

# Annual Report 2009

**Tri-Star  
Polyester Ltd.**

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## Company Information

**Board of Directors:**

Ahmad Ismail  
Rashid Ahmad  
Tahir Ahmad  
Asad Ahmad  
Aliya Ahmad  
Tanvir Hasan  
Mohammed Zameer

Chief Executive  
Director  
Director  
Director  
Director  
Director  
Director

**Auditors:**

M/s. Ghalib & Co.  
Chartered Accountants

**Bankers:**

Bank Al-Habib Ltd.

**Audit Committee:**

Mr. Tahir Ahmad  
Mr. Rashid Ahmad  
Mr. Mohammad Zameer

Chairman  
Member  
Member

**Legal Counsel:**

Abid S. Zuberi  
Bar-at-Law

**Registered Office:**

F/498, S.I.T.E.,  
Karachi-75700

**Plant:**

F/538, S.I.T.E.,  
Karachi-75700

## Notice of Meeting

Notice is hereby given that the Nineteenth Annual General Meeting of Tri-Star Polyester Ltd., will be held on October 31, 2009 at 12:00 p.m. at F/498, S.I.T.E., Karachi to transact the following business:

1. Recitation from the HOLY QURAN.
2. To receive and adopt the audited accounts for the period ended June 30, 2009 together with the Directors' and Auditors' report thereon.
3. To appoint Auditors of the Company and fix their remuneration.
4. To transact any other business with the permission of the Chair.

By Order of the Board

Company Secretary

Karachi: October 10, 2009

### NOTES:

1. The Shares Transfer Books of the Company will remain closed from 19.10.2009 to 31.10.2009 (both days inclusive).
2. A member entitled to attend the Annual General Meeting is entitled to appoint a proxy and vote in his place at the meeting. Proxies in order to be effective must be received at the registered office of the Company at F/498, S.I.T.E., Karachi, duly stamped, signed and witnessed not later than 48 hours before the meeting.
3. CDC Shareholders or their Proxies are required to bring with them their Original Computerized National Identity Card (CNIC) or Passport alongwith the Participant's I.D. number and their account number at the time of attending an Annual General Meeting in order to authenticate their identity.
4. Members are requested to notify any change in their addresses immediately



## Directors' Report

The audited accounts of the Company for the year ended June 30, 2009 are presented herewith.

### FINANCIAL RESULTS

The Financial Results of the Company are summarized as follows:

	Rupees 2009	Rupees 2008
Sales - Net	1,550,000	3,100,000
Cost of Sales	<u>(11,094,466)</u>	<u>(13,895,814)</u>
Gross (Loss)	(9,544,466)	(10,795,814)
<b>Operating Expenses</b>		
Distribution and Selling Cost	(11,100)	(44,400)
Administrative and General Expenses	<u>(643,031)</u>	<u>(857,121)</u>
	(654,131)	(901,521)
Operating (Loss)	<u>(10,198,598)</u>	<u>(11,697,336)</u>
Other Operating Income	120,000	323,741
(Loss) from Operations	<u>(10,078,598)</u>	<u>(11,373,595)</u>
Finance Cost	(1,682)	(679,698)
(Loss) before Taxation	<u>(10,080,280)</u>	<u>(12,053,293)</u>
<b>Taxation</b>		
- Current	(6,000)	(15,500)
- Prior	(6,000)	-
- Deferred	-	(1,203,946)
	<u>(12,000)</u>	<u>(1,219,446)</u>
(Loss) after Taxation	<u>(10,092,280)</u>	<u>(13,272,739)</u>
(Loss) per Share - Basic	<u>(0.47)</u>	<u>(0.29)</u>

### BUSINESS

The operations of the Company were badly affected to high production cost and low demand. However, as your Company is free of any debt it is not facing any financial pressure.

### BOARD OF DIRECTORS

The present Board of Directors assumed their office with effect from 22<sup>nd</sup> December, 2006 for a period of three years.

We feel that market conditions will improve in 2010, as man made fiber is getting popular and also because of the fact that the mealy bug is harming the cotton production. We, therefore, foresee that market condition and prices of yarn will improve in future enabling us to start production and continue as a going concern.





## AUDITORS

The present Auditors M/s. Ghalib & Co., Chartered Accountants, are retiring and being eligible offer themselves for re-appointment.

## PATTERN OF SHARE HOLDING

A statement showing pattern of share holding in the Company as on June 30, 2009 appear on Page No. 36.

## STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

- a. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations' cash flows and change in equity.
- b. Proper books of accounts of the Company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom has been adequately disclosed.
- e. The system of internal control is sound and designed and have been effectively implemented and monitored.
- f. There are no significant doubts upon the Company's ability to continue as going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. No trading of Company Certificates was done by Chief Executive, Directors, Company Secretary and their spouses.
- i. Key operating and financial data for the last six years in summarized form is annexed.
- j. During the year four (04) meetings of the Board of Directors were held, attendance by each Director is as follows:-

<u>Name of Director</u>	<u>No. of Meetings attended</u>
Mr. Ahmad Ismail	04
Mr. Rashid Ahmad	04
Mr. Tahir Ahmad	04
Mr. Asad Ahmad	04
Mrs. Aliya Ahmad	04
Mr. Tanvir Hasan	04
Mr. Mohammad Zameer	04

- k. The pattern of certificate holdings is annexed.

On behalf of the Board

**ASAD AHMAD**  
Executive Director

Place: Karachi, October 09, 2009



## Statement of Compliance with the Code of Corporate Governance

The statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance.

The Company has applied the principles contained in the Code in the following manner.

1. The Board comprises seven directors, including the Chairman and CEO. The Company encourages representation of independent non-executive directors on its Board. Presently, there are five non-executive directors on the Board.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBF1 or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Modaraba Management Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointments and determination of remuneration and terms and condition of employment of CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over the Chief Executive and, in his absence, by the director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. All the Directors on the Board are fully conversant with their duties and responsibilities as Directors of Corporate bodies. It has accordingly not been felt necessary to put them through any orientation course.
10. There was no new appointment of CFO/Secretary or Head of internal audit.





11. The Directors' Report for this year has been prepared in compliance with the requirements of the code and fully described the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of share holding.
14. The Company has complied with all the corporate and financial reporting requirement of the code.
15. The Board has formed an audit committee and it comprises 3 members.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed, and advised to the committee for compliance.
17. The Board is in the process of establishing an effective internal audit function which was not possible in the current financial year due to reorganization of the Company.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programs of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificate of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulation and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the code have been complied with.

