

# **Diamond Industries Limited**

**Annual Report 2000**

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## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS:**

MR. WAQAR A. SHAFFI  
Chairman/Chief Executive

MR. MUHAMMAD SAEED  
MR. SHARIQ IFTIKHAR  
MR. M.H. PERVEZ

### **SYED M. NAWAZ**

MR. SOHAIL MALIK  
MR. AMANULLAH GULZAR

### **COMPANY SECRETARY:**

NAZIR AHMAD

### **AUDITORS:**

SALEEM AHSAN & CO.  
Chartered Accountants

### **LEGAL ADVISORS:**

IRTIZA ALI NAQVI & ASSOCIATES

### **BANKERS:**

ALLIED BANK OF PAKISTAN LIMITED  
EMIRATES BANK INTERNATIONAL  
FIDELITY INVESTMENT BANK LIMITED  
GULF COMMERCIAL BANK LIMITED  
NATIONAL BANK OF PAKISTAN

PLATINUM COMMERCIAL BANK LIMITED

**REGISTERED OFFICE:**

PLOT NO. 25, GADOON AMAZAI,  
INDUSTRIAL ESTATE, SWABI (N.W.F.P.)  
TEL: 05372-70297, 70397, 70597

**WORKS:**

PLOT NO. 25, GADOON AMAZAI  
INDUSTRIAL ESTATE, SWABI (N.W.F.P.)  
TEL: 05372-70297

**SHARES DEPARTMENT:**

MALIK BAGH, BARADARI ROAD,  
SHAHDARA, LAHORE.  
TEL: 111-111-666, 7932001-7  
FAX: 92-42-7925299, TLX: 44590 DRM PK.  
Email: diamond@brain.net.pk

**NOTICE OF MEETING**

NOTICE is hereby given that the 11th Annual General Meeting of Diamond Industries Limited, will be held at Principal Office of the Company at Malik Bagh, Baradari Road, Shahdara, Lahore, on February 14, 2001 at 2.00 P.M. to transact the following business:

1. To confirm the minutes of the last General Meeting held on 27th December, 1999.
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, 2000.
3. To appoint Auditors and fix their remuneration.
4. To approve the interim cash dividend @ 30% already declared and paid.
5. 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.

( **NAZIR AHMAD** )  
**Company Secretary**

Lahore  
Dated: 23rd January, 2001

**NOTES:**

1. The share transfer books of the Company will be closed from February 14, 2001 to February 20, 2001 (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 MEMBERS**

I welcome you to the 11th Annual General Meeting of your company and pleased to present to you on behalf of the Board of Directors the financial results of the company alongwith the Audited Accounts for the year ended June 30, 2000.

The financial results of the company are as under:

	(In Rs.)
Profit for the year	24,421,646
Un-appropriated profit/(loss) b/f	103,148,102
	-----
	127,569,748
Interim Cash Dividend (paid)	10,353,600
	-----
Unappropriated profit c/f to balance sheet	117,216,148
	=====

## REVIEW

The company has been able to record profits on account of other income earned by the company on its short term investments which clearly shows that the funds of the company has been invested in a prudent manner so much so that the company had been able to declare an interim cash dividend at the rate of Rs. 3.00 per share during the year. The profits in this head would have been much higher had it not been for acts of CHEATING, FRAUD, MANIPULATION and UNFAIR PLAY by the Chairman, Vice Chairman, office bearers, directors, management and certain members of the Karachi Stock Exchange during the period of July 1999 to June 2000. In this manner the culprits caused tremendous losses to the portfolio of the company. Your company is presently engaged and is in the process of investigating and identifying the culprits and thereafter intends to claim and recovering damages from them. In this regards various representations have been made to the SECP and government.

During the year the directors had planned to restart manufacturing activities at Gadoon Factory and for this purpose had imported the necessary raw materials. However, due to negative attitude of the Central Board of Revenue, this could not be achieved. The raw materials were thus transferred to our subsidiary namely Diamond Polymers (Pvt) Ltd. A.J.K. on cost to cost basis. Thus our factory in Gadoon Amazai is still closed and the directors have opted to keep the factory closed until final resolution of dispute with CBR.

Meanwhile, the Directors are pleased to inform you that the Honorable Supreme Court has accepted our appeal for compensation/quota vide judgement dated 5th. June, 2000. The operative part of the judgement is reproduced below :-

"After examining the case we are of the considered view that the case of the appellant is also similar to that of M/s Alkhair Gadoon and M/s Khyber Plastic Industries, therefore, it was entitled to the same benefits in the matter of determination/assessment of one time compensation as it fell in the same category, therefore, was entitled to assessment and determination of compensation on the basis of the same criteria which was applied in the case of the said two industries as to size of industry, additional machinery and number of shifts, etc., and in not doing so, the respondent- authorities have discriminated the appellant which was violative of the fundamental right of equality before law and equal treatment as guaranteed by the Constitution. The decisions made by the respondents in the matter of determination of one time compensation is also not in consonance with letter and spirit of the above principles that in such matters, maximum benefit is to be given to the affectees in financial matters, for the said decision was made for the purposes of granting them relief which could not be denied on mere technicalities.

For the foregoing reasons, this appeal is accepted, decisions already made by the respondents in the matter of determination/assessment of one time compensation in the case of the appellant inclusive of order dated 27-4-2000 of Member (Customs) CBR are hereby declared to be without lawful authority and of no legal effect and quashed. The Member, Central Board of Revenue is hereby directed to decide afresh the case of the appellant as regards one time relief of 25% to the total duty value of the raw materials on the basis of the same criteria and the parameters applied in the case of M/s. Alkhair Gadoon and M/s. Khyber Plastic Industries and full benefit should be given in the light of the observations and the facts noted above. As the matter has already been delayed, the needful shall be done within one month from the receipt of this judgment.

Till the matter is decided, status quo is maintained as regards recoveries and encashment of guarantee, etc".

Inspite of clear directions of the Honorable Supreme Court the CBR is still engaged in delaying tactics and efforts to frustrate the course of law and the rights of your company. Our claim pending with the Central Board of Revenue, which has been computed in accordance with the Judgement of the Honorable Supreme Court, is to the tune of Rs.470,000,000/. It is now hoped and anticipated that the CBR will be compelled to entertain

and settle our claim.

The CBR applied illegal and undue pressure on M/s Allied Bank Of Pakistan for encashment Of guarantees inspite of restraining orders of the Supreme Court. The Bank finally succumbed to the pressures and arbitrarily paid the CBR Rs. 260,568,683/- and simultaneously created demand finance against the company to the tune of Rs.209,405,218/. Markup of about Rs. 17 million has also been charged by the bank. In the aftermath of the favorable judgement of the Court, the company intends to claim all amounts including markup from the CBR in due course.

Due to these and other discriminatory, illegal acts of the Central Board of Revenue your company is faced with unprecedented financial constraints and is struggling to manage the present situation.

#### **DIVIDEND**

Your Company had already declared and paid interim cash dividend @ 300/6 on March 07, 2000. The Directors in order to financially support the Company have opted to forego the interim dividend announced in March 2000 on their shareholding.

