

Pakistan Synthetics Limited

Annual Report 1998

Manufacturers of:

QUALITY POLYESTER STAPLE FIBRE

"UNDER BASIC TECHNOLOGY LICENCED BY TELJIN"

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COMPANY INFORMATION

BOARD OF DIRECTORS

EBRAHIM HAJI KARIM-CHAIRMAN

UMER HAJI KARIM-CHIEF EXECUTIVE

HAROON HAJI KARIM

ANWAR HAJI KARIM

YAKOOB HAJI KARIM

AHMED EBRAHIM

NASIM BEG

ALIYA DOSSA

RAUF B. KADRI-NOMINEE DIRECTOR OF BEL

SECRETARY

HAROON AHMED LAKHANI

BANKERS

HABIB BANK LIMITED

HABIB BANK AG ZURICH

CITIBANK N.A.

AMERICAN EXPRESS BANK LIMITED

METROPOLITAN BANK LIMITED

BANK AL-HABIB LIMITED

AUDITORS	HYDER BHIMJI & COMPANY CHARTERED ACCOUNTANTS
LEGAL ADVISORS	MANSOOR AHMED KHAN & COMPANY ADVOCATES AND SOLICITORS
REGISTERED OFFICE	3RD FLOOR, KARACHI DOCK LABOUR BOARD BUILDING, 58- WEST WHARF ROAD, KARACHI-74000
FACTORY	F. 1, 2, 3, & F. 13, 14 & 15, HUB INDUSTRIAL TRADING ESTATE, DISTRICT LASBELLA, BALOCHISTAN

PERFORMANCE OF THE COMPANY AT A GLANCE

	1991	1992	-- YEAR EN
STATISTICAL SUMMARY			Rupees
Gross sales	909	833	
(Loss)/profit before taxation	15	35	
Taxation	4	4	
(Loss)/profit after taxation	11	31	
Gross assets employed (including capital work-in-progress)	1,452	1,290	
Paid-up capital	374	374	
Shareholders' equity	384	416	
<hr/>			
EARNING AND PAY OUT			Rs. p
Earnings per share after taxation	0.29	0.84	
Break-up value	10.29	11.13	
Bonus shares	--	--	

Cash dividend	--	--
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*The net earning per share for the year ended June 30,1998 was negative.

FINANCIAL RATIOS

Current Assets: Current Liabilities	0.66:1	0.63:1
Long-term Debts: Equity	62.38	55.45

PRODUCTION

Polyester Staple Fibre	17,457	16,673
Polyester Chips	--	--

NOTICE OF MEETING

Notice is hereby given that the Thirteenth Annual General Meeting of Pakistan Synthetics Limited will be held on Monday, the 14th December, 1998, at 4.00 p.m. at the Institute of Chartered Accountants of Pakistan's Auditorium, G-31, Block-8, Clifton, Karachi-75600, Pakistan, to transact the following business :-

1. To confirm the minutes of the Twelfth Annual General Meeting of the Company held on 17th November, 1997.
2. To receive and adopt the Audited Accounts of the Company together with Directors' and Auditors' Reports for the year ended 30th June, 1998.
3. To appoint Auditors and fix their remuneration.
4. To transact such other ordinary business as may be placed before the meeting with the permission of the Chair.

By order of the Board

UMER HAJI KARIM
CHIEF EXECUTIVE

Karachi: 11th November, 1998

NOTES :-

1. Share Transfer Books of the Company will remain closed from Thursday, 10th December, 1998 to

Monday, 21st December, 1998 (both days inclusive).

2. A member of the Company entitled to attend and to vote at the meeting may appoint any other member as his/her proxy to attend and to vote on his/her behalf. Proxies, in order to be effective, must be received at the Registered Office of the Company at 3rd Floor, Karachi Dock Labour Board Building, 58-West Wharf Road, Karachi, duly stamped, signed and witnessed not less than 48 hours before the time of holding the meeting.

3. Shareholders are requested to notify any change in their address immediately.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH JUNE, 1998

Your Directors have pleasure in submitting their Report and Audited Accounts of Pakistan Synthetics Limited for the year ended 30th June, 1998.

