

**Pakistan Synthetics
Limited
Annual Report
1999**

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**COMPANY
INFORMATION**

**BOARD OF
DIRECTORS**

EBRAHIM HAJI KARIM CHAIRMAN
UMER HAJI KARIM-CHIEF
EXECUTIVE
HAROON HAJI KARIM
ANWAR HAJI KARIM
YAKCOB HAJI KARIM
AHMED EBRAHIM
NASIM BEG
AALIYA
DOSSA

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
MUSLIM COMMERCIAL BANK
LIMITED

	NATIONAL BANK OF PAKISTAN
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

	YEAR ENDED				EIGHTEEN MONTHS ENDED		YEAR ENDED
	DECEMBER 31,				JUNE 30,	JUNE 30,	
	1991	1992	1993	1994	1995	1997	1998
STATISTICAL SUMMARY	Rupees in million						
Gross sales	909	833	1,143	1,409	1,699	2,054	1,170
Profit/(loss) before taxation	15	35	154	257	274	36	(8)
Taxation	4	4	5	6	7	9	5
Profit/(loss) after taxation	11	31	149	251	267	27	(13)
Gross assets employed (including capital work-in-progress)	1,452	1,290	1,365	1,443	1,481	1,477	1,446
Paid-up capital	374	374	374	448	560	560	560
Shareholders' equity	384	416	565	816	985	1,012	999
EARNING AND PAY OUT	Rs. per share of Rs. 10						
Earnings per share after taxation	0.29	0.84	3.98	5.60	4.77	0.49	(0.23)
Break-up value	10.29	11.13	15.11	18.19	17.57	18.06	17.83

Bonus shares	--	--	1:5	1:4	--	--	--
Cash dividend	--	--	--	--	1.75	--	--

* The net earning per share for the year ended June 30,1998 is negative

FINANCIAL RATIOS

	Ratio						
Current Assets ' Current Liabilities	0.66:1	0.63:1	0.86:1	1.12:1	1.30:1	1.31:1	1.34:1
Long-term Debts · Equity	62:38	55:45	45:58	25:75	13:87	7:93	2:98

PRODUCTION

	Tonnes						
Polyester Staple Fibre	17,457	16,673	20,858	19,430	17,834	27,290	21,055
Polyester Chips	--	--	497	772	1,267	976	--

Pakistan Synthetics Limited

NOTICE OF MEETING

Notice is hereby given that the Fourteenth Annual General Meeting of Pakistan Synthetics Limited will be held on Wednesday, the 22nd December, 1999, at 2.00 p.m. at the Registered Office of the Company at Third Floor, KDLB Building, 58-West Wharf Road, Karachi-74000, Pakistan, to transact the following business:-

1. To confirm the minutes of the Thirteenth Annual General Meeting of the Company held on

14th December, 1998.

2. To receive and adopt the Audited Accounts of the Company together with Directors' and

Auditors' Reports for the year ended 30th June, 1999.

3. To approve the payment of a Final Dividend for the year ended 30th June, 1999, as recommended by the Board of Directors.

4. To appoint Auditors and fix their remuneration.

5. To transact such other ordinary business as may be placed before the meeting with the permission of the Chair.

By Order of the Board

Karachi: 17th
November, 19

UMER HAJI KARIM
CHIEF EXECUTIVE

Pakistan Synthetics Limited

**NOTICE OF
MEETING**

NOTES :-

1. Shares Transfer Books of the Company will remain closed from Wednesday, 15th December, 1999 to Friday, 24th December, 1999 (both days inclusive). Transfers received at the Registered Office of the Company at the close of business on 14th December, 1999 will be treated in time for the purpose of payment of proposed cash dividend to the transferees and entitlement to attend the Annual General Meeting of the Company.

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.

Account holders and sub-account holders holding book entry securities of the Company. in Central Depository Company of Pakistan Limited, who wish to attend the Annual General Meeting, are requested to bring original National Identity Card with copy thereof duly attested by their Bankers for identification purpose and should present their CDC Account Number.