#### **SUBSIDIARY**

Your Directors are further pleased to report that our subsidiary namely M/s Diamond Polymers (Pvt) Ltd. (Azad Jammu & Kashmir) has performed very well during this financial year and doubled its sales to the tune of Rs. 588 million from Rs. 275 million last year. This positive result is in spite of increase in cost of raw materials due to increase in international prices and rupee devaluation and simultaneous decrease in selling price due to stiff resistance from competitors. This has been achieved due to a very aggressive sales and publicity policy. In this manner the company has increased its market share and net profit, which if sustained, will be beneficial in the long run. The accounts of DPOL are annexed for your reference.

#### **AUDITORS**

The retiring auditors M/s Saleem Ahsan and Company, Chartered Accountants shall retire and being eligible offer themselves for re-appointment.

#### **PATTERN OF SHAREHOLDING**

The pattern of shareholding under Section 236 of the Companies Ordinance I984 is annexed to this report.

#### **DIRECTORS**

The board places on record its appreciation for the valuable services rendered by the outgoing Chairman and Chief Executive Mr. Iftikhar A. Shaffi having resigned and greets Mr. Waqar A. Shaffi as the new Chairman and Chief Executive of the Company. The board also takes the opportunity to welcome Mr. Amanullah Gulzar 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 efforts and contribution.

For and on behalf of the Board

Lahore  
Dated: 23rd January, 2001

( WAQAR A. SHAFFI )  
CHIEF EXECUTIVE

#### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of DIAMOND INDUSTRIES LTD., as at June 30, 2000 and the related Profit & Loss Account, Cash Flow Statement and the Statement of Changes in equity together with the Notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanation which, to the best of our knowledge and belief, were necessary for the purposes 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 requirement of the Companies Ordinance, 1984. Our responsibility is to express our and opinion to 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 statement 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:

during the year the company supplied chemicals amounting to Rs. 133.75 million to its subsidiary company on cost basis without considering the prevailing market value of such products.

Subject to the above, we further 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 related 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 objects of the company;

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and related Profit & Loss Account 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 subject to the above qualification and the consequential effect thereof on operating results, respectively give a true and fair view of the state of the company's affairs as at June 30, 2000 and of the profit, its changes in equity for the year then ended; and

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

LAHORE  
DATED: 13TH JANUARY, 2001

**SALEEM AHSAN & CO.**  
**CHARTERED ACCOUNTANTS.**

## **BALANCE SHEET AS ON JUNE 30, 2000**

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
<b>CAPITAL &amp; LIABILITIES</b>			
<b>AUTHORIZED CAPITAL</b>			
12,000,000 Ordinary Shares of Rs. 10 Each		120,000,000	120,000,000
=====			
<b>ISSUED, SUBSCRIBED &amp; PAID UP CAPITAL</b>			
9,000,000 Ordinary Shares of Rs. 10 Each	3	90,000,000	90,000,000
Un-appropriated Profit		117,216,148	103,148,102
		-----	-----
		207,216,148	193,148,102
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
LONG TERM LOAN	4	50,163,799	50,163,799
	5	179,405,218	--
<b>CURRENT LIABILITIES</b>			
Short Term Loans - Secured	6	51,643,353	42,956,641
Creditors & Accrued Liabilities	7	13,005,685	16,090,937
Other Liabilities		7,432,111	7,432,111
Provision for Taxation		2,654,219	677,339
Dividend Payable		1,084,760	67,890
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8		

	-----	-----
	75,820,128	67,224,918
	-----	-----
	512,605,293	310,536,819
	=====	=====

**PROPERTY & ASSETS****FIXED ASSETS**

(At cost less depreciation)	9	90,826,472	92,398,420
Deferred Cost		--	527,417
Long Term Investment	10	31,772,120	31,772,120

**CURRENT ASSETS**

Stock in Trade	11	7,562,308	64,381,451
Debtors		3,790,071	2,712,752
Short Term Investment	12	100,883,600	99,816,578
Advances, Deposit, Prepayments & Others Receivable	13	274,236,354	16,940,454
Cash and Bank Balances	14	3,534,368	1,987,627
		-----	-----
		390,006,701	185,838,862
		-----	-----
		512,605,293	310,536,819
		=====	=====

The annexed notes form an integral part of these accounts.

**Waqar A. Shaffi**  
Chief Executive

**Muhammad Saeed**  
Director

**PROFIT & LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2000**

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>SALES</b>		146,722,249	2,492,378
<b>COST OF GOODS SOLD</b>	15	145,499,529	15,019,854
		-----	-----
<b>GROSS PROFIT/(LOSS)</b>		1,222,720	(2,527,476)
<b>OPERATING EXPENSES:-</b>			
<b>Administrative</b>	16	10,268,214	8,339,662
Selling	17	1,074,222	675,741
Financial	18	21,709,969	5,228,202
		-----	-----
		33,052,405	14,243,605
		-----	-----
<b>OPERATING PROFIT/(LOSS)</b>		(31,829,685)	(16,771,081)
<b>OTHER INCOME/(LOSS)</b>	19	58,228,212	11,659,952
		-----	-----
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		26,398,527	(5,111,129)
<b>TAXATION</b>		1,976,881	677,339
		-----	-----
<b>PROFIT/(LOSS) AFTER TAXATION</b>		24,421,646	(5,788,468)
<b>PRIOR YEAR'S ADJUSTMENT</b>		--	84,144
		-----	-----
<b>UNAPPROPRIATED PROFIT/(LOSS) BROUGHT FORWARD</b>		24,421,646	(5,704,324)
		103,148,102	108,852,426
		-----	-----
<b>APPROPRIATIONS:</b>		127,569,748	103,148,102
<b>INTERIM CASH DIVIDEND</b>	20	10,353,600	--

UNAPPROPRIATED PROFIT/(LOSS) CARRIED  
FORWARD TO BALANCE SHEET.

117,216,148 103,148,102

**Waqar A. Shaffi**  
Chief Executive

**Muhammad Saeed**  
Director

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2000**

	<b>2000</b>	<b>1999</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit / (loss) before taxation	26,398,527	(5,111,129)
<b>Adjustments for:</b>		
Depreciation	2,780,169	2,923,929
Amortization	527,417	527,417
Financial Expenses	21,709,969	5,228,202
Profit on Disposal of Assets	--	(724,749)
Other Income	(24,865,378)	(12,297,541)
Others	(33,362,834)	1,362,338
	-----	-----
<b>Operating Profit Before Working</b>		
<b>Capital Changes And Financial Expenses</b>	(6,812,130)	(8,091,533)
<b>Change in Working Capital</b>		
(Increase)/Decrease in Stock in Trade	56,819,143	(45,477,469)
(Increase)/Decrease in Debtors	(1,077,319)	(2,101,514)
(Increase)/Decrease	--	--
(Increase)/Decrease in Advances, Deposit, Prepayments & Others Receivable	(257,295,900)	(4,745,468)
	-----	-----
Increase/(Decrease) in Creditors & accrued liabilities	(3,085,252)	8,990,231
	-----	-----
<b>Changes in Working Capital</b>	(204,639,328)	(43,334,220)
<b>Cash Generated From Operations</b>	(211,451,458)	(51,425,753)
Financial Expenses	(21,709,969)	(5,228,202)
Taxes Paid/Adjustment	--	84,144
	-----	-----
Net Cash From Operating Activities	(233,161,427)	56,569,811
	-----	-----
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net Fixed Assets	(1,272,647)	(4,554,934)
Long Term Investment	--	(20,655,420)
Short Term Investment	(1,067,022)	42,003,838
Payment of Dividend	(9,336,730)	--
Capital Work in Progress	--	4,023,813
Sales proceeds of Fixed Assets	64,425	1,268,186
Other Income/(loss)	58,228,212	10,935,203
	-----	-----
<b>Net Cash Provided By (Use In) Investing Activities</b>	46,616,238	33,020,686
	-----	-----
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase/(Decrease) in Long Term Loans	179,405,218	--
Increase/(Decrease) in Short Term Loans	8,686,712	10,911,175
	-----	-----
<b>Net Cash Used in Financing Activities</b>	188,091,930	10,911,175
	-----	-----

