

# **Pakistan Synthetics Limited**

## **Annual Report 2001**

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### **COMPANY INFORMATION**

#### **BOARD OF DIRECTORS**

EBRAHIM HAJI KARIM - CHAIRMAN  
UMER HAJI KARIM-CHIEF EXECUTIVE  
ANWAR HAJI KARIM  
MUHAMMAD ASLAM MOTIWALA  
AHMED EBRAHIM  
PIR MUHAMMAD A. KALIYA  
S. ZUBAIR AHMED  
ATHER HUSSAIN MEDINA

#### **SECRETARY**

M. SALEEM AZIZ

#### **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  
BANK ALFALAH LIMITED

#### **AUDITORS**

HYDER BHIMJI & CO.  
CHARTERED ACCOUNTANTS

#### **LEGAL ADVISORS**

MANSOOR AHMED KHAN & CO.  
ADVOCATES AND SOLICITORS

**REGISTERED OFFICE**

3RD FLOOR, KABOARD  
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**

	<b>YEAR ENDED DECEMBER 31,</b>			
	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>
<b>STATISTICAL SUMMARY</b>				
	<i>Rupees in millions</i>			
Gross sales	909	833	1,143	1,409
Profit/(loss) before taxation	15	35	154	257
Taxation	4	4	5	6
Profit/(loss) after taxation	11	31	149	251
Gross assets employed (including capital work-in-progress)	1,452	1,290	1,365	1,443
Paid-up capital	374	374	374	448
Shareholders' equity	384	416	565	816
<b>EARNING AND PAY OUT</b>				
	<i>Rs. per share of Rs. 10 each</i>			
Earnings per share after taxation	0.29	0.84	3.98	5.60
Break-up value	10.29	11.13	15.11	18.19
Bonus shares	--	--	1:5	1:4
Cash dividend	--	--	--	--
* The net earning per share for the year ended June 30,1998 was negative				
<b>FINANCIAL RATIOS</b>				
	<i>Ratios</i>			
Current Assets: Current Liabilities	0.66:1	0.63:1	0.86:1	1.21:1
Long-term Debts: Equity	62:38	55:45	42:58	25:75
<b>PRODUCTIONS</b>				
	<i>Tonnes</i>			
Polyester Staple Fibre	17,457	16,673	20,858	19,430
Polyester Chips	--	--	497	772

## **NOTICE OF MEETING**

Notice is hereby given that the Sixteenth Annual General Meeting of Pakistan Synthetics Limited will be held on Saturday, 29th December, 2001, at 3.30 p.m. at the Auditorium of the Institute of Chartered Accountants of Pakistan, G-31, Block-8, Chartered Accountants Avenue, Clifton, Karachi - Pakistan, to transact the following business:-

1. To confirm the minutes of the Fifteenth Annual General Meeting of the Company held on 24th November, 2000.
2. To receive, consider and adopt the Audited Accounts of the Company together with Directors' and Auditors' Reports for the year ended 30th June, 2001.
3. To approve the payment of a Final Dividend for the year ended 30th June, 2001, as recommended by the Board of Directors.
4. To appoint the Auditors of the Company 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**

**UMER HAJI KARIM  
CHIEF EXECUTIVE**

Karachi: 14th November, 2001

### **NOTES:-**

1. The Register of Members and the Shares Transfer Books of the Company will remain closed from Thursday, 20th December, 2001 to Saturday, 29th December, 2001 (both days inclusive). Transfers received at the Registered Office of the Company at the close of business on 19th December, 2001 will be treated in time for the purposes of determining the entitlement for the payment of proposed cash dividend to the transferees and 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, speak and vote at the meeting on his/her behalf. Instrument appointing 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. 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. Members are requested to notify the Company if there is any change in their addresses immediately.

**CDC Account Holders will further have to follow the undermentioned guidelines as laid down in**

**Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:**

**A. For Attending the Meeting:**

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

**B. For Appointing Proxies:**

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- iii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his original NIC or original passport at the time of the meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH JUNE, 2001**

Your Directors are pleased to present 16th Annual Report of your Company together with the Audited Accounts for the year ended 30th June, 2001.