BOARD OF DIRECTORS

The term of the office of the Directors expired on 4th April, 1998 and the following Directors were elected in the Ninth Extra-Ordinary General Meeting of the Company held on 24th March, 1998 for a period of three years effective from 5th April, 1998:-

- 1) Mr. Ebrahim Haji Karim
- 2) Mr. Umer Haji Karim
- 3) Mr. Haroon Haji Karim
- 4) Mr. Anwar Haji Karim
- 5) Mr. Yakoob Haji Karim
- 6) Mr. Ahmed Ebrahim
- 7) Mr. Nasim Beg
- 8) Ms. Aliya Dossa

In addition to the above, Mr. Rauf Baksh Kadri continues to be a Director as a nominee of Bankers Equity Limited.

The Board extends a warm welcome to Mr. Nasim Beg and Ms. Aliya Dossa as new Directors and hopes that the Company would

immensely be benefitted with their active participation in the Board.

Mr. Pir Mohammad A. Kaliya, who was the Director of the Company since its inception, retired and did not offer for re-election. He played a pivotal role in the formation of the Company and the establishment of the fibre unit. The Board wishes to place on record its appreciation for the services rendered by Mr. Kaliya.

The Board of Directors appointed Mr. Ebrahim Haji Karim and Mr. Umer Haji Karim as the Chairman and the Chief Executive of the Company respectively for a period of three years.

OVERVIEW

The Polyester Staple Fibre Industry is still passing through its unprecedented crisis due to over supply and the dumping by international suppliers. The prices of the Polyester Staple Fibre were and still are constantly under pressure. The international suppliers of Polyester Staple Fibre have reduced the prices of Polyester Staple Fibre to US\$ 0.85/Kg during the year under review as against US\$ 1.05/Kg in the last year.

The turnover for the year under review was Rs. 1,170 million as against the turnover of Rs. 1,384 million during the year ended 30th June, 1997. The turnover has decreased by over 15% as compared to 1997 as the average sale price of Polyester Staple Fibre during the year under review decreased from Rs. 69.65/Kg to Rs. 58.50/Kg.

The production of Polyester Staple Fibre for the year under review was 21,055 tons as against the production of Polyester Staple Fibre and Chips of 20,800 tons in the last year ended 30th June, 1997.

It may be noted that the demand for Polyester Staple Fibre in the country is increasing continuously but due to over supply, not only the prices of the fibre were adversely affected but it also resulted in lesser utilization of the capacities. The Management decided to restrict the production in order to avoid carry forward of large stocks.

During the period under review, the Company suffered a net loss of Rs. 7.988 million after providing for depreciation and financial expenses aggregating to Rs. 127.944 million as against a net profit of Rs. 90.190 million in the last year, i.e. July 1996 to June, 1997. The net loss, after providing for minimum tax on turnover @ 0.5%, works out to Rs. 13.148 million.

EARNING PER SHARE

The net earning per share for the year ended June 30, 1998 was negative (Re. 0.23).

FUTURE OUTLOOK

The prices of Polyester Staple Fibre are under immense pressure because of over supply and dumping by international suppliers of fibre. The current prices of polyester staple fibre have reduced to Rs. 49/Kg.

The Polyester Staple Fibre Manufacturers Group has filed an "Application for Anti-Dumping and Countervailing Duties" to the Ministry of Commerce through National Tariff Commission and sought an immediate relief by taking remedial measures so that the local industry could be saved from being collapsed totally by the dumping of polyester staple fibre by the international suppliers.

The International prices of MEG have increased by 10% whereas the prices of PTA are depressed. PTA is now locally available at the international market rates.

Under the present circumstances, the operating results in the current year would not be encouraging. However, your Management is taking appropriate steps to improve the efficiencies and contain the cost to minimise the loss in the critical situation through which the Polyester Staple Fibre Industry is passing.

AUDITORS

The present auditors, M/s. Hyder Bhimji & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment as auditors of the Company.

PATTERN OF SHAREHOLDINGS

A Statement showing the pattern of shareholdings in the Company as on 30th June, 1998 is attached to the accounts.