Net Increase/(Decrease) in Cash & Cash Equivalents	1,546,741	(12,637,950)
Cash & Cash Equivalents at Beginning of the Period	1,987,627	14,625,577
	-----	-----
Cash & Cash Equivalents at Close of the Period	3,534,368	1,987,627
	=====	=====

**Waqar A. Shaffi**  
Chief Executive

**Muhammad Saeed**  
Director

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE, 30, 2000**

### **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 which has been expired in November, 1999. 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



permanents. Short term Investments are valued at cost.

## 2.9 General

- a) Figures of the previous period have been re-arranged for comparison purposes.  
b) Figures have been rounded of to the nearest rupee.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>3. ISSUED, SUBSCRIBED &amp; PAID UP CAPITAL</b>		
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 Rs. 10 Each paid as Bonus Shares	80,000,000	80,000,000
	-----	-----
	90,000,000	90,000,000
	=====	=====

## 4. STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital</i>	<i>Unappropriated Profit/(Loss)</i>	<i>Shareholders Equity</i>
Balance at July 1, 1998	90,000,000	108,852,426	108,852,426
Net Profit for the year	--	(5,704,324)	(5,704,324)
Dividend Declared	--	--	--
Balance at June 30, 1999	90,000,000	103,148,102	103,148,102
	-----	-----	-----
Balance at July 1, 1999	90,000,000	103,148,102	103,148,102
	=====	=====	=====
Net Profit for the year	--	24,421,646	24,421,646
Dividend Declared	--	(10,353,600)	(10,353,600)
	-----	-----	-----
Balance at June 30, 2000	90,000,000	117,216,148	117,216,148
	=====	=====	=====

## 5. SURPLUS ON REVALUATION OF FIXED ASSETS

The surplus arising from the revaluation of Fixed Assets

Certified by Minhas Associates as on June 30,1997

was made up as 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
	=====	=====

## 6. LONG TERM LOAN

This represent balance of the demand finance forcefully encashed by Collector of Customs (see note # 13.1) from Allied Bank of Pakistan Limited.

The loan is repayable in 28 quarterly installments of Rs. 7.5 million each together with interest @ 10% per annum.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>7. SHORT TERM LOANS - SECURED</b>		
Running Finance	16,643,398	19,951,574
Cash Finance	4,999,955	10,363,971
Pro-Note Discounting Facility	--	12,641,096
Current Maturity of Long Term Loan	30,000,000	--
	-----	-----
	51,643,353	42,956,641

7.1 These are secured against pledge/hypothecation of stock in trade, first charge on fixed assets, floating charge over the current assets, charge over fixed deposits, equitable mortgage, on personal properties and guarantees of Directors of the Company. Markup @ 44 paisas per thousand rupees per day.

	<b>2000</b>	<b>1999</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>8. CREDITORS &amp; ACCRUED LIABILITIES</b>		
Creditors	60,000	100,628
Duties & Bills Payable	--	5,583,099
Accrued Liabilities	12,945,685	10,407,210
	-----	-----
	13,005,685	16,090,937

### 9. CONTINGENCIES AND COMMITMENTS

(a) Outstanding amount of guarantees issued by financial institutions/insurance company on behalf of the company amounting to Rs.38,656,739 (1999- Rs.299,225,422).

(b) Bank guarantees of Rs.261 Million were presented by the Collector of Customs, Peshawar and were forcefully encashed on 18.10.99 and 10.11.99 despite of the presence of clear interim order issued before the honorable 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 Million in our case.

(c) Commitments under irrevocable letters of credit were Rs. Nil ( 1999 - Rs.28,793,758).

### 10. FIXED ASSETS ( FOAM DIVISION )

PARTICULARS	COST				DEPRECIATION			W.D.V	
	<i>As at</i> 01.07.99	<i>Additions/</i> <i>(Deletions)</i>	<i>Total upto</i> 30.06.2000	<i>Rate</i> %	<i>As at</i> 01.07.99	<i>Adjustment</i>	<i>For the</i> <i>year</i>	<i>Total as at</i> 30.06.2000	<i>As at</i> 30.06.2000
Land	6,528,000	--	6,528,000	--	--	--	--	--	6,528,000
Building	22,241,027	--	22,241,027	5	5,762,802	--	823,911	6,586,713	15,654,314
Plant and Machinery	86,013,969	--	86,013,969	--	28,931,147	--	--	28,931,147	57,082,822
Vehicles	15,099,485	1,149,000 (600,000)	15,648,485	20	10,139,076	(535,575)	1,208,997	10,812,498	4,835,987
Furniture and Fixtures	3,959,183	--	3,959,183	10	1,972,483	--	198,670	2,171,153	1,788,030
Office Equipment	2,798,343	8,360	2,806,703	10	1,418,049	--	138,865	1,556,914	1,249,789
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Year 2000: Rupees	136,640,007	557,360	137,197,367		48,223,557	(535,575)	2,370,443	50,05&425	87,138,942
	-----	-----	-----		-----	-----	-----	-----	-----
Year 1999: Rupees	138,591,484	130,523 (2,082,000)	136,640,007		47,280,632	(1,538,563)	2,481,488	48,223,557	88,416,450

### 10.1 ALLOCATION OF DEPRECIATION

	<b>2000</b>	<b>1999</b>
	<b>Rupees</b>	<b>Rupees</b>
Cost of Sales		
Administrative	2,370,443	2,481,488
	-----	-----
	2,370,443	2,481,488

### 10.2 DISPOSAL OF FIXED ASSETS

Particular of Assets	Accumulated			Sales Proceeds	Gain	Basis of	
	Cost	Depreciation	W.D.V			Sales	Sold to
Toyota Corolla Car	600,000	535,575	64,425	64,425		--Negotiation	Ex-Employee

