

Diamond Industries Limited

Annual Report 1999

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DIAMOND INDUSTRIES

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Diamond Industries Limited

COMPANY INFORMATION

BOARD OF DIRECTORS:	MR. IFTIKHAR A. SHAFFI Chairman / Chief Executive
	MR. WAQAR A. SHAFFI MR. MUHAMMAD SAEED MR. SHARIQ IFTIKHAR MR. M. H. PERVEZ SYED M. NAWAZ MR. SOHAIL MALIK
COMPANY SECRETARY:	CH. MUHAMMAD TUFAIL
AUDITORS:	SALEEM AHSAN & CO. Chartered Accountants
LEGAL ADVISORS:	IRTIZA ALI NAQVI & ASSOCIATES
BANKERS:	- ALLIED BANK OF PAKISTAN LTD. - EMIRATES BANK INTERNATIONAL - FIDELITY INVESTMENT BANK LTD. - GULF COMMERCIAL BANK LTD. - MUSLIM COMMERCIAL BANK LTD. - PLATINUM COMMERCIAL BANK LTD. - NATIONAL BANK OF PAKISTAN.
REGISTERED OFFICE:	PLOT NO. 25, GADOON AMAZAI INDUSTRIAL ESTATE, SWABI (N.W.F.P.) PH: 0938-70297-70397-70597
WORKS:	PLOT NO. 25, GADOON AMAZAI INDUSTRIAL ESTATE, SWABI (N.W.F.P.) PH: 0938-70297

SHARES DEPARTMENT: MALIK BAGH, BARADARI ROAD,
 SHAHDARA, LAHORE
 PH: 111-111-666, 7932001-8
 FAX: 7925299, TLX; 44590 DRM PK.
 Email: diamond@brain.net. pk

NOTICE OF MEETING

NOTICE is hereby given that the 10th Annual General Meeting of Diamond Industries Limited, will be held at Principal Office of the company at Malik Bagh, Baradari Road, Shahdara, Lahore, on December 27, 1999 at 2.00 P.M. to transact the following business.

1. To confirm the minutes of the last General Meeting held on 30th December, 1998.
2. To receive, consider and adopt the Annual Audited Accounts of the Company together with the Auditors' and Directors' Reports for the period ended June 30, 1999.
3. To appoint Auditors and fix their remuneration.
4. To consider any other matter of the Company with the permission of the Chair.

SHARE REGISTRAR ADDRESS: By Order of the Board

Soft Link (Pvt), Limited
 Wings Arcade, 1-K (Commercial)
 Model Town, Lahore.

CH. MUHAMMAD TUFAIL
 Company Secretary

Lahore
 Dated 4th December, 1999.

NOTES:

1. The share transfer books of the Company will be closed from 27 December, 1999 to 2nd January, 2000 (both days inclusive).
2. A member entitled to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The instrument appointing a proxy must be received by the company not later than 48 hours before the Meeting.
3. Members are requested to notify any change in address immediately.
4. Kindly quote folio number in all correspondence with the Company.

DIRECTORS' REPORT TO THE SHAREHOLDERS

I welcome you to the 10th Annual General Meeting and am pleased to present to you on behalf of the Board of Directors this annual report alongwith the financial results of the Company and Auditors' Report thereon for the period ended June 30, 1999.

The financial results of your company are as under:

	(In Rs.)
Operating Profit/(Loss)	(11,542,879)
Other Income/ (Loss)	11,699,952

Profit	117,073
Financial Charges	5,228,202

Profit/ (Loss) before taxation	(5,111,129)
Taxation	677,339

Profit/ (Loss) after taxation	(5,788,468}
Accumulated profit brought forward	108,852,426
Prior year adjustment	84,144

	108,936,570

Unappropriated profit carried forward to Balance sheet	103,148,102
	=====

The results show loss and it is not surprising if we keep in view the overall deteriorating political and economic situation of the Country almost in all areas and more particularly in industrial and commercial sectors.

You will also notice that the investment by the Company has yielded an income of

Rs. 12,297,541/- , being dividend received by your company. This not only has lowered the loss figure but also shows that how prudently the funds of the company are invested in its best interest.

The financial year started under the shadow of economic sanctions and fear of imminent default on international financial commitments. Large part of the year was spent by the economic managers in encountering these developments. Even till this date the situation is not very clear as to how future out look should be considered.

Then the Kargil issue at the fag end of the year compounded the problems further for the Country. The economic situation had hardly started towards some recovery after rescheduling of debts and release of IMF tranche, the conflict between India and Pakistan arose on Karg'11 and stunned growth in the trading and industrial activities.

Although the crises is over, its effect on foreign trade and the national economy is not yet fully recovered. While we were hoping for the better, the army coup in the country took place and Nawaz Sharif Government was toppled. General Pervez Musharraf took over as Chief Executive of the Country. For some time, the situation for the future was not clear. The government laid great stress on the recovery of loans / dues from the defaulters and although we were not at all defaulters in any way but were victimized by the move towards us by the concerned agencies on forced and unlawful encashment of bank guarantees by the Collector of Customs, Peshawar, while our case was still pending with the Supreme Court of Pakistan.

We summarize as under the following facts to explain our problems so as to bring it to your notice being our shareholders in particular and to others in general. The Collector of Customs, Peshawar, was aware that the honourable Supreme Court of Pakistan had delivered its judgment on our petition filed against CBR with respect to the bank guarantees provided by us and in sheer violation of the Honourable Supreme Court's stay order dated 18.02.1999, the Collector Customs, Peshawar, on 18.10.1999 encashed our bank guarantees to the tune of Rs. 242.194(M) by pressurizing our bank arbitrarily and with malafide intentions. The Collector himself worked out our 25% compensation for Rs. 18.374(M), which later was also encashed making the total to Rs. 260.568(M). Actually , the compensation was required to be worked out by C.B.R. (Survey & Rebate department) as was worked out in 109 cases, wherein compensation of more than Rs. 437 Crore was paid. We are giving below comparison of our unit with our competitors in Gadoon:

	AL-KHAIR	KHYBER	DIAMOND
1. Land	3 Acres	4 Acres	6 Acres
2. Manufacturing Licence date	30.1.1991	20.1.1990	11.10.1989
3. Plant Capacity	7500 Tons	8000 Tons	8000 Tons
4. Form-S (Capacity Certificate)	227 Tons	2922 Tons	2229 Tons
5. Entitlement	3400 Tons	3672 Tons	300 Tons
6. Compensation paid value (Rs.)	256.000 M	216.000 M	18.000 M

On 19.2.1999, we had filed compensation claim with the C.B.R. (Survey & Rebate Department) on the directions of the Honourable Supreme Court for Rs. 477(M). Our claim was based on same methodology by which the C.B.R. had paid claims of Rs. 437 Crores to A1-Khair, Khyber and 107 other industrial units in Gadoon.

The intention of the Collector appeared simply to victimize us and create huge tax liability against our company and turn us into tax defaulters / evaders before 16th November, 1999. Moreover, Peshawar Collectorate is gearing up fictitious tax demands against our company. We moved contempt of Court proceeding against Collector of Customs, Peshawar.

The case came up for hearing before the Honourable Supreme Court of Pakistan on 05.11.1999 and observed discrimination by the C.B.R. / Collector, Peshawar in our case and ordered for hearing main case within this month.

The industries / business houses by such undiscriminating attitude by the authorities are hardly able to run smoothly.