**ASAD AHMAD**  
Executive Director

Place: Karachi  
Dated: October 09, 2009





## **Review Report to the Members on Statement of Compliance with best practices of Code of Corporate Governance**

We have reviewed the 'Statement of Compliance with the Best Practices' contained in the 'Code of Corporate Governance' prepared by the Board of Directors of Tri-Star Polyester Limited to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges, respectively, where the company is listed.

The responsibility for compliance with the 'Code of Corporate Governance' is that of the board of directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the 'Statement of Compliance' reflects the status of the company's compliance with the provisions of the 'Code of Corporate Governance', and report if it does not. A review is limited primarily to inquiries of the company personnel and review of the various documents prepared by the company to comply with the code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems, sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the board's statement on internal control covers all controls, and the effectiveness of such controls.

Based on our review, Except for the non-establishment of an effective internal audit function for the reason explained in point 9 and 17 of the "statement of Compliance with Code of Corporate Governance", nothing has come to our attention that causes us to believe, that the 'Statement of Compliance' does not appropriately reflect the company's compliance in all material respects, with the best practices contained in the Code of Corporate Governance, for the year June 30, 2009.

sd/-  
**Ghalib & Co.**  
Chartered Accountants

Place: Karachi.  
Dated: October 09, 2009



## Vision Statement

Tri-Star Polyester Limited is committed to strive for excellence in all areas of its activity.

## Mission Statement

We view our business objective of providing quality product that promote commerce and industry with in the context of our overall objective of contributing to the nation's prosperity.

## Core Value

1. Striving for continuous improvement and innovation with commitment and responsibility;
2. Treating stakeholders with respect, courtesy and competence;
3. Practicing highest personal and professional integrity;
4. Maintaining teamwork, trust and support, with open and candid communication;
5. Ensuring cost consciousness in all decisions and operations.

## Statement of Ethics and Business Practices

The articulation of this statement is based on following points:

1. Questionable and improper payments or use of the Company's assets.
2. Political contributions.
3. Conflict of interest.
4. Books and records of the Company.
5. Payment of amounts due to customers, agents or distributors.
6. Reporting violations.
7. Means as important as the end.
8. Integrity and scrupulous dealings.
9. Strict observance of the laws of the country.
10. Giving and receiving gifts.

## Last Six Years Results At A Glance

Particulars	2009	2008	2007	2006	2005	2004
<b>Financial Position</b>						
Paid up Capital (Rs.)	214,657,330	214,657,330	214,657,330	214,657,330	214,657,330	214,657,330
Reserves (Rs.)	(55,840,337)	(37,161,764)	(23,889,025)	(17,694,802)	(5,858,908)	(19,603,473)
Fixed Assets - WDV (Rs.)	278,595,324	288,514,256	298,851,836	309,610,049	320,821,423	332,511,392
Investment at Cost (Rs.)	34,510,675	34,510,675	150,368,750	114,525,750	99,918,500	34,510,675
Current Assets (Rs.)	14,519,362	15,468,568	19,295,986	43,800,921	45,665,774	69,264,483
Current Liabilities (Rs.)	15,701,979	22,723,449	43,019,594	65,338,520	43,353,853	63,750,204
<b>Income</b>						
Sales	1,550,000	3,100,000	29,065,000	1,876,500	37,857,991	3,757,394
Net Profit/(Loss) for the year	(10,092,279)	(13,272,739)	(6,194,222)	(11,835,894)	13,744,565	(23,540,722)
Accumulated Profit/(Loss)	(95,227,002)	(76,548,429)	(63,275,690)	(57,081,467)	(45,245,573)	(56,843,565)
<b>Statistics &amp; Ratios</b>						
Operating Profit/(Loss) Ratio(%)	(657.97)	(377.33)	(21.23)	(636.63)	7.88	(630.08)
Net Profit/(Loss) Ratio (%)	(651.11)	(428.15)	(21)	(630.74)	36.31	(626.52)
Current Ratio	0.92 : 1	0.68 : 1	0.45 : 1	0.67 : 1	1.05 : 1	1.09 : 1
Paid-up Value Per Share (Rs.)	10	10	10	10	10	10
Earning/(Loss) Per Share (Rs.)	(0.47)	(0.62)	(0.29)	(0.55)	0.64	(1.10)
Break value Per Share (Rs.)	7.40	8.27	14.28	12.90	12.77	9.09
Net Assets (Rs. in Million)	158.82	177.50	306.63	276.98	274.21	195.05
Cash Dividend (%)	4%	-	-	-	-	-
Bonus Dividend (%)	-	-	-	-	-	-





## Auditors' Report to the Members

We have audited the annexed Balance Sheet of M/s. Tri-Star Polyester Limited, as at June 30, 2009 and the related Profit & Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof (hereinafter collectively referred to as the "financial statements"), 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 purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b) in our opinion :-
  - i) the Balance Sheet and Profit & 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 the 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) We draw attention to Note. 1.1 to the annexed notes of the Financial Statements the company incurred a net loss of Rs. 10,092,280/- during the year ended June 30, 2009; and as of that date it has accumulated losses of Rs. 95,227,002/- and Company's current liabilities exceeded its current assets by Rs. 1,182,617/- and also the company has not started its production activities for last many years because of lower demand in the market resulting in high production cost, the company had not produced any material during the year. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business.



- d) No provision has been made in the accounts for the NIT investments the recovery and realization of which are doubtful, the same has been explained in note no. 14 to the financial statements. Had the provision for doubtful investment been made in the accounts, the losses of the Company would have been increased by Rs 34,510,675/- and the Shareholder's Equity would have been decreased by the same amount.
- e) in our opinion, except for the matter discussed in the preceding paragraph (c) and (d) and consequently if any adjustment may be required to the carrying amounts and classification of assets and liabilities, the financial statement and the notes thereto do not disclose this fact, the financial statements give a true and fair view of the financial position of the company at June 30, 2009 and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & Loss Account, Cash Flow Statement and Statement of Changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2009 and of the Loss its Cash flow and Changes in Equity for the year then ended; and
- f) In our opinion "no Zakat was deductible at source under the Zakat and Ushr ordinance 1980".