### 10.3 FIXED ASSETS (CHEMICAL DIVISION)

	COST				DEPRECIATION			W.D.V
--	------	--	--	--	--------------	--	--	-------

PARTICULARS	As at	Additions/	Total upto	Rate	As at	Adjustment	For the	Total as at	As at
	01.07.99	(Deletions)	30.06.2000	%	01.07.99		year	30.06.2000	30.06.2000
Plant and Machinery	4,424,411	115,287	4,539,698	10	442,441	--	409,726	852,167	3,687,531
Year 2000: Rupees	4,424,411	115,287	4,539,698		442,441	--	409,726	852,167	3,687,531
Year 1999: Rupees	4,424,411	--	4,424,411		--	--	--	--	3,981,970

#### 10.4 ALLOCATION OF DEPRECIATION

	2000 Rupees	1999 Rupees
Cost of Sales	409,726	442,441
Administrative	--	--
	409,726	442,441

#### 11. LONG TERM INVESTMENT

	Rupees	Rupees
Subsidiary Company - Unquoted M/s Diamond Polymers (Pvt) Ltd. 800,000 Ordinary Shares of Rs.10/- each Equity held. 53.33% ( 1999 - 53.33% )	8,000,000	8,000,000
Break up value is Rs.41.52 ( 1999 - Rs.21.39 ) per share		
Associated Company, Quoted M/s Shaffi Chemical Industries Ltd. 3,754,240 ( 1999 -3,754,240 ) Ordinary shares Equity held. 31.28% ( 1999 - 31.28% ) Market Price. Rs. 4.95 ( 1999 - Rs.6.00 )	23,772,120	23,772,120
	31,772,120	31,772,120

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.

#### 12. STOCK IN TRADE

Raw Materials	5,157,378	61,745,499
Finished Goods	2,404,930	2,635,952
	7,562,308	64,381,451

#### 13. SHORT TERM INVESTMENTS

NAME OF THE COMPANY	YEAR 2000			YEAR 1999		
	NO OF SHARES	MARKET VALUE	COST	NO OF SHARES	MARKET VALUE	COST
PTCL	--	--	--	832,000	16,515,200	21,588,173
ADAMJEE INSURANCE	165,000	9,908,250	8,250,000			
DHAN FIBER LTD.	100	1,050	1,200	1,542,500	7,095,500	6,548,172
IBRAHIM FIBERS LTD.	--	--	--	935,000	6,545,000	5,953,849
ICI PAKISTAN LTD.	--	--	--	80,000	708,000	1,570,712
THE BANK OF PUNJAB	5,245,150	68,186,950	3,922,400	84,258	1,116,419	1,430,757
EFU LIFE ASSURANCE LTD.	--	--	--	98,000	980,000	1,144,073
AL-TOWFEEK INVESTMENT	--	--	--	64,000	192,000	611,304
ELAHI ELECTRIC LTD.	--	--	--	546,500	2,869,125	4,639,968
GENERTECH PAKISTAN LTD	--	--	--	126,500	1,075,250	1,342,534
LUCKY CEMENT	--	--	--	2,957,500	10,351,250	31,387,712
LTV CAPITAL MODARABA	--	--	--	358,500	483,975	1,521,893
NISHAT MILLS LTD.	--	--	--	14,705	139,698	169,277
DG KHAN CEMENT	871,000	7,055,100	8,710,000	931,500	3,865,725	8,897,341
PUNJAB MODARABA	--	--	--	166,750	358,513	884,852

FFC JORDAN	--	--	--	467,000	5,207,050	6,938,728
ABL MODARABA	--	--	--	342,500	2,140,625	2,180,955
HABIB BANK MODARABA	--	--	--	136,000	829,600	757,762
BANKER EQUITY LTD.	--	--	--	7,000	28,700	81,719
FCSC	--	--	--	15,400	138,600	147,095
CRESCENT TEXTILE	--	--	--	82,500	618,750	963,122
TRUST LEASING	--	--	--	30,000	96,000	222,871
TRUST MODARABA	--	--	--	96,500	313,625	716,903
NISHAT CHUNIAN	--	--	--	10,000	83,000	116,806
	-----	-----	-----	-----	-----	-----
TOTAL:-	6,281,250	85,151,350	100,883,600	9,924,613	61,751,605	99,816,578
	=====	=====	=====	=====	=====	=====

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

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

		<b>2000</b>	<b>1999</b>
		<i>Rupees</i>	<i>Rupees</i>
<b>14. ADVANCES, DEPOSITS, PREPAYMENTS, AND OTHER RECEIVABLE</b>			
Advances to Employees		197,314	199,564
Advances to Others		1,695,116	397,759
Sales Tax Refundable		763,831	7,274,910
Advance Income Tax		4,096,684	5,070,045
Letters of Credit		--	267,009
Prepaid Expenses		51,728	167,500
Prepayments		380,000	5,004
Deposits		6,482,998	2,503,494
Other Receivables	14.1	260,568,683	1,055,169
		-----	-----
		274,236,354	16,940,454
		=====	=====

#### 14.1 OTHER RECEIVABLE

Bank guarantees of Rs.261 Million were presented by the Collector of Customs, Peshawar and were forcefully encashed on 18.10.99 and 10.11.99 despite of the presence of clear interim order issued before the honorable 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 Million in our case.

#### 15. CASH AND BANK BALANCES

Cash and Cheques in hand		1,066,979	1,549,728
Cash with Banks			
in current accounts		2,467,389	437,899
		-----	-----
		3,534,368	1,987,627
		=====	=====

#### 16. COST OF GOODS SOLD

Raw Material Purchased		86,327,331	58,476,813
Raw Material Opening Stock		61,745,499	10,683,482
		148,072,830	69,160,295
Raw Material Closing Stock		5,157,378	61,745,499
Raw Material Consumed		142,915,452	7,414,796
Manufacturing Expenses	16.1	2,353,055	2,020,510
		145,268,507	9,435,306
Finished Goods Opening Stock		2,635,952	8,220,500
		147,904,459	17,655,806
Finished Goods Closing Stock		2,404,930	2,635,952
		-----	-----
		145,499,529	15,019,854
		=====	=====

**16.1 MANUFACTURING EXPENSES**

Wages, Salaries & Allowances	631,329	812,869
Utilities & Telecommunication	729,229	413,443
Repair & Maintenance	130,220	99,657
Depreciation	409,726	442,441
Fuel Charges	452,551	252,100
	-----	-----
	2,353,055	2,020,510
	=====	=====

**17. ADMINISTRATIVE EXPENSES**

Directors Remuneration	301,320	297,000
Salaries & Allowances	4,065,123	1,329,461
Rent	--	327,880
Insurance	889,594	1,940,620
Fee, Taxes, Consultancy, etc.	1,079,148	637,839
Repair & Maintenance	7,310	--
Travelling Expenses	55,427	69,624
	17.1	40,000
Utilities & Telecommunication	815,804	553,997
Misc. Expenses	116,628	133,736
Depreciation	2,370,443	2,481,488
Amortization	527,417	527,417
	-----	-----
	10,268,214	8,339,062
	=====	=====

**17.1 AUDITORS REMUNERATION**

Audit Fee	40,000	40,000
	=====	=====

**18. SELLING EXPENSES**

Salaries & Allowances	180,124	117,759
Publicity & Advertisement	42,037	112,408
Travelling & Vehicle Running Expenses	270,648	257,378
Freight & Octroi	555,937	162,446
Misc. Expenses	25,476	25,750
	-----	-----
	1,074,222	675,741
	=====	=====