4. Shareholders are requested to notify any change in their addresses immediately.

Pakistan Synthetics Limited

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED
30TH JUNE, 1999**

Your Directors are pleased to present the Annual Report of your Company together with the

Audited Accounts for the year ended 30th June,

1999.

OVERVIEW

The severe crisis through which the Polyester Staple Fibre Industry is passing due to over

supply and the dumping by international suppliers is not yet over. The prices of the Polyester Staple Fibre remained under pressure during the year under review due to steep fall in the international fibre prices. It is imperative that the Government should introduce anti-dumping measures to protect the local fibre industry from the onslaught of dumping by the Far Eastern producers.

It is heartening to note that the Company has redeemed all its long term loans including loan from Asian Development Bank and LT-TFCs.

Y2K COMPLIANCE

The Management has taken appropriate measures to comply with Y2K problems and all necessary modifications have been carried out. The Management is pleased to report that the Company is now Y2K compliant.

PRODUCTION

The Company produced 18,745 tons of Polyester Staple Fibre during the year under review as against 21,055 tons of Polyester Staple Fibre in the corresponding period of last year. Though there is a constant growth in demand for the Polyester Staple Fibre in the country but still a gap between its supply and demand exists.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH JUNE, 1999

FINANCIAL RESULTS

The gross turnover for the year ended 30th June, 1999 decreased to Rs. 1,013 million as compared to the gross turnover of Rs. 1,170 million for the year ended 30th June, 1998. The main reason for decrease in the gross turnover was reduction in the sales volume as well as depressed sale prices of Polyester Staple Fibre.

The raw material in-put cost reduced in the second half of the year under review due to downward

international prices of PTA and MEG resulting in the improvement of the overall financial results of the Company for the year under review.

By the grace of Almighty Allah, the Company has earned a net profit before taxation of Rs. 12.340 million, after providing for depreciation and financial charges aggregating to Rs. 143.017 million as against a net loss of Rs. 7.988 million in the last year. The net profit, after providing for minimum tax on turnover @ 0.50% and prior year's tax adjustment, works out to Rs. 11.726 million.

Your Directors are pleased to propose payment of cash dividend of Re. 0.75 per share (7.5%) for the year under review by transferring an amount of Rs. 42.500 million from revenue reserve.

Accordingly, the following appropriations have been proposed:-

	(Rs' 000)
Net profit after taxation	11,726
(Accumulated loss) brought forward	(11,240)

	-
Profit available for appropriations	486
Transfer from revenue reserve	42,500

	-
	42,986
Appropriations:-	
Final dividend @ Re. 0.75 per share of Rs. 10/- each	42,030

	-
Unappropriated profit carried forward	956
	=====

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH JUNE, 1999

EARNINGS PER SHARE

The net earnings per share after providing for taxation for the year ended 30th June, 1999 was Re. 0.21 (1998' Re. 0.23 -

negative).

FUTURE OUTLOOK

The prices of PTA and MEG have shown upward trend in the current year which would enhance the input cost. However, the sale prices of the Polyester Staple Fibre have also improved. Moreover, the Management is striving its best to improve the results by maximising production, improving the operating efficiencies and taking appropriate cost reduction measures.

AUDITORS

The present Auditors, M/s. Hyder Bhimji & Co., Chartered Accountants, retire at the conclusion of the 14th Annual General Meeting and being eligible, offer themselves for re-appointment as auditors of the Company.

PATTERN OF SHAREHOLDING

A Statement showing the pattern of shareholding in the Company as on 30th June, 1999 is attached to the accounts.