sd/-

**Ghalib & Co.**

Chartered Accountants

Audit Engagement Partner: **Mohammad Ghalib**

Place: Karachi

Dated: October 09, 2009



**Balance Sheet as at**

	Notes	Rupees 2009	Rupees 2008
<b><u>EQUITY AND LIABILITIES</u></b>			
<b><u>CAPITAL &amp; RESERVES</u></b>			
<b><u>Authorised Capital</u></b>			
30,000,000 (2008: 30,000,000) Ordinary Shares of Rs. 10/- each		300,000,000	300,000,000
Issued, Subscribed and Paid-up Capital		214,657,330	214,657,330
Capital Reserve - (a Share Premium account)		39,386,665	39,386,665
Accumulated (Loss)		(95,227,002)	(76,548,429)
Shareholders' Equity		158,816,993	177,495,566
<b><u>NON-CURRENT LIABILITIES</u></b>			
Loan from Related Party - unsecured - interest free		108,325,000	100,450,000
Loan from Directors - unsecured - interest free		17,251,845	17,794,940
Loan from Sponsors - unsecured - interest free		27,562,719	20,062,719
<b><u>CURRENT LIABILITIES</u></b>			
Trade and Other Payables		10,128,420	1,600,391
Due to Associated Undertaking - unsecured - interest free		5,567,558	5,357,558
Current Maturity of Non-Current Liabilities		-	15,750,000
Provision for Income Tax		6,000	15,500
		15,701,979	22,723,449
Contingencies and Commitments		-	-
		<b>327,658,535</b>	<b>338,526,674</b>

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

KARACHI: October 09, 2009



## June 30, 2009

	Notes	Rupees 2009	Rupees 2008
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Tangible Fixed Assets</b>			
Property, Plant and Equipments	12	278,595,323	288,514,256
Long Term Deposits	13	33,175	33,175
Long Term Investments - at Cost	14	34,510,675	34,510,675
<b>CURRENT ASSETS</b>			
Stores, Spares and Loose Tools	15	6,931,965	6,931,965
Stock-in-Trade	16	409,500	1,531,153
Trade Deposits and Prepayments - considered good	17	211,730	172,236
Income Tax Refunds and Advances		6,832,888	6,828,641
Cash and Bank Balances	18	133,279	4,573
		<b>14,519,362</b>	<b>15,468,568</b>
		<b>327,658,535</b>	<b>338,526,674</b>

**MOHAMMED AHMAD ISMAIL**  
CHIEF EXECUTIVE

**ASAD AHMAD**  
DIRECTOR



## Profit & Loss Account

For the year ended June 30, 2009

	Notes	Rupees 2009	Rupees 2008
Sales - Net	19	1,550,000	3,100,000
Cost of Sales	20	(11,094,466)	(13,895,814)
Gross (Loss)		<u>(9,544,466)</u>	<u>(10,795,814)</u>
<b><u>Operating Expenses</u></b>			
Distribution and Selling Cost	21	(11,100)	(44,400)
Administrative and General Expenses	22	(643,031)	(857,121)
		<u>(654,131)</u>	<u>(901,521)</u>
Operating (Loss)		<u>(10,198,598)</u>	<u>(11,697,335)</u>
Other Operating Income	23	120,000	323,741
(Loss) from Operations		<u>(10,078,598)</u>	<u>(11,373,594)</u>
Finance Cost	24	(1,682)	(679,698)
(Loss) before Taxation		<u>(10,080,280)</u>	<u>(12,053,292)</u>
<b><u>Taxation</u></b>			
- Current	10	(6,000)	(15,500)
- Prior		(6,000)	-
- Deferred		-	(1,203,946)
		<u>(12,000)</u>	<u>(1,219,446)</u>
(Loss) after Taxation		<u><u>(10,092,280)</u></u>	<u><u>(13,272,738)</u></u>
(Loss) per Share - Basic	25	<u>(0.47)</u>	<u>(0.62)</u>

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

**MOHAMMED AHMAD ISMAIL**  
CHIEF EXECUTIVE

**ASAD AHMAD**  
DIRECTOR

**Cash Flow Statement**

For the year ended June 30, 2009

	Note	Rupees 2009	Rupees 2008
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
(Loss) before Taxation		(10,080,280)	(12,053,292)
<b>Adjustment for Non-Cash and Other Income:</b>			
- Depreciation		9,918,934	10,326,320
- Gain on Sale of Fixed Assets		-	(203,741)
- Financial Expenses		1,682	679,697
		9,920,616	10,802,276
		(159,664)	(1,251,016)
<b>Working Capital Changes</b>			
<b>(Increase)/Decrease in Current Assets</b>			
Stock-in-Trade		1,121,653	3,403,759
Trade deposits, Prepayments & Statutory balances		(39,494)	(25,409)
<b>Increase/(Decrease) in Current Liabilities</b>			
Accrued Markup on Loans		-	(560,153)
Trade and other Payables		8,528,029	23,937
Due to Associated Undertaking		210,000	(120,000)
		9,820,188	2,722,134
Taxes Paid		(25,749)	(20,790)
Interim Cash Dividend Declared		(8,586,293)	-
Financial Charges Paid		(1,682)	(679,697)
		(8,613,724)	(700,487)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		<b>1,046,800</b>	<b>770,630</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Sales Proceeds from Fixed Assets		-	215,000
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>		<b>-</b>	<b>215,000</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loan from Sponsors		7,500,000	330,000
Long Term Deposits		-	750,000
Repayment of Redeemable Capital		(15,750,000)	(15,750,000)
Repayment of Leases		-	(3,439,847)
Director Loan		(543,095)	5,469,940
Repayment of Long Term Loan		-	-
Finance from Associated Undertaking		7,875,000	11,650,000
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>		<b>(918,096)</b>	<b>(989,907)</b>
Net increase in Cash and Cash Equivalents		128,704	(4,277)
Cash and Cash Equivalents at the beginning		4,573	8,850
Cash and Cash Equivalents at the end	28	133,277	4,573

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

The even dated auditors report hitherto is annexed.





## Statement of Changes in Equity

For the year ended June 30, 2009

Particulars	Share Capital	Capital Reserve	Unappropriated Profit/(Loss)	Restated Total
Balance as at 30.06.2007	214,657,330	39,386,665	(63,275,691)	190,768,304
Net (Loss) for the year ended June, 2008	-	-	(13,272,738)	(13,272,738)
Balance as at 30.06.2008	214,657,330	39,386,665	(76,548,429)	177,495,566
Interim Cash Dividend Declared during the year	-	-	(8,586,293)	(8,586,293)
Net (Loss) for the year ended June-2008	-	-	(10,092,280)	(10,092,280)
Balance as on 30-06-2009	214,657,330	39,386,665	(95,227,002)	158,816,993

Note: The annexed notes form an integral part of these accounts.  
The even dated auditors report hitherto is annexed.



## Notes to the Accounts

### For the year ended June 30, 2009

#### 1. CORPORATE INFORMATION

Tri-Star Polyester Limited (the Company) was incorporated in Pakistan, as a public limited company on November 14, 1990, under the Companies Ordinance, 1984 and its shares are listed on the Karachi and Lahore Stock Exchanges in Pakistan. The registered office of the company and manufacturing facilities is located at F/498, S.I.T.E., Karachi - 75700, Pakistan. The Principal activity of the Company is manufacturing and sale of polyester filament yarn. The company's commercial operation remained idle since many years.