The financial results of your company do not warrant declaration of any dividend as present situation shows loss per share of Rs. (0.64).

We had imported raw material with the consideration to restart production at our factory at Gadoon Amazai, but in view of the situation in the Country and the attitude of agencies against us as explained above, we feel that we should wait for some suitable time.

Foreseeing such an uncertain state of affairs for quite some time till the establishment of an elected democratic Government in Pakistan, your directors, in your interest and in the interest of General Public, are considering to arrange for delisting of your company

from the Stock Exchanges at Karachi, Lahore and Islamabad.

MILLENNIUM COMPLIANCE

The Y2K compliance program has had been on our priority list and we have tried to develop it to meet with our business requirements. Though it cannot be predicted with full certainty as to what may happen as a result of millennium bug, but we are hopeful that our preparation relating to computer system will enable us to achieve satisfactory results.

AUDITORS

The retiring auditors Saleem Ahsan & Company, Chartered Accountants being eligible, offer themselves for reappointment.

PATTERN OF SHAREHOLDING

A statement reflecting the pattern of shareholding under section 236 of the Companies Ordinance 1984 is attached to the report.

The Board places on record its appreciation to the contribution made by the outgoing Chairman Mian S. M. Shaffi having resigned and greets Mr. Iktikhar A. Shaffi as the new Chairman who would also continue as the Chief Executive of the Company.

The board welcomes Mr. Sohail Malik as the new director appointed by the board to fill up the casual vacancy.

On behalf of the board I would like to thank all the staff and the management for their efforts and contribution.

Lahore
Dated: November 20, 1999.

For and on behalf of the Board
IFTIKHAR A. SHAFFI
CHIEF EXECUTIVE

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of DIAMOND INDUSTRIES LIMITED, as at June 30, 1999, and the related Profit and Loss account and Statement of Changes in Financial Position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

- a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984.
- b) In our opinion;
 - (i) the balance sheet and profit and loss accounts together with the notes thereon have been drawn upon in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business', and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the object of the company.
- c) In our opinion subject to Note No. 7 and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and Statement of Changes in Financial Position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1999, and of the LOSS and Changes in Financial Position for the year then ended; and
- d) In our opinion no zakat was deductible at source under Zakat and Ushr Ordinance, 1980.

Lahore
Dated: November 20, 1999.

SALEEM AHSAN & CO.
Chartered Accountants

BALANCE SHEET AS ON JUNE 30, 1999

	Note	1999	1998
		Rupees	Rupees
CAPITAL & LIABILITIES			
AUTHORIZED CAPITAL			

12,000,000 Ordinary Shares of Rs. 10 Each		120,000,000	120,000,000
ISSUED, SUBSCRIBED & PAID UP CAPITAL			
9,000,000 Ordinary Shares of Rs. 10 Each.	3	90,000,000	90,000,000
Up-appropriated Profit		103,148,102	108,852,426
		193,148,102	198,852,426
SURPLUS ON REVALUATION OF FIXED ASSETS	4	50,163,799	50,163,799
CURRENT LIABILITIES			
Short Term Loans - Secured	5	42,956,641	32,045,466
Creditors & Accrued Liabilities	6	16,090,937	7,100,706
Other Liabilities		7,432,111	7,432,111
Provision For Taxation		677,339--	
Unclaimed Dividend		67,890	67,890
CONTINGENCIES AND COMMITMENTS	7	67,224,918	46,646,173
		310,536,819	295,662,398
PROPERTY & ASSETS			
FIXED ASSETS			
(At cost less depreciation)	8	92,398,420	91,310,852
Capital work in progress		--	4,023,813
Deferred Cost		527,417	1,054,834
Long Term Investment	9	31,772,120	11,116,700
CURRENT ASSETS			
Stock in Trade	10	64,381,451	18,903,982
Debtors		2,712,752	611,238
Short Term Investment	11	99,816,578	141,820,416
Advances, Deposit, Prepayments &			
Other Receivable	12	16,940,454	12,194,986
Cash and Bank Balances	13	1,987,627	14,625,577
		185,838,862	188,156,199
		310,536,819	295,662,398

The annexed notes form an integral part of these accounts.

IFTIKHAR A. SHAFFI
CHIEF EXECUTIVE

MUHAMMAD SAEED
DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

	Note	FOAM 1999 Rupees	1998 Rupees	PVA 1999 Rupees	1998 Rupees	TOTAL 1999 Rupees	1998 Rupees
SALES		7,628,226	8,356,140	4,864,152	--	12,492,378	8,356,140
COST OF GOODS SOLD	14	11,256,784	10,970,371	3,763,070	--	15,019,854	10,970,371
GROSS PROFIT/(LOSS)		(3,628,558)	(2,614,231)	1,101,082	--	(2,527,476)	(2,614,231)
OPERATING EXPENSES							
Administrator	15	6,474,274	8,693,567	1,865,388	--	8,339,662	8,693,567
Selling	16	--	304,111	675,741	--	675,741	304,111
		6,474,274	8,997,678	2,541,129	--	9,015,403	8,997,678
Operating Profit/(Loss)		(10,102,832)	(11,611,909)	(1,440,047)	--	(11,542,879)	911,611,909
Other Income (Loss)	17					11,659,952	(3892,794)
Financial Charges	18					117,073	(15,504,703)
						5,228,202	6,254,842

Profit/(Loss) Before Taxation	(5,111,129)	(21,759,545)
Taxation	677,339	--
Profit/(Loss) After Taxation	(5,788,468)	(21,759,545)
Un-appropriated Profit Brought Forward	108,852,426	1,307,232,176
Prior Year Adjustments	84,144	-110,205
	108,936,570	130,611,971
Un-appropriated Profit Carried Forward to Balance Sheet	103,148,102	108,852,426

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 1999

	1999 Rupees	1998 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/ (Loss) before taxation	(5,111,129)	(21,759,545)
Adjustments for:		
Depreciation	2,923,929	9,224,519
Amortization	527,417	527,417
Financial Expenses	5,228,202	6,254,842
Profit on Disposal of Assets	(724,749)	(54,221)
Other Income	(12,297,541)	(3,258,685)
Others	1,362,338	7,205,700
Operating Profit Before Working Capital Changes And Financial Expenses	(8,091,533)	(1,859,973)
Change in working Capital		
(Increase) /Decrease in Stock in Trade	(45,477,469)	(6,692,851)
(Increase) / Decrease in Debtors	(2,101,514)	7,399,729
(Increase)/Decrease in Due from Associated Concern	--	19,800,814
(Increase)/Decrease in Advances, Deposits, Prepayments & Others Receivable	(4,745,468)	(1,657,145)
Increase/(Decrease) in Creditors & accrued Liabilities	(52,324,451)	18,850,547
	8,990,231	1,986,214
Changes in Working Capital	(43,334,220)	20,836,761
Cash Generated From Operations	(51,425,753)	18,976,788
Financial Expenses	(5,228,202)	6,254,842
Taxes Paid/Adjustment	84,144	110,205
Net Cash From Operating Activities	(56,569,811)	12,611,741
CASH FLOW FROM INVESTING ACTIVITIES		
Net Fixed Assets	(4,554,934)	(4,046,541)
Long Term Investment	(20,655,420)	--
Short Term Investment	42,003,838	26,959,734
Payment of Dividend	--	(1,080)
Capital Work in Progress	4,023,813	(3,389)
Sale Proceeds of Fixed Assets	1,268,186	--
Other Income / (Loss)	10,935,203	(3,892,794)
Net Cash Provided By (Use In) Investing Activities	33,020,686	19,015,930
CASH FLOW FROM FINANCING ACTIVITIES		
Increase / (Decrease) in short term loans	10,911,175	(21,045,233)
Net Cash Provided by Financing Activities	10,911,175	(9,1,045,233)
Net Cash Used in Financing Activities		
Net Increase / (Decrease) in cash & Cash Equivalents	(12,637,950)	10,582,438
Cash & Cash Equivalents at Beginning of the Period	14,625,577	4,043,139
Cash & Cash Equivalents at Close of the Period	1,987,627	14,625,577

