

Dewan Salman Fibre Limited

Annual Report 1999

CONTENTS

Company Information
Notice of Meeting
Directors' Report
Auditors' Report
Balance Sheet
Profit and Loss Account
Cash Flow Statement
Notes to the Accounts
Summary of Differences between IAS, UK GAAP and US GAAP
Pattern of Share Holding

BOARD OF DIRECTORS:

AKIRA YAMAMURA
Chairman

DEWAN ZIAUR REHMAN FAROOQUI
President / Chief Executive

DEWAN ASIM MUSHFIQ FAROOQUI
Managing Director

HO SIK KI
DEWAN GHULAM MUSTAFA KHALID
DEWAN MOHAMMAD YOUSUF FAROOQUI
DEWAN MOHAMMAD AYUB KHALID
DEWAN ABDUL REHMAN FAROOQUI
YOON KIM
M. MEGURIVA

AUDITORS:

FARUQ ALI & COMPANY
CHARTERED ACCOUNTANTS

FEROZE SHARIF TARIQ & COMPANY
CHARTERED ACCOUNTANTS

SECRETARY:

TARIQ MOHAMMAD KHAN

LEGAL ADVISORS:

KHALID ANWER & COMPANY
ADVOCATES

TAX ADVISORS:

SHARIF & COMPANY
ADVOCATES

FACTORY OFFICE:

PLOT NO. 1, DEWAN FAROOQUE INDUSTRIAL PARK
DISTRICT HARIPUR (N.W.F.P.)

HEAD OFFICE:

DEWAN CENTRE,
3-A, LALAZAR,
BEACH HOTEL ROAD,
KARACHF74000.

REGISTERED OFFICE:

DEWAN CENTRE,
17, STREET-84,
SECTOR G-6/4, ISLAMABAD-44000.

BANKERS:

ABN AMRO BANK
AMERICAN EXPRESS BANK
BANK OF AMERICA
BANK OF KHYBER
CITIBANK
CREDIT AGRICOLE INDOSUEZ
EMIRATES BANK INTERNATIONAL LIMITED
FAYSAL BANK LIMITED
HABIB BANK LTD,
HONG KONG & SHANGHAI BANKING CORPORATION
MUSLIM COMMERCIAL BANK LTD.
SOCIETE GENERALE, THE FRENCH AND INTERNATIONAL BANKING CORPORATION
STANDARD CHARTERED BANK
UNITED BANK LIMITED

NOTICE OF TENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Tenth Annual General Meeting of DEWAN SALMAN FIBRE LIMITED will be held on 29 December 1999 at 4.00 p.m. at Dewan Centre, 17, Street 84, Sector G-6/4, Islamabad, to transact the following business:

ORDINARY BUSINESS:

1. Recitation from HOLY QURAN.
2. To read and confirm the minutes of the NINTH ANNUAL GENERAL MEETING held on 31 December 1998.
3. To receive, consider and adopt the annual audited accounts for the year ended 30 June 1999, together with the Directors' and Auditors' Report thereon.
4. To elect eight directors of the Company for a period of three years. The number of directors to be elected is fixed by the Board of Directors in accordance with the provisions of Section 178(I) of the Companies Ordinance, 1984. The following retiring directors are eligible for re-election,

1. Mr. Akira Yamamura
2. Dewan Ziaur Rehman Farooqui
3. Mr. Ho Sik Ki
4. Dewan Ghulam Mustafa Khalid
5. Dewan Mohammad Yousuf Farooqui
6. Dewan Abdul Rehman Farooqui
7. Dewan Mohammad Ayub Khalid
8. Dewan Asim Mushfiq Farooqui

5. To approve the declaration of Cash Dividend @ 7.5% and issuance of Bonus Shares at the rate of 12.5%.

6. To appoint Auditors of the Company for the year ending 30 June 2000 and to fix their remuneration.

SPECIAL BUSINESS:

7. To consider and approve short term loans and advances, out of surplus funds available with the Company to Dewan Textile Mills Limited and / or Dewan Khalid Textile Mills Limited and / or Dewan Mushtaq Textile Mills Limited in compliance with the provisions of Section 208 of the Companies Ordinance, 1984.

8. To approve remuneration payable to the Chief Executive and whole-time working Director.

9. To transact any other business with permission of the Chair.

Date: 08 December 1999

Place: Karachi

By Order of the Board

(TARIQ MOHAMMAD KHA)

Company Secretary

NOTES:

1. The Shares Transfer Books of the Company will remain closed from 28 December 1999 to 05 January 2000 (Both days inclusive).

2. A member entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to attend, speak and vote for him/her (A proxy must be a member of the Company).

3. An instrument of proxy and a power of attorney or other authority (if any) under which it is signed or a notarilly certified copy of such power of attorney, in order to be valid must be deposited at the registered office of the Company not less than 48 hours before the time of the meeting,

4. Members are requested to notify any changes in their address immediately.

"Statement under Section 160 of the Companies Ordinance, 1984 is attached with the Annual Report circulated to the members of the Company"

**STATEMENT UNDER SECTION 160 OF THE COMPANIES
ORDINANCE, 1984**

This statement is annexed to the Notice of the Tenth Annual General Meeting of Dewan Salman Fibre Limited (hereinafter referred to as DSFL) to be held on 29 December 1999 and sets out material facts concerning the Special Business to be transacted at the Meeting.

1. Investments in Associated Companies

The Board of Directors considers to advance temporary short term financing to the associated companies out of surplus funds available with the Company, Details of such financing are given below:

(i) Name of Borrower Company and associated undertaking together with the amount of loan and advance.

-- Dewan Textile Mills Limited
Rupees Fifty Million only
M Dewan Khalid Textile Mills
Rupees Fifty Million only
-- Dewan Mushtaq Textile Mill
Rupees Fifty Million only

(ii) Rate of interest to be charged on each loan and advance together with the particulars of collateral security to be obtained from borrower.

-- 1% above the rate on which the Company has obtained its own borrowing.
-- No security is considered necessary as all the companies are under company management control,

(iii) Period for which these loans and advances will be made

-- Twelve Months

(iv) The terms of repayment or any other terms of loans and advances.

-- The loans and Advances are to be repaid within a period of twelve months and when required by the Lending Company,

(v) Purpose of loans and advances

-- The purpose of loans and advances is to provide any immediate requirement of working capital of the Borrowing Company,

(vi) Benefits likely to accrue to the Company and its shareholders from loans and advances.

-- The Investing Company and its shareholders will be benefited in that their investment will fetch a return of one percent over and above the mark up rate at which the Investing Company has borrowed. Further, the surplus funds will not remain idle but will be invested in the most efficient manner whereby the Investing Company

not only getting good returns but funds will also remain at the disposal of the Investing Company as such and advances are repayable on demand,

In this regard following resolution is proposed to be passed, with or without modification, as a "SPECIAL RESOLUTION".

"Resolved that the Board of Directors of the Company be and is hereby authorised to make temporary short term loans/advances to the following associated companies up to maximum limit of Rs.50 million each at the mark up rate of 1% above the rate on which the Company has obtained the borrowing.

Dewan Textile Mills Limited

Dewan Khalid Textile Mills Limited

Dewan Mushtaq Textile Mills Limited

These temporary loans / advances shall be adjusted as and when required by the Company and shall not exceed 12 months period".