##### 1.1 Going Concern

The Company has incurred a net loss, after tax, of Rs. 10,092,280/-, during the year ended June 30, 2009, and as of that date it has accumulated losses of Rs. 95,227,002/- and its Current Liabilities exceed its Current Assets by Rs. 1,182,617/-. Further, as mentioned above, the operations of the company are, and have been in recession for a considerable period of time. During the year under review the production remain suspended owing to unfavorable conditions and lower demand in the market resulting high production cost of the company has not produced any material during the year. The management waiting for the favourable market conditions and, therefore, the Management is hopeful to revive the unit, and start operations in the future.

#### 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

#### 3. BASIS OF PREPARATION

The financial statements have primarily been prepared on the historical cost basis, unless an accounting policy herein states otherwise. The financial statements, except for the cash flow statement, have been prepared under the accrual basis of accounting.

#### 4. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors and authorized for issue on 9<sup>th</sup> October, 2009.





## 5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standard as, applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

### 5.1 Property, Plant and Equipments

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the recommendation of technical team of the Company. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of tangible fixed assets with a corresponding affect on the depreciation charge and impairment.

### 5.2 Income Taxes

In making the estimates for income taxes currently payable the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past.

### 5.3 Initial Application of a standard or and Interpretation

- a. The following standards, amendments and Interpretations become effective during the current year.

IFRS 7 - Financial Instruments: Disclosures (effective for annual periods beginning on or after July 01, 2008) supersedes IAS 30 - Disclosures in the financial statements of Banks and similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and presentation. The application of the standard is not expected to have significant impact on the Company's financial statements other than increase in disclosures.





IAS 29 - Financial Reporting in Hyperinflationary Economic (effective for annual periods beginning on or after July 01, 2008). The Company does not have any operations in hyperinflationary Economics and therefore the application of the standard is not likely to have an effect on the Company's financial statements.

IFRIC 12 - Service Concession Arrangements (effective for annual period beginning on or after January 1, 2008). The application of this standard did not affect the financial statements of the Company.

IFRIC 13 Customer Loyalty Programmes (effective for annual periods on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effect on the Company's financial statements.

IFRIC 14 IAS 19 - The limit on defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset. The interpretation has no effect on Company's financial statements for the year ended June 30, 2009.

b) Standards, Interpretations and Amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases:

Revised IAS 1- Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during periods other than those changes resulting from transaction with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statements and all non-owner changes in equity in a single statement) or in an income statement and a separate statement of comprehensive income.

Revised IAS 23- Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

IAS 27 Consolidated and separate financial statements (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.





Amended IAS 27 Consolidated and separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former a subsidiary will be measured as fair value with gain or loss recognized in the profit or loss.

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that on the entity an obligation to deliver to another party pro rate share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

Amendments to IAS 39 and IFRIC 9- Embedded derivative (effective for annual beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instruments when financial instrument when financial assets are reclassified out of the fair value.

Amendment to IAS 39 Financial Instruments: Recognition and measurement - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risk or portions of cash flows are eligible for designation in a hedging relationship.

Amendment to IFRS 2 Share-based payment-vesting Conditions and Cancellation (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires no vesting condition to be reflected in grant -date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

Amendment to IFRS 2- Share-based payment- Group cash settled Share-based payments Transaction (effective for annual periods beginning on or after 1 January 2010) currently effective IFRS requires attribution of group share-based payment transaction only if they are equity-settled. The amendment resolve diversity in practice regarding attribution of cash-settled share-based payments transaction and require an entity receiving goods or services in either an equity-settled or a cash-settled payments transaction to account for the transaction in its separate or individual financial statements.

Revised IFRS 3 Business Combinations (Applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-exciting interest in an acquire to be measured at fair value with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, are at its proportionate interests in identification assets and liabilities of an acquire, on a transaction -by-transaction basis.

IFRS 4- insurance Contracts (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvement to accounting for insurance contracts until the





Board completes second phase of its project on insurance contracts. The standards also require an entity issuing insurance (an insurance) to disclose information about those contracts.

Amendment to IFRS 7- Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the reliability of fair value measurements.

IFRS 8 Operating segments (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting IFRS 8 will require a change in presentation and disclosure of segment information based in the internal reports that are regularly reviewed by the Company's chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Company present segment information in respect of its business segments.

IFRIC 15- Agreement for Construction of Real Estate (effective for annual periods on or after 1 October 2009) clarifies the recognition of revenues by real estate developers for sale of units, such as apartments of houses, off-plan. That is before construction is complete.

IFRIC 16 Hedge of Net Investment in a Foreign Operating (effective for annual periods beginning on or after 1 October 2008) clarifies that investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign for operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determine to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used.

IFRIC-17 Distributions of Non-cash Assets to Owners (effective annual periods beginning on or after 1 July 2009) states that when Company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement.

IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as supply of electricity, gas or water).





## 6. SIGNIFICANT ACCOUNTING POLICIES

### 6.1 Post Employment Benefits - Defined Benefit Plan

The Company operates an unfunded gratuity scheme for its staff.

### 6.2 Trade and other Payables

Trade and other payables are stated at their cost.

### 6.3 Significant Accounting Judgments and Estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised in any future periods affected.

On the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- a. Recognition of taxation and deferred tax (Note 6.4)
- b. Determining the residual values and the useful lives of property, plant and equipment (Note 6.4)
- c. Impairment of Inventories/adjustment of inventories to their Net Realizable value (Note 6.7, 6.8)
- d. Impairment of financial assets (Note 6.6)

### 6.4 Taxation

#### Current Year

Provision in respect of current year's taxation is based on the method of taxation prescribed under the Income Tax Ordinance, 2001, whereby taxable income is determined and tax charged at the current rates of taxation after taking into account tax credits and rebates available, if any, or the minimum tax liability determined under Section 113 of the Income Tax Ordinance, 2001, whichever is higher.

#### Deferred

Deferred tax is provided Proportionate to local sales using the liability method on all temporary differences at the balance sheet date, between the tax bases of assets and liabilities and their carrying amount for financial statements reporting purposes. Deferred tax liabilities are generally recognized for all temporary taxable differences.



Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the assets is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

## 6.5 Property, Plant and Equipment

### Owned

Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment losses, if any; except for lease hold land and capital works in progress which are stated at cost accumulated upto the balance sheet date.