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE, 30, 1999

STATUS AND NATURE OF BUSINESS

The Company was incorporated under the Companies Ordinance, 1984, as a Private Limited Company on June 18, 1989 by the name of DIAMOND INDUSTRIES (PRIVATE) LIMITED and converted into Public Limited on August 03, 1994 by the name of DIAMOND INDUSTRIES LIMITED. The shares of the company are quoted on Lahore, Karachi and Islamabad Stock Exchanges. The Principal activity of the company is to manufacture and sales of foam, foam products and various industrial chemical/chemical binders used in textile, leather and wood industries.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

The accounts of the Company are prepared under the historical cost convention. As modified by the revaluation of fixed assets.

2.2 Fixed Assets and Depreciation

a) Fixed assets are stated at cost or reassessed values as the case may be less accumulated depreciation except freehold land and capital work in progress are stated at cost. Assets acquired on lease are accounted for as operating lease.

b) Depreciation has been charged on reducing installments systems at the rates specified in the note of fixed assets attached. Acquisition during the period are depreciated for a full period irrespective of date of purchase and no depreciation is charged on assets disposed off during the period.

c) Maintenance and normal repairs are charged to revenue as and when incurred. Major renewals and improvements are capitalized.

2.3 Taxation

The company is entitled to tax exemption for a period of 10 years by virtue of clause 122-C of the Second Schedule of the Income Tax Ordinance 1979. However, provision for taxation has been made on the basis of turnover under section 80 - D of Income Tax Ordinance 1979.

The Company does not account for deferred taxation arising due to major time differences as its income is not taxable.

2.4 Revenue Recognition

Revenue from sale is recognized on despatch of goods to customers.

2.5 Other Income

Other income except dividend is accounted for on the realized basis.

2.6 Stock

They are valued at lower cost and net realisable value. Cost is determined as follows:

Raw Material	Weighted Average Cost
Work in Progress and finished Goods	Average Manufacturing Cost

2.7 Retirement Benefits

No provision is made for gratuity payable to employees. This is accounted for at the time of payment.

2.8 Investments

Long term investments are stated at cost. Provision for diminution in value is only if considered permanent. Short Term Investments are valued at cost.

2.9 General

a) Figures of the previous period have been re-arranged for comparison purpose.

b) Figures have been rounded of to the nearest rupee.

	1999	1998
	Rupees	Rupees
3. ISSUED, SUBSCRIBED & PAID UP CAPITAL		
1,000,000 Ordinary Shares of Rs. 10/- each fully paid in cash	10,000,000	10,000,000
8,000,000 Ordinary Shares of	80,000,000	80,000,000
Rs. 10 each paid as bonus shares	90,000,000	90,000,000
	=====	=====

4. SURPLUS ON VALUATION OF FIXED ASSETS

The surplus arising from the revaluation of fixed assets certified by the Minhas Associates as on June 30, 1997 is made up a follows:

Land	4,500,750	4,500,750
Building	2,638,788	2,638,788
Plant & Machinery	43,024,261	43,024,261
	-----	-----
	50,163,799	50,163,799

5. SHORT TERM LOANS - SECURED

Running Finance	19,951,574	20,062,825
Cash Finance	10,363,971	11,982,641
Pro-Note Discounting Facility	12,641,096	--
	42,956,641	32,045,466

5.1 These are secured against pledge/ hypothecation of stock in trade, first charge on assets, floating charge over the current assets, charge over fixed deposit, equitable mortgage, on personal properties and guarantees of Directors of the Company. Markup @ 48 paisas per thousand per day.

5.2 The Pro-note Discounting Facility of Rs. 18,000,000/- has been availed from Fidelity Investment Bank Limited against shares. Markup @ 55 paisas per thousand rupees per day.

6. CREDITORS AND ACCRUED LIABILITIES

Creditors	100,628	259,549
Duties and Bills Payable	5,583,099	5,939,994
Accrued Liabilities	10,407,210	901,163
	16,090,937	7,100,706

7. CONTINGENCIES AND COMMITMENTS

Outstanding amount of guarantees issued by financial institutions/insurance companies on the behalf of the Company amounting to Rs. 299,225,422 (1998 - Rs. 299,225,422).

b) Bank guarantees of Rs. 261 M were presented by the Collector of Custom, Peshawar and were forcefully encashed on 18.10.99 and 10.11.99 despite of the presence of clear interim order issued before the honourable Supreme Court of Pakistan as on 18.02.99 to entertain and finalize our claim for compensation of 25% tax concession as decided by Economic Coordination Committee and as given to other companies, amounting to Rs. 477 M in our case.

c) Commitments under irrevocable letters of credit were Rs. 28,793,758/= (1998- Rs. 5,649,139).

8. FIXED ASSETS (FOAM DIVISION)

PARTICULARS	COST				Rate %	DEPRECIATION				W.D.V. As at 30.06.99
	As at 7/1/1998	Additions/ (Deletions)	Total upto 30.06.99			As at 7/1/1998	Adjustment	For the year	Total as at 30.06.99	
Land	6,528,000	--	6,528,000	--	--	--	--	--	--	6,528,000
Building	22,241,027	--	22,241,03	5%	4,805,527	--	867,275	5,702,802	16,478,225	
Plant & Machinery	86,013,969	--	86,013,97	0%	28,031,147	--	--	28,951,147	57,082,822	
Vehicles	17,156,360	25,125 (2,082,000)	15,099,485	20%	10,437,537	(1,538,563)	1,240,102	10,139,076	4,960,409	
Furniture & Fixtures	3,880,085	70,098	3,959,182	10%	1,751,738	--	220,745	1,972,483	1,986,701	
Office Equipment	2,763,043	35,300	2,798,343	10%	1,264,683	--	153,366	1,418,049	1,380,294	
1999 Rupees	138,591,484	130,523 (2,082,000)	136,640,007	--	47,280,632	(1,538,563)	2,451,488	48,223,557	88,416,450	
1998 Rupees	134,544,943	4,346,541 (300,000)	138,591,484		38,285,334 (229,221)		9,224,519	47,280,632	91,310,852	

8.1 ALLOCATION OF DEPRECIATION

	1999 Rupees	1998 Rupees
Cost of Sales	--	6,342,536
Administrative	2,481,488	9,881,984
	2,481,488	9,224,520

8.2 DISPOSAL OF FIXED ASSETS

Particular of Assets	Cost	Accumulated Depreciation	W.D.V.	Sales Proceeds	Gain	Basis of Sales	Sold to
Toyota Corola Car	582,000	313,814	268,186	268,186	--	Negotiation	Mr. Khurrarn Gulzar (Faisal Town, Lahore.)