**BOARD OF DIRECTORS**

The term of office of the Directors expired on 4th April, 2001 and following Directors were elected in the Tenth Extra-Ordinary General Meeting of the Company held on 28th March, 2001 for a period of three years effective from 5th April, 2001:-

- |                                |                             |
|--------------------------------|-----------------------------|
| 1) Mr. Ebrahim Haji Karim      | 5) Mr. Yakoob Haji Karim    |
| 2) Mr. Umer Haji Karim         | 6) Mr. Ahmed Ebrahim        |
| 3) Mr. Anwar Haji Karim        | 7) Mr. S. Zubair Ahmed      |
| 4) Mr. Muhammad Aslam Motiwala | 8) Mr. Ather Hussain Medina |

The Board wishes to place on record its appreciation for the services rendered by the outgoing Directors Mr. Haroon Haji Karim and Ms. Aaliya K. Dossa. The Board extends a warm welcome to Mr. Muhammad Aslam Motiwala and Mr. Athar Hussain Medina as new Directors.

Mr. Yakoob Haji Karim, a Director of the Company, resigned from the directorship w.e.f. 29th

September, 2001. The Board of Directors appointed Mr. Pir Muhammad A. Kaliya to fill the casual vacancy. The Board appreciates the valuable services rendered by Mr. Yakoob Haji Karim and welcomes Mr. Pir Muhammad A. Kaliya as a new Director.

## OVERVIEW

During the year under review, there was stability in the overall performance of the local Polyester Staple Fibre Industry. Fibre consumption in the country continued to increase during the year under review and demand for Polyester Staple Fibre remained strong. As a consequence, the production, turnover and profitability of your Company improved.

## PRODUCTION

By the grace of Almighty Allah, the Company produced 22,679 and 3,660 tons of Polyester Staple Fibre and Polyester Chips respectively as against 22,142 and 2,834 tons of Polyester Staple Fibre and Polyester Chips respectively in the previous year. It is heartening to note that during the year under review, the Company achieved 94% of the plant capacity.

## FINANCIAL RESULTS

The gross turnover for the year ended 30th June, 2001 increased to Rs.1,880 million as compared to the gross turnover of Rs. 1,558 million for the year ended 30th June, 2000. Increase in turnover was due to higher sales volume and increase in the selling price of Polyester Staple Fibre.

Raw material in-put cost also increased during the year under review which was mainly due to depreciation of Pak Rupee vis-a-vis US \$. Cost of input also increased due to rise in the prices of natural gas.

By the grace of Almighty Allah, the Company earned a net profit (before providing for taxation) of Rs. 155.368 million as against a net profit of Rs. 121.898 million in the last year. The net profit, after providing for taxation and prior year's tax adjustments, worked out to Rs. 97.183 million.

Your Directors are pleased to propose payment of cash dividend of Rs. 1.75 per share for the year under review (2000: Re. 1.00 per share).

Accordingly, the following appropriations have been proposed:-

	<i>(Rs' 000)</i>
Net profit after taxation	97,183
Unappropriated profit brought forward	3,881
	-----
Profit available for appropriation	101,064
<b>Appropriations:-</b>	
Final dividend @ Rs. 1.75 per share of Rs. 10 each	98,070
	-----
Unappropriated profit carried forward	2,994
	=====

## EARNINGS PER SHARE

The net earnings per ordinary share of Rs. 10each after providing for taxation for the year

ended 30th June, 2001, was Rs. 1.73 (2000: Rs. 1.50).

### **FUTURE OUTLOOK**

The prices of basic raw materials i.e. PTA and MEG are under pressure in the international market. However, the cost of other inputs has increased due to inflationary trend in the country. The impact of unprecedented incident of 11th September, 2001 and its aftermath would adversely affect the economic activity of the country resulting in stagnancy in fibre industry. Under the circumstances, your management is not optimistic of encouraging results for the current year.