ACKNOWLEDGEMENT

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

Karachi: 17th November, 1999

For and on behalf of
Board of Directors

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, 1999

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, 1999 and of the profit 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: 17th November, 1999

**HYDER BHIMJI &
CO.
Chartered Accountants**

**BALANCE SHEET AS AT JUNE 30,
1999**

	1999	1998
	(Rupees in thousand)	
Note		

**SHARE CAPITAL AND
RESERVES**

Authorised Capital 70,000,000 (1998: 70,000,000) ordinary shares of Rs. 10 each		700,000	700,000
		=====	=====
		===	===
Issued, subscribed and paid-up capital	3	560,400	560,400
Revenue reserves	4	407,500	450,000
Unappropriated profit/(accumulated loss)		956	.(11,240)
		-----	-----
		968,856	999,160
REDEEMABLE CAPITAL	5	--	16,160
DEFERRED LIABILITIES			
Provision for staff gratuity		11,310	10,236
CURRENT LIABILITIES AND PROVISIONS			
Short - term running finance utilized under mark up arrangement	7	232,782	243,695
Short - term loan from Associated Undertaking		-	10,000
Current portion of redeemable capital	5	16,160	28,950
Current portion of long-term loans	6	-	24,801
Creditors, accrued and other liabilities	8	109,515	96,026
Tax on turnover		11,760	16,606
Proposed dividend		42,030	-
		-----	-----
		412,247	420,078
CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS	9	-	-
		-----	-----
		----	----
TOTAL		1,392,413	1,445,634
		=====	=====
		===	===
TANGIBLE FIXED ASSETS			
Operating fixed assets	10	815,291	878,909
Capital work - in - progress	11	450	1,262
		-----	-----
		----	----
LONG - TERM LOANS AND ADVANCES	12	898	1,260

LONG - TERM DEPOSITS	13	2,601	1,998
-----------------------------	----	-------	-------

CURRENT ASSETS

Stores and spares	14	105,105	101,644
Stock-in-trade	15	264,137	300,312
Trade debts	16	110,685	84,201
Loans and advances	17	1,364	1,578
Trade deposits and short-term prepayments	18	1,067	384
Other receivables	19	70,025	63,870
Cash and bank balances	20	20,790	10,216

-----	-----
----	----
573,173	562,205
-----	-----
----	----
TOTAL	1,392,413 1,445,634
=====	=====
====	====

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,
1999**

Note	1999 (Rupees in thousand)	1998
Sales	1,012,985	1,170,292
Less: sales tax brokerage and discounts	124,658	130,032
	4,415	8,270
	-----	-----
	129,073	138,302
	-----	-----
Net sales	883,912	1,031,990
Cost of goods sold	21 791,913	985,182
	-----	-----
Gross profit	91,999	46,808

Administration and selling expenses	22	27,140	25,382
		-----	-----
Operating profit		64,859	21,426
Other income	23	586	537
		-----	-----
		65,445	21,963
Financial charges	24	52,401	29,898
Other charges	25	704	53
		-----	-----
Profit/(loss) before taxation		12,340	(7,988)
Taxation	27	614	5,160
		-----	-----
Profit/(loss) after taxation		11,726	(13,148)
(Accumulated loss)/unappropriated profit brought forward		(11,240}	1,908
		-----	-----
Profit available for appropriations/(loss)		486	(11,240)
Transfer from revenue reserve		42,500	-
		-----	-----
		42,986	(11,240)
Appropriation:			
Proposed final dividend @ Re. 0.75 per share of Rs. 10/- each (1998: nil)		42,030	-
		-----	-----
Unappropriated profit/(accumulated loss) carried forward		956	(11,240)
		=====	=====
		=	=
		Re.	Re.
Earnings per share	28	0.21	(0.23)
		=====	=====
		=	=

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,
1999**

1999 1998
(Rupees in
thousand)

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Profit/(loss)before taxation	12,340	(7,988)
Adjustments for:		
Depreciation	90,616	98,046
Provision for staff gratuity	1,698	3,810
Profit on disposal of fixed assets	(501)	(518)
Interest income	(85)	(19)
Financial charges	52,401	29,898
	-----	-----
	156,469	123,229
Movement in:		
Working capital	15,393	(243,470)
Long-term loans and advances	362	393
Long-term deposits	(603)	2,914
	-----	-----
Cash inflow/(out flow) from operations	171,621	(116,934)
Payments for:		
Staff gratuity	(624)	(838)
Financial charges	(53,948)	(25,041)
Taxes	(16,201)	(23,602)
	-----	-----
Net cash inflow/(out flow) from operating activities	100,848	(166,415)