Toyota Land Cruiser 1,500,000 1,224,749 275,251 1,000,000 724,749 Insurance claim Adamjee Insurance Co. Ltd

8.3 FIXED ASSETS (CHEMICAL DIVISION)

PARTICULARS	COST			Rate %	DEPRECIATION			W.D.V. As at 30.06.99	
	As at 01.07.98	Allocation of Capital Exp.	Total upto 30.06.99		As at 01.07.98	Adjustment	For the year		Total as at 30.06.99
Plant and Machinery	--	4,424,411	4,494,411	10%	--	--	442,441	442,441	3,951,970
	--				--	--			
1999 Rupees	--	4,424,411	4,424,411		--	--	442,441	442,441	3,981,970
1998 Rupees	--	--	--		--	--	--	--	--

8.4 ALLOCATION OF DEPRECIATION

	1999 Rupees	1998 Rupees
Cost of Sales	442,441	--
Administrative	--	--
	442,441	--

9. LONG TERM INVESTMENT

	1999 Rupees	1998 Rupees
- Subsidiary Company-Unquoted		
M/s. Diamond Polymers (Pvt) Ltd.		
800,000 Ordinary Shares of Rs. 10/- each	8,000,000	8,000,000
Equity held: 53.33% (1998- 53.33%)		
Break up value is Rs.21.39 (1998: Rs. 16.82) per share		
- Associated Company-Quoted		
M/s. Shaffi Chemical Ind. Ltd.		
3,754,240 (1998 - 311,670) Ordinary Shares	23,772,120	3,116,700
Equity held: 31.28% (1998- 2.59%)		
Market Price Rs. 6/- (1998- Rs. 5.50)		
	31,772,120	11,116,700

No provision has been made for the diminution in the value of the shares as these are considered temporary in the context of the company's intention to hold these investments on a long term basis.

10. STOCK IN TRADE

Raw Materials	61,745,499	10,683,482
Finished Goods	2,635,952	8,220,500
	64,381,451	18,903,982

11. SHORT TERM INVESTMENTS

Name of Company on 30.06.99	No. of Shares	Market Value	Cost	No. of Shares	Market Value	Cost
Pakistan, Telecommunication Co. Ltd.	832,000	16,515,200	21,588,173	1,077,000	17,932,050	32,205,632
Dhan Fiber Limited.	1,542,000	7,095,500	6,548,172	1,542,500	2,776,500	6,318,565
Ibrahim Fiber Limited.	935,000	6,545,000	5,953,849	935,000	4,534,750	5,745,081
ICI Pakistan Limited.	80,000	708,000	1,570,712	730,000	8,833,000	13,830,181
Bank of Punjab Limited.	84,258	1,116,419	1,430,757	584,258	3,797,677	9,573,217
EFU Life Assurance Limited.	98,000	980,000	1,144,073	98,000	588,000	1,103,957
Tripak Films Limited.	--	--	--	130,000	1,209,000	1,464,432
A1-Towfeek Investment Bank Limite	64,000	192,000	611,304	64,000	176,000	589,869
Nishat Fabrics Ltd.	--	--	--	11,000	55,000	50,692
Elahi Electric Limited	546,500	2,869,125	4,639,968	546,500	2,404,600	4,477,271
Genertech Pakistan Limited.	126,500	1,075,250	1,342,534	126,500	632,500	1,295,459
Lucky Cement Limited.	2,957,500	10,351,250	31,387,712	2,957,500	11,090,625	30,287,123
LTV Capital Modaraba.	358,500	483,975	1,521,893	358,500	501,000	1,468,520
Nishat Mills Limited.	14,705	139,698	169,277	10,000	85,000	112,649
D.G. Khan Cement Limited.	931,500	3,865,725	8,897,341	931,500	4,610,925	8,585,362
Punjab Modaraba.	166,750	358,513	884,852	166,750	525,263	853,825

FFC Jordan Fertilizer Co. Limited.	467,000	5,207,050	6,038,728	467,000	6,141,050	6,695,426
ABL Modaraba.	342,500	2,140,625	2,180,955	342,500	2,020,750	2,104,481
Habib Bank Modaraba.	136,000	829,600	757,762	136,000	788,800	731,192
Bankers Equity Limited.	7,000	28,700	81,719	7,000	23,800	78,854
First Capital Securities Corp. Ltd.	15,400	138,600	147,095	15,400	103,950	141,937
Crescent Textile Mills Limited.	82,500	618,750	963,122	82,500	680,625	929,351
Trust Leasing Limited.	30,000	96,000	222,871	30,000	96,000	215,056
Trust Modaraba.	96,500	313,625	716,903	96,500	530,750	691,765
Dewan Salman Fibres Limited.	--	--	--	371,000	5,064,150	12,157,860
Nishat Chunian Limited.	10,000	83,000	116,806	10,000	90,000	112,649
TOTAL		61,751,605	99,816,578		75,292,665	141,820,415

Company's holding does not exceeds 10% of the equity of any Investee company.

11.1 These shares are under Bank's lien against guarantees issued on behalf of the Company.

	1999	1998
	Rupees	Rupees
12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECOVERIES		
Advances to Employees	199,564	305,174
Advances to others	397,759	219,930
gales Tax Refundable	7,274,910	1,056,243
Advance Income Tax	5,070,045	5,177,315
Letters of Credit	267,009	46,125
Prepaid Expenses	167,500	452,443
Prepayments	5,004	91,281
Deposits	2,503,494	2,389,277
Other Receivebles	1,055,169	2,457,198
	16,940,454	12,194,986

13. CASH AND BANK BALANCES

Cash and Cheques in hand	1,549,728	2,536,921
Cash with Banks		
in current accounts	437,899	1,438,657
in deposits accounts (13.1)	--	10,650,000
	1,987,627	14,625,577

13.1 These Deposits are under bank's lien against guarantees issued on the behalf of the company

14. COST OF GOODS SOLD

	FOAM		PVA		TOTAL	
	1999	1998	1999	1998	1999	1998
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Raw Material Purchased	51,326,146	9,562,936	7,150,667	--	58,476,813	9,562,936
Raw Material Opening Stock	3,002,560	4,725,204	7,680,913	--	10,658,482	4,725,202
	54,328,715	14,288,140	14,831,580	--	69,160,295	14,288,140
Raw Material Closing Stock	51,292,481	10,683,482	10,453,068	--	61,745,499	10,683,482
	3,036,284	3,604,658	4,378,512	--	7,414,796	3,604,658
Raw Material Consumed	3,036,284	3,604,658	4,378,512	--	7,414,796	3,604,658
Manufacturing Expenses (14.1)	--	8,100,286	2,020,510	--	2,020,510	8,100,286
	3,036,284	11,704,944	6,399,022	--	9,435,306	11,704,044
Finished Goods Opening Stock	8,220,500	7,485,927	--	--	8,220,500	7,485,927
	11,256,784	19,190,871	6,399,022	--	17,655,806	19,190,871
Finished Goods Closing Stock	--	8,220,500	2,635,952	--	2,635,932	8,220,500
	11,256,784	10,970,371	3,763,070	--	15,019,854	10,970,371

14.1 MANUFACTURE EXPENSES

Wages, Salaries & Allowances	--	1,429,537	812,869	--	812,869	1,429,537
------------------------------	----	-----------	---------	----	---------	-----------