However, your management, being seized of the complex prevalent situation, is striving its best to improve the operating efficiencies so as to minimize the adverse impact of the present crisis.

### **AUDITORS**

The present auditors, M/s. Hyder Bhimji & Co., Chartered Accountants, retire at the conclusion of 16th Annual General Meeting. The Board of Directors has decided to rotate the auditors every three years. The Directors, therefore, propose to the shareholders to appoint M/s. Taseer Hadi Khalid & Co., Chartered Accountants, as auditors for the year ending 30th June, 2002. M/s. Taseer Hadi Khalid & Co., have given their consent to act as auditors of the Company, if appointed by the shareholders in the Annual General Meeting.

### **PATTERN OF SHAREHOLDING**

A Statement showing the pattern of shareholdings in the Company as on 30th June, 2001 is attached to this Report on Page 30.

### **ACKNOWLEDGEMENT**

During the year under review, the Management Employees relations remained cordial. The Management would like to place on record its appreciation for dedication and hard work rendered by its employees and workers for the improvement of the financial results of the Company.

**For and on behalf of  
Board of Directors**

**UMER HAJI KARIM  
CHIEF EXECUTIVE**

Karachi: 14th November, 2001

## **BALANCE SHEET AS AT JUNE 30, 2001**

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousand)</i>	
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 70,000,000 (2000: 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 reserve	4	432,500	432,500
Unappropriated profit		2,994	3,881
		-----	-----
		995,894	996,781
<b>DEFERRED LIABILITIES</b>	5	93,250	49,038
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Short - term running finance utilized under mark up arrangement	6	--	--
Creditors, accrued and other liabilities	7	72,645	204,618
Proposed dividend		98,070	56,040
		-----	-----
		170,715	260,658
<b>CONTINGENCIES AND COMMITMENTS</b>	8	--	--
		-----	-----
<b>TOTAL</b>		1,259,859	1,306,477
		=====	=====

The annexed notes form an integral part of these accounts.

**TANGIBLE FIXED ASSETS**

Operating fixed assets	9	697,824	749,634
Capital work -in - progress	10	2,610	20,486
		-----	-----
		700,434	770,120

**LONG - TERM LOANS AND ADVANCES**

	11	168	317
--	----	-----	-----

**LONG - TERM DEPOSITS**

		2,601	2,601
--	--	-------	-------

**CURRENT ASSETS**

Stores and spares	12	113,648	112,262
Stock-in-trade	13	169,666	261,251
Trade debts	14	170,925	95,430
Loans and advances	15	1,177	1,886
Short-term prepayments		198	--
Other receivables	16	22,549	34,212
Cash and bank balances	17	78,493	28,398
		-----	-----
		556,656	533,439

<b>TOTAL</b>		1,259,859	1,306,477
		=====	=====

**EBRAHIM HAJI KARIM**  
**CHAIRMAN**

**UMER HAJI KARIM**  
**CHIEF EXECUTIVE**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousand)</i>	
Net sales	18	1,624,249	1,347,822
Cost of goods sold	19	1,419,941	1,169,650
		-----	-----
Gross profit		204,308	178,172
Administration and general expenses	20	24,265	25,948
		-----	-----
Operating profit		180,043	152,224
Other income	21	4,163	966
		-----	-----
		184,206	153,190
Financial charges	22	17,664	24,802
Other charges	23	11,174	6,490
		-----	-----
Profit before taxation		155,368	121,898
Taxation	25	58,185	37,933
		-----	-----
Profit after taxation		97,183	83,965
Unappropriated profit brought forward		3,881	956
		-----	-----
Profit available for appropriation		101,064	84,921
<b>Appropriations:</b>			
Transfer to revenue reserve		--	25,000
Proposed final dividend @ Rs. 1.75 per share of Rs. 10 each (2000: Re. 1.00)		98,070	56,040
		-----	-----
Unappropriated profit carried forward		2,994	3,881
		=====	=====
		<b>Rs.</b>	<b>Rs.</b>
Earnings per share	26	1.73	1.50
		=====	=====