### Leased

The company accounts for fixed assets acquired under finance leases by recording the assets and the related liability. These amounts are determined as the fair values or discounted value of minimum lease payments; whichever is the lower, as at inception, less accumulated depreciation and impairment losses. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

### Depreciation

Full years' depreciation is charged irrespective of date of Purchase or transfer of assets from capital work in progress, using the reducing balance method, while no depreciation has been charged on assts in the year of their disposal. Whereby the cost of an asset is written off over its estimated useful life and the rates applied are in no case less than the rates prescribed by the Central Board of Revenue.

The carrying values of assets are reviewed for impairment when events or changes-in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash- generating units are written down to their recoverable amount.

### Repairs, Renewals and Maintenance

Major repairs and renewals are capitalized. Normal repairs and maintenance are charged as expense when incurred. Gains or losses on disposal or retirement of assets are determined as the difference between the sale proceeds and the carrying amounts of these assets, and are included in the income currently.





#### 6.6 Finance Leases

Finance leases, which transfer to the company, substantially all the risks and benefits incidental to ownership, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

#### 6.7 Investment

Investments are stated at cost due to the in litigation with the Income tax department as fully described in note 14 to the financial statements.

#### 6.8 Stores, Spares and Loose Tools

These are stated at the lower of cost and net realizable value (NRV). The cost of inventory is based on the FIFO basis. Items in transit are stated at cost accumulated upto the date of the balance sheet.

Stores, spares and loose tools are regularly reviewed by the management and any obsolete items are brought down to their NRV.

#### 6.9 Stock-in-Trade

These are valued as follows:

Raw Material	:	At lower of weighted average cost or net realizable value. Cost of raw material and components represents invoice value plus other charges paid thereon.
Finished Goods	:	At lower of weighted average cost or net realizable value. Cost of finished goods comprises of prime cost and an appropriate portion of production overheads.
Work-in-Process	:	At weighted average cost. This comprises the direct cost of raw materials, wages, and appropriate manufacturing overheads.
Stock-in-Transit	:	At cost accumulated upto the balance sheet date.
Packing Material	:	At lower of weighted average cost or net realizable value.

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.

Stock in trades are regularly reviewed by the management and any obsolete items are brought down to their NRV.





#### 6.10 Trade Debts and other Receivables

Trade debts originated by the company are recognized and carried at the original invoice amount less an allowance for any uncollectible amounts. An estimate for a doubtful receivable is made when collection of the whole or part of the amount is no longer probable. Provision for impairment is based on the management's assessment of customers' out standings and creditworthiness. Bad debts are written off as incurred.

#### 6.11 Foreign Currency Translation

Transactions in foreign currencies are initially recorded using the rates of exchange ruling at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the exchange rates prevailing on the balance sheet date. In order to hedge its exposure to foreign exchange risks, the company enters into forward exchange contracts. Such transactions are translated at contracted rates. All exchange differences are included in the Profit and Loss Account.

#### 6.12 Revenue Recognition

- Revenue from sales is recognized on despatch of goods to customers.
- Dividend income is recognized on the basis of declaration by the investee company.
- Other Income is recognized on accrual Basis.

#### 6.13 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation, and, as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and that a reliable estimate can be made for the amount of this obligation.

#### 6.14 Financial Instruments

##### Recognition

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on de-recognition of the financial assets and financial liabilities are taken to profit and loss account to which it arises.

##### Off Setting

Financial asset and financial liability is set off and the net amount is reported in the balance sheet if the company has a legal right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on assets and charge on liability is also offset.



#### Derivatives

Derivatives that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

#### 6.15 Related Party Transaction

All transactions with related parties are carried out by the company at arm's length prices with the exception of loan taken from related parties which are interest/mark up free. Prices for these transactions are determined on the basis of admissible valuation methods.

#### 6.16 Loan, Advances and other Receivables

Loans, advances and other receivables are recognized initially at cost, and subsequently at their amortized/ residual cost.

#### 6.17 Short Term and Long Term Loans

Loans, advances and other receivables are recognized initially at cost, and subsequently at their amortized/residual cost.

#### 6.18 Dividends and Appropriation to Reserve

Dividend and appropriation to reserve are recognized in the financial statements in the period in which these are approved.

#### 6.19 Functional and Presentation Currency

Items included in the financial statement are measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

#### 6.20 Contingent Liability

A contingent liability is disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

#### 6.21 Contingent Assets

A contingent asset is disclosed where an inflow of economic benefits is probable.



**7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

No. of Ordinary Shares of Rs. 10/- each

2009	2008		Rupees 2009	Rupees 2008
19,693,333	19,693,333	Fully Paid in Cash	196,933,330	196,933,330
1,772,400	1,772,400	Issued as fully paid bonus shares	17,724,000	17,724,000
<b>21,465,733</b>	<b>21,465,733</b>		<b>214,657,330</b>	<b>214,657,330</b>

9,959,011 (2008 : 9,957,011) Shares are held by Associated Companies.

**8. TRADE AND OTHER PAYABLES**

Accrued Expenses	1,090,268	1,118,411
Unclaimed Dividend	8,222,485	481,980
Income Tax Deduction	642,713	-
Zakat Payable	172,955	-
	<b>10,128,420</b>	<b>1,600,391</b>

**9. CURRENT MATURITY OF NON-CURRENT LIABILITIES***Redeemable Capital and Long Term Loan*

Overdue	-	1,575,000
	-	<b>1,575,000</b>

**10. PROVISION FOR TAXATION**

Balance at the Beginning	15,500	465,581
Less: Adjustments	(15,500)	(465,581)
	-	-
Add: Provision for Taxation		
Current	6,000	15,500
	<b>6,000</b>	<b>15,500</b>

The income tax assessments of the company have been finalized upto and including the tax year 2008. The Company has provided minimum tax liability under section 113 of the Income tax ordinance 2001 (Turnover tax 0.5%) due to Losses sustained by the company.