2. Remuneration payable to the Chief Executive and whole-time working Director:

Approval of shareholders will be sought for the remuneration payable to the Chief Executive and a whole-time working Director. For this purpose it is intended to propose that the following resolution be passed as an Ordinary Resolution, namely:

"Resolved that the Company hereby authorises the payment as remuneration to Dewan Ziaur Rehman Farooqui, Chief Executive and Dewan Asim Mushfiq Farooqui, whole-time director, Rs. 500,000 per month and Rs.300,000 per month respectively, exclusive of perquisites and other benefits to which they are entitled under their terms of office for the whole year ending 30 June, 2000 and for the remainder of their term remuneration as increased by the sums that may be applicable under their respective terms of offices."

DIRECTORS' REPORT

Your Directors take pleasure in presenting to you the Tenth Annual Report of the Company together with the audited accounts for the year ended on June 30 1999.

Alhamdulillah, the results for the year under review are satisfactory considering the global crisis in the synthetic fibre sector. During the year in question, your Company has earned a consolidated Net Profit of about Rs. 295.497 million.

The highlights of the accounts are as follows:

(Rs. in '000')

	<i>Unit I</i>	<i>Unit II</i>	<i>Consolidated</i>
Gross Sales	2,536,374	3,081,888	5,618,262
Sales Tax	315,776	380,130	695,906
Depreciation	151,833	316,265	468,098
Gross Profit	275,469	360,836	636,305
Net Profit	150,075	145,422	295,497

We humbly and gratefully bow our heads before Almighty Allah. the most Gracious and Merciful, who has rewarded and blessed your Company with His innumerable bounties in the difficult times.

IF YE GIVE THANKS, I WILL GIVE YOU MORE (AL-QURAN)

Your Directors are pleased to propose appropriation of profit in the following manner:-

	(Rs. in '000')
Profit for the year 1998-99	295,497
Unappropriated profit brought forward	209,853

Profit available for appropriation	505,350
	=====
Appropriations:	
Cash dividend @ 7.5%	120,287
Reserve for Issue of Bonus Shares @ 12.5%	200,478
Unappropriated profit carried forward	184,585

Total	505,350
	=====

Financial Highlights:

Consolidated Sales (Rs. in Billion)	1999
Earning Per Share	5.62
Consolidated Sales (Tons)	1.84
	105,742

Performance in the Year under Review

The management is pleased to report the highest quantum of sales since the company commenced operations in 1992. This was possible due to pro-active marketing and sales policy, unrivalled product quality backed by effective technical support.

However, the margins remained under severe pressure due to over capacity in the domestic market coupled with dumping by the producers of recession hit Far Eastern economies mainly Korea, Thailand and Indonesia. In spite of such difficult business circumstances, the company was able to achieve better results due to effective cost control measures like prudent raw material procurement policy, improvement in plant efficiencies, concerted efforts of dedicated manpower and above all due to immense blessings of Almighty Allah, Rahman-o-Rahim.

Financial Obligations

Your company has fulfilled all its financial obligations in the year under review except in case of two installments of long-term foreign currency loan obtained from Mitsubishi Corporation, Japan which fell due on 19th October 1998 and 19th April 1999. These installments could not be remitted on time due to non-receipt of requisite approval from the State Bank of Pakistan (SBP). However, these installments were remitted subsequently after receipt of approval from SBP. The installment due on 19th October 1999 has not been remitted till the date of this report due to non-receipt of requisite approval from SBP. The company has made available all the necessary funds with the designated bank and the installments will be remitted as and when the approval is granted by SBP. The installment of AI-Tawfeek Company for Investment Funds falling due on 20th October 1999 has been remitted on due date. The interest on Euro Convertible Bonds has also been remitted on due date. There is no other financial obligation in arrears.

Income Tax Adjustment

As informed to you in our previous Annual Report, the Honourable Supreme Court of Pakistan disposed of a number of appeals on the question of Section 80D of the Income Tax Ordinance, 1979 by deciding that 80D (turnover tax) was a form of income tax and that entities like your Company that are exempt from income tax are also exempt from 80D (turnover tax). The applications for refund of turnover tax already filed by your Company during previous years are pending with the tax authorities. Therefore, provisions made in prior years' accounts have been written back this year and added to current year's profit. Unit-I of your company is exempt from Income Tax till December 1999 and Unit-II till June 2003.

Future Outlook of Industry

The current year has witnessed strong trends in the popularity of polyester cotton blends in the export markets. Similar trend is also visible in the local market in the shape of increased preference for polyester blends with other man made fibres and 100% polyester spun yarn. Record sales volume in the year under review amply demonstrates this changing pattern,

Coupled with strong demand the prices of the entire petrochemical chain are witnessing an across the board upturn in the international markets. This phenomenon is having a favourable impact on the polyester margins, though temporarily, since the prices of raw material are also on the upward move.

While the outlook of the polyester industry generally looks promising, in the short-term, the demand and pricing may be influenced by low cotton prices locally and internationally. However, the long-term trends are expected to remain stable due to sustained customer preference for polyester products in the local and international markets.

Tariff Protection for the Industry

The domestic polyester industry has been operating under a marginal tariff protection, Instead of maintaining this nominal level of protection the government's recent decision to allow PSF imports under No Duty No Draw Back scheme (NDND) has come as a rude shock because it tantamount to supporting the foreign producers at the cost of local industry in which 30 billions rupees investment has been made so far,

It may be recognised that this industry supports Pakistan's core industry i.e. textiles by providing them with alternate raw material at competitive prices thus enabling them to generate export earnings for the country. Any downward change in the tariff structure of the polyester industry to support its upstream i.e. PTA ought to be avoided by all means. Otherwise imperilling this industry will place the textile sector at the mercy of the foreign producers,

Unit III - Acrylic Fibre and Tow

The Board is pleased to report that Unit III having a production capacity of 25,000 tons per annum of Acrylic Fibre and Tow has been installed and trials have been successful. In September 1999 we started trial operation of the plant and from the first week of November trial marketing of the product has started. Based on the market feedback we are putting final touches to our commercial marketing plan and full-scale commercial operations will be launched from January 20'00.

The project faced implementation delays due to impediments in reaching a financial close in the wake of sanctions imposed on Pakistan in May 1998. These delays resulted in cost overruns.

Also, your Company, being a good corporate citizen and keen to have a most responsible approach towards protection of environment, installed a state of the art chemical treatment plant. The plant is the first of its kind in Pakistan. Certain additions have also been made keeping in view future expansion program. These additions also escalated the project cost.

Still we most gratefully bow our heads to Almighty Allah, the most Gracious and Merciful, with whose guidance, blessings and support, Unit III has been successfully completed despite a most difficult economic environment in the country. The project team has indeed proved that sincerity, loyalty, devotion and hard work can bring miracles.

Demand of Acrylic Fibre and Tow originates primarily from cotton spinning and woollen spinning mills. The total size of the market for Acrylic Fibre and Tow in Pakistan is currently estimated at 35,000 tons per annum. Acrylic Fibre and Tow is commonly used in warm clothing, blankets, carpets, sweaters, shawls, etc.

Presently, about 35,000 tons of Acrylic Fibre and Tow is being imported. With a population growth rate of above 2.7% per annum, increasing international prices of wool, and shift in consumer preference from natural to man-made fibre, the domestic demand for Acrylic Fibre and Tow is likely to continue its growth rate between 5% to 8% per annum in the future.

Transportation of Raw Materials

The Company has made arrangements with Pakistan Railways for safe and efficient transport of AcryloNitrile from Port Qasim to the plant. Being satisfied with the way transportation of AcryloNitrile is being handled by Railways, your Company is also gradually switching over the transportation of PTA from road to Railways. This too is working out to be more efficient and cost effective. The Company is now making its best efforts to have Railway track linked up to the plant's premises which will facilitate optimum utilisation of Railway services for transportation of materials.