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, 2001**

	<b>2001</b>	<b>2000</b>
	<i>(Rupees in thousand)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	155,368	121,898
Adjustments for:		
Depreciation	78,385	83,958
Provision for staff gratuity	4,611	3,422
Profit on disposal of fixed assets	(828)	(483)
Interest income	(2,138)	--
Financial charges	16,988	24,102
	-----	-----
	252,386	232,897
Movement in:		
Working capital	(114,614)	121,354
Long-term loans and advances	149	581
	-----	-----
Cash inflow from operations	137,921	354,832
Receipts / (payments) for:		
Staff gratuity	(899)	(1,194)
Financial charges	(18,078)	(35,059)
Taxes	(6,485)	17,542
	-----	-----
Net cash inflow from operating activities	112,459	336,121
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure including capital work-in-progress	(10,598)	(38,647)
Proceeds from disposal of fixed assets	2,727	793
Interest received	1,262	--
	-----	-----
Net cash (out flow) from investing activities	(6,609)	(37,854)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of redeemable capital- LT-TFCs	--	(16,160)
Dividend paid	(55,755)	(41,717)
	-----	-----
Net cash (out flow) from financing activities	(55,755)	(57,877)
	-----	-----
Net increase in cash and cash equivalents	50,095	240,390
Cash and cash equivalents as at July 1,	28,398	(211,992)
	-----	-----
Cash and cash equivalents as at June 30,	78,493	28,398
	=====	=====

**MOVEMENT IN WORKING CAPITAL**



year ended June 30, 2001	--	--	97,183	97,183
Dividend	--	--	(98,070)	(98,070)
	-----	-----	-----	-----
Balance at June 30, 2001	560,400	432,500	2,994	995,894
	=====	=====	=====	=====

The annexed notes form an integral part of these accounts.

**EBRAHIM HAJI KARIM**  
**CHAIRMAN**

**UMER HAJI KARIM**  
**CHIEF EXECUTIVE**

## **NOTES TO THE ACCOUNTS**

### **FOR THE YEAR ENDED JUNE 30, 2001**

#### **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 Basis of Preparation**

These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

##### **2.2 Accounting Convention**

These accounts have been prepared under historical cost convention.

##### **2.3 Staff Gratuity**

The Company operates an unfunded gratuity scheme for its confirmed employees. Consequent to the adoption of IAS 19 (revised 1998), the Company now accounts for gratuity provision on the basis of actuarial valuation on Projected Unit Credit (PUC) method after taking into consideration the expected rate of increase in salary @ 10% per annum, discounted @ 10% over the remaining period of service.

##### **2.4 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.





## 7. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors	44,255	178,249
Sales tax payable - net	2,231	3,403
Mark-up accrued - short-term running finance (secured)	214	1,304
Workers' profit participation fund (note 7.1)	8,324	6,417
Workers' welfare fund	2,750	--
Unclaimed dividend	751	466
Accrued expenses	8,448	6,306
Other liabilities	5,672	8,473
	-----	-----
	72,645	204,618
	=====	=====

### 7.1 WORKERS' PROFIT PARTICIPATION FUND

Balance as at July 1,	6,417	651
Interest on funds utilized in the Company's business	630	59
	-----	-----
	7,047	710
Allocation for the year	8,322	6,415
	-----	-----
	15,369	7,125
Less: amounts paid during the year	7,045	708
	-----	-----
Balance as at June 30,	8,324	6,417
	=====	=====

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

## 8. CONTINGENCIES AND COMMITMENTS

8.1 Bank Guarantees - Rs. 25.677 million (2000: Rs. 17.640 million)

(a) Habib Bank Limited (HBL), Cloth Market Branch, Karachi, issued a Bank Guarantee for Rs. 13.988 million (2000: Rs.13.988 million) in favour of 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 interest.