**19. FINANCIAL EXPENSES**

Bank Charges	633,815	2,602,048
Interest Paid	21,076,154	2,626,154
	-----	-----
	21,709,969	5,228,202
	=====	=====

**20. OTHER INCOME/(LOSS)**

Disposal of Fixed Assets	--	724,749
Dividend Income	24,865,378	12,297,541
Realised Capital Gain/(loss)	33,362,834	(1,362,338)
	-----	-----
	58,228,212	11,659,952
	=====	=====

**21. DIVIDEND**

INTERM DIVIDEND 30%	27,000,000	--
FOREGO DIVIDEND	16,646,400	--
	-----	-----
	10,353,600	--
	=====	=====

21.1 The Directors/Sponsors of the Company had surrendered their right of dividend in the best interest of the Company.

## 22. AGGREGATE TRANSACTION WITH ASSOCIATED COMPANIES

The Company's purchases/sales from/to associated companies were Rs. Nil (1999 Nil)/Rs. 133.75 million (1999 Nil) respectively. The purchases/sales of chemicals were made at cost including handling charges. Maximum aggregate balance due from associated companies at the end of any month during the year was Rs.201 million.(1999 Rs.120 million)

## 23 INSTALLED CAPACITY

	2000		1999	
	Capacity Tons	Production	Capacity Tons	Production
Foam	12,000	--	12,000	80
PVA	1,560	1,357	1,560	206

## 24 REMUNERATION OF DIRECTORS AND EXECUTIVES

Particulars	2000			1999		
	Chief Executive	Directors	Executives Executive	Chief	Directors	Executives
Remuneration	--	200,886	299,861	--	198,400	299,861
Perquisites, Benefits & Allowances	--	100,434	149,931	--	99,200	149,931
Total	--	301,320	449,792	--	297,600	449,792
No. of Persons	1	2	4	1	4	4

The Company also provides some of them with free transport and residential telephones.

## 25 STATEMENT PURSUANT TO SECTION 237 OF THE COMPANIES ORDINANCE, 1984

25.1 Accounts of the Subsidiary - Diamond Polymers (Pvt) Ltd., for the year ended June 30, 2000 alongwith Auditors and Directors Report thereon are attached herewith.

25.2 Statement under section 237 (1) (e)

a) Extent of shareholding in subsidiary company: 53.33%

b) i) Profit of the subsidiary for the year ended June 30, 2000 amounting to Rs.16.11 million ( 1999 Rs. 3.564 ) concerning members of the holding company has not been dealt with in these accounts.

ii) Profits of the subsidiary for previous financial years concerning members of the holding company amounting to Rs. 9.103 million ( 1999 Rs. 5.539 million ) has not been dealt with in these accounts.

iii) Profit for the year ended June 30, 2000 amounting to Rs.30.21 million ( 1998 Rs. 6.683 ) million has not been dealt with in these accounts.

iv) Profits for previous financial years of the subsidiary company amounting to Rs. 17.070 million ( 1999 Rs. 10.387 million ) has not been dealt with in these accounts.

v) Profits 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, 2000 was amounting to Rs.30.21 million of the subsidiary company.

## 26. FIGURES

Have been rounded off nearest to Rupee

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

**Waqar A.Shaffi**  
Chief Executive

**Muhammad Saeed**  
Director

**FORM '34'**  
**PATTERN OF SHAREHOLDING**  
**HELD BY THE SHAREHOLDERS AS AT JUNE 30TH, 2000**

<i>NUMBER OF SHAREHOLDERS</i>	<i>CATEGORIES</i>		<i>TOTAL SHARES HELD</i>
	<i>FROM</i>	<i>TO</i>	
35	1	100	3000
225	101	500	80450
71	501	1000	59450
81	1001	5000	176750
13	5001	10000	110850
6	10001	15000	78050
2	20001	25000	45000
2	25001	30000	54500
1	40001	45000	43500
1	85001	90000	90000
1	145001	150000	150000
1	220001	225000	225000
1	645001	650000	650000
1	745001	750000	750000
1	845001	850000	850000
1	1135001	1140000	1137200
1	1360001	1365000	1363800
1	1420001	1425000	1422450
1	1705001	1710000	1710000
-----	-----	-----	-----
446			9000000
=====	=====	=====	=====

**CATEGORIES OF SHAREHOLDERS**

<i>CATEGORIES OF SHAREHOLDERS</i>	<i>NUMBER</i>	<i>SHARE HELD</i>	<i>PERCENTAGE</i>
Individuals	439	6212800	69.031
Investment Companies	4	1186250	13.180
Insurance Companies			
Joint Stock Companies	3	1600950	17.788
Financial Institutions			
Modaraba Companies			
Leasing Companies			
Others			
	-----	-----	-----
	446	9000000	100.000
	=====	=====	=====

**DIAMOND POLYMERS (PVT) LIMITED**

**COMPANY INFORMATION**

<b>BOARD OF DIRECTORS:</b>	MR. WAQAR A. SHAFFI Chairman/Chief Executive
	MR. MUHAMMAD SAEED
<b>COMPANY SECRETARY:</b>	NAZIR AHMAD
<b>AUDITORS:</b>	SALEEM AHSAN & CO.

Chartered Accountants

**LEGAL ADVISORS:**

IRTIZA ALI NAQVI & ASSOCIATES

**BANKERS:**

ALLIED BANK OF PAKISTAN LIMITED  
EMIRATES BANK INTERNATIONAL  
FIDELITY INVESTMENT BANK LIMITED  
GULF COMMERCIAL BANK LIMITED  
MUSLIM COMMERCIAL BANK LIMITED  
PLATINUM COMMERCIAL BANK LIMITED

**REGISTERED OFFICE:**

12/A, NEW INDUSTRIAL AREA,  
MIRPUR, AZAD JAMMU & KASHMIR  
TEL: 0342-7358113  
Email: diamond@brain.net.pk

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of DIAMOND POLYMERS (PVT) LTD as at June 30, 2000 and the related Profit & (Loss) Account in equity 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.