Dewan Farooque Medical Complex

The Board, on behalf of the Company, Dewan Mushtaq Group and Dewan Mushtaq Family, feels satisfaction in reporting to you the completion and official handing over of Dewan Farooque Medical Complex Building to Sindh Institute of Urology and Transplantation (SLUT), Civil Hospital, Karachi. Your Company has continuously been contributing every year for this noble cause since 1992-93

The Founder Chairman of Dewan Mushtaq Group, Late Dewan M. Umar Farooque made a pledge with SIUT to construct, at the cost of Dewan Mushtaq Group and its group companies, the building of a purpose-built state-of-art 300-bed hospital for providing a whole range of kidney care facilities for poor and needy patients. We bow our heads before Almighty Allah, Rahman-o-Rahim, who has enabled us to successfully fulfil our Founders' pledge for such noble cause of human well being.

The seven-storey Kidney-care complex has a covered area of 280,000 square feet and has taken seven years to build. SLUT is providing all the latest range of kidney care facilities for needy patients free of charge, The Hospital Complex is operating under the supervision of the dedicated team of world-known urologist Professor Dr. Syed Adibul Hasan Rizvi.

Future Plan

The Board is cognisant of good prospects of Polyester Business and is thus firming up a major investment plan based upon facilities of world scale at internationally competitive cost and fast track implementation schedule. The Shareholders of the company in their meeting held on 26 February 199B, already empowered the Board to chalk out plan and proceed in this direction.

Year 2000 (Y2K) Compliance

In order to address the potential problems of Y2K issues, a Y2K Compliance Committee has been formed which comprises Heads of Department from IT, Finance, Production, Procurement and Marketing and Sales departments. A Y2K compliance team has also been organised to look after the IT-based data sensitive equipment. As per the various reports submitted, we are now satisfied that all our critical systems, hardware and software, are Y2K compliant.

Contribution to National Exchequer:

During the year, your Company's contribution to the national exchequer amounted to over Rs. 1.024 billion in respect of payments under Sales Tax, Custom Duty and other statutory levies. This does not include the withholding tax deducted by your Company from payments made to employees, suppliers and contractors and deposited with the Government treasury.

Vote of Thanks:

The Board puts on record its gratitude to its valued shareholders, Federal and Provincial Government functionaries, banks, development financial institutions and customers of Salsabil, whose co-operation, continued support and patronage have enabled your company to achieve the desired results.

The Board also expresses its appreciation for the valuable services, loyalty and laudable efforts

rendered by the executives, staff members and workers of the Company, during the year under review.

Auditors

The Auditors of your Company, Messrs Faruq All and Company, Chartered Accountants and Messrs Feroze Sharif Tariq and Company, Chartered Accountants, retire and offer their services for re-appointment for the ensuing year on the same remuneration.

Conclusion:

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-e-Rahim, in the name of our beloved prophet, Muhammed, peace be upon him, for continued showering of His Blessings, Guidance, Strength, Health and Prosperity on us, our Company, Country and Nation; and also pray to Almighty Allah to bestow peace, harmony, brotherhood and unity in true Islamic spirit to the whole of Muslim Ummah, Ameen, Summa-Ameen.

LO-MY LORD IS INDEED HEARER OF PRAYER (HOLY QURAN)

Karachi: 06 December 1999

For and on behalf of the Board of Directors
DEWAN ZIAUR REHMAN KHAN
President / Chief Executive

AUDITORS' REPORT TO THE MEMBERS

Faruq Ali & Company
Chartered Accountants
102 Insurance House No.2,
Habib Square, M.A. Jinnah Road,
Karachi.

Feroze Sharif Tariq
Chartered Accountant
4-N-4, Block 6
P.E.C.H. Society
Karachi.

We have audited the annexed Balance Sheet of Dewan Salman Fibre Limited, as at 30 June, 1999 and the related Profit and Loss Account and Cash Flow Statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

business; and

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement together with the Notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 1999 and of the profit and the Cash Flow for the year then ended; and

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

Faruq All & Company
Chartered Accountants

Feroze Sharif Tariq & Company
Chartered Accountants

Place : Islamabad

Date : 06 December 1999

BALANCE SHEET AS AT 30 JUNE 1999

	<i>Note</i>	<i>1999</i> <i>(Rs. i</i>
TANGIBLE FIXED ASSETS	3	3,901,819
CAPITAL WORK IN PROGRESS (Arcylic Fibre and Tow Unit)	4	2,701,766
LONG TERM INVESTMENT	5	50,000
CURRENT ASSETS		
Stores and Spares	6	154,066
Stock-in-Trade	7	1,194,526
Stock-in-Transit		108,526
Trade Debtors - unsecured (considered good)		135,213
Advances, Deposits, Prepayments and Other Receivables	8	220,827
Cash and Bank Balances	9	1,318,225

		3,131,383
CURRENT LIABILITIES		
Current & Overdue Portion of Long Term Liabilities	10	734,131
Short Term Running Finances - secured	11	921,198
Creditors, Accrued Expenses and Other Liabilities	12	786,225

Dividend Payable / Proposed	13	121,264
Provision for Taxation		--

		2,562,818

NET CURRENT ASSETS		568,565

FUN DS EMPLOYED		7,222,150
		=====
SHAREHOLDERS' EQUITY		
Share Capital	14	1,603,823
Share Premium		224,004
Reserves and Surplus	15	1,135,063

		2,962,890
NON CURRENT LIABILITIES		
Convertible Bonds - unsecured	16	1,935,351
Redeemable Capital --secured	17	--
Long Term Foreign Currency Loan - secured	18	--
Liability against Assets subject to Finance Lease - Foreign Currency	19	102,443
Term Finance Certificates - secured	20	863,760
Long Term Rupee Loans - secured	21	1,127,349
Liability against Assets subject to Finance Lease - Local Currency	22	185,240

		4,214,143
Deferred Liability for Gratuity		45,117
Contingencies and Commitments	23	

		7,222,150
		=====

DEWAN ZIAUR REHMAN FAROOQUI

President / Chief Executive

AKIRA YAMAMOTO

Chairman

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1999**

				<i>1999</i>
	<i>Note</i>	<i>Unit I</i>	<i>Unit II</i>	<i>(Rs. in '000)</i>
				<i>Total</i>
SALES - NET	24	2,218,071	2,689,090	4,907,161
COST OF SALES	25	1,942,602	2,328,254	4,270,856
		-----	-----	-----

GROSS PROFIT		275,469	360,836	636,305
OPERATING EXPENSES				
Administrative & General	26	53,064	37,738	90,802
Selling & Distribution	27	25,786	24,161	49,947
		-----	-----	-----
		78,850	61,899	140,749
		-----	-----	-----
OPERATING PROFIT		196,619	298,937	495,556
OTHER CHARGES				
Financial Charges	28	109,022	161,298	270,320
Donation	29	7,582	--	7,582
Workers' Profit Participation Fund		4,001	6,882	10,883
		-----	-----	-----
		120,605	168,180	288,785
		-----	-----	-----
NET PROFIT BEFORE TAX		76,014	130,757	206,771
TAXATION				
Current		--	--	--
Prior Years	32	(74,061)	(14,665)	(88,726)
		-----	-----	-----
		(74,061)	(14,665)	(88,726)
		-----	-----	-----
Net Profit After Taxation		150,075	145,422	295,497
		=====	=====	
Unappropriated profit brought forward				209,853

				505,350
APPROPRIATIONS				
Proposed Cash Dividend- 7,5% (1998: Nil)				120,287

Reserve for proposed issue of bonus share- 12.5% (1998: 15%)				200,478

				320,765

Unappropriated profit carried forward				184,585
				=====

The new Acylic Fibre and Tow unit (Unit III) has not commenced commercial operations, hence no Profit & Loss Account has been drawn for the unit.

