANSACTION WITH ASSOCIATED UNDERTAKINGS

Purchase of goods, materials and services

Dividend received

Rent/Storage and handling

Sale of goods, materials and services

39. NUMBER OF EMPLOYEES

The total number of employees as at year end was 1312 (1999: 1301)

40. GENERAL

(40.1) Comparative figures have been re-arranged for comparison, where necessary.

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

Peer Mohammad Diwan

Chief Executive

Haji S

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