**CASH FLOWS FROM INVESTING
ACTIVITIES**

Fixed capital expenditure including Capital work-in- progress	(28,656)	(16,063)
Proceeds from disposal of fixed assets	2,971	1,245
Interest received	85	19
	-----	-----
Net cash (out flow) from investing activities	(25,600)	(14,799)

**CASH FLOWS FROM FINANCING
ACTIVITIES**

Repayment of redeemable capital - LT-TFCs	(28,950)	(24,971)
Repayment of long-term loan to ADB	(24,046)	(22,447)
Repayment of long-term loan under LMM financing	(755)	(1,475)
Dividends paid	(10)	(25)
	-----	-----
	----	----
Net cash (out flow) from financing activities	(53,761)	(48,918)
	-----	-----
	----	----
Net increase/(decrease) in cash and cash equivalents	21,487	(230,132)
Cash and cash equivalents as at duly 1,	(233,479)	(3,347)
	-----	-----
	----	----
Cash and cash equivalents as at June 30,	(211,992)	(233,479)
	=====	=====
	=	=

MOVEMENT IN WORKING CAPITAL

(Increase)/decrease in current assets		
Stores and spares	(3,461)	10,002
Stock-in-trade	36,175	(33,048)
Trade debts	(26,484)	(28,015)
Loans and advances	214	850
Trade deposits and short-term prepayments	(683)	776
Other receivables	4,586	(5,036)
	-----	-----
	----	----
Increase/(decrease) in current liabilities	10,347	(54,471)
Short - term loan from Associated Undertaking	(10,000)	10,000
Creditors, accrued and other liabilities (excluding accrued financial charges and unclaimed dividend)	15,046	(198,999)
	-----	-----
	----	----
Decrease/(increase) in working capital	15,393	(243,470)
	=====	=====
	==	==

CASH AND CASH EQUIVALENTS

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

Cash and bank balances	20,790	10,216
Shod term finance utilized under mark-up arrangement	(232,782)	(243,695)
	-----	-----
	(211,992)	(233,479)
	=====	=====
	==	==

**EBRAHIM HAJI
KARIM**
CHAIRMAN

UMER HAJI KARIM
CHIEF EXECUTIVE

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

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. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under historical cost convention except that certain exchange risk elements referred to in note 2.7 have been incorporated in the cost of the relevant assets.

2.2 Staff Gratuity

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

**2.3 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 instalments 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.

2.4 Investment

Investment is stated at cost.

2.5 Stores and Spares

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

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

2.7 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.

2.8 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. 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.

2.9 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.

2.10 Revenue Recognition

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

1999 **1998**
(Rupees in
thousand)

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

ordinary shares of Rs. 10 37,360,000each		
fully paid in cash	373,600	373,600
18,680,000ordinary shares of Rs. 10		

	each issued as fully paid bonus shares	186,800	186,800
-----		-----	-----
56,040,000		560,400	560,400
=====		=====	=====
		==	==

4. REVENUE RESERVES

General reserve			
Balance as at July 01,		450,000	450,000
Less: transfer to profit and loss account		42,500	-
		-----	-----
		407,500	450,000
		=====	=====
		==	==

5. REDEEMABLE CAPITAL - SECURED (NOTE 5.1 & 5.2) (Non-participatory)

Long - term TFCs		16,160	45,110
Less:, current portion shown under current liabilities		16,160	28,950
		-----	-----
		-	16,160
		=====	=====
		==	==

5.1 Long - Term TFCs Agreements - Rs. 13.807 million (1998: Rs. 38.561 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 was deemed to have repurchased the Investment Property from the Syndicate Members at a marked-up price of Rs. 264.369 million evidenced by Term Finance Certificates issued by the Company in favour of Syndicate Members. The marked-up price was payable in sixteen half yearly equal installments commencing from 11th January, 1992 to 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 pads 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.

Subsequently, the TFCs issued in favour of BEL of Rs. 11.563 million were transferred in the name of Al-Faysal Investment Bank Ltd.

The Company has paid the last instalment of marked-up price accordingly.