DEWAN ZIAUR REHMAN FAROOQUI

President / Chief Executive

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 1999**

	<i>Note</i>	<i>1999</i> <i>(Rs. i</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Taxation		206,771
Adjustment to reconcile profit to cash generated in operating activities		
Depreciation		468,098
Financial Charges Accrued		270,320
Deferred Liability for Gratuity		10,893

		749,311
Changes in operating assets and liabilities		
(Increase) / Decrease in Stores and Spares		8,144
(Increase) / Decrease in Stock-in-Trade		93,808
(Increase) / Decrease in Stock-in-Transit		(66,324)
(Increase) / Decrease in Trade Debtors		(28,112)
(Increase) / Decrease in Advances, Deposits, Prepayments & Other Receivables		201,942
Increase / (Decrease) in Creditors, Accrued Expenses & Other Liabilities		(460,794)

		(251,336)

Cash Generated from Operations		704,746
CASH FLOWS FROM FINANCING ACTIVITIES		
Convertible Bonds		204,349
Term Finance Certificates		863,760
Long Term Rupee Loans		1,240,000
Liability against Assets subject to Finance Lease-Local Currency		226,051
Payments:		
Redeemable Capital		(25,496)
Long Term Foreign Currency Loan		--
Liability against Assets subject to Finance Lease - Foreign Currency		(102,445)
Financial Charges		(204,993)
Dividend		(898)

		(333,832)

		2,200,328
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditure incurred for Acrylic Fibre and Tow Unit		(2,581,536)

Net Increase / (Decrease)in Cash and Cash Equivalents		323,538
Cash & Cash Equivalents as on 01 July 1998		73,489
Cash & Cash Equivalents as on 30 June 1999	37	397,027

DEWAN ZIAUR REHMAN FAROOQUI
President / Chief Executive

AKIRA YAM
Chairman

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

1. THE COMPANY AND ITS OPERATIONS

The Company is incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. It is engaged in manufacture and sale of Polyester Staple Fibre. The company is in process of setting up an independent Unit III to manufacture Acrylic Fibre & Tow. The Unit III has not commenced commercial operations. Separate books of accounts have been kept for each Unit.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention except that certain exchange elements referred in Note. 2.9 have been incorporated in the cost of relevant assets.

2.2 Staff retirement benefits

The Company operates an unfunded gratuity scheme, Annual provisions are made in the financial statements to cover obligations under this scheme.

2.3 Taxation

Provision for current taxation is based on current rates of tax after taking into account tax credits available, if any.

The Company accounts for deferred taxation on all materials timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

2.4 Tangible Fixed Assets and Depreciation

Fixed Assets except leasehold land are stated at cost less accumulated depreciation. Leasehold land is stated at cost or revalued amount and capital work-in-

progress is stated at cost. Cost of certain fixed assets and capital work in progress comprises of historical cost, exchange differences referred to in Note. 2.9, cost of exchange risk cover in respect of foreign currency loans obtained for acquisition of fixed assets upto the commencement of commercial production and the cost of borrowings during construction period in respect of loans taken for specific projects,

Depreciation charge is based on the reducing balance method at the rates specified in Note 3, Full year's depreciation is charged on additions and capitalization of exchange differences in the year of acquisition / capitalization, while no depreciation is charged in the year of disposal.

Maintenance and normal repairs are charged to income as and when incurred; major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains and Losses on disposal of Assets are taken to Profit and Loss Account.

2.5 Investments

These are stated at cost.

2.6 Stores and Spares

These are valued at average cost except for those in transit which are valued at cost.

2.7 Stock-in - Trade

Raw and Packing materials except for those in transit are valued at lower of average cost and net realisable value.

Work-in-progress is valued at material cost only. Conversion costs are not included as these are not significant.

Finished goods are valued at cost, which includes prime cost and appropriate portion of production overheads.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon,

Net Realizable Value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make the sale.

2.8 Liabilities Against Assets Subject to Finance Lease

Finance charge under the lease agreement is allocated to periods during the lease term so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each period,

2.9 Foreign Currencies

Transactions in foreign currencies are recorded using the rates of exchange ruling at the date of transaction.

Assets and Liabilities in foreign currencies are translated into rupees at the exchange rates prevailing on the Balance Sheet date except for those foreign currency balances which are covered under State Bank of Pakistan Exchange Risk Cover Scheme in which case it is translated at the rate fixed under the Exchange Risk Cover Scheme.

Exchange differences in respect of foreign currency loans / bonds obtained/issued for acquisition of fixed assets and against which there is no practical means of hedging, are incorporated in the cost of relevant assets up to the date of settlement/redemption of such loans/bonds and depreciation is charged thereon as per policy defined in Note 2,4.

All other exchange differences are taken to the Profit & Loss Account.

2. 10 Revenue Recognition

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

3. FIXED ASSETS - at cost less accumulated depreciation

Particulars	<i>As at 01 July 1998</i>	<i>COST Addition/ Transfer during the year</i>	<i>As at 30 June 1999</i>	<i>Rate Percent</i>
UNIT I				
Leasehold Land	1,135	--	1,135	--
Islamabad Office	10,860	--	10,860	10
Factory Building	167,495	--	167,495	10
Non-Factory Building	156,675	18,364	175,039	25
Tank Terminal	16,454	--	16,454	10
Plant & Machinery	2,278,808	--	2,278,808	10
Vehicles	68,197	5,207	73,404	20
Furniture & Fixtures	17,393	2,461	19,854	10
Office Equipment	32,162	7,252	39,414	10
	-----	-----	-----	
1999	2,749,179	33,284	2,782,463	
	-----	-----	-----	
1998	2,705,063	44,116	2,749,179	
UNIT II				
Leasehold Land	1,134	--	1,134	--

Factory Building	206,123	--	206,123	10
Non-Factory Building	189,451	5,147	194,598	25
Plant & Machinery				
-- Owned (Note 3.2)	2,678,585	204,349	2,882,934	10
-- Leased	614,668	--	614,668	10
Vehicles	35,170	3,195	38,365	20
Furniture & Fixtures	3,782	86	3,868	10
Office Equipment	11,408	30	11,438	10
	-----	-----	-----	
1999	3,740,321	212,807	3,953,128	
	-----	-----	-----	
1998	3,367,716	372,605	3,740,321	
	-----	-----	-----	
TOTAL- 1999	6,489,500	246,091	6,735,591	
	=====	=====	=====	
TOTAL- 1998	6,072,779	416,721	6,489,500	
	=====	=====	=====	

3.1 Depreciation has been allocated as follows:

	<i>Unit I</i>	<i>Unit II</i>	1999 <i>(Rs. '000)</i>	<i>Unit I</i>
			<i>Total</i>	
Administrative	758	1,581	2,339	821
Cost of Sales	151,075	314,684	465,759	163,441
	-----	-----	-----	-----
	151,833	316,265	468,098	164,262
	=====	=====	=====	=====

Additions to Plant & Machinery- Owned include exchange differences of Rs. 204.35 million (1998: Rs. 213.195 million) arising on translation of long term loans / bonds as mentioned in Note 2.9.