(b) Bank Al-Habib Limited, Main Branch, Karachi, issued a Bank Guarantee for Rs. 11.689 million (2000: Rs. 3.652 million) in favour of Sui Southern Gas Company Limited for payments of gas bills. The guarantee has been secured by letter of hypothecation of movables and receivables of the Company's stock in trade, stores and spares and trade receivables.

### 8.2 Contingent Liabilities

Inland bills discounted upto June 30, 2001, Rs. 165.313 million (2000: Rs. 47.491 million).

### 8.3 Capital Commitments

Commitments in respect of capital expenditure contracted for as at June 30, 2001 amounted to Rs. 10.00 million (2000: Rs. nil).

## 9. OPERATING FIXED ASSETS

The following is a statement of operating fixed assets:

<i>Particulars</i>	<i>Cost as at 01.07.00</i>	<i>Additions/ (deletions)</i>	<i>Cost as at 30.06.01</i>	<i>Accumulated depreciation upto 30.06.01</i>
				<i>(Rupees in thousand)</i>
Land - leasehold	10,231	--	10,231	976
Building on leasehold land	67,969	300	68,269	42,817
Plant and machinery	1,605,761	21,806	1,627,567	981,230
Vehicles	28,491	6,341 (6,300)	28,532	15,754
Furniture and equipments	10,597	27	10,624	6,622
Total-2001	<b>1,723,049</b>	<b>28,474 (6,300)</b>	<b>1,745,223</b>	<b>1,047,399</b>
Total-2000	1,705,945	18,611 (1,507)	1,723,049	973,415
			<b>2001</b>	<b>2000</b>
			<i>(Rupees in thousand)</i>	

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

Cost of goods sold - note 19	74,746	80,584
Administration and general expenses - note 20	3,639	3,374
	<b>78,385</b>	<b>83,958</b>

9.2 The following fixed assets were disposed off during the year ended June 30, 2001.

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale proceeds</i>	<i>Mode of disposal</i>	<i>P b</i>
<i>(Rupees in thousand)</i>						
<b>Motor vehicles</b>						
Nissan Sunny	240	222	18	125	Negotiation	M R C
Nissan Sunny	241	223	18	110	Negotiation	M 2

Suzuki Van	144	127	17	75	Negotiation
Honda Civic	690	443	247	350	Negotiation
Suzuki Jeep	214	183	31	120	Negotiation
Toyota Corolla	514	396	118	211	Company's car policy
Suzuki Margalla	436	311	125	168	Company's car policy
Toyota Corolla	625	446	179	257	Company's car policy
Suzuki Margalla	453	290	163	186	Company's car policy
Suzuki Margalla	453	290	163	186	Company's car policy
Suzuki Margalla	453	290	163	186	Company's car policy
Suzuki Margalla	453	290	163	186	Company's car policy
Suzuki Margalla	453	290	163	186	Company's car policy
Suzuki Margalla	453	290	163	186	Company's car policy
Suzuki Margalla	453	290	163	186	Company's car policy
Suzuki Margalla	478	310	168	195	Company's car policy
Total-2001	6,300	4,401	1,899	2,727	
Total-2000	1,507	1,197	310	793	

**2001**                      **2000**  
*(Rupees in thousand)*

**10. CAPITAL WORK - IN - PROGRESS**



Plant and machinery	--	14,635
Civil work	--	300
Advances to suppliers/contractors	2,610	5,551
	-----	-----
	2,610	20,486
	=====	=====

#### 11. LONG-TERM LOANS AND ADVANCES - CONSIDERED GOOD

Due from executives	630	1,022
Less: receivable within one year (note 15)	536	848
	-----	-----
	94	174
Due from employees	715	668
Less: receivable within one year (note 15)	641	525
	-----	-----
	74	143
Outstanding for periods	-----	-----
- less than three years	168	317
	=====	=====

Loans and advances are granted to the Executives and Employees of the Company for various purposes and are normally repayable over one to three years. The maximum aggregate amount due from the Executives at the end of any month during the year was Rs. 1.157 million (2000: Rs. 1.828 million).