MANAGEMENT EMPLOYEES RELATIONS

The Management Employees relations remained cordial throughout the year. The Management wishes to express its appreciation for the valuable services rendered by its employees and workers during the year under review.

For and on behalf of the
Board of Directors

11th November, 1998
Karachi.

UMER HAJI KARIM
CHIEF EXECUTIVE

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of PAKISTAN SYNTHETICS LIMITED as at June 30, 1998 and the related Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the

Companies Ordinance, 1984;

b) in our opinion:

i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and 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, 1998 and of the loss and cash flows for the year then ended; and

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

Karachi: 11th November, 1998

HYDER BHIMJI & CO.
Chartered Accountants.

BALANCE SHEET AS AT JUNE 30, 1998

	Note	(Rupees i
SHARE CAPITAL AND RESERVES		
Authorised Capital		
70,000,000 (1997: 70,000,000) ordinary shares of Rs. 10 each		
Issued, subscribed and paid-up capital	4	
Revenue reserves	5	
(Accumulate loss)/unappropriated profit		
REDEEMABLE CAPITAL	6	

LONG - TERM LOANS	7
DEFERRED LIABILITIES	
Provision for staff gratuity	
CURRENT LIABILITIES AND PROVISIONS	
Short - term finance utilized	
under mark up arrangement	8
Short - term loan from Associated Undertaking	
Current portion of redeemable capital	6
Current portion of long-term loans	7
Creditors, accrued and other liabilities	9
Tax on turnover	
CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS	10
	TOTAL
TANGIBLE FIXED ASSETS	
Operating fixed assets	11
Capital work - in - progress	12
LONG - TERM LOANS AND ADVANCES	13
LONG - TERM DEPOSITS	14
CURRENT ASSETS	
Stores and spares	15
Stock-in-trade	16
Trade debts	17
Loans and advances	18
Trade deposits and short-term prepayments	19
Other receivables	20
Cash and bank balances	21
	TOTAL

The annexed notes form an integral part of these accounts.

EBRAHIM HAJI KARIM
CHAIRMAN

UMER HAJI KARIM
CHIEF EXECUTIVE

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1998**

	Note	(Rupees i
Sales		
Less: sales tax brokerage and discounts		
Net sales		
Cost of goods sold	22	
Gross profit		
Administration and selling expenses	23	
Operating profit		
Other income	24	
Financial charges	25	
Other charges	26	
(Loss)/profit before taxation		
Taxation (minimum tax on turnover)		
(Loss)/profit after taxation		
Unappropriated profit brought forward		
(Loss)/profit available for appropriations		

Appropriations:

Transfer to general reserve

(Accumulated loss)/unappropriated profit carried forward

The annexed notes form an integral part of these accounts.

EBRAHIM HAJI KARIM
CHAIRMAN

UMER HAJI KARIM
CHIEF EXECUTIVE

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 1998

(Rupees in

CASH FLOWS FROM OPERATING ACTIVITIES

(Loss)/profit before taxation

Adjustments for:

Depreciation

Provision for staff gratuity

Profit on disposal of fixed assets

Interest income

Interest expense

Movement in:

Working capital

Long-term loans and advances

Long-term deposits

Cash (used in)/generated from operations

Payments for:

Staff gratuity

Interest

Tax

Net cash (used in)/generated from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure including

capital work-in-progress

Proceeds from disposal of fixed assets

Interest received

Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of redeemable capital - LT TFCs

Repayment of long-term loan to Suppliers- N I C (note 7.1a)

Repayment of long-term loan to A D B

Repayment of long-term loan under LMM financing

Dividends paid

Net cash used in financing activities

Net decrease in cash and cash equivalents

Cash and cash equivalents as at July 1./January 1,

Cash and cash equivalents as at June 30,

MOVEMENT IN WORKING CAPITAL

(Increase)/decrease in current assets

Stores and spares

Stock-in-trade

Trade debts

Loans and advances

Trade deposits and short-term prepayments

Other receivables

Increase/(Decrease) in current liabilities

Short - term loan from Associated Undertaking

Creditors, accrued and other liabilities

excluding accrued financial charges and unclaimed dividend

(Increase)/Decrease in working capital

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet.