5.2 Long-Term TFCs Agreement - Rs. 2.353 million (1998: Rs. 6,549 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 marked-up price of Rs 45.530 million evidenced by Term Finance Certificates issued by the Company in favour of Bankers Equity Limited. The marked-up price was payable in sixteen half yearly equal instalments commencing from 11th January, 1992 to 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 pads 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.

Subsequently, the TFCs issued in favour of BEL of Rs. 4.532 million were transferred in the name of Al-Faysal Investment Bank Ltd.

The Company has paid the last instalment of marked -up price accordingly.

1999 **1998**
(Rupees in
thousand)

**6. LONG-TERM LOANS --
SECURED**

Long - term loan (1998: J¥ 84.821 million - note 6.1).	-	24,046
Locally manufactured machinery loan (note 6.2)	-	755
	-----	-----
	-	24,801
Less: Current portion shown under current liabilities		
Long - term loan (1998: J¥ 84.821 million)	-	24,046
Locally manufactured machinery loan	-	755
	-----	-----
	-	24,801
	-----	-----
	-	-
	=====	=====
	==	==

**6.1 LONG-TERM LOAN FROM ASIAN DEVELOPMENT
BANK
(1998: J¥ 84.821 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 was repaid in sixteen semi annual instalments, commenced from 15th October, 1991 and the last installment was paid on 15th April, 1999.

6.1 The State Bank of Pakistan had 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 was Japanese Yen 1=Re. 0.283491. The outstanding loan amount worked out to Rs. 113.940 million. The Exchange Risk Fees was 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 was 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 ranked 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.

6.2 LOCALLY MANUFACTURED MACHINERY LOAN FROM BEL (1998: RS. 0.755 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 to the Company at Rs.11.825 million. The Purchase Price was repaid in twenty

eight quarterly equal instalments commencing from 11th January, 1992 and the last installment was paid on 11th October, 1998. The mark-up rate applicable was 3% per annum.

The loan was 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 ranked 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 made within one month of the due date, the Company was entitled to such rebate as has been specified in L M M Agreement.

7. 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 (i 998: Rs. 250.00 million). The rate of mark-up is Re. 0.41 to 0.45 (1998: Re. 0.41 to 0.45) 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, 1999 amounted to Rs. 1,110.00 million. (1998: Rs. 960.00 million)

1999 **1998**
(Rupees in
thousand)

8. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors - foreign	11,443	59,913
Trade creditors -local	77,996	9,274
Interest accrued -long-term loan (secured)	-	350
Mark-up accrued - redeemable capital (secured)	2,144	6,339
Mark-up accrued - shod-term running finance (secured)	10,117	6,763
Bank guarantee commission accrued	4,477	4,493
Exchange risk fee accrued	-	340
Retention money - fabricators/contractors	25	25
Workers' profit participation fund (note 8.1)	651	11
Unclaimed dividends	153	163
Accrued expenses	-	6,178
Advances - suppliers / contractors	74	42
Other current liabilities	2,435	2,135

-----	-----	-----
	109,515	96,026
=====	=====	=====
	==	==

8.1 WORKERS' PROFIT PARTICIPATION FUND

Balance as at July 1,	11	1,922
Interest on funds utilized in the Company's business	-	193
	-----	-----
	11	2,115
Allocation for the year	640	-
	-----	-----
	651	2,115
Less: Amounts paid during the year	-	2,104
	-----	-----
Balance as at June 30,	651	11
	=====	=====
	==	==

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

9. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

9.1 Contingent Liabilities - Rs. 13.988 million (1998: Rs. 13.988 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.

9.2 Capital Commitments

Commitments in respect of capital expenditure are as follows:

- Building Re. nil (1998: Re. nil)
- ;and
- Plant and machinery Rs. 1.00 million (1998 ' Rs. 1.00 million).