#### 12. STORES AND SPARES

Stores	26,280	27,417
Spares (including items in - transit Rs. 3.156 million; 2000: Rs. 0.438 million)	87,368	84,845
	-----	-----
	113,648	112,262
	=====	=====

#### 13. STOCK-IN-TRADE

Raw and packing materials(including items in-transit Rs. 1.685 million; 2000: Rs. 16.649 million)	74,433	120,736
Work-in- process	6,626	3,531
Finished goods	88,607	136,984
	-----	-----
	169,666	261,251
	=====	=====

#### 14. TRADE DEBTS- UNSECURED

Considered good	170,925	95,430
Considered doubtful	3,341	3,341
Less: provision for doubtful debts	3,341	3,341
	-----	-----
	--	--

-----	-----
170,925	95,430
=====	=====

The amount due from Associated Undertaking as at June 30, 2001 was Rs. nil (2000: Rs. nil). The maximum aggregate amount due from Associated Undertaking at the end of any month during the year was Rs. 4.605 million (2000: Rs. 1.974 million).

#### 15. LOANS AND ADVANCES - CONSIDERED GOOD

Loans and advances due from:

-Executives (note 11)	536	848
-Employees (note 11)	641	525
	-----	-----
	1,177	1,373
-Advances to suppliers/contractors	--	513
	-----	-----
	1,177	1,886
	=====	=====

#### 16. OTHER RECEIVABLES - CONSIDERED GOOD

Octroi refunds due	673	1,408
Advance income tax-net	20,032	31,232
Interest accrued	876	--
Others	968	1,572
	-----	-----
	22,549	34,212
	=====	=====

#### 17. CASH AND BANK BALANCES

Cash at bank in deposit account	60,000	--
Cash at banks in current accounts	18,481	28,386
Cash in hand	12	12
	-----	-----
	78,493	28,398
	=====	=====

#### 18. NET SALES

Sales (Inclusive of sales tax)	1,880,227	1,557,607
Less: sales tax	247,828	203,166
brokerage and discounts	8,150	6,619
	-----	-----
	255,978	209,785
	-----	-----
Net sales	1,624,249	1,347,822
	=====	=====

#### 19. COST OF GOODS SOLD

Raw and packing materials consumed		
Opening stock	104,087	176,344

Purchases	1,089,971	901,531
	-----	-----
	1,194,058	1,077,875
Closing stock	(72,748)	(104,087)
	-----	-----
	1,121,310	973,788
Salaries, wages and benefits	40,565	37,536
Stores and spares consumed	33,783	33,035
Fuel and power	87,501	77,810
Insurance	4,957	4,134
Repairs and maintenance	3,324	1,834
Depreciation (note 9.1)	74,746	80,584
General expenses	7,705	12,670
Rent, rates and taxes	768	1,153
	-----	-----
	1,374,659	1,222,544
Opening stock of work-in-process	3,531	1,252
Closing stock of work-in-process	(6,626)	(3,531)
	-----	-----
Cost of goods manufactured	1,371,564	1,220,265
Opening stock of finished goods	136,984	86,369
Closing stock of finished goods	(88,607)	(136,984)
	-----	-----
	1,419,941	1,169,650
	=====	=====

Salaries, wages and benefits include Rs. 3.681 million (2000: Rs. 2.633 million) in respect of staff gratuity.

## 20. ADMINISTRATION AND GENERAL EXPENSES

Salaries and benefits	9,145	8,612
Rent, rates and taxes	537	466
Depreciation (note 9.1)	3,639	3,374
Outward freight and handling charges	2,131	1,602
Vehicles running and transport hiring charges	5,948	8,115
Travelling expenses	235	869
Postage, telegram, telephone and telex	622	637
Printing, stationery and subscription fees	744	764
Advertisement	179	68
Legal and professional charges	297	511
General expenses	788	930
	-----	-----
	24,265	25,948
	=====	=====

Salaries and benefits include Rs. 0.930 million (2000:Rs. 0.789 million) in respect of staff gratuity.