Utilities & Telecommunications	--	205,033	413,443	--	413,443	205,033
Repair & Maintenance	--	123,180	99,657	--	99,657	123,180
Depreciation	--	6,342,536	442,441	--	442,441	6,342,536
Fuel Charges	--	--	252,100	--	252,100	--
		-----	-----		-----	-----
	--	8,100,286	2,020,510	--	2,020,510	8,100,286
		=====	=====		=====	=====

	FOAM		PVA		TOTAL	
	1999	1998	1999	1998	1999	1998
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees

15. ADMINISTRATION EXPENSES

Directors remuneration	297,600	297,600	--	--	297,600	297,600
Salaries & Allowances	662,162	2,209,448	667,299	--	662,162	2,209,448
Rent	207,880	207,880	120,000	--	207,880	207,880
Insurance	1,164,372	847,714	776,248	--	1,164,372	847,714
Fee, Taxes, Consultancy, etc	637,839	898,062	--	--	637,839	898,062
Repair & Maintenance	--	143,129	--	--	--	143,129
Travelling expenses	69,624	19,632	--	--	69,624	19,632
	-----	-----	-----	-----	-----	-----
Auditors Remuneratio 15.1	40,000	40,000	--	--	40,000	40,000
	=====	=====	=====	=====	=====	=====
Utilities & Telecommunication	332,398	482,573	221,599	--	332,398	482,573
Misc. Expenses	53,494	138,128	80,242	--	133,736	138,128
Depreciation	2,481,488	2,881,984	--	--	2,481,488	2,881,984
Amortization	527,417	527,417	--	--	527,417	527,417
	-----	-----	-----	-----	-----	-----
	6,474,274	8,693,567	1,865,388	--	8,339,662	8,693,567
	=====	=====	=====	=====	=====	=====

15.1 AUDITORS REMUNERATION

Audit fee					40,000	40,000
					=====	=====

	FOAM		PVA		TOTAL	
	1999	1998	1999	1998	1999	1998
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees

16. SELLING EXPENSES

Salaries & Allowances	--	272,255	117,759	--	117,759	272,255
Publicity & Advertisement	--	31,856	112,408	--	112,408	31,856
Traveling & Vehicle Running Expens	--	--	257,378	--	257,378	--
Freight & Octroi	--	--	162,446	--	162,446	--
Misc. Expenses	--	--	25,750	--	25,750	--
	-----	-----	-----	-----	-----	-----
	--	304,111	675,741	--	675,741	304,111
	=====	=====	=====	=====	=====	=====

17. OTHER INCOME/(LOSS)

	1999	1998
	Rupees	Rupees
Disposal of fixed Assets	724,749	54,221
Dividend Income	12,297,541	3,258,685
Realised Capital Gain/ (Loss)	(1,362,338)	(7,205,700)
	-----	-----
	11,659,952	(3,892,794)
	=====	=====

18. FINANCIAL EXPENSES

Bank Charges	2,609,048	4,771,718
Interest Paid	2,626,154	1,483,124
	-----	-----
	5,228,202	6,254,842
	=====	=====

19. INSTALLED CAPACITY

	1999		1998	
	Capacity	Production	Capacity	Production
	Tons	Tons	Tons	Tons
Foam	12,000	--	12,000	80
PVA	1,560	206	--	--

20. REMUNERATION OF DIRECTORS & EXECUTIVES

Particulars	1999			1998		
	Chief Executive'	Directors	Executives	Chief Executive'	Directors	Executives
Remuneration	--	198,000	299,861	--	198,400	332,128
Perquisites, Benefits and Allowances	--	99,200	149,931	--	99,200	166,064
Total	--	297,600	449,792	--	297,600	498,192
No. of Person		2	4	1	4	4

21. STATEMENT PURSUANT TO SECTION 237 OF THE COMPANIES ORDINANCE, 1984

21.1 Accounts of the subsidiary Diamond Polymers (Pvt) Ltd for the year ended June 30, 1999 alongwith Auditors and Directors report thereon are attached herewith.

21.2 Statement under section 237 (1) (e)

a) Extent of shareholding in subsidiary company: 53.33%

b) i) Profit for the year ended June 30, 1999 amounting to Rs. 6.683 million (1998: Rs. 1.655 M) has not been dealt with in these accounts.

ii) Profit or loss of the subsidiary company since investment has not been dealt with in the accounts of the holding company.

The Profit as at June 30, 1999 was amounting to Rs. 6.683 million of the subsidiary company.

22. FIGURES

Have been rounded off nearest to Rupee.

Have been re-arranged, wherever necessary for the purpose of comparison.

FORM '34'**PATTERN OF SHAREHOLDING**

HELD BY THE SHAREHOLDERS AS AT 30th JUNE, 1999.

No. of Shareholders	From	Categories	To	Total Shares Held
9	1		100	750
245	101		500	94500
111	501		1000	89200
213	1001		5000	499900
45	5001		10000	304900
9	10001		15000	120850
2	15001		20000	36850
4	20001		25000	92100
1	35001		40000	35200
1	40001		45000	40500
1	85001		90000	90000
2	145001		150000	300000
1	220001		225000	225000
1	595001		600000	600000
1	745001		750000	750000
1	1145001		1150000	1146450
1	1360001		1365000	1363800
1	1495001		1500000	1500000
1	1705001		1710000	1710000
650				9000000

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	641	6841300	76.014
Investment Companies	4	1231100	13.678
Insurance Companies	--	--	--
Joint Stock Companies	5	927600	10.306
Financial Institution	--	--	--
Modaraba Companies	--	--	--
Leasing Companies	--	--	--
Others	--	--	--
Total	650	9000000	100.000

Diamond Polymers (Pvt) Limited

COMPANY INFORMATION

BOARD OF DIRECTORS:	MR. IFTIKHAR A, SHAFFI CHAIRMAN & CHIEF EXECUTIVE
	MR. WAQAR A, SHAFFI
	MR. MUHAMMAD SAEED
COMPANY SECRETARY:	CH. MUHAMMAD TUFAIL
BANKERS:	- ALLIED BANK OF PAKISTAN LTD. - EMIRATES BANK INTERNATIONAL - FIDELITY INVESTMENT BANK LTD. - GULF COMMERCIAL BANK LTD. - MUSLIM COMMERCIAL BANK LTD. - PLATINUM COMMERCIAL BANK LTD.
AUDITORS:	SALEEM AHSAN & COMPANY CHARTERED ACCOUNTANTS
REGISTERED OFFICE:	12/A, NEW INDUSTRIAL AREA MIRPUR, AZAD JAMMU & KASHMIR TEL: 0342-7358113 Email: diamond@brain.net.pk.

DIRECTORS' REPORT TO, THE SHAREHOLDERS

I am pleased to present to you on behalf of the board of directors this Annual Report alongwith the Audited Accounts of the Company for the year ended June 30, 1999.

The Financial result of the Company is as under:

	1999 Rupees	1998 Rupees
Profit/(Loss) before Taxation	8,059,556	2,926,056
Other Income/ (Loss)	--	(20,450)
	-----	-----
	8,059,556	2,905,606
Provision for Taxation	1,376,099	1,254,059
	-----	-----
Net Profit/ (Loss) after Taxation	6,683,458	1,651,547
Un-appropriated Profit/ (Loss) brought forward	10,387,279	8,735,732
	-----	-----
Accumulated Profit/ (Loss) carried forward to Balance Sheet	17,070,737	10,387,279
	=====	=====

Despite the political an economic uncertainties prevailing in the country during the year under review, your company has earned appreciable profit as compared to the last years' figure. It is an encouraging sign and we are hopeful that once the problems, our country is presently faced with, are overcome, we expect better results.