10. OPERATING FIXED ASSETS

The following is a statement of operating fixed assets:

Particulars	Cost	Additions	Cost	Accumulate	Net book	Depreciatio	Annual
	as at	(deletions)	as at	d depreciatio	value	n charge	rate of depreciatio
	01.07.98		30.06.99	n upto	as at	for the	n
				30.06.99	30.06.99	year	%
(Rupees in thousand)							
Land - leasehold	10,115	116	10,231	770	9,461	103	-
Building on leasehold land	67,969	--	67,969	36,880	31,089	3,454	10%
Plant and machinery	1,568,617	27,518 (2,678)	1,593,457	832,043	761,414	84,509 (834)	10%
Vehicles	23,370	1,563 (1,103)	23,830	15,275	8,555	2,020 (477)	20%
Furniture, fixtures & other office equipments	10,187	271	10,458	5,686	4,772	530	10%
Total- 1999	1,680,258	29,468 (3,781)	1,705,945	890,654	815,291	90,616 (1,311)	

Total- 1998	1,652,677	29,092 (1,511)	1,680,258	801,349	878,909	98,046 (784)
	=====		=====	=====	=====	=====
	===	=====	==	==	==	==

10.1 The following fixed assets were disposed off during the year ended June 30, 1999.

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers
(Rupees in thousand)						
Plant & machinery	2,678	834	1,844	2,080	Insurance claim	M/s. Adamjee Insurance Co, 4th, Floor, Mackinnons Bldg., I.I. Chundrigar Road, Karachi.
Motor vehicle	650	275	375	640	Insurance claim	As above
Motor vehicle	453	202	251	251	Company's car policy Bawa	Mr. Wahid (Ex-employee)
Total-1999	3,781	1,311	2,470	2,971		
Total- 1998	1,511	784	727	1,245		

1999 1998
(Rupees in thousand)

10.2 The depreciation charge for the year has been allocated as follows:

Cost of goods sold - note 21	88,066	95,077
Administration and selling expenses - note 22	2,550	2,969
	----	----
	90,616	98,046
	=====	=====
	==	==

11. CAPITAL WORK - IN - PROGRESS

Plant and machinery	420	1,119
Advances to contractors	30	143
	----	----
	450	1,262
	====	====
	==	==

12. LONG-TERM LOANS AND ADVANCES - CONSIDERED GOOD

Due from executives	1,900	2,077
Less: receivable within one year (note 17)	1,065	971
	----	----
	835	1,106
Due from employees	309	611
Less: receivable within one year (note 17)	246	457
	----	----
	63	154
	----	----
	898	1,260
	====	====
Outstanding for period - less than three years	==	==
	898	1,260
	====	====
	==	==

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. 3.049 million (1998: Rs. 3.250 million).

13. LONG - TERM DEPOSITS

Long-term deposits	2,601	1,998
	====	====
	==	==

14. STORES AND SPARES

Stores	22,605	30,101
Spares (including items in - transit Rs. 0.307 million; 1998: Rs. 0.017 million)	82,500	71,543

	-----	-----
	----	----
	105,105	101,644
	=====	=====
	==	==

15. STOCK-IN-TRADE

Raw and packing materials(including items in-transit Rs. 0.172 million; 1998: Rs. 4.461 million)	176,516	180,726
Work-in- process	1,252	8,747
Finished goods	86,369	110,839
	-----	-----
	----	----
	264,137	300,312
	=====	=====
	==	==

16. TRADE DEBTS - UNSECURED

Considered good		
- Due from Associated Undertaking	-	656
- Others	110,685	83,545
	-----	-----
	----	----
	110,685	84,201
Considered doubtful	3,341	3,341
Less: provision for doubtful debts	3,341	3,341
	-----	-----
	----	----
	110,685	84,201
	=====	=====
	==	==

The maximum aggregate amount due from Associated Undertaking at the end of any month during the year was Rs.9.907 million (1998: Rs. 9.158 million).

1999 1998
(Rupees in
thousand)

17. LOANS AND ADVANCES - CONSIDERED GOOD

Loans due from:		
-Executives	1,065	971
-Employees	246	457
	-----	-----
	----	----
	1,311	1,428
Advances to:		
-Employees	53	150

	----	----
	1,364	1,578
	=====	=====
	==	==

The maximum aggregate amount of advances to the Executives at the end of any month during the year was

Re. nil (1998: Re. nil).

18. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Margin against guarantee held by

Banks	133	384
Prepaid expenses	934	-

	-----	-----
	1,067	384
	=====	=====
	==	==

19. OTHER RECEIVABLES - CONSIDERED GOOD

Sales tax recoverable	3,115	4,333
Octroi refunds due	2,625	3,788
Advance income tax	62,967	52,226
Receivable from State Bank of Pakistan	-	2,340
Others	1,318	1,183

	-----	-----
	70,025	63,870
	=====	=====
	==	==

20. CASH AND BANK BALANCES

Cash at banks in current accounts	20,769	10,161
Cash in hand	21	55

	-----	-----
	20,790	10,216
	=====	=====
	==	==

21. COST OF GOODS SOLD

Raw and packing materials consumed		
Opening stock	176,265	119,926
Purchases	532,866	820,975

	-----	-----
	709,131	940,901

Closing stock	(176,344)	(176,265)
	-----	-----
	---	---
	532,787	764,636
Salaries, wages and benefits	34,390	34,278
Stores and spares consumed	23,559	39,398
Oil, gas and electricity	67,166	68,775
Insurance	5,268	7,883
Repairs and maintenance	2,577	1,017
Depreciation(note 10.2)	88,066	95,077
General expenses	5,957	3,931
Rent, rates and taxes	178	398
	-----	-----
	---	---
	759,948	1,015,393
Opening stock of work-in-process	8,747	8,736
Closing stock of work-in-process	(1,252)	(8,747)
	-----	-----
	---	---
Cost of goods manufactured	767,443	1,015,382
Opening stock of finished goods	110,839	80,639
Closing stock of finished goods	(86,369)	(110,839)
	-----	-----
	---	---
	791,913	985,182
	=====	=====
	==	==

22. ADMINISTRATION AND SELLING EXPENSES

Salaries and benefits	7,243	8,860
Rent, rates and taxes	444	341
Depreciation(note 10.2)	2,550	2,969
Outward freight and handling charges	4,865	1,165
Vehicles running and transport hiring charges	8,757	8,159
Travelling expenses	823	927
Postage, telegram, telephone and telex	713	488
Printing, stationery and subscription fees	759	954
Advertisement	80	197
Legal and professional charges	147	249
General expenses	759	1,073
	-----	-----
	---	---
	27,140	25,382
	=====	=====
	==	==

23. OTHER INCOME

Profit on short-term and call deposit accounts

- From other banking companies	85	19
- Profit on disposal of fixed assets	501	518
	-----	-----
	---	---
	586	537
	=====	=====
	==	==

24. FINANCIAL CHARGES

Mark-up on redeemable capital	6,261	10,643
Mark-up on short-term running finance	36,188	11,445
Mark-up on locally manufactured machinery loan	19	73
Interest on long-term loans	1,242	2,541
Exchange risk cover fee to State Bank of Pakistan	1,575	2,836
Bank guarantee commission	224	643
Excise duty	-	47
Others	6,892	1,477
Interest on workers' profit participation fund	-	193
	-----	-----
	---	---
	52,401	29,898
	=====	=====
	==	==

25. OTHER CHARGES

Auditors' remuneration (note 26)	64	53
Workers' profit participation fund	640	--
	-----	-----
	---	---
	704	53
	=====	=====
	==	==

26. AUDITORS' REMUNERATION

Audit fee	60	50
Out-of-pocket expenses	4	3
	-----	-----
	---	---
	64	53
	=====	=====
	==	==

27. TAXATION

Current - for the year (minimum tax on turnover)	4,419	5,160
- for prior year (note 32(i))	(3,805)	-
	-----	-----