It is the responsibility of the company's management to establish and maintain the system of internal control and prepare and present the above said statements in conformity with the approved accounting standards and the requirement 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 statement 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 accounting policies consistently applied;

ii. the expenditure incurred during the year was for the purpose of company's business, and

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

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and related Profit & Loss Account 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, 2000 and of the profit, its changes in equity for the year then ended; and

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

LAHORE:  
DATED: 13TH JANUARY, 2001

**SALEEM AHSAN & CO.**  
**CHARTERED ACCOUNTANTS.**



## BALANCE SHEET AS ON JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
<b>CAPITAL &amp; LIABILITIES</b>			
<b>AUTHORISED CAPITAL</b>			
3,000,000 shares of Rs. 10 each		30,000,000	30,000,000
<b>ISSUED , SUBSCRIBED &amp; PAID UP CAPITAL</b>			
1,500,000 shares of Rs. 10 each		150,000,001	15,000,000
Un-Appropriated Profit / (loss)		47,281,617	17,070,737
		-----	-----
		62,281,617	32,070,737
Loan From Directors		104,840,965	--
Long Term Liabilities	3	51,051,447	25,289,765
Liability Against Finance Lease	4	5,365,078	9,191,032
<b>CURRENT LIABILITIES</b>			
Short Term Loan (Secured)	5	--	101,826,398
Creditors & Accrued Liabilities	6	114,484,180	11,888,166
Due to Associated Concern		4,569,229	--
Provision for Taxation		2,940,719	1,376,099
		-----	-----
		121,994,128	115,090,663
		-----	-----
		345,533,236	181,642,197
<b>PROPERTY &amp; ASSETS</b>			
<b>FIXED ASSETS</b>			
(At cost less Depreciation)	7	58,283,152	58,725,396
<b>CAPITAL WORK IN PROGRESS</b>			
	8	1,104,332	--
<b>CURRENT ASSETS</b>			
Stock in Trade	9	146,409,267	64,517,088
Debtors Un-secured		63,685,490	15,702,864
Advances, Deposits, prepayments & Other Receivables	10	22,315,271	11,260,857
Due from Associated Concern		600,000	13,621,089
Cash & Bank Balances	11	53,135,725	17,814,903
		-----	-----
		286,145,753	122,916,801
		-----	-----
		345,533,236	181,642,197

**Waqar A.Shaffi**  
Chief Executive

**Muhammad Saeed**  
Director

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
SALES		588,143,853	275,219,724

COST OF GOODS SOLD	12	463,507,397	206,194,490
		-----	-----
<b>GROSS PROFIT</b>		124,636,456	69,025,234
<b>OPERATING EXPENSES</b>			
Administrative Expenses	13	34,395,967	25,371,317
Selling & Distribution Expenses	14	51,335,947	22,471,596
Financial Expenses	15	5,602,933	13,122,765
		-----	-----
		91,334,847	60,965,678
		-----	-----
Profit/(Loss) Before Taxation		33,301,609	8,059,556
Prior Year Adjustment		150,009	--
		-----	-----
		33,151,600	8,059,556
Provision For Taxation		2,940,719	1,376,099
		-----	-----
Net profit/(Loss) after taxation		30,210,880	6,683,458
Un Appropriated Profit/(Loss) Brought Forward		17,070,737	10,387,279
		-----	-----
<b>Accumulated profit/(Loss) carried forward to Balance Sheet</b>		47,281,617	17,070,737
		=====	=====

**Waqar A.Shaffi**  
Chief Executive

**Muhammad Saeed**  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2000

	<b>2000</b>	<b>1999</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before taxation	33,301,609	8,059,556
<b>Adjustments for:</b>		
Depreciation	7,137,161	7,102,994
Mark-up	5,602,933	--
	-----	-----
Operating Profit Before Working Capital Changes	46,041,703	15,162,550
<b>(INCREASE)/DECREASE IN CURRENT ASSETS</b>		
Stock in Trade	(81,892,179)	5,856,066
Trade Debtors	(47,982,626)	(10,566,339)
Advances, Deposits, Prepayments & Other Receivables	(11,054,414)	3,148,471
Due From Associated Concern	13,021,089	(13,621,089)
	-----	-----
	(127,908,130)	(15,182,891)
<b>INCREASE/(DECREASE) IN CURRENT LIABILITIES</b>		
Creditors, Accrued and Other Liabilities	102,596,014	(36,488,407)
Short Term Loans	(101,826,398)	101,826,398
	-----	-----
	769,616	65,337,991
Changes in Working Capital	(127,138,514)	50,155,100
<b>Cash Generated From Operations</b>	(81,096,811)	65,317,650
Mark-up	(5,602,933)	--
Taxes Paid/Adjustment	(1,526,108)	(1,254,058)
	-----	-----
<b>Net cash used in operating activities</b>	(88,225,852)	64,063,592
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net Fixed Assets	(6,560,117)	(14,136,100)

Sales Proceeds of Fixed Asset	539,200	205,600
Capital Work in Progress	(1,104,332}	5,012,100
	-----	-----
<b>Net cash used in investing activities</b>	<b>(7,125,249}</b>	<b>(8,918,400)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from obligation under finance lease	1,710,000	6,400,000
Repayment of obligation under finance lease	(6,209,953)	(4,223,143)
Increase/(Decrease) in long term loan from directors	104,840,965	(73,913,085)
Increase/(Decrease) in long term loan	25,761,682	25,289,765
increase/{Decrease) in in due to associated concern	4,569,229	--
	-----	-----
<b>Net cash used in financing activities</b>	<b>130,671,923</b>	<b>(46,446,463)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>35,320,822</b>	<b>8,698,729</b>
<b>Cash &amp; Cash Equivalents at the beginning of the period</b>	<b>17,814,903</b>	<b>9,116,174</b>
	-----	-----
<b>Cash &amp; Cash Equivalents at the close of the period</b>	<b>53,135,725</b>	<b>17,814,903</b>
	=====	=====

**Waqar A.Shaffi**  
Chief Executive

**Muhammad Saeed**  
Director

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE, 30, 2000

### 1. THE COMPANY AND ITS OPERATIONS

Diamond Polymers (Pvt) Ltd 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 7 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 then expected useful life at the rates mentioned in note 7.1 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
Work In 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 previous year have been re-arranged to facilitate comparison where necessary.

**3. LONG TERM LIABILITY**

This represents liability created in respect of Custom Duty &amp; Sales Tax payable to Collector of Customs against imported raw material and is secured by Bank Guarantees.

**4. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

	<i>RUPEES</i>	<i>RUPEES</i>
1999-2000	--	6,763.08
2000-2001	5,083,425	4,399,601
2001-2002	764,848	81,029
2002-2003	341,955	--
	-----	-----
	6,190,228	11,243,710
LESS:-Future finance charges	825,150	2,052,678
	-----	-----
Net lease obligation	5,365,078	9,191,032
	=====	=====

**5. SHORT TERM LOAN (SECURED)**

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

**6. CREDITORS & ACCRUED LIABILITIES**

Expenses Payable	3,222,938	2,714,592
Documents & Duties Payable	79,477,424	8,343,619
Creditors	31,783,818	829,956
	-----	-----
	114,484,180	11,888,167
	=====	=====

**7. DEPRECIATION CHART**

PARTICULARS	COST				DEPRECIATION			W.D.V
	<i>As at</i> <i>01.07.99</i>	<i>Additions/</i> <i>(Deletions)</i>	<i>Total upto</i> <i>30.06.2000</i>	<i>Rate</i> <i>%</i>	<i>As at</i> <i>01.07.99</i>	<i>For the</i> <i>Adjustment</i> <i>Period</i>	<i>Total as at</i> <i>30.06.2000</i>	<i>As at</i> <i>30.06.2000</i>
Land	781,944	119,369	901,313					901,313
Building	27,808,350	215,134	28,023,484	5	3,588,138	1,221,767	4,809,905	23,213,579
Plant and Machinery	21,638,507	827,504	22,466,011	10	5,399,445	1,706,657	7,106,102	15,359,909
Furniture and Fixtures	1,386,955	561,228	1,948,183	10	301,010	164,717	465,727	1,482,456
Office Equipment	1,749,649	886,172	2,635,821	10	336,192	229,963	566,155	2,069,666
Vehicles	5,601,740	2,914,710 (674,000)	7,842,450	20	2,264,964	(134,800)	1,142,457	3,272,621
Year 2000: Rupees	58,967,145	4,850,117	63,817,262		11,889,749	(134,800)	4,465,561	16,220,510
Year 1999: Rupees	51,488,045	7,479,100	58,967,145		7,750,155	(51,400)	4,190,994	11,889,749
	-----	-----	-----	-----	-----	-----	-----	-----
	=====	=====	=====	=====	=====	=====	=====	=====