(Rupees i

Cash and bank balances

Short term finance utilized under mark-up arrangement

EBRAHIM HAJI KARIM
CHAIRMAN

UMER HAJI KARIM
CHIEF EXECUTIVE

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1998

1. STATUS OF THE COMPANY

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

2. INCOME YEAR

The Finance Act, 1995 abolished the option available for adopting the calendar year for tax purposes as the income year for business income and all such assesses were required to adopt the financial year (June 30 year end) as the income year effective from Income Tax Assessment year 1995-96.

In order that the Company's accounting year may correspond with the tax income year, the management of the Company had decided to change its accounting year from December 31 to June 30. Accordingly the corresponding figures given in these accounts are for a period of eighteen months from January 1, 1996 to June 30, 1997.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting Convention

These accounts have been prepared under historical cost convention except that certain exchange risk elements referred to in note 3.7 have been incorporated in the cost of the relevant assets.

3.2 Staff Gratuity

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

3.3 Tangible Fixed Assets

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

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

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

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

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

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

3.4 Investment

Investment is stated at cost.

3.5 Stores and Spares

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

3.6 Stock-in-trade

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

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

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

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

3.7 Foreign Currencies

All assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing on the Balance Sheet date except for those foreign currency loans which are covered under State Bank of Pakistan Exchange Risk Cover Scheme in which case it is translated at the rate fixed under the Exchange Risk Cover Scheme.

Exchange differences in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of relevant fixed assets. All other exchange differences are taken to profit and loss account.

3.8 Taxation

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

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

3.9 Interest and Charges

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

3.10 Revenue Recognition

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

(Rupees

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

37,360,000 ordinary shares of Rs. 10 each
fully paid in cash

18,680,000 ordinary shares of Rs. 10 each

issued as fully paid bonus shares

56,040,000
=====

5. REVENUE RESERVES

General reserve

Balance at July 1,/January 1,

Transfer from profit and loss account

Balance at June 30,

6. REDEEMABLE CAPITAL - SECURED (NOTE 6.1 & 6.2)

(Non-participatory)

Long - term TFCs

Less:- current portion shown under current liabilities

6.1 Long - Term TFCs Agreements - Rs. 38.561 million (1997: Rs. 59.934 million)

The Company entered into Long-Term TFCs Agreements with BEL SYNDICATE (Bankers Equity Limited, National Bank of Pakistan, Habib Bank Limited, United Bank Limited, Muslim Commercial Bank Limited and Allied Bank of Pakistan Limited). The amount sanctioned was Rs. 134.815 million whereby the Company has agreed to sell to the BEL SYNDICATE the Investment Property for a sum of Rs. 134.815 million and the Company is deemed to have repurchased the Investment Property from the Syndicate Members at a mark-up price of Rs. 264.369 million evidenced by Term Finance Certificates issued by the Company in favour of Syndicate Members. The mark-up price is payable in sixteen half yearly equal installments commencing from 11th January, 1992 and the last installment shall be due on 11th July, 1999.

The above LT - TFCs have been secured by first mortgage and floating charge on all the present and future movable and immovable properties and assets of the Company, namely land, building and construction, plant, machinery, equipment of the Company including fittings, fixtures, workshop, spare parts at present installed or that may be installed on said land.

The mortgages and charges shall rank pari passu with the mortgages, floating charges and hypothecation existing on such properties in favour of Asian Development Bank and BEL Syndicate.

In the event of the Company redeeming its TFCs on or before the due dates under the Agreements within the time specified under the Agreements for their discharge, the Company shall be entitled for prompt payment Bonus as has been specified in the TFCs.

Subsequent to the year end, the TFCs issued in favour of BEL of Rs. 11.563million were transferred in the name of AI-Faysal Investment Bank Ltd.