**11. CONTINGENCIES AND COMMITMENTS**

Guarantees issued by banks

Letters of Credit in respect of committed capital expenditures

Letters of Credit for other than capital expenditures

nil million

nil million

nil million

nil million

nil million

nil million





12. TANGIBLE FIXED ASSETS

	Rupees 2009	Rupees 2008
Property, Plant and Equipment	278,595,323	288,514,256
	278,595,323	288,514,256

Property, Plant and Equipment - at cost less accumulated depreciation

Particulars	Cost			Rate %	Depreciation				Written Down Value as at June 30, 2009
	As at July 01, 2008	Additions/ Transfers/ (Deletion)	As at June 30, 2009		As at July 01, 2008	Transfer/ (Deletion)	For the Period	As at June 30, 2009	
	Rupees				Rupees				
<b>Owned</b>									
Lease hold land	7,440,950	-	7,440,950	-	-	-	-	-	7,440,950
Factory Building on Lease hold land	30,979,497	-	30,979,497	10	24,510,386	-	646,911	25,157,298	5,822,199
Plant & Machinery	565,415,437	-	565,415,437	3.33	292,635,994	-	9,083,555	301,719,550	263,695,887
Electrical Installations	5,982,461	-	5,982,461	10	4,786,400	-	119,606	4,906,006	1,076,455
Furniture and Fixture	1,237,067	-	1,237,067	10	985,981	-	25,108	1,011,089	225,978
Office Equipments	630,537	-	630,537	10	506,767	-	12,377	519,144	111,393
Air Conditioner & Ref.	430,235	-	430,235	10	340,485	-	8,975	349,460	80,775
Vehicles	1,330,550	-	1,330,550	20	1,290,616	-	7,987	1,298,603	31,947
Fork Lifter	630,735	-	630,735	20	610,761	-	3,994	614,756	15,979
Computers	176,850	-	176,850	10	143,097	-	3,376	146,472	30,378
Fire Fighting Equipments	79,112	-	79,112	10	62,825	-	1,629	64,454	14,658
Gas Installations	275,749	-	275,749	10	221,611	-	5,414	227,025	48,724
<b>2009</b>	<b>614,609,180</b>	<b>-</b>	<b>614,609,180</b>		<b>326,094,924</b>	<b>-</b>	<b>9,918,934</b>	<b>336,013,857</b>	<b>278,595,323</b>
<b>2008</b>	<b>615,009,180</b>	<b>(7,900,000)</b>	<b>614,609,180</b>		<b>316,157,345</b>	<b>(5,263,803)</b>	<b>10,326,320</b>	<b>326,094,924</b>	<b>288,514,256</b>

Allocation of Depreciation

Depreciation for the period has been allocated as follows:

	Rupees 2009	Rupees 2008
Cost of Sales	9,861,110	10,681,393
Administrative and General Expense	57,823	76,819
	9,918,934	10,758,212

12.1 Register of fixed assets of the company was illegally removed by the officials of the Income tax department at the time of conducting raid at the company's premises which has not yet been returned. Consequently the same remain to be updated and could also not be made available to the auditors.



	Rupees 2009	Rupees 2008
<b>13. LONG TERM DEPOSITS</b>		
Karachi Electric Supply Corporation	14,975	14,975
Telephone	3,200	3,200
Orix Leasing	-	-
Pakistan Oxygen Limited	14,000	14,000
Others	1,000	1,000
	<u>33,175</u>	<u>33,175</u>
<b>14. LONG TERM INVESTMENT - Available for Sale</b>		
2,455,000 (2008: 2,455,000) N.I.T Units (Average cost price Rs. 14.0573)	34,510,675	<i>Restated</i> 34,510,675
Market value as at June 30 are as under (2008: June 30) @ Rs. 26.95 (2008: Rs. 48.70) per Unit	<u>34,510,675</u>	<u>34,510,675</u>
<b>14.1</b> In, September 1996, the Income Tax Authorities raided the Company's premises and took away, by force, all the records, documents, and valuable securities, including FEBC's/Bearer NIT units of all the Group companies, which included the bearer NIT units of the company; without lawful authority and without making any inventory. This raid caused a serious disruption in the company's business. The company has filed a suit against the Income Tax Authorities in the Honorable High Court of Sind, challenging the said act as being illegal. The Honorable High Court of Sind, vide its Order dated July 31, 1998, held that the presence of irregularities and malafides in the act of the Income Tax Department cannot be ruled out. Further, the remaining two ingredients namely balance of convenience and causing irreparable loss and injury, also exists in favor of the company. Further, the Income Tax Department was directed to submit their report keeping in view the provisions of Section 146(c) of The Income Tax Ordinance, 1979, declaring how much more time they would need to return the impounded documents and records. The matter is now in evidence stage.		
<b>14.2</b> The above investment of the company was illegally removed by the officials of the Income tax department at the time of conducting raid at the company's premises which has not yet been returned. Consequently the same remain to be updated and could also not be made available to the auditors for physical verification.		
<b>14.3</b> No Provision has been made in the financial Statements for the diminution in the value of Investments Presently the repurchase price has considered with the carrying value. Had the provision has been made in the financial statements the value of the Long term investment have been increased by Rs. (2008: Rs. 85.048) million and consequently the Equity would also has been increased by Rs. (2008: Rs. 85.048) million. The above appreciation has not been made in the financial statements due to company is in the litigation with the income tax department as fully disclosed in note no. 14.1 to the financial statements.		
<b>15. STORES, SPARES &amp; LOOSE TOOLS</b>		
Stores and Spares	5,315,844	5,315,844
Packing Material	234,663	234,663
Cops	1,207,948	1,207,948
Fuel, Oil and Lubricants	173,510	173,510
	<u>6,931,965</u>	<u>6,931,965</u>



	Rupees 2009	Rupees 2008
<b>16. STOCK-IN-TRADE</b>		
Raw Materials	409,500	409,500
Work-in-Process	-	1,121,653
	<u>409,500</u>	<u>1,531,153</u>
<b>17. TRADE DEPOSITS, PREPAYMENTS AND STATUTORY BALANCES - CONSIDERED GOOD</b>		
Deposits	46,500	46,500
Sales Tax Refundable	165,230	125,736
	<u>211,730</u>	<u>172,236</u>
<b>18. CASH AND BANK BALANCES</b>		
Cash-in-Hand	128,539	25
Cash at Bank - Current Accounts	4,740	4,356
- PLS Account	-	192
	<u>133,279</u>	<u>4,573</u>
<b>19. SALES - NET</b>		
Gross Sales	1,550,000	3,100,000
Sales Tax	-	-
	<u>1,550,000</u>	<u>3,100,000</u>
<b>20. COST OF SALES</b>		
Raw Material Consumed	20.1	-
Stores and Spares Consumed	-	-
Fuel and Power	96,703	81,154
Salaries, Wages and Other Benefits	20.2	12,000
Repairs and Maintenance	3,000	5,939
Watch & Wards	-	132,000
Depreciation	9,861,110	10,260,962
	<u>9,972,813</u>	<u>10,492,055</u>
Work-in-process - Opening	1,121,653	1,121,653
Work-in-process - Closing	-	(1,121,653)
Cost of Goods Manufactured	<u>11,094,466</u>	<u>10,492,055</u>
Finished Goods - Opening	-	3,403,759
Finished Goods - Closing	-	-
	<u>11,094,466</u>	<u>13,895,814</u>