28. EARNINGS PER SHARE

Net profit/(loss) for the year after taxation

	----	----
	614	5,160
	=====	=====
	==	==

Number of shares

Average ordinary shares in issue during the year

	56,040,000	56,040,000
	=====	=====
	==	==

Rupee

Earnings per share

	0.21	(0.23)
	=====	=====
	==	==

29. 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	YEAR	YEAR
				ENDED	ENDED
				JUNE 30,	JUNE 30,
				1999	1998
				(Rupees in thousand)	
Fees	1	6	-	7	12
Managerial remuneration	-	-	7,787	7,787	8,121
Housing and utilities	-	-	3,898	3,898	4,016
Medical expenses	-	-	605	605	482
Gratuity	-	-	820	820	1,021
Leave encashment	-	-	564	564	585
Other allowances	-	-	146	146	112
	-----			-----	-----
TOTAL 1999	1	6	13,820	13,827	14,349
	-----			-----	-----
TOTAL 1998	2	10	14,337	14,349	-

	-	-	-	-
No. of persons 1999	1	8	33	42
	-	-	-	-
No. of persons 1998	1	8	36	45
	==	==	==	==
	==	==	==	==

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

1999 **1998**
(Rupees in
thousand)

30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchases of goods and services	444	341
Sale of goods and services	127,030	90,321

	(Metric tonnes)	
31. PLANT CAPACITY AND PRODUCTION		
Polyester staple fibre		
Capacity	28,000	28,000
Actual production - Polyester staple fibre	18,745	21,055

31.1 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.

32 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. 23,489,952/- on account of turnover tax paid during the Assessment Years 1992-93 to 1995-96, out of which the Company has received Rs. 3,804,748/-. 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, 1999**

NO. OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	From	To	
294	1	100	16,870
767	101	500	253,235
692	501	1000	560,815
1,051	1001	5000	2,540,520
213	5001	10000	1,549,175
59	10001	15000	747,625
25	15001	20000	438,550
30	20001	25000	685 145
11	25001	30000	310,850
7	30001	35000	227 775
6	35001	40000	221 250
10	40001	45000	424 200
1	45001	50000	50 000
5	50001	55000	263 950
4	55001	60000	229 100
8	60001	65000	500 800
2	65001	70000	136 750
5	70001	75000	363,400
2	75001	80000	157,200
2	80001	85000	163 500
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
2	115001	120000	235 250
3	120001	125000	374 300
2	125001	130000	257 950
1	130001	135000	132 900
2	135001	140000	277 650
3	140001	145000	425,550
5	145001	150000	750 000

1	150001	155000	153 750
3	155001	160000	47'3 000
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
2	205001	210000	414 700
1	210001	215000	210 750
2	220001	225000	448, 37,5
1	235001	240000	240,000
4	245001	250000	991 750
1	270001	275000	271 650
1	295001	300000	300 000
1	310001	315000	311 400
2	320001	325000	644 850
4	330001	335000	1,337,550
2	340001	345000	680,100
1	355001	360000	355,500
1	365001	370000	367,350
5	370001	375000	1,871 850
1	395001	400000	397,050
1	475001	480000	478,375
1	520001	525000	522,925
1	585001	590000	586,200
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	1200001	1205000	1,203,000
1	1285001	1290000	1,286,790
1	1675001	1680000	1,676,800
1	1775001	1780000	1,778,125
1	1865001	1870000	1,867,500
1	2145001	2150000	2,148,700
1	2240001	2245000	2,245,000
1	2385001	2390000	2,385,700
1	2435001	2440000	2,435,650
1	3130001	3135000	3,135,000
1	3505001	3510000	3,510,000

3,290

56,040,000

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENT AGE
INDIVIDUALS	3,165	31,191,580	55.66%
JOINT STOCK COMPANIES	29	6,440,275	11.49%
FINANCIAL INSTITUTIONS	17	2,941,055	5.25%
INVESTMENT COMPANIES	25	8,946,815	15.97%
INSURANCE COMPANIES	12	2,280,225	4.07%
FOREIGN INVESTORS	8	3,627,900	6.47%
BANKS	4	82,600	0.15%
MODARABAS LEASING COMPANIES	16	225,725	0.40%
MUTUAL FUNDS	4	167,075	0.30%
	10	136,750	0.24%
-----	-----	-----	-----
TOTAL	3,290	56,040,000	100.00%
-----	-----	-----	-----