6.2 Long-Term TFOs Agreement- Rs. 6.549 million (1997: Rs. 10.147 million)

The Company entered into a Long-Term TFCs Agreement with Bankers Equity Limited. The amount sanctioned was Rs. 22.495 million. The Company has agreed to sell to the Bankers Equity Limited the Investment Property for a sum of Rs. 22.495 million and the Company is deemed to have repurchased the Investment Property from Bankers Equity Limited at a mark-up price of Rs 45.530 million evidenced by Term Finance Certificates issued by the Company in favour of Bankers Equity Limited. The mark-up price is payable in sixteen half yearly equal installments commencing from 11th January, 1992 and the last installment shall be due on 11th July, 1999.

The above LT- TFCs have been secured by first mortgage and floating charge on all the present and future movable and immovable properties and assets of the Company, namely land, building and construction, plant, machinery, equipment of the Company including fittings, fixtures, workshop, spare parts at present installed or that may be installed on said land.

The mortgages and charges shall rank pari passu with the mortgages, floating charges and hypothecation existing on such properties in favour of Asian Development Bank and BEL Syndicate.

In the event of the Company redeeming its TFCs on or before the due dates under the Agreement within the time specified under the Agreement for their discharge, the Company shall be entitled for prompt payment Bonus as has been specified in the TFCs.

Subsequent to the year end, the TFCs issued in favour of BEL of Rs. 4.532 million were transferred in the name of AI-Faysal Investment Bank Ltd.

(Rupees

7. LONG-TERM LOANS -- SECURED

Long - term loan - J¥ 84.821 million
(1997: J¥ 164.002 million -note 7.1 b).
Locally manufactured machinery loan (note 7.2)

Less: Current portion shown under current liabilities
Long - term loan - J¥ 84.821 million
(1997: J¥ 79.181 million)
Locally manufactured machinery loan

7.1 (a) SUPPLIER'S CREDIT LOAN FROM NISSHO IWAI CORPORATION

The Company entered into a Contract with M/s. Nissho Iwai Corporation, Singapore branch, and M/s. Teijin Limited, Japan for the supply of plant and equipment, engineering documents, technical knowhow, transfer of technology and services of supervisors with the rated capacity of 14,850 tonnes at a total consideration of Japanese Yen 4,640 million. Out of the total consideration Japanese Yen 205 million have been paid as down payment and Japanese Yen 540 million have been paid out of the proceeds of Long-Term Loan from the Asian Development Bank. The loan was repaid in 12 equal semi-annual installments, commenced from March 25, 1991 and the last installment was paid on September 25, 1996. The loan carried interest at the rate of 1.05% per annum above the LIBOR of a prime bank for six months deposits.

The Company had obtained the exchange risk cover against the currency fluctuation of the balance loan amount of Japanese Yen 3,895 million. The exchange rate applicable was Japanese Yen 1=Re. 0.142971. The Supplier's Credit Loan amounted to Rs. 556.872 million.

7.1 (b) LONG TERM LOAN FROM ASIAN DEVELOPMENT BANK-J¥ 84.821 MILLION (1997: J¥ 164.002 MILLION)

The Company obtained a long term loan of Japanese Yens 540 million from Asian Development Bank at the interest rate of 7% for 360 days which amounted to Rs. 88.700 million.

The loan is repayable in sixteen semi-annual installments commencing from 15th October, 1991 and the last installment shall be due on 15th April, 1999.

The State Bank of Pakistan has given permission for the exchange risk cover against currency fluctuation of the balance loan amount of Japanese Yens 401.917 million. The exchange rate

applicable is Japanese Yen 1=Re. 0.283491. The outstanding loans amount works out to Rs. 113.940 million. The Exchange Risk Fees is payable to the State Bank of Pakistan at the rate of 9% per annum of the principal amount outstanding from time to time.

The loan is secured by mortgage, charge or other interest:-

- (i) on all immovable properties present and future including land;
- (ii) on all movable plant and machinery, spares, tools and accessories both present and future;
- (iii) subject to prior charge created to secure short term debt for monies borrowed from Commercial Banks in the ordinary course of business to the extent permitted under Investment Agreement, all the Company's stocks of raw materials, semi-finished and finished goods, consumable stores and spares (not capitalised to plant and machinery) and such other movables which form a part of the Current Assets;
- (iv) the loan shall rank pari passu in all respects with the prior mortgages and charges as per Sharing Agreement; and
- (v) the mortgagee has the right to create at any time English Mortgage over the movable and immovable properties of the Company.