I greatly appreciate the management, the staff and the workers for their devotion to the work and thank them.

For and on behalf of Board

Lahore: November 20, 1999.	IFTIKHAR A. SHAFFI CHIEF EXECUTIVE
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of DIAMOND POLYMERS (PVT) LTD., as at June 30, 1999, related profit and loss account and statement of changes in financial position together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that;

a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984.

b) In our opinion:

(i) the balance sheet and profit & loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the object of the company;

c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and statement of changes in financial position together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1999, and of the profit and changes in financial position for the year then ended; and

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

Lahore
November 20, 1999.

SALEEM AHSAN & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET AS ON JUNE 30, 1999

	Note	1999 Rupees	1998 Rupees
CAPITAL & LIABILITIES			
AUTHORIZED CAPITAL			
3,000,000 shares of Rs. 10 each		30,000,000	30,000,000
		=====	=====
ISSUED, SUBSCRIBED & PAID UP CAPITAL			
1,500,000 shares of Rs. 10 each		15,000,000	15,000,000
Up-appropriated Profit/ (Loss)		17,070,737	10,387,279
		-----	-----
		32,070,737	25,387,279
Loan From Directors		--	73,913,087
Long Term Loan		25,289,765	--
Liability Against Finance Lease	3	9,191,032	7,014,175
CURRENT LIABILITIES			
Short Term Loans (Secured)	4	101,826,398	--
Creditors & Accrued Liabilities	5	11,888,166	48,376,573
Provision for Taxation		1,376,099	1,254,058
		-----	-----
		115,090,663	49,630,631
		-----	-----
		181,642,197	155,945,173
		=====	=====
PROPERTY & ASSETS			
FIXED ASSETS			
(At cost less depreciation)	6	58,725,396	51,897,892
Capital work in progress	7	--	5,012,100
CURRENT ASSETS			
Stock in Trade	8	64,517,088	70,373,154
Debtors Un-secured		15,702,864	5,136,525
Advances, Deposit, Prepayments & Other Receivable	9	11,260,857	14,409,328
Due from Associated Concern		13,621,089	--
Cash and Bank Balance	10	17,814,903	9,116,174
		-----	-----
		122,916,801	99,035,181
		-----	-----
		181,642,197	155,945,173
		=====	=====

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

Note	1999	1998
------	------	------

		Rupees	Rupees
SALES		275,219,724	250,811,651
COST OF GOODS SOLD	11	206,194,490	190,781,139
GROSS PROFIT		69,025,234	60,030,512
OPERATING EXPENSES			
Administrative Expenses	12	25,371,317	21,851,839
Selling & Distribution Expenses	13	22,471,596	24,318,026
Financial Expenses	14	13,122,765	10,934,591
		60,965,678	57,104,456
Net Profit/(Loss) Before Taxation		8,059,556	2,926,056
Other Income/ (Loss)		--	(20,450)
		8,059,556	2,905,606
Provision For Taxation		1,376,099	1,254,059
Net Profit/ (Loss) after Taxation		6,683,458	1,651,547
Un-appropriated Profit/(Loss) Brought Forward		10,387,279	8,735,739
Accumulated Profit/(Loss) carried forward to Balance Sheet		17,070,737	10,387,279

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 1999

	1999 Rupees	1998 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	8,059,556	2,905,506
Adjustments for:		
Depreciation	7,102,994	6,000
Mark-up	13,122,765	10,768,861
Other Income / (Loss)	--	20,450
Operating Profit Before Working Capital Changes	28,285,315	19,695,064
(INCREASE) / DECREASE IN CURRENT ASSETS		
Stock in Trade	5,856,066	(45,544,276)
Trade debtors	(10,566,339)	46,855,884
Advance, deposits, prepayments & other receivable	3,148,471	(8,574,356)
Due From Associated Concern	(13,621,089)	--
	(15,182,891)	(7,262,748)
INCREASE/(DECREASE) IN CURRENT LIABILITIES		
Creditors, accrued and other liabilities	(36,488,407)	29,290,149
Short term loans	101,826,398	(26,971,797)
	65,337,991	9,318,352
Mark-up	(13,122,765)	(10,768,561)
Taxes Paid / Adjustments	(1,254,058)	--
Net cash used in operating activities	64,063,592	3,982,107
CASH FLOW FROM INVESTING ACTIVITIES		
Net Fixed Assets	(14,136,100)	(9,210,035)
Sales Proceeds of Fixed Assets	205,600	--
Capital Work in Progress	5,012,100	(4,265,352)
Other Income / Loss	--	(20,450)
Net cash used in investing activities	(8,918,400)	(13,495,837)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from obligation under finance lease	6,400,000	10,200,000
Repayment of obligation under finance lease	(4,223,143)	(5,153,536)
Increase / (Decrease) in long term. loan from directors	(73,913,085)	28,771,805
Increase / (Decrease) in long term loan	25,289,765	--
Increase / (Decrease) in due to associated concerns	--	(18,171,507)
Net cash used in financing activities	(46,446,463)	15,646,762
Net Increase / (Decrease) in Cash & Cash Equivalents	8,698,729	6,133,032
Cash and Cash Equivalents at the beginning of the period	9,116,174	2,983,142

Cash and Cash Equivalents at the close of the period	17,814,903	9,116,174
--	------------	-----------

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 1999

1. THE COMPANY AND ITS OPERATIONS

Diamond Polymers (Pvt) Limited was incorporated under the Companies Ordinance 1984 as a Private Limited Company on 21st May 1996. The main object of the company is to manufacture and sale of foam and foam products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention.

2.2 Taxation

The company is entitled to tax exemption for a period of 10 years by virtue of clause 126-C of the second schedule of the income tax ordinance 1979. However provision for tax has been made on the basis of turnover under section 80-D, of income tax Ordinance, 1979.

2.3 Tangible Fixed Assets

Operating fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the reducing balance method at the rates given in note 6 to write off the cost of operating fixed assets over their expected useful life. Full year's depreciation is charged on additions on fixed assets acquired during the year whereas no depreciation is charged on assets disposed off during the year. Maintenance and normal repairs are charged to income as and when incurred. Gains/Losses on disposal of tangible fixed assets are included in current year's income.

2.4 Assets Subject to Finance Lease

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligation relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are amortized over their expected useful life at the rates mentioned in note 6.1 Amortization of leased assets is charged to current year's income.

2.5 Stock in Trade

They are valued at lower of cost and net realisable value. Cost is determined as follows:

Raw Material	Weighted Average Cost
Working Process and Finished Goods	Average Manufacturing Cost
Stock in Bonded Warehouse	At actual costs incurred upto date.

2.6 Stores, Spares and Loose Tools

Stores, Spares and loose tools are charged to income in the year of purchase.

2.7 Staff Retirement Benefits

No provision is made for gratuity payable to employees. This is accounted for at the time of payment.

2.8 Revenue Recognitions

Revenue is recognised on despatch of goods from factory or stores to the customers.