## 21. OTHER INCOME

Profit on short-term and call deposit accounts	2,138	--
--	-------	----

Profit on disposal of fixed assets	828	483
Scrap sales	1,197	483
	-----	-----
	4,163	966
	=====	=====

## 22. FINANCIAL CHARGES

Mark-up on short-term running finance	2,042	17,673
Interest on workers' profit participation fund	630	59
Bank guarantee commission	291	370
Discounting charges on receivables	14,316	6,370
Others	385	330
	-----	-----
	17,664	24,802
	=====	=====

## 23. OTHER CHARGES

Auditors' remuneration (note 24)	77	65
Workers' profit participation fund	6,415	8,322
Workers' welfare fund	--	2,750
Donation (note 23.1)	10	25
	-----	-----
	6,490	11,174
	=====	=====

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

## 24. AUDITORS' REMUNERATION

Audit fee	70	60
Out-of-pocket expenses	7	5
	-----	-----
	77	65
	=====	=====

## 25. TAXATION

Current - for the year	14,750	6,739
- for prior year	2,935	(4,306)
Deferred	40,500	35,500
	-----	-----
	58,185	37,933
	=====	=====

## 26. EARNINGS PER SHARE

Net profit for the year after taxation	97,183	83,965
	=====	=====

*Number of shares*

Average ordinary shares in issue during the year	56,040,000	56,040,000
	=====	=====
	Rs.	Rs.
Earnings per share	1.73	1.50
	=====	=====

## 27. 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:

<i>PARTICULARS</i>	<i>CHIEF EXECUTIVE</i>		<i>DIRECTORS</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
				<i>(Rupees in thousand)</i>
Meeting fees	2	1	13	7
Managerial remuneration	--	--	--	--
Housing and utilities	--	--	--	--
Medical expenses	--	--	--	--
Gratuity	--	--	--	--
Leave encashment	--	--	--	--
Other allowances	--	--	--	--
	-----	-----	-----	-----
TOTAL	2	1	13	7
	=====	=====	=====	=====
No. of persons	1	1	7	7
	=====	=====	=====	=====

In addition, Chief Executive, three Directors and some of the Executives of the Company are provided with free use of Company cars.

	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousand)</i>
<b>28. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS</b>		
Sale of goods	190,675	186,717
	=====	=====
Rentals paid	537	466
	=====	=====

## 29. NUMBER OF EMPLOYEES

The total number of employees as at June 30, 2001 was 311 (2000: 318).

## 30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

*Interest/  
Mark-up bearing*

*(Rupees in thousand)*

	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total (a)</i>	<i>Maturity upto one year</i>
<b>FINANCIAL ASSETS</b>				
Long term loans and advances	--	--	--	1,177
Long term deposits	--	--	--	--
Trade debts	--	--	--	170,925
Other receivables	--	--	--	1,844
Cash & bank balances	60,000	--	60,000	18,493
	-----	-----	-----	-----
	60,000	--	60,000	192,439
	=====	=====	=====	=====
<b>FINANCIAL LIABILITIES</b>				
Creditors, accrued & other liabilities	--	--	--	61,571
Proposed dividend	--	--	--	98,070
	-----	-----	-----	-----
	--	--	--	159,641
	=====	=====	=====	=====

### **30.1 FINANCIAL INSTRUMENTS & RISK MANAGEMENT**

The Company issues financial instruments mainly to finance its operations. In addition, trade debts and trade creditors arise directly from the Company's operations.

The Company finances its operations primarily by a mixture of issued share capital, retained profits and long and short term loans, running finance and redeemable capital. The Company borrows funds in foreign as well as local currency usually at fixed rates of interest or on mark-up basis.

#### **A) FAIR VALUE OF FINANCIAL ASSETS & LIABILITIES**

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

#### **B) CONCENTRATION OF CREDIT RISK**

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company believes that it is not exposed to major concentration of credit risk. However, to manage exposure to credit risk, the Company applies credit limits to its customers and regularly monitors the credit exposure towards the customers.