4. CAPITAL: WORK IN PROGRESS (Acrylic Fibre & Tow Unit)

Plant and Machinery	2,036,144
Civil Works	310,578
Borrowing Cost for Project	231,038
Unallocated Expenditure	124,006

	2,701,766
	=====

The Capital Work in Progress represents to date cost incurred for establishing Acrylic Fibre and Tow Unit (Unit III).

5. LONG TERM INVESTMENT

This represents advance against future issue of share capital of Dewan Farooque Petrochemicals Limited, an associated public Un-quoted company, amounting to Rs.50

million (1998:Rs.50 million).

6. STORIES & SPARES

Consumable stores		104,473
Packing material		5,804
Chemicals		11,781
Fuel, Oil & Lubricants		32,308

		154,066
		=====

7. STOCK IN TRADE

Raw Materials		878,118
Work in Process		21,849
Finished Goods		277,315
Waste		17,244

		1,194,526
		=====

8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances		
Taxes		--
To Suppliers		69,966
Against Expenses		10,802
Deposits		1,594
Other Receivables		
Income Tax Refundable	32	107,262
Sales Tax Refundable		11,002
Guarantee Margin		19,953
Others		248

		220,827
		=====

9. CASH AND BANK BALANCES

Cash in hand		910
Cash at Bank - Current Account		63,283
- Bonds, Certificates, Deposit		
Accounts (Foreign Currency)	9.1	1,254,032

		1,318,225
		=====

9.1 This represents net amount of foreign currency deposits/certificates held by the company after setting off short term finances obtained against certain portion of foreign currency deposits/certificates.

10. CURRENT & OVER DUE PORTION OF LONG TERM LIABILITIES

Current Portion of Long Term Liabilities:

Redeemable Capital		--
Long Term Foreign Currency Loan		239,111
Liability against Assets subject to Finance Lease - Foreign Currency		102,445
Long Term Rupee Loans		112,651
Liability against Assets subject to Finance Lease - Local Currency		40,811

495,018

Overdue Portion of Long Term Foreign

Currency Loan	18	239,113

		734,131
		=====

11. SHORT TERM RUNNING FINANCES - Secured

This represents short term finances obtained from various banks against available facilities of Rs. 1,136 Million (1998: Rs. 1,120 Million) at a mark up rate ranging between 38.36 paisa to 43 paisa per Rs. 1000 per day. These facilities are secured against hypothecation of stocks and book debts and are generally for a period of twelve months renewable at the end of the period.

12. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Creditors for goods		627,610
Accrued Expenses		46,597
Sales Tax Payable		--
Accrued Markup on Redeemable Capital		--
Accrued Interest & Exchange Risk Fee on Long Term Foreign Currency Loan		69,813
Accrued Interest on Convertible Bonds		15,053
Accrued Profit & Exchange Risk Fee on Lease Facility		11,468
Workers' Profit Participation Fund	12.1	10,883
Other Liabilities		4,801

		786,225
		=====

12.1 Workers' Profit Participation Fund

Opening balance		11,329
Allocation during the year		10,883

		22,212
Less: Paid during the year		11,329

		10,883
		=====

13. DIVIDEND PAYABLE / PROPOSED

Unclaimed Dividend	977
Proposed Cash Dividend	120,287

	121,264
	=====

14. SHARE CAPITAL

Authorised

360,000,000 (1998: 360,000,000) Ordinary Shares of Rs. 10 each	3,600,000
	=====

Issued, Subscribed & Paid up Capital

65,000,000 (1998: 65,000,000) Ordinary Shares of Rs. 10 each fully paid in cash	650,000
---	---------

94,167,018 (1998: 73,247,618) Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	941,670
--	---------

1,215,345 (1997: 1,215,345) Ordinary Shares of Rs. 10 each issued as fully paid shares against conversion of Convertible Bonds	12,153

	1,603,823
	=====

15. RESERVES AND SURPLUS

General Reserve	750,000
-----------------	---------

Reserve for proposed issue of bonus shares	200,478
--	---------

Unappropriated profit carried forward	184,585

	1,135,063
	=====

16. CONVERTIBLE BONDS

	<i>1999</i>	<i>(Amounts in '000')</i>	
	<i>US \$</i>	<i>Pak Rs.</i>	<i>US \$</i>
Outstanding Principal Amount	37,290	1,935,351	37,290
	=====	=====	=====

This represents unsecured Convertible Bonds in the aggregate principal amount of US \$ 45,000,000 issued by the company to partly finance its Unit II. These bonds are listed on the Luxembourg Stock Exchange and carry interest at a rate of 5.00% per annum which is payable semi-annually commencing from 05 May 1994.

Each bond is, at the option of the holder, convertible from and including 5th May 1994 upto and including 30 April 2001, into fully paid ordinary shares par value Rs. 10 each, of the company at an initial conversion price of Rs. 195 per share, and with a fixed rate of

exchange on conversion of Rs. 30.63 = US\$1.00. The conversion price is subject to adjustment for, amongst other things, subdivision, consolidation of shares, bonus issues, right issues and other dilutive events as described in the Terms and Conditions of the Bonds and the Trust Deed. The previous conversion price of Rs. 123 per share has been adjusted to Rs. 107 per share subsequent to the approval of 15% Bonus Issue in the Ninth Annual General Meeting of the Share Holders of the company held on 31 December 1998.

The shares issued upon conversion of bonds will be entitled to receive dividends declared after the date of conversion of such bonds once the person receiving such shares are registered as shareholders of the company. Hence, all the bonds converted into shares of the company upto the date of commencement of Members Book Closure to determine the entitlement of dividends, are entitled to receive dividends declared for the year and any subsequent dividend declarations.

Upto the date of Balance Sheet, bonds valuing US\$ 7,710,000 have been converted into 1,215,345 shares of the company. The amount in excess of par have been transferred to share premium account.

Unless previously redeemed or converted, these bonds will be redeemed at their principal amount on 05 May 2001. However, subject to certain conditions, the bonds may be redeemed at the option of the company at any time on or after 05 May 1998.

Note **1999**
(Rs. i

**17. REDEEMABLE CAPITAL -
Secured (Non Participatory)**

Term Finance Certificates

Series 1

59,640

Series 2

60,000

119,640

Less: Payments made to date

119,640

Current Maturity

--

--

=====

17.1 The company has entered into "SALE-CUM-INVESTMENT" agreement with Bankers Equity Limited (BEL) and agreed to sell the investment property to BEL for Rs. 59,640,000 and repurchase the same for Rs. 106,402,117 for which the Term Finance Certificates (TFCs) have been issued to BEL. The difference of sale and purchase price amounting to Rs. 46,762,117 with a rebate of Rs. 6,862,685 for timely repayment is considered as financial cost and spread over the tenure of the TFCs.

17.2 The company has entered into "SALE-CUM-INVESTMENT" agreement with Bankers Equity Limited (BEL) and agreed to sell the investment property to BEL for Rs. 60,000,000

and repurchase the same for Rs. 113,335,509 for which the Term Finance Certificates (TFCs) have been issued to BEL. The difference of sale and purchase price amounting to Rs. 53,335,509 with a rebate of Rs. 6,904,110 for timely repayment is considered as financial cost and spread over the tenure of the TFCs.