	Rupees 2009	Rupees 2008
<b>20.1 Raw Material Consumed</b>		
Opening Stock	409,500	409,500
Purchases	-	-
	<u>409,500</u>	<u>409,500</u>
Closing Stock	(409,500)	(409,500)
Raw Material Consumed	<u>-</u>	<u>-</u>
<b>20.2</b> Salaries, wages and other benefits include Rs. Nil million relating to staff retirement benefits.		
<b>21. DISTRIBUTION COSTS AND SELLING EXPENSES</b>		
Advertisement Expenses	11,100	44,400
	<u>11,100</u>	<u>44,400</u>
<b>22. ADMINISTRATIVE AND GENERAL EXPENSES</b>		
Salaries, Allowances and other Benefits	22.1 -	12,757
Traveling and Conveyance	12,995	195,535
Printing and Stationery	55,881	67,848
Postage, Telephone and Telex	127,648	149,947
Legal and Professional Charges	57,500	400
Fee and Subscription	131,950	192,200
General Expenses	118,771	91,501
Insurance	5,463	6,576
Depreciation	57,823	65,357
Auditors' Remuneration	22.2 75,000	75,000
	<u>643,031</u>	<u>857,121</u>
<b>22.1</b> Salaries, allowances and other benefits include Rs. Nil relating to staff retirement benefits.		
<b>22.2 Auditors' Remuneration</b>		
Audit Fee	75,000	75,000
	<u>75,000</u>	<u>75,000</u>
<b>23. OTHER OPERATING INCOME</b>		
Rent Income	120,000	120,000
Gain on Sale of Assets	-	203,741
	<u>120,000</u>	<u>323,741</u>
<b>24. FINANCE COST</b>		
Bank Charges and Commissions	1,682	2,853
Financial Charges	-	676,845
	<u>1,682</u>	<u>679,698</u>



	Rupees 2009	Rupees 2008
<b>25. EARNING PER SHARE - BASIC</b>		
Profit after Taxation	<u>(10,092,280)</u>	<u>(13,272,739)</u>
Weighted Average Number of Ordinary Shares	<u>21,465,733</u>	<u>21,465,733</u>
Earning Per Share - Basic	Rupees <u>(0.47)</u>	<u>(0.62)</u>

**26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVE**

26.1 No. remuneration or Benefit paid to Chief Executive, Director and Executives of the company due to company not involve in the operational activities.

26.2 The Chief Executive Officer, Director and Executives of the company are provided with free use of company maintained cars and utilities at their residences.

**27. RELATED PARTY TRANSACTIONS**

Loan from Associated Companies	7.875 million	11.650 million
Maximum amount due at any time during a month	5.568 million	5.357 million
Rental Received from Associated Company	0.120 million	0.120 million
Loan from Sponsors	7.500 million	0.333 million
Loan from Directors	nil million	5.469 million

All transactions were carried out on commercial terms and conditions and were valued at arm's length price.

**28. CASH AND CASH EQUIVALENTS**

Cash and Bank Balances	133,279	4,573
Short Term Running Finance Utilized	-	-
Under Mark-up Arrangments	-	-
	<u>133,279</u>	<u>4,573</u>

**29. PLANT CAPACITY AND PRODUCTION**

	Metric Tons	Metric Tons
Actual production on Annual Basis	4,000	4,000
Actual production	nil	nil

***Reason for short fall in Production***

No production activity was done during the year due to high production cost and low market demand.

**Rupees**  
**2009**                      **Rupees**  
**2008**

### 30. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:

Credit Risk  
Liquidity Risk  
Market Risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

#### 30.1 Credit Risk

Credit risk is the risk that one party to the financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company believes that it is not exposed to major concentration of credit risk. However, to reduce exposure to credit risk, if any, the management monitors the credit exposure towards the customers and makes provisions against those balances considered doubtful of recovery.

The maximum exposure to credit risk at the reporting date is:

Long Term Investment	34,510,675	34,510,675
Long Term Deposits	33,175	33,175
Deposits and Prepayments	211,730	172,236
Cash with Banks in Current Accounts	133,279	4,573
	<u>34,888,859</u>	<u>34,720,659</u>

#### 30.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liability when due.

The company is exposed to liquidity risk in respect of non current interest bearing liabilities, short term borrowings, trade and other payable and mark up accrued.





2009					
Particulars	Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	One to two year
Rupees					
<b>Financial Liabilities</b>					
Loan from related party - interest free	108,325,000	108,325,000	-	-	108,325,000
Loan from Director - interest free	17,251,845	17,251,845	-	-	17,251,845
Loan from Sponsors - interest free	27,562,719	27,562,719	-	-	27,562,719
Trade and other Payables	10,128,420	10,128,420	431,813	9,696,607	-
Due to Associated Company-interest free	5,567,558	5,567,558	-	5,567,558	-
	<b>168,835,542</b>	<b>168,835,542</b>	<b>431,813</b>	<b>15,264,165</b>	<b>153,139,564</b>

2008					
Particulars	Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	One to two year
Rupees					
<b>Financial Liabilities</b>					
Loan from Bank	15,750,000	16,426,845	16,426,845	-	-
Loan from related party - interest free	100,450,000	100,450,000	-	-	100,450,000
Loan from Director - interest free	17,794,940	17,794,940	-	-	17,794,940
Loan from Sponsors - interest free	20,062,719	20,062,719	-	-	20,062,719
Trade and other Payables	1,600,391	1,600,391	265,980	1,334,411	-
Due to Associated Company-interest free	5,357,558	5,357,558	-	5,357,558	-
	<b>161,015,608</b>	<b>161,692,453</b>	<b>16,692,825</b>	<b>6,691,969</b>	<b>138,307,659</b>

### 30.3 Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate resulting in as a result of changes in market prices. The Company manages market risk through binding contracts.

#### a) Currency Risk

Foreign currency risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. The Company is not materially exposed to foreign currency risk on foreign currency assets and liabilities.

#### b) Interest Rate Risk

The Company has availed interest free long term loans from associated companies therefore the Company is not exposed to Interest rate risk.



#### 30.4 Risk Management Policies

Risk management is carried out by the management under policies approved by board of directors. The board provides principles for overall risk management, as well as policies covering specific areas like foreign exchange risk, interest rate risk and investing excessive liquidity.

#### 30.5 Capital Risk Management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures commensuration to the circumstances.

#### 30.6 Fair Value of Financial Instruments

Fair value is an amount for which an assets could be exchanged, or a liability settled, between knowledgeable willing parties in arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

As at the reporting date the fair value of all financial assets and liabilities are estimated to approximate their carrying values.

### 31. GENERAL

- i) Figures have been rounded off to the nearest rupee.