#### **C) SHORT - TERM DEPOSITS RISK**

The Company has short - term deposits (PLS Term Deposits) representing funds surplus to normal working capital requirements which are accounted for as current assets-Cash at bank in deposit account. On maturity of these short-term deposits, the Company will receive principal plus profit.

#### **D) FOREIGN EXCHANGE RISK MANAGEMENT**

Foreign currency risk arises mainly where receivable and payable exist due to sales and purchase transactions with foreign undertakings. Payable exposed to foreign currency risks are identified as either "Creditors" or "Bills Payable". Foreign currency risks relating to some payable are covered through forward foreign exchange contracts whenever it considered appropriate to hedge foreign

currency exposure.

**2000**                      **2001**  
*(Metric tonnes)*

### 31. PLANT CAPACITY AND PRODUCTION

Capacity - Polyester staple fibre / Polyester chips	28,000	28,000
Actual production - Polyester staple fibre	22,679	22,142
- Polyester chips (Intermediary product)	3,660	2,834

31.1 The shortfall in production was due to plant maintenance.

### 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/- (2000: 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. 8,110,962/- upto June 30, 2001 (2000: Rs. 8,110,962). 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, 2001

<i>NO. OF SHARE HOLDERS</i>	<i>SHAREHOLDING</i>		<i>TOTAL SHARES HELD</i>
	<i>FROM</i>	<i>TO</i>	
315	1	100	18,584
707	101	500	212,311
545	501	1000	442,495
758	1001	5000	1,838,485
118	5001	10000	882,300
35	10001	15000	456,500
12	15001	20000	209,275
14	20001	25000	317,600

10	25001	30000	278,800
1	30001	35000	33,150
4	35001	40000	148,250
6	40001	45000	252,750
1	45001	50000	47,750
5	50001	55000	265,225
4	55001	60000	231,965
6	60001	65000	378,500
3	65001	70000	206,750
4	70001	75000	293,700
11	75001	80000	880,000
2	80001	85000	162,000
1	85001	90000	86,250
1	90001	95000	93,750
1	95001	100000	100,000
4	100001	105000	417,900
1	110001	115000	114,300
1	115001	120000	116,700
5	120001	125000	621,110
1	125001	130000	129,450
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
2	155001	160000	315,000
3	160001	165000	483,800
3	165001	170000	501,750
3	170001	175000	519,550
1	175001	180000	176,250
2	185001	190000	373,650
1	190001	195000	195,000
2	200001	205000	403,300
1	205001	210000	208,650
1	210001	215000	210,750
1	220001	225000	225,000
1	235001	240000	240,000
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	479,375
1	480001	485000	483,000
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	1865001	1870000	1,867,500
1	2010001	2015000	2,010,300
1	2375001	2380000	2,375,200
1	2755001	2760000	2,758,900
1	3130001	3135000	3,135,000
1	3505001	3510000	3,510,000
1	3740001	3745000	3,741,000
1	8600001	8605000	8,600,975
-----			-----
2645			56,040,000
=====			=====

<i>Categories of Shareholders</i>	<i>Number of Shareholders</i>	<i>Total Shares held</i>	<i>Percentage</i>
INDIVIDUALS	2,522	31,060,735	55.43%
JOINT STOCK COMPANIES	54	8,467,275	15.11%
FINANCIAL INSTITUTIONS	26	10,462,365	18.67%
INVESTMENT COMPANIES	10	49,650	0.09%
INSURANCE COMPANIES	6	2,190,775	3.91%
FOREIGN INVESTORS	6	3,520,400	6.28%
BANKS	4	14,000	0.02%
MODARABAS	10	125,400	0.22%
LEASING COMPANIES	3	132,375	0.24%
MUTUAL FUNDS	3	5,900	0.01%
OTHERS	1	11,125	0.02%
-----			-----
<b>TOTAL</b>	<b>2,645</b>	<b>56,040,000</b>	<b>100.00%</b>
=====			=====