17.3 The TFCs. (1 & 2) are redeemable in 14 equal bi-annual installments commencing from 01 October 1992,

17.4 The TFCs (1 & 2) are secured against first mortgage / charge of all present and future movable and immovable properties and assets of the company ranking pari-passu with other first charge holders.

18. LONG TERM FOREIGN CURRENCY LOAN - Secured

	1999		1998	
	Japanese Yen	(Amounts in '000') Pak Rs.	Japanese Yen	Pak Rs.
Opening balance	3,169,752	478,226	4,754,626	717,337
Less: Payment	--	--	1,584,876	239,113
Current maturity	1,584,876	239,113	1,584,876	239,113
Overdue Installments	1,584,876	239,113	--	--
	-----	-----	-----	-----
	3,169,752	478,226	3,169,752	478,226
	-----	-----	-----	-----
	--	--	1,584,874	239,111
	=====	=====	=====	=====

This represents foreign currency loan amounting to Japanese Yen 8,997,250,000 from Mitsubishi Corporation, Japan for the import of Plant and Machinery and other capital expenditure.

The loan carries interest at the rate of 7.1% per annum. The interest during grace period has been added to loan amount.

The loan and interest thereon is repayable in fourteen half yearly installments commencing from 19 October 1993. The loan and interest thereon is secured against Bank Guarantee given by Habib Bank Limited which is counter guaranteed by Bankers Equity Limited led Syndicate.

The company has obtained the exchange risk cover against the currency fluctuation of the balance loan and interest amount. The exchange rate applicable is Japanese Yen 1.00 = Re. 0.150872 and exchange risk fee is payable @ 5% per annum on the outstanding liability.

The over due installments represent Principal amount of installments due on 19 October 1998 and 19 April 1999 not remitted due to non receipt of requisite approvals from the State Bank of Pakistan. The Company made available all the necessary funds in local currency with the designated bank on the respective due dates. However, subsequent to the Balance Sheet date these overdue installments have been remitted to the Mitsubishi

Corporation, Japan upon receipt of requisite approvals from the State Bank of Pakistan.

19. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE - Foreign Currency

	1999
	(Rs. in
Balance as on 01 July	307,333
Less: Payment	102,445
Current Maturity	102,445

	204,890

	102,443
	=====

This represents lease facility of US \$ 20,000,000 provided by AI-Tawfeek Company for Investment Funds for Unit-II of the company. The financing is repayable in 12 equal semi annual installments commencing from 20 October 1995 along with profit payment rate for 6 months London Inter Bank Offering Rate (LIBOR)+ 2.5% or 7.5% per annum, whichever is higher. The facility is secured by way of first charge on movable and immovable assets of the company ranking pari-passu with existing first charge holders and personal guarantees of the directors.

The company has obtained the exchange risk cover against the currency fluctuation of the balance facility and profit amount. The exchange rate applicable is US\$ 1.00 = Rs. 30.7334 and exchange risk fee is payable @ 8.17% per annum.

20. TERM FINANCE CERTIFICATES- Secured

This represents Term Finance Certificates (TFC's) in the aggregate principal amount of Rs. 863,760,000 issued by the Company to partly finance its Unit III being set up to produce Acrylic Fibre and Tow. These TFC's are listed on Karachi Stock Exchange and carry expected profit at a rate of 19% per annum payable semi annually in arrears commencing from 25 November, 1999.

The issue of TFC's is secured by way of first pari passu charge in favour of the Trustee (C)RIX Investment Bank Limited) on all the present and future movable and immovable assets of the Company excluding stocks and book debts.

21. LONG TERM RUPEE LOANS -- SECURED

Lender	Installments Payable	Mark up rates	Repayment Period	1999 (Rs. in '000')
Citi-ABN Syndicate comprising of Citi bank N.A., ABN Amro N.Y., Bank of Khyber and United Bank Limited	Half Yearly	17.5% per annum	2001-2003	400,000

United Bank Limited	Half Yearly	2.5% above STFB per annum	2001-2003	100,000
Saudi Pak Ind Agricultural Investment Company (Pvt.) Limited	Half Yearly	19% per annum	2000-2004	100,000
Pakistan Kuwait Investment - Company (Pvt.) Limited	Half Yearly	20% per annum	2001-2005	200,000
Mashreq Bank psc	Half Yearly	1.75% over SBP Discount Rate or 17% per annum whichever is higher	2001-2003	50,000
Standard Chartered Bank plc	Half Yearly	1.75% over SBP Discount Rate or 16% per annum whichever is higher	1999-2002	100,000
Societe Generale, The French and International Bank	One installment	1.7% over SBP Discount Rate or 17% per annum whichever is higher	2000	90,000
National Bank of Pakistan	Half Yearly	1.75% over SBP Discount Rate or 18.5% per annum whichever is higher	2001-2003	200,000
				----- 1,240,000
Less: Payment				--
Current maturity				112,651
				----- 112,651
				----- 1,127,349
				=====

Purpose and Security:

The long term loans 'are obtained to finance the Unit III of the Company being set up to manufacture Acrylic Fibre and Tow and secured by way of First pari passu charge on all the present and future movable and immovable assets of the Company excluding stock in trade and book debts.

1999
(Rs. i

22. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE
LEASE - Local Currency

Balance as on 01 July	--
Leases acquired during the year	226,051
	----- 226,051

Less: Current Maturity	40,811

	185,240
	=====

The Company entered into lease agreements with Askari Leasing Limited, Dawood Leasing Company Limited, First Habib Modaraba and Security Leasing Company Limited to acquire certain part of Plant & Machinery for its Unit III, being set up to manufacture Acrylic Fibre and Tow.

The rentals under these lease agreements are payable quarterly in arrears during the period 2000-2004 and are subject to mark up rate of 21.5% Per annum. The Company intends to exercise its option to purchase the leased plant and machinery at its salvage value upon the completion of the respective lease period.

The amount of future payment for the lease and the period in which these payments will become due are as follows:-

Year to 30 June 2000	96,892
Year to 30 June 2001	77,579
Year to 30 June 2002	69,964
Year to 30 June 2003	69,964
Year to 30 June 2004	45,587

	359,986

Less: Financial charges allocated to future period	(133,935)

	226,051
	=====

23. CONTINGENCIES AND COMMITMENTS

letter of Credits outstanding for Acrylic Fibre & Tow Unit (Unit III)	--
Bank Guarantees	75,216

	75,216
	=====

24. SALES- NET

	Unit I	Unit II	1999 (Rs. in '000) Total	Unit I
Fibre	2,536,374	3,081,888	5,618,262	2,991,287
Waste	12,657	7,412	20,069	2,731
	2,549,031	3,089,300	5,638,331	2,994,018
Less: Sales Tax	315,776	380,130	695,906	334,646

Commission	15,184	20,080	35,264	17,796
	-----	-----	-----	-----
	330,960	400,210	731,170	352,442
	-----	-----	-----	-----
	2,218,071	2,689,090	4,907,161	2,641,576
	=====	=====	=====	=====

25. COST OF SALES

Raw Material Consumption

Opening Stock	344,815	375,712	720,527	439,773
Purchases of Raw Materials	1,394,223	1,519,674	2,913,897	1,872,492
Less: Closing Stock	(388,648)	(489,470)	(878,118)	(344,815)
	-----	-----	-----	-----
	1,350,390	1,405,916	2,756,306	1,967,450