2.9 General

Figures have been rounded off to the nearest Rupee and of previous year have been re-arranged to facilitate comparison where necessary

	1999 Rupees	1998 Rupees
3. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
1998- 1999	--	4,103,475
1999 - :2000	6,763,080	4,059,300
:2000 - 2001	4,399,601	868,550
2001 - 2002	81,029	--
	-----	-----
Less-Future Finance Charges	11,243,710	9,031,325
	-----	-----
Net Lease Obligation	2,052,678	2,017,150
	-----	-----
	9,191,032	7,014,175

4. SHORT TERM LOAN (SECURED)

Muslim Commercial Bank Ltd.	101,826,398	--
-----------------------------	-------------	----

5. CREDITORS & ACCRUED LIABILITIES

Expenses Payable	2,714,592	2,002,137
Documents & Duties Payable	8,343,619	45,598,555
Others Payable	829,956	775,881
	11,888,167	48,376,573

6. FIXED ASSETS

PARTICULARS	COST			Rate %	DEPRECIATION			W.D.V. As on 30.06.99	
	As at 01.07.98	Addition (Deletion)	Total upto 30.06.99		As at 01.07.98	Adjustment	For the year		Total as at 30.06.99
Land	549,821	232,123	781,944	--	--	--	--	781,944	
Building	24,256,960	3,551,390	27,808,350	5	2,313,390	1,274,748	3,588,138	24,220,212	
Plant & Machinery	19,366,791	2,271,716	21,638,507	10	3,595,105	1,804,340	5,399,445	16,239,062	
Furniture & Fixtures	1,294,870	92,085	1,386,955	10	180,349	121,661	301,010	1,085,945	
Office Equipment	1,333,271	416,378	1,749,649	10	179,141	157,051	336,192	1,413,457	
Vehicles	4,686,332	1,172,408 (257,000)	5,601,740	20	1,482,170	(51,400)	834,194	2,264,964	
1999 Rupees	51,488,045	7,479,100	58,967.15		7,750,150	(51,400)	4,190,994	11,889,465	47,077,396
1998 Rupees	46,477,563	5,010,482	51,488,045		3,789,706		3,960,447	7,750,153	43,737,892

6.1 DISPOSAL OF FIXED ASSETS

Particular of Assets	Cost	W.D.V.	Sales Proceeds	Gain	Basis of Sales	Sold to
Suzuki Mehran	257,000	205,600	205,500		Negotiation	Ex-Employee

6.2 ASSETS SUBJECT TO FINANCE LEASE

PARTICULARS	COST			Rate %	DEPRECIATION			W.D.V. As on 30.06.99	
	As at 01.07.98	Additions/ [Deletions]	Total upto 30.06.99		As at 01.07.98	Adjustment	For the year		Total as at 30.06.99
Vehicles	10,200,000	400,000	16,600,000	20	2,040,000	--	2,912,000	4,952,000	11,648,000
1999 Rupees	10,200,000	5,400,000	16,600,000		2,040,000	--	2,912,000	4,952,000	11,648,000
1998 Rupees	--	10,200,000	10,200,000		--	--	2,040,000	2,040,000	8,160,000

6.3 ALLOCATION OF DEPRECIATION

Cost of Sales	3,079,088	2,907,934
Administrative	4,023,905	3,093,113
	7,102,994	6,000,447

7. CAPITAL WORK IN PROGRESS

Building	--	3,141,709
Machinery	--	1,870,391
	--	5,012,100

8. STOCK IN TRADE

Raw Material	37,623,718	28,502,753
Finished Goods	26,893,370	41,870,401
	64,517,088	70,373,154

9. ADVANCES, DEPOSITS, PREPAYMENTS, & OTHER RECOVERABLE

Advance to Employees	452,250	439,961
----------------------	---------	---------

Advance Income Tax	4,884,533	5,982,673
Letter of Credit	--	179,247
Advances to Others	640,000	125,000
Security Deposit	279,125	161,000
Atlas Lease Limited	--	6,000,000
Other Receivable	5,004,949	1,521,447
	-----	-----
	11,260,857	14,409,328
	=====	=====

10. CASH AND BANK BALANCES

Cash at Bank	16,276,085	7,568,091
Cash & Cash Equivalents	1,538,818	1,548,083
	-----	-----
	17,814,903	9,116,174
	=====	=====

11. COST OF GOODS SOLD

Raw Material Opening Stock	28,502,753	11,782,871
Raw Material Purchased	184,293,574	221,256,313
	-----	-----
Raw Material Closing Stock	212,796,327	233,039,184
Raw Material Consumed	37,623,718	28,502,753
	-----	-----
	175,172,609	204,536,431
*Manufacturing Expenses (11.1)	16,044,851	15,069,102
	-----	-----
	191,217,460	219,605,533
Finished Goods Opening Stock	41,870,400	13,046,007
	-----	-----
	233,087,860	232,651,540
Finished Goods Closing Stock	26,893,370	41,870,401
	-----	-----
	206,194,490	190,781,139
	=====	=====

11.1 MANUFACTURING EXPENSES

Salaries, Wages, Benefits & Others	8,676,930	8,469,139
Electricity Charges	2,272,805	1,390,787
Freight & Octroi	180,097	653,956
Fuel & Energy	449,277	171,600
Repair & Maintenance	1,386,654	1,476,286
Depreciation	3,079,088	2,907,334
	-----	-----
	16,044,851	15,069,102
	=====	=====

12. ADMINISTRATIVE EXPENSES

Salaries, Wages, Benefits & Others	9,870,350	9,837,643
Directors Remuneration	1,200,000	1,010,000
Electricity & Fuel	1,117,896	1,045,575
Telephone & Telex	1,482,397	1,250,646
Gas & Water Charges	143,532	150,903
Insurance Charges	2,168,809	984,087
Repair & Maintenance	860,313	808,851
Charity & Donation	637,654	809,469
Travelling & Conveyance	1,150,222	714,858
Fees & Taxes	451,141	682,341
Fire Fighting	16,960	81,656
Printing & Stationary	495,077	562,109
Legal & Professional Charges (Note 12.1)	54,325	78,000
Entertainment	447,708	388,448
Postage & Telegrams	106,395	65,906
Advertisement	--	6,020
Depreciation	4,023,905	3,093,113
Misc. Expenses	1,144,633	282,214
	-----	-----
	25,371,317	21,851,839
	=====	=====

12.1 AUDIT FEE

Audit Fee	20,000	20,000
	=====	=====

13. SELLING & DISTRIBUTION EXPENSES

Sales Allowances & Rebate	62,939	2,875,562
Advertising & Publicity	578,409	6,838,037

Travelling & Conveyance Charges	450,235	1,325,345
Freight & Forwarding	21,380,013	13,279,082
	-----	-----
	22,471,596	24,318,026
	=====	=====

14. FINANCIAL CHARGES

Bank Charges	685,508	166,030
Mark-up	12,437,257	10,768,561
	-----	-----
	13,122,765	10,934,591
	=====	=====

PATTERN OF SHAREHOLDING

AS AT 30TH JUNE 1999

No. of Shareholders	From	Categories	To	Total Shares Held
1	1		10000	10000
2	10001		50000	90000
2	50001		1000000	1400000
	-----	-----	-----	-----
5				1500000
	-----	-----	-----	-----

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	3	100000	6.67%
Joint Stock Companies	2	1400000	93.33%
	-----	-----	-----
	5	1500000	100.00
	-----	-----	-----