7.2 LOCALLY MANUFACTURED MACHINERY LOAN FROM BEL-RS. 0.755 MILLION (1997: RS. 2.230 MILLION)

Bankers Equity Limited has sanctioned Locally Manufactured Machinery financing for Rs. 9.600 million and in terms of that sanction, the machinery so purchased by BEL shall be deemed to have been sold at Rs. 11.825 million. The Purchase Price is payable in twenty eight quarterly equal installments commencing from 11th January, 1992 and the last installment shall be due on 11th October, 1998. The mark-up rate applicable is 3% per annum.

The loan is secured by mortgage, charge or other interest:

- (i) on land, building, factory, workshop, power house etc. and plant installed or to be installed;
- (ii) floating charge on Company's undertaking and goodwill on all its present and future properties, assets, rights and interest;
- (iii) Company's entire plant and machinery both imported and locally purchased, spare parts, electrical equipments and all movable properties and assets and such other plant and machinery as may be acquired in future and the benefit of all rights relating thereto.

The charge shall rank pari passu with the charges created in favour of BEL and BEL Syndicate to secure LT-TFCs Financing and Guarantee for Supplier's Credit.

In the event the payment of Purchase Price is made within one month of the due date, the Company shall be entitled to such rebate as has been specified in L M M Agreement.

8. SHORT - TERM RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS AND OTHER CREDIT FACILITY - SECURED

The facilities for short-term running finance available from Habib Bank Limited amounts to Rs. 250.00 million (1997: Rs. 250.00 million). The rate of mark-up is Re. 0.41 to 0.45 (1997: Re. 0.48) per Rs. 1,000 per day and is secured against hypothecation of the Company's stock-in-trade, stores and spares and trade debts.

The facility for opening letters of credit as at June 30, 1998 amounted to Rs. 960.00 million. (1997: Rs. 660.00 million)

(Rupees in

9. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors - foreign
Trade creditors -local
Sales tax payable
Interest accrued -long-term loan (secured)
Mark-up accrued - redeemable capital (secured)
Mark-up accrued - short-term running finance (secured)
Bank guarantee commission accrued
Exchange risk fee accrued
Retention money - fabricators/contractors
Workers profit participation fund (note 9.1)
Unclaimed dividend
Accrued expenses
Advance - suppliers / contractors
Other current liabilities

9.1 WORKERS' PROFIT PARTICIPATION FUND

Balance as at July 1,/January 1,
Interest on funds utilized in the Company's business

Allocation for the year / period

Less: Amounts paid during the year / period

Balance as at June 30,

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

10. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

10.1 Contingent Liabilities - Rs. 13.988 million (1997: Rs. 8.775 million)

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

10.2 Capital Commitments

Commitments in respect of Capital Expenditure are as follows:

- Building Rs. nil (1997: Rs. 0.50 million) · and
- Plant and machinery Rs. 1.00 million (1997 · Rs. 6.00 million).

11. OPERATING FIXED ASSETS

The following is a statement of operating fixed assets:

Particulars	Cost as at 01.07.97	Additions (deletions) (adjustments)
--------------------	------------------------------------	--

Land - leasehold	9,883	232
Building on leasehold land	67,141	828
Plant and machinery	1,542,832	25,785
Vehicles	23,079	1,802
		(1,511)
Furniture, fixtures & other office equipments	9,742	445
Total 1998	1,652,677	29,092 (1,511)
Total 1997	1,415,680	242,147 (5,150)

11.1 The depreciation charge for the year / period has been allocated as follows:

Cost of goods sold - note 22
Administration and selling expenses - note 23

(Rupees i

11.2 The following fixed assets were disposed off during the year ended June 30, 1998.

Particulars	Cost	Accumulated depreciation	Book value
	(Rupees in thousand)		
Motor vehicle	504	333	171
Motor vehicle	549	268	281