Salaries, Wages & Other Benefits (Note 30)	106,189	111,053	217,242	91,065
Electricity, Fuel & Power	176,016	193,431	369,447	201,684
Packing Material Consumed	34,186	31,830	66,016	28,554
Stores & Spares Consumed	64,234	29,866	94,100	55,882
Insurance	8,561	9,385	17,946	9,381
Depreciation	151,075	314,684	465,759	163,441
Repairs & Maintenance	3,922	1,627	8,549	4,914
Vehicle running expenses	6,249	2,163	8,412	3,809
Travelling & Conveyance	1,712	2,872	4,584	4,513
Chemicals	7,903	6,086	13,989	2,243
Miscellaneous	51	56	107	139
	-----	-----	-----	-----
	1,910,488	2,108,969	4,019,457	2,533,075

Work-in-process (Opening)	12,255	12,964	25,219	18,252
Work-in-process (Closing)	(15,241)	(6,608)	(21,849)	(12,255)
	-----	-----	-----	-----

Cost of Goods Manufactured	1,907,502	2,115,325	4,022,827	2,539,072
----------------------------	-----------	-----------	-----------	-----------

Finished Goods (Opening)	308,386	234,202	542,588	60,906
Finished Goods (Closing)	(273,286)	(21,273)	(294,559)	(308,386)
	-----	-----	-----	-----
	1,942,602	2,328,254	4,270,856	2,291,592
	=====	=====	=====	=====

26. ADMINISTRATIVE & GENERAL EXPENSES

	Unit I	Unit II	1999 (Rs. in '000) Total	Unit I
Salaries, Wages & Other Benefits (Note 30)	16,665	14,011	30,676	13,631
Entertainment	2,323	981	3,304	3,921

Communication	4,940	3,001	7,941	7,072
Depreciation	758	1,581	2,339	821
Vehicle Running Expense	3,003	2,604	5,607	4,096
Legal & Professional	7,673	2,428	10,101	5,882
Printing & Stationery	3,720	3,393	7,113	4,208
Electricity, Fuel & Power	3,549	2,479	6,028	2,914
Repair & Maintenance	3,000	2,180	5,180	2,518
Insurance	2,366	1,536	3,902	1,168
Travelling & Conveyance	3,332	2,088	5,420	4,795
Auditors' Remuneration (Note 31)	200	--	200	150
Miscellaneous	1,535	1,456	2,991	1,538
	-----	-----	-----	-----
	53,064	37,738	90,802	52,714
	=====	=====	=====	=====

27. SELLING & DISTRIBUTION

Advertisement	1,618	--	1,618	3,362
Cartage, Freight & Octroi	18,481	16,773	35,254	13,602
Miscellaneous	5,687	7,388	13,075	8,809
	-----	-----	-----	-----
	25,786	24,161	49,947	25,773
	=====	=====	=====	=====

28. FINANCIAL EXPENSES

Interest on Long Term				
Foreign Currency Loan	39,204	--	39,204	49,873
Mark-up on Redeemable				
Capital	571	--	571	5,639
Mark-up & Excise Duty on				
Running Finance	37,434	4,211	41,645	24,837
Guarantee Commission	5,843	--	5,843	9,281
Interest on				
Convertible Bonds	--	105,350	105,350	--
Profit on Lease Facility	--	27,815	27,815	--
Exchange Risk Fee	23,911	23,819	47,730	33,843
Bank Charges	2,059	103	2,162	3,826
	-----	-----	-----	-----
	109,022	161,298	270,320	127,299
	=====	=====	=====	=====

29. DONATION

29.1 This includes Rs.3.70 Million (1998: Rs. 1.76 Million) donated to Society for the Welfare of Patients of Urology & Transplantation for construction of Dewan Farooq Medical Complex at Civil Hospital Karachi, Rs. 1.00 Million (1998: Rs. Nil) donated to Provincial Assembly Mosque and Rs. 1.00 Million (1998: Nil) donated to Jinnah Society.

29.2 None of the directors or their spouse have any interest in the donee fund.

30. REMUNERATION OF DIRECTORS AND EXECUTIVES

Particulars	1999			
	<i>Chief Executive</i>	<i>Director</i>	<i>Executives</i>	<i>Total</i>
Managerial Remuneration	792	396	31,069	32,257
Retirement Benefits	--	--	3,130	3,130
House Rent Allowance	348	174	12,391	12,913
Utilities	60	30	3,019	3,109
Medical	--	--	1,651	1,651
Conveyance	--	--	2,469	2,469
	-----	-----	-----	-----
Total	1,200	600	53,729	55,529
	-----	-----	-----	-----
Number of Persons	1	1	140	142
	-----	-----	-----	-----

31. AUDITORS' REMUNERATION

	1999
	(Rs. in '000)
Feroze Sharif Tariq & Co.	
Audit Fees	75
Faruq All & Company	
Audit Fees	75
Other Services	50

	125

	200
	=====

32. TAXATION

The Income Tax Assessments of the company have been finalized upto and including Assessment Year 1998-99. The Unit I of the company enjoys Income Tax exemption for eight years from the date of commencement of commercial production i.e., 01 January 1992 in accordance with the clause 118 (C) of IInd Schedule of Income Tax Ordinance, 1979. Further the Unit II of the company also enjoys Income Tax Exemption for eight years from the date of commencement of commercial production i.e., 15 June 1995 in accordance with 'the clause 118 (H) of the IInd Schedule of Income Tax Ordinance, 1.979. The Unit II has also been certified by the Regional Commissioner of Income Tax for the purpose of above mentioned clause. However, with the inception of section 80 (D) of Income Tax Ordinance, 1979, minimum tax liability @ 0.5% of turnover was imposed on the company. The Honourable Peshawar High Court and Income Tax

Appellate Tribunal have decided in favor of the company against the applicability of section 80 (D) of Income Tax Ordinance, 1979, in line with the decision of the Honourable Supreme Court of Pakistan, vide Order Number C.A. No. 307/95 (80 D) dated 04 June 1997 which excluded those companies which are enjoying certain income tax exemption from the ambit of Section 80-D of Income Tax Ordinance, 1979. The refund applications of Rs. 107.262 Million filed by the company are pending with the tax authorities for payments of turn over tax made in respect of prior years. These payments are reflected as Income Tax Refundable in these accounts. The provisions made in prior years' accounts amounting to Rs. 88.726 Million have been written back this year.

33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	1999 (Rs. in
Sales of Polyester Staple Fibre to Dewan Khalid Taxtile Mills Limited	109,784
Sales of Polyester Staple Fibre to Dewan Mushtaq Taxtile Mills Limited	100,040
Purchase of Polypropylene Bags From Dewan Taxtile Mills Limited	8,229
Maximum amount due from / to Associated undertaking at the end of any month during the year	42,645

34. PLANT CAPACITY & PRODUCTION

	<i>Unit I</i>	<i>Unit II</i>	1999 (Tonnes) Total	<i>Unit I</i>
Plant Capacity - Installed (Based on 350 working days - 3 shifts a day)	52,500	56,000	108,500	52,500
	48,564	53,240	101,804	52,270

34.1 The shortfall in production is due to shut down of units for periodic overhauling.

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

35.1 Interest rate risk exposure

The company's exposure to interest rate risk and the effective rates on its financial assets and liabilities are summarized as follows:

	<i>Less than one year</i>	<i>Interest bearing One year to five years</i>	<i>Non Interest bearing</i>
Financial assets			
Trade debts	--	--	135,213
Advances, Deposits, Prepayments, and Other Receivables	--	--	102,563
Cash and Bank Balances	1,254,032	--	64,193

	1,254,032	--	301,969
	=====	=====	=====
Average interest rates	6%		
Financial liabilities			
Convertible Bonds-unsecured	--	1,935,351	--
Liabilities against Assets subject to Finance Lease-Foreign Currency	--	102,443	--
Term Finance Certificate-secured	--	863,760	
Long Term Rupee Loans-secured	--	1,127,349	--
Liabilities against Assets subject to Finance Lease-Local Currency	--	185,240	--
Short Term Running Finance-secured	921,198	--	--
Current Maturity & Overdue portion of Long Term Liabilities	734,131	--	--
Creditors, Accrued Expenses and Other Liabilities	--	--	786,225
	-----	-----	-----
	1,655,329	4,214,143	786,225
	=====	=====	=====
Average interest rates	14.50%	5% ~ 21.5%	

35.2 Concentration of credit risk and credit exposures of the financial instruments

The company does not believe it is exposed to major concentration of credit risk. The company applies approved limits to the amount of credit exposure to any one counter party.