Diamond Industries Limited and Subsidiary CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION (SUBSIDIARY)

	1999	1998
	Diamond Polymers (Pvt) Ltd.	Diamond Polymers (Pvt) Ltd.
Accounting Year Ended	30.06.1999	30.06.1998
Percentage Holding	53.33%	53.33%
Nature of Business	Foam & Foam Products	Foam & Foam Products

Reserves attributable to members of the parent dealt within the financial statement of the Parent:

In the current year	Nil	Nil
- In the previous year	Nil	Nil

Reserves attributable to members of the parent not dealt within the financial statement of the Parent

- In the current year	6,683,458	1,657,547
- In the previous year	10,387,279	8,735,732

IFTIKHAR A. SHAFFI
CHIEF EXECUTIVE

MUHAMMAD SAEED
DIRECTOR

AUDITORS' REPORT TO THE BOARD OF DIRECTORS

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of Diamond Industries Limited and its subsidiary company, Diamond Polymers (Pvt) Limited as at June 30, 1999 and the related consolidated Profit and Loss Account, for the year ended June 30, 1999. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was made in accordance with the generally accepted auditing guidelines and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements examined by us present fairly the financial position of Diamond Industries Limited and its subsidiary company, Diamond Polymers (Pvt) Limited as at June 30, 1999 and the results of their operations for the year then ended.

Lahore
November 20, 1999.

SALEEM AHSAN & CO.
CHARTERED ACCOUNTANTS

CONSOLIDATED BALANCE SHEET AS ON JUNE 30, 1999

	1999 Rupees	1998 Rupees
CAPITAL & LIABILITIES		
AUTHORIZED CAPITAL		
12,000,000 Ordinary Shares of Rs. 10 each	120,000,000	120,000,000
ISSUED, SUBSCRIBED & PAID UP CAPITAL		
9,000,000 Ordinary Shares of Rs. 10 each	90,000,000	90,000,000
Up-appropriated Profit/ (Loss)	112,251,930	114,391,963
	-----	-----
	202,251,930	204,391,963
MINORITY INTEREST		
Share Capital	7,000,000	7,000,000
Reserves	7,966,909	4,847,743
	-----	-----
	14,966,909	11,847,743
SURPLUS ON REVALUATION OF FIXED ASSETS		
	50,163,799	50,163,799
Loan From Directors	--	73,913,087
Long Term Loan	25,289,765	--
Liability Against Finance Lease	9,191,032	7,014,175
CURRENT LIABILITIES		
Short Term Loans (Secured)	144,783,039	32,045,466
Creditors & Accrued Liabilities	27,979,103	55,477,279
Other Liabilities	7,432,111	7,439,111
Provision for Taxation	2,053,438	1,254,058
Unclaimed Dividend	67,890	67,890
	182,315,581	96,276,804
CONTINGENCIES AND COMMITMENTS		
	--	--
	-----	-----
	484,179,016	443,607,571
	=====	=====
PROPERTY & ASSETS		
FIXED ASSETS		
(At cost less depreciation)	151,123,816	143,208,744
Capital work in progress	--	9,035,913
Deferred Cost	527,417	1,054,834
Long Term Investment	23,772,120	3, 116,700
CURRENT ASSETS		
Stock in Trade	128,898,539	89,277,136
Debtors	18,415,616	5,747,763
Short Term Investment	99,816,578	141,820,416
Due from Associated Concern	13,621,089	--
Advances, Deposit, Prepayments & Other Receivable	28,201,311	26,604,314
Cash and Bank Balance	19,802,530	23,741,751
	-----	-----
	308,755,663	287, 191,380
	-----	-----
	484,179,016	443,607,571
	=====	=====
IFTIKHAR A. SHAFFI	MUHAMMAD SAEED	
CHIEF EXECUTIVE	DIRECTOR	

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 1999

	1999	1998
	Rupees	Rupees
SALES	287,712,102	259,167,791
COST OF SALES	221,214,344	201,751,510
	-----	-----
GROSS PROFIT	66,497,758	57,416,281
OPERATING EXPENSES		
Administrative	33,710,979	30,545,406
Selling and Distribution	23,147,337	24,622,137
Financial Charges	18,350,967	17,189,433
	-----	-----
	75,209,283	72,356,976
	-----	-----
Operating Profit / (Loss)	(8,711,525)	(14,940,695)
Other Income / (Loss)	11,659,952	(3,913,244)
	-----	-----
Profit / (Loss) For the Year	2,948,427	(18,853,939)
Prior Year's Adjustment	84,144	(110,205)
	-----	-----
Profit/ (Loss) Before Taxation	3,032,571	(18,964,144)
Less: Taxation	2,053,438	1,254,058
	-----	-----
Profit / (Loss) After Taxation	979,133	(20,218,202)
Minority Interest	3,119,170	770,777
	-----	-----
Net Profit Attributable to Parent Company	(2,140,037}	(20,988,979)
	=====	=====

STATEMENT OF RETAINED EARNING

Retained Earnings Beginning of the Year	114,391,967	135,380,942
Net Income for the Year	979,133	(20,218,202)
	-----	-----
Retained Earnings End of the Year	115,371,100	115,162,740
	=====	=====

IFTIKHAR A. SHAFFI
CHIEF EXECUTIVE

MUHAMMAD SAEED
DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 1999

	1999
	Rupees
CASH FLOW FROM OPERATING ACTIVITIES	
Net Profit/ (Loss) before taxation	2,948,427
Adjustments for:	
Depreciation	10,026,923
Amortization	527,417
Financial Expenses	18,350,967
Profit on Disposal of Assets	(724,749)
Other Income	(12,297,541)
Others	1,362,338

Operating Profit Before Working Capital Changes And Financial Expenses	20,193,782
Change in working Capital	
(Increase) / Decrease in Stock in Trade	(39,621,403)
(Increase) / Decrease in Debtors	(12,667,853)
(Increase) / Decrease in Due from Associated Concern	(13,621,089)
(Increase)/Decrease in Advances, Deposits, Prepayments & Others Receivable	(1,596,997)

	(67,507,342)
Increase/ (Decrease) in short term loan	112,737,573
Increase/(Decrease) in Creditors & accrued Liabilities	(27,498,176)

Changes in Working Capital	17,732,055

Cash Generated From Operations	37,925,837
Financial Expenses	(18,350,967)
Taxes Paid/Adjustment	(1,169,914)

Net Cash From Operating Activities	18,404,956
CASH FLOW FROM INVESTING ACTIVITIES	
Net Fixed Assets	(18,691,034)
Long Term Investment	(20,655,420)
Short Term Investment	42,003,838
Capital Work in Progress	9,035,913
Sales Proceeds of Fixed Assets	1,473,786
Other Income / (Loss)	10,935,203
Net Cash Provided By (Use In) Investing Activities	24,102,286
CASH FLOW FROM FINANCING ACTIVITIES	
Proceed from Obligation under Finance Lease	6,400,000
Repayment of Obligation under Finance Lease	(4,223,143)
Increase/(Decrease) in loan from Director's	(73,913,085)
Increase/ (Decrease) in long terms loans	25,289,765
Net Cash Used in Financing Activities	(46,446,463)
Net Increase / (Decrease) in cash & Cash Equivalents	(3,939,221)
Cash & Cash Equivalents at Beginning of the Period	23,741,751
Cash & Cash Equivalents at Close of the Period	19,802,530