**MOHAMMED AHMAD ISMAIL**  
CHIEF EXECUTIVE

**ASAD AHMAD**  
DIRECTOR

KARACHI: October 09, 2009





## Pattern of Shareholding

As at June 30, 2009

Number of Share Holders	Share Holdings			Total Shares Held
548	1	—	100	35,811
936	101	—	500	335,245
1,274	501	—	1,000	1,045,980
377	1,001	—	5,000	824,819
42	5,001	—	10,000	303,798
6	10,001	—	15,000	77,300
3	15,001	—	20,000	52,116
3	20,001	—	25,000	67,700
1	25,001	—	30,000	26,600
2	35,001	—	40,000	72,333
2	40,001	—	45,000	85,205
1	90,001	—	95,000	90,833
1	18,445,001	—	18,450,000	18,447,993
<b>3,196</b>				<b>21,465,733</b>

Categories of Share Holders	Number of Share Holders	Shares Held	Percentage
1. Investment Companies	8	90,071	0.420
2. Insurance Companies	2	13,200	0.061
3. Joint Stock Companies	10	18,497,092	86.170
4. Financial Institutions	2	4,933	0.023
5. Modaraba Companies	6	48,650	0.227
6. Mutual Funds	1	1,500	0.007
7. Individuals	3,167	2,810,287	13.092
<b>Total</b>	<b>3,196</b>	<b>21,465,733</b>	<b>100.000</b>



S. NO.	CATEGORY OF SHARE HOLDERS	NO. OF SHARES	PERCENT %
<b>Investment Companies</b>			
1	Paramount Investments Ltd.	400	0.002
2	Al-Faysal Investment Bank Ltd.	1,800	0.008
3	Atlas Bot Investment Bank Ltd.	3,500	0.016
4	Pyramid Investments (Pvt) Ltd.	26,600	0.124
5	Saudi-Pak Ind. & Agri. Investment Company (Pvt) Ltd.	1,066	0.005
6	Fidelity Investment Bank Ltd.	3,400	0.016
7	National Development Finance Corporation	13,100	0.061
8	Investment Corporation of Pakistan Ltd.	40,205	0.187
		<b>90,071</b>	<b>0.420</b>
<b>Insurance Companies</b>			
1	The Crescent Star Insurance Co. Ltd.	1,200	0.006
2	New Jubilee Insurance Co. Ltd.	12,000	0.056
		<b>13,200</b>	<b>0.061</b>
<b>Joint Stock Companies</b>			
1	N.H. Securities (Pvt) Ltd.	50	0.000
2	Sarfraz Mahmood (Pvt) Ltd.	100	0.000
3	Al-Mal Securities & Services Ltd.	400	0.002
4	Pak-Libya Holding Company (Pvt) Ltd.	7,400	0.034
5	BMA Capital Management	21,000	0.098
6	Shirazi Investments (Pvt) Ltd.	50	0.000
7	National Development Leasing Corporation Ltd.	333	0.002
8	Concord Services (Pvt) Ltd.	4,000	0.019
9	Dadabhoy Leasing Co. Ltd.	15,766	0.073
10	Central Depository Company of Pakistan Ltd.	18,447,993	85.942
		<b>18,497,092</b>	<b>86.170</b>
<b>Financial Institutions</b>			
1	Habib Bank Ltd.	333	0.002
2	National Bank of Pakistan	4,600	0.021
		<b>4,933</b>	<b>0.023</b>
<b>Modaraba Companies</b>			
1	Industrial Capital Modaraba	300	0.001
2	Guardian Modaraba Management (Pvt) Ltd.	3,050	0.014
3	Second Tri-Star Modaraba	15,000	0.070
4	First Nishat Modaraba	2,600	0.012
5	First Mehran Modaraba	6,000	0.028
6	First Tri-Star Modaraba	21,700	0.101
		<b>48,650</b>	<b>0.227</b>
<b>Mutual Funds</b>			
1	Growth Mutual Fund Ltd.	1,500	0.007
		<b>1,500</b>	<b>0.007</b>
<b>Individuals</b>			
		<b>2,810,287</b>	<b>13.092</b>
<b>TOTAL</b>		<b>21,465,733</b>	<b>100.000</b>





	<b>Certificates</b>	
	<b>Held</b>	<b>Percentage</b>
<b><u>Associated Companies</u></b>		
Tri-Star Mutual Fund Ltd.	190,000	0.885
Prestige Enterprises (Pvt) Ltd.	2,806,153	13.073
A.R.T. Modaraba Management (Pvt) Ltd.	113,000	0.526
Tri-Star Industries (Pvt) Ltd.	3,207,631	14.943
First Tri-Star Modaraba	3,642,727	16.970
	<b>9,959,511</b>	<b>46.397</b>
<b><u>Directors and CEO</u></b>		
Mr. Ahmad Ismail	796,832	3.7121
Mr. Rashid Ahmad	754,794	3.5163
Mr. Tahir Ahmad	688,916	3.2094
Mr. Asad Ahmad	1,085,749	5.0581
Mrs. Aliya Ahmad	5,750	0.0268
Mr. Tanvir Hasan	500	0.0023
Mr. Mohammad Zameer	500	0.0023
	<b>3,333,041</b>	<b>15.4958</b>
<b>Shareholders holding ten percent or more voting interest in the Company:</b>		
Prestige Enterprises (Pvt) Ltd.	2,806,153	13.073
Tri-Star Industries (Pvt) Ltd.	3,207,631	14.943
First Tri-Star Modaraba	3,642,727	16.970
	<b>9,656,511</b>	<b>44.986</b>



# Proxy Form

I, \_\_\_\_\_  
of \_\_\_\_\_ being a member of  
Tri-Star Polyester Ltd., Karachi and holder of \_\_\_\_\_ Shares as per R.F.  
No. \_\_\_\_\_ and/or CDC Participant I.D. No. \_\_\_\_\_ and Sub Account  
No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
or failing him \_\_\_\_\_ of \_\_\_\_\_  
as my proxy to attend and vote for me and on my behalf at the Annual General Meeting of the  
Company to be held on October 31, 2009 at F/498, S.I.T.E., Karachi and at any adjournment thereof.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

Signed by the said \_\_\_\_\_

Please affix Rs. 5/- Revenue Stamp
---

To be signed over Revenue Stamp

- IMPORTANT:**
- a) This form of proxy duly completed must be received at the office of the Company at F/498, S.I.T.E., Karachi, not later than 48 hours before the time of holding the meeting.
  - b) CDC Shareholders and their Proxies must each attach an attested photocopy of their National Identity Card or Passport with their proxy form.
  - c) A proxy should also be a share holder of the Company.



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