35.3 Fair value of the financial instruments

The carrying value of all the financial instruments reflected in the financial statement approximates their fair values.

36. ALLOCATION OF INCOME AND EXPENSES BETWEEN UNITS

In terms of respective approvals obtained from the Central Board of Revenue for Unit II & new Acrylic Fibre & Tow Unit (Unit III), the transactions of all the units have been recorded in the separate .books of account of the company. However in case where expenses incurred in relation to the company as an entity, these were apportioned primarily either on the basis of actual sales or production relating to goods manufactured in the respective units.

37. CASH AND CASH EQUIVALENTS

Cash & Bank Balances	1,318,225
Short Term Running Finance	(921,198)

	397,027

1999

(Rs. in

=====

38. GENERAL

38.1 Figures have been rounded off to the nearest thousand rupees.

38.2 Previous year's figures have been re-arranged, wherever necessary to facilitate the comparison.

38.3 The new Acrylic Fibre and Tow unit (unit III) has not commenced commercial operation, hence no Profit & Loss Account has been drawn for the unit.

DEWAN ZIAUR REHMAN FAROOQUI
President / Chief Executive

AKIRA YA, Y
Chairman

SUMMARY OF DIFFERENCES BETWEEN INTERNATIONAL ACCOUNTING STANDARDS, UK GAAP AND U.S. GAAP

THIS INFORMATION IS PRESENTED FOR THE CONVENIENCE OF INTERNATIONAL USERS, INCLUDING OUR SHAREHOLDERS, BONDHOLDERS AND CREDITORS.

The following is a summary of differences between IAS, generally accepted accounting principles in the United Kingdom ("UK GAAP") and in the United States ("U.S. GAAP") respectively, in so far as they are relevant to the financial statements of the Company.

IAS

Inventories are valued at lower of cost and net realisable value.

Earnings per share not disclosed.

UK GAAP

Inventories are valued at lower of cost and net realisable value.

Earnings per share data for before extraordinary items and net income are required to be disclosed.

U.S. GAAP

Inventories are valued at lower of cost and net realisable value, whichever is lower. Net realisable value means current market price (less purchase or by other means, if the case may be), etc.

Market shall not be used to determine realisable value unless the market is a selling price in an active market of business less a reasonable and predictable cost (including and disposal); and

Market shall not be used to determine realisable value unless an allowance for a normal profit margin is made.

Earnings per share data for before extraordinary items and net income are required to be disclosed.

No disclosures made for particulars of staff.

Average number of persons employed by the company analysed by category and aggregate payroll costs are required to be disclosed.

No disclosures

Total amount of directors remuneration disclosed.

Aggregate amount of directors' emoluments including money value of benefits in kind and the number of directors whose aggregate emoluments fall within various bands are required to be disclosed,

No disclosures

Repayment terms for term loans disclosed.

Amounts falling due after more than five years are required to be disclosed separately.

Repayment terms disclosed,

Maximum amount due from companies affiliated to the company's shareholders at the end of month during the year and sales to affiliates during the year disclosed.

No UK standard on related party transactions.

Disclosures regarding transactions share

The nature of the transactions. A description of the transactions including transactions involving no amounts or transactions are ascribed; The terms and conditions of settlement,

Proposed dividends for the year, though proposed after the year end, are reflected in the related financial statements.

Proposed dividends for the year, though proposed after the year end, are reflected in the related financial statements.

Dividends are not associated with earnings and dividends for the year end are reflected in the financial statement.

PATTERN OF SHARE HOLDINGS AS AT 30 JUNE 1999

NUMBER OF SHARE HOLDERS	SHARE HOLDINGS		TOTAL SHARES HELD	
	1	--		
452	1	--	100	18,177
607	101	--	500	248,960
385	501	--	1,000	285,345
718	1,001	--	5,000	1,438,787
111	5,001	--	10,000	810,665
35	10,001	--	15,000	424,754
17	15,001	--	20,000	297,675
19	20,001	--	25,000	451,233

525 001	--	30,000	132,055
830 001	--	35,000	252,406
635 001	--	40,000	220,823
340 001	--	45,000	127,801
645 001	--	50,000	289,128
350 001	--	55,000	163,364
260 001	--	65,000	122,237
165 001	--	70,000	66,153
170 001	--	75,000	73,002
1 75,001	--	80,000	79,350
1 85,001	--	90,000	89,484
1 90,001	--	95,000	90,703
4 95,001	--	100,000	389,328
1 110,001	--	115,000	114,366
5 120,001	--	125,000	610,333
1 125,001	--	130,000	127,753
1 145,001	--	150,000	145,495
1 155,001	--	160,000	158,700
1 170,001	--	175,000	170,334
2 185,001	--	190,000	377,170
2 200,001	--	205,000	401,264
1 215,001	--	220,000	215,151
6 240,001	--	245,000	1,460,016
1 300,001	--	305,000	300,914
1 325,001	--	330,000	325,335
1 510,001	--	515,000	511,925
1 830,001	--	835,000	832,669
1 1,150,001	--	1,155,000	1,150,401
1 1,225,001	--	1,230,000	1,227,873
1 1,230,001	--	1,235,000	1,235,959
1 1,380,001	--	1,385,000	1,381,044
2 1,460,001	--	1,465,000	2,921,963
1 1,470,001	--	1,475,000	1,471,444
1 1,550,001	--	1,555,000	1,552,151
1 1,720,001	--	1,725,000	1,723,720
1 9,190,001	--	9,195,000	9,190,825
1 9,730,001	--	9,735,000	9,733,596
1 10,500,001	--	10,515,000	10,511,364
1 15,815,001	--	15,820,000	15,817,096
2 19,770,001	--	19,775,000	39,542,742
1 51,100,001	--	51,105,000	51,101,400
-----	-----	-----	-----
2,427 TOTAL			160,382,433
=====	=====	=====	=====

**CATEGORIES OF
SHARE HOLDERS**

**NUMBER OF
SHARE HOLDERS**

**SHARES
HELD**

PERCENTAGE

INDIVIDUALS

2,335

21,327,089

13.30

INVESTMENT COMPANIES	5	313,260	0.195
INSURANCE COMPANIES	3	1,357,210	0.85
JOINT STOCK COMPANIES	22	87,416,334	54.51
FINANCIAL INSTITUTIONS	14	9,731,800	6.068
MODARABA	7	40,486	0.03
FOREIGN INVESTORS	40	40,191,391	25.060
OTHERS	1	4,863	0.00
	-----	-----	-----
TOTALS :-	2,427	160,382,433	100.00
	=====	=====	=====