**7.1 DISPOSAL OF FIXED ASSETS**

Particular of Assets	Cost	Accumulated		Sales Proceeds	(Gain/Loss)	Basis of Sales	Sold to
		Depreciation	W.D.V				
Car	674,000	134,800	539,200	539,200		--Negotiation	Ex-Employee

**7.2 ASSETS SUBJECT TO FINANCE LEASE**

PARTICULARS	COST				DEPRECIATION			W.D.V	
	As at 01.07.99	Additions/ (Deletions)	Total upto 30.06.2000	Rate %	As at 01.07.99	Adjustment	For the period	Total as at 30.06.2000	As at 30.06.2000
Vehicles	16,600,000	1,710,000	18,310,000	20	4,952,000	--	2,671,600	7,623,600	10,686,400
Years 2000	16,600,000	1,710,000	18,310,000		4,952,000	--	2,671,600	7,623,600	10,686,400
Years 1999	10,200,000	6,400,000	16,600,000		2,040,000	--	2,912,000	4,952,000	11,648,000

**7.3 ALLOCATION OF DEPRECIATION**

	Rupees
Cost of Sales	2,928,424
Administrative	4,208,737
TOTAL	7,137,161

**8. CAPITAL WORK IN PROGRESS**

	RUPEES	RUPEES
Building	911,036	--
Machinery	193,296	--
	1,104,332	--

**9. STOCK IN TRADE**

Raw Materiel	118,913,639	37,623,718
Finished Goods	277,495,628	26,893,370
	146,409,267	64,517,088

**10. ADVANCES, DEPOSITS, PREPAYMENTS, AND OTHER RECEIVABLES**

	2000 RUPEES	1999 RUPEES
Advance to Employees	640,106	452,250
Advance Income Tax	12,080,937	4,884,533
Letter of Credit	5,006,566	--
Advances to Others	103,937	640,000
Security Deposit	650,341	279,125
Other Receivable	3,833,384	5,004,949
	223,157,271	11,260,857

**11. CASH AND BANK BALANCES**

Cash at Bank Note 11.1	50,433,737	16,276,085
Cash & Cash Equivalents	2,701,988	1,538,818
	53,135,725	17,814,903

**11.1 Cash at Bank**

Special Account Note 11.2	40,233,335	8,373,598
LC Margin Account	2,400,000	--
Current Account	5,303,449	6,665,561
Saving Account	2,496,953	1,236,926
	-----	-----
	50,433,737	16,276,085
	=====	=====

**11.2 Special Account**

Special Accounts are maintained in respect of security deposit against guarantee issued by Bank in favour of Collector of Customs

**12. COST OF GOODS SOLD**

Raw Materiel Opening Stock	37,623,718	28,502,753
Raw Materiel Purchased	528,976,684	184,293,574
	-----	-----
Raw Materiel Closing Stock	566,600,402	212,796,327
	118,913,639	37,623,718
	-----	-----
Raw Materiel Consumed	447,686,763	175,172,609
*Manufacturing Expenses	Note-12.1	167,422,892
	-----	-----
	464,109,655	191,217,460
Finished Goods Opening Stock	26,893,370	41,870,400
	-----	-----
Finished Goods Closing Stock	491,003,025	233,087,860
	27,495,628	26,893,370
	-----	-----
	463,507,397	206,194,490
	=====	=====

**12.1 MANUFACTURING EXPENSES**

Salaries, Wages, Benefits & Others	9,268,320	8,676,930
Electricity Charges	2,288,521	2,272,805
Freight & Octroi	--	180,097
Fuel & Energy	213,360	449,277
Repair & Maintenance	1,724,267	1,386,654
Depreciation	2,928,424	3,079,088
	-----	-----
	16,422,892	16,044,851
	=====	=====

**13. ADMINISTRATIVE EXPENSES**

Salaries, Wages, Benefits & Others	10,331,878	9,870,350
Directors Remuneration	1,200,000	1,200,000
Electricity % Fuel	2,323,553	1,117,896
Telephone & Telex	2,487,673	1,482,397
Gas & Water Charges	185,431	143,532
Insurance Charges	4,712,929	2,168,809
Repair & Maintenance	1,703,080	860,313
Charity & Donation	650.34	637,654
Travelling & Conveyance	2,108.80	1,150,222
Fees & Taxes	931,123	451,141
Fire Fighting	29,829	16,960
Printing & Stationary	900,695	495,077
Legal & Professional Charges...Note 131.1	807,370	54,325
Entertainment	715,686	447,708
Postage & Telegrams	158,639	106,395
Depreciation	4,208,737	4,023,905
Misc. Expenses	940,208	1,144,633
	-----	-----
	34,395,967	25,371,317

**13.1 AUDIT FEE**

Audit Fee	20,000	20,000
-----------	--------	--------

**14. SELLING & DISTRIBUTION EXPENSES**

Sales Allowances & Rebate	2,893,569	62,939
Advertising & Publicity	19,795,853	578,409
Travelling & Conveyance Charges	685,791	450,235
Freight & Forwarding	27,960,734	21,380,013
	-----	-----
	51,335,947	22,471,596

**15. FINANCIAL CHARGES**

Bank Charges	1,827,701	685,508
Mark-up	3,775,232	12,437,257
	-----	-----
	5,602,933	13,122,765

**PATTERN OF SHAREHOLDING****HELD BY THE SHAREHOLDERS AS AT JUNE 30TH, 2000**

<i>NUMBER OF SHAREHOLDERS FROM</i>	<i>CATEGORIES</i>	<i>TO</i>	<i>TOTAL SHARES HELD</i>
1	1	10000	10000
2	10001	50000	90000
2	50001	1000000	1400000
-----	-----	-----	-----
5			1500000
-----	-----	-----	-----

<i>CATEGORIES OF SHAREHOLDERS</i>	<i>NUMBER</i>	<i>SHARE HELD</i>	<i>PERCENTAGE</i>
Individuals	3	100000	6.67%
Joint Stock Companies	2	1400000	93.33%
	-----	-----	-----
	5	1500000	100.00%
	-----	-----	-----

**Diamond Industries Limited and Subsidiary****CONSOLIDATED FINANCIAL STATEMENTS****CONSOLIDATED FINANCIAL INFORMATION**

<b>General Information</b>	<b>2000</b>	<b>1999</b>
<b>Subsidiary</b>	<b>Diamond Polymers</b>	<b>Diamond Polymers</b>
	<b>(Pvt) Ltd.</b>	<b>(Pvt) Ltd.</b>
Accounting Year Ended	30.06.2000	30.06.1999
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 statements of the Parent:

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

Reserves attributable to members of the parent company not dealt within the financial statements of the Parent:

- In the current year	16,111,462	3,564,288
- In the previous years	9,103,824	5,539,536

**Waqar 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, 2000 and the related consolidated Profit and Loss Account, for the year ended June 30, 2000. 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, 2000 and the results of their operations for the year then ended.