Motor vehicle	458	183	275
Total-1998	1,511	784	727
Total- 1997	5,150	1,710	3,440

(Rupees i

12. CAPITAL WORK - IN - PROGRESS

Civil work
Plant and machinery
Advances to contractors

13. LONG-TERM LOANS AND ADVANCES- CONSIDERED GOOD

Due from executives
Less: receivable within one year (note 18)

Due from employees
Less: receivable within one year (note 18)

Outstanding for period
- less than three years
- three years or more

Loans are granted to the Executives and Employees of the Company for various purposes in accordance with their terms of employment and are repayable over one to five years. The maximum aggregate amount due from the Executives at the end of any month during the year was Rs. 3.250 million (1997: Rs. 2.778 million).

(Rupees in

14. LONG - TERM DEPOSITS

Long-term deposits

15. STORES AND SPARES

Stores

Spares (including items in - transit Rs. 0.017 million;
1997: Rs. 0.967 million)

16. STOCK-IN-TRADE

Raw and packing materials(including items in-transit
Rs. 4.461 million; 1997: Rs. 57.963 million)

Work-in- process

Finished goods

17. TRADE DEBTS- UNSECURED

Considered good

-Due from Associated Undertaking

-Others

Considered doubtful
Less: Provision for doubtful debts

The maximum aggregate amount due from Associated Undertaking at the end of any month during the year was Rs.9.158 million (1997: Rs. 13.176 million).

(Rupees in

18. LOANS AND ADVANCES - CONSIDERED GOOD

Loans due from:

- Executives
- Employees

Advances to:

- Employees

The maximum aggregate amount of Advances to the Executives at the end of any month during the year was Rs. nil (1997: Rs. nil).

19. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Margin against guarantee held by Banks
Prepaid expenses

20. OTHER RECEIVABLES - CONSIDERED GOOD

Sales tax recoverable
Octroi refunds due
Advance income tax
Receivable from State Bank of Pakistan
Others

21. CASH AND BANK BALANCES

Cash at Banks in current accounts
Cash in hand

(Rupees i

22. COST OF GOODS SOLD

Raw and packing materials consumed
Opening stock
Purchases

Closing stock

Salaries, wages and benefits
Stores and spares consumed
Oil, gas and electricity
Insurance
Repairs and maintenance
Depreciation(note 11.1)
Excise duty
General expenses

Rent, rates and taxes

Opening stock of work-in-process

Closing stock of work-in-process

Cost of goods manufactured

Opening stock of finished goods

Finished goods purchased

Closing stock of finished goods

(Rupees i

23. ADMINISTRATION AND SELLING EXPENSES

Salaries and benefits

Repairs and maintenance

Rent, rates and taxes

Depreciation (note 11.1)

Outward freight and handling charges

Provision for doubtful debts - trade

Vehicles running and transport hiring charges

Travelling expenses

Postage, telegram, telephone and telex

Printing, stationery and subscription fees

Advertisement

Legal and professional charges

General expenses

24. OTHER INCOME

Profit on short-term and call deposit accounts,

- from other banking companies
Profit on disposal of fixed assets

25. FINANCIAL CHARGES

Mark-up on redeemable capital
Mark-up on short-term running finance
Mark-up on locally manufactured machinery loan
Interest on long-term loans
Exchange risk cover fee to State Bank of Pakistan
Bank guarantee commission
Excise duty
Others
Interest on workers' profit participation fund

26. OTHER CHARGES

Auditors' remuneration (note 27)
Workers' profit participation fund
Donations (note 26.1)

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

(Rupees i

27. AUDITORS' REMUNERATION

Audit fee
Out-of-pocket expenses

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

PARTICULARS	CHIEF EXECUTIVE	DIRECTORS	EXECUTIVES
	(Rupees in thousand)		
Fees	2	10	--
Managerial remuneration	--	--	8,121
Housing and utilities	--	--	4,016
Medical expenses	--	--	482
Gratuity	--	--	1,021
Leave encashment	--	--	585
Other allowances	--	--	112
TOTAL 1998	2	10	14,337
TOTAL 1997	1	7	17,317
No. of persons 1998	1	8	36
No. of persons 1997	1	8	37

In addition, certain Directors and Executives are provided with free use of Company cars.