LAHORE:  
DATED: 13TH JANUARY, 2001

**SALEEM AHSAN & CO.**  
**CHARTERED ACCOUNTANTS.**

## CONSOLIDATED BALANCE SHEET For the year ended June 30, 2000

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>CAPITAL &amp; LIABILITIES</b>		
<b>AUTHORIZED CAPITAL</b>		
12,000,000 Ordinary shares of Rs.10 each	120,000,000	120,000,000
	=====	=====
<b>ISSUED, SUBSCRIBED &amp; PAID UP CAPITAL</b>		
9,000,000 Ordinary Shares of Rs. 10 Each	90,000,000	90,000,000
Un-appropriated Profit	142,431,435	112,251,930
	-----	-----
	232,431,435	202,251,930
<b>MINORITY INTEREST</b>		
Share Capital	7,000,000	7,000,000
Reserves	22,066,331	7,966,909
	-----	-----
	29,066,331	14,966,909
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	50,163,799	50,163,799
	-----	-----
<b>LOAN FROM DIRECTORS</b>	104,840,965	--
<b>LONG TERM LOAN</b>	230,456,665	25,289,765



<b>LIABILITY AGAINST FINANCE LEASE</b>	5,365,078	9,191,032
<b>CURRENT LIABILITIES</b>		
Short Term Loans - Secured	51,643,353	144,783,039
Creditors & Accrued Liabilities	127,489,865	27,979,103
Other Liabilities	7,432,111	7,432,111
Provision for Taxation	5,594,938	2,053,438
Due to Associate Concern	4,569,229	--
Dividend Payable	1,084,760	67,890
	-----	-----
	197,814,256	182,315,581
<b>CONTINGENCIES AND COMMITMENTS</b>	--	--
	-----	-----
	850,138,529	484,179,016
	=====	=====
<b>PROPERTY &amp; ASSETS</b>		
<b>FIXED ASSETS</b>		
(At cost less depreciation)	149,109,624	151,123,816
Capital work in progress	1,104,332	--
Deferred Cost	--	527,417
Long Term Investment	23,772,120	23,772,120
<b>CURRENT ASSETS</b>		
Stock in Trade	153,971,575	128,898,539
Debtors	67,475,560	18,415,616
Short Term Investment	100,883,600	99,816,578
Due from Associated Concern	600,000	13,621,089
Advances, Deposit, prepayments & Others Receivable	296,551,625	28,201,311
Cash and Bank Balances	56,670,093	19,802,530
	-----	-----
	676,152,453	308,755,663
	-----	-----
	850,138,529	484,179,016
	=====	=====

**Waqar A. Shaffi**  
Chief Executive

**Muhammad Saeed**  
Director

## **CONSOLIDATED PROFIT AND LOSS ACCOUNT**

**For the year ended June 30, 2000**

	<b>2000</b>	<b>1999</b>
	<b>Rupees</b>	<b>Rupees</b>
Sales	601,119,436	287,712,102
Cost of Sales	475,260,260	221,214,344
	-----	-----
<b>Gross Profit</b>	125,859,176	66,497,758
Administrative Expenses	44,664,181	33,710,979
Selling and Distribution Expenses	52,410,169	23,147,337
Financial Charges	27,312,902	18,350,967
	-----	-----
	124,387,252	75,209,283
	-----	-----
Operating Profit/(Loss)	1,471,924	(8,711,525)
Other Income/(Loss)	58,228,212	11,659,952
	-----	-----
Profit/(Loss) for the year	59,700,136	2,948,427
Prior years adjustment	(150,009)	84,144
	-----	-----

Profit/(Loss) before taxation	59,550,127	3,032,571
Less: Taxation	4,917,600	2,053,438
	-----	-----
Profit after Taxation	54,632,527	979,133
Minority Interest	14,099,418	3,119,170
	-----	-----
Net Profit attributable to parent company	40,533,109	(2,140,037)

**STATEMENT OF RETAINED EARNINGS**

Retained Earnings beginning of the Year	112,251,926	114,391,967
Net Income for the Year	40,533,109	(2,140,037)
Dividend	(10,353,600)	--
	-----	-----
Retained Earnings End of the Year	142,431,435	112,251,930

**Waqar A. Shaffi**  
Chief Executive

**Muhammad Saeed**  
Director

**CONSOLIDATED CASH FLOW STATEMENT****For the year ended June 30, 2000****CASH FLOW FROM OPERATING ACTIVITIES***Rupees*

Net Profit/(loss) before taxation	59,700,136
<b>Adjustment for:</b>	
Depreciation	9,917,330
Amortization	527,417
Financial Expenses	27,312,902
Profit on Disposal of Assets	--
Other Income	(24,865,378)
Others	(33,362,834)
	-----

**Operating Profit Before Working****Capital Changes And Financial Expenses** 39,229,573**Change in Working Capital**

(Increase)/Decrease in Stock in Trade	(25,073,036)
(Increase)/Decrease in Debtors	(49,059,945)
(Increase)/Decrease in Due from Associated Concern	13,021,089
(Increase)/Decrease in Advances, Deposit, Prepayments & Others Receivable	(268,350,314)
	--
	-----

(329,462,206)

Increase/(Decrease) in Short Term Loan (101,826,398)

Increase/(Decrease) in Creditors &amp; Accrued Liabilities 99,510,762

**Changes in Working Capital** (331,777,842)**Cash Generated From Operations** (292,848,269)

Financial Expenses (27,312,902)

Taxes Paid/Adjustment (1,526,108)

**Net Cash From Operating Activities** (321,387,279)**CASH FLOW FROM INVESTING ACTIVITIES**

Net Fixed Assets (7,832,764)

Long Term Investment

Short term Investment (1,067,022)

Payment of dividend (9,336,730)

Capital Work in Progress (1,104,332)

Sales proceeds of fixed assets	603,625
Other Income/(loss)	58,228,212
	-----
<b>Net Cash Provided By (Use In) Investing Activities</b>	<b>39,490,989</b>
	-----
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Proceed from obligation under Finance Lease	1,710,000
Repayment of obligation under Finance Lease	(6,209,953)
Increase/(Decrease) in Loan From Directors	104,840,965
Increase/(Decrease) in Long Term Loans	205,166,900
Increase/(Decrease) in Short Term Loans	8,686, 712
Increase/(Decrease) in due to associated concern	4,569,229
	-----
<b>Net Cash Used in Financing Activities</b>	<b>318,763,853</b>
	-----
Net Increase/(Decrease) in Cash & Cash Equivalents	36,867,563
Cash & Cash Equivalents at Beginning of the Period	19,802,530
	-----
Cash & Cash Equivalents at Close of the Period	56,670,093
	-----