(Rupees i

29. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchases of goods and services
Sale of goods and services

30. PLANT CAPACITY AND PRODUCTION

(Metri

Polyester staple fibre
Capacity

Actual production - Polyester staple fibre
- Polyester chips (Intermediary Product)

30.1 There was over supply of fibre and as such the capacity was not utilised in full in order to avoid carry forward of larger stocks.

31. GENERAL

(i) In view of the decision of the Honourable Supreme Court of Pakistan vide order No. C.A. No. 307/95(80-D) dated 4th June, 1997, the minimum tax on turnover under Section 80-D of the Income Tax Ordinance, 1979 levied in the case of assesseees during the Tax Holiday period has been held to be illegal and as such our Company is entitled for refund of tax. The Company has claimed a refund of Rs. 23,583,996/= on account of turnover tax paid during the Assessment Years 1992-93 to 1995-96. The matter is pending before the Income Tax authorities.

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

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

EBRAHIM HAJI KARIM
CHAIRMAN

UMER HAJI KARIM
CHIEF EXECUTIVE

PATTERN OF SHAREHOLDING AS AT JUNE 30, 1998

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
272	1	100	15,605
699	101	500	232,485
702	501	1000	562,615
1082	1001	5000	2,621,225

221	5001	10000	1,641,605
87	10001	15000	1,112,755
26	15001	20000	465,345
26	20001	25000	595,200
19	25001	30000	547,150
7	30001	35000	226,475
11	35001	40000	420,275
11	40001	45000	467,150
7	45001	50000	335,925
4	50001	55000	209,675
3	55001	60000	172,200
9	60001	65000	563,000
2	65001	70000	136,750
4	70001	75000	294,350
1	75001	80000	80,000
1	80001	85000	80,500
2	85001	90000	173,750
1	90001	95000	93,750
2	95001	100000	200,000
4	100001	105000	417,900
2	110001	115000	228,800
1	115001	120000	116,700
3	120001	125000	374,300
2	125001	130000	256,950
3	130001	135000	395,800
2	135001	140000	277,650
3	140001	145000	425,550
5	145001	150000	750,000
1	150001	155000	153,750
2	155001	160000	315,000
2	160001	165000	323,550
3	165001	170000	501,750
2	170001	175000	347,050
1	175001	180000	176,250
2	185001	190000	373,650
1	190001	195000	195,000
1	200001	205000	202,500
3	205001	210000	623,650
1	210001	215000	210,750
2	220001	225000	448,375
1	230001	235000	232,325
1	235001	240000	240,000

3	245001	250000	746,250
1	270001	275000	271,650
1	310001	315000	311,400
2	320001	325000	644,850
4	330001	335000	1,337,550
2	340001	345000	680,100
1	365001	370000	367,350
5	370001	375000	1,871,850
1	395001	400000	397,050
1	475001	480000	478,375
2	585001	590000	1,172,700
1	655001	660000	660,000
1	660001	665000	663,000
2	665001	670000	1,334,700
1	680001	685000	680,100
2	745001	750000	1,499,400
1	945001	950000	945,150
1	985001	990000	988,325
1	1200001	1205000	1,203,000
1	1440001	1445000	1,443,990
1	1825001	1830000	1,828,125
1	1865001	1870000	1,867,500
1	2385001	2390000	2,386,200
1	2535001	2540000	2,535,650
1	3130001	3135000	3,135,000
1	3505001	3510000	3,510,000
1	4245001	4250000	4,245,700
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3288			56,040,000
=====			=====

S. No.	Categories of Shareholders	Number of Shareholders	Total Shares Held
1	Individuals	3,191	29,820,580
2	Joint Stock Companies	18	6,366,600
3	Financial Institutions	5	239,905
4	Investment Companies	23	11,884,065
5	Insurance Companies	7	2,215,025
6	Foreign Investors	12	4,625,750
7	Banks	5	200,025

8	Modarabas	16	378,775
9	Leasing Companies	4	171,475
10	Mutual Funds	7	137,800
		-----	-----
TOTAL		3,288	56,040,000
		=====	=====