Dewan Salman Fibre Limited
Annual Report 2001

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COMPANY INFORMATION

BOARD OF DIRECTORS	DEWAN ZIA-UR-REHMAN FAROOQUI President / Chief Executive	
	DEWAN ASIM MUSH.FIQ FAROOQUI Managing Director	
	HO SIK KI	
	HIROSHI KANAMORI	
	DEWAN GHULAM MUSTAFA KHALID	
	DEWAN MOHAMMAD YOUSUF FAROOQUI	
	DEWAN MOHAMMAD AYUB KHALID	
	DEWAN ABDUL REHMAN FAROOQUI	
	YOUNG KYUN BANG	(Alternate Director)
	M. MEGURIYA	(Alternate Director)
AUDITORS	FARUQ ALI & COMPANY CHARTERED ACCOUNTANTS FEROZE SHARIF TARIQ & COMPANY CHARTERED ACCOUNTANTS	
SECRETARY	FARRUKH S. ANSARI	
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, KARACHI-74000.
REGISTERED OFFICE	DEWAN CENTRE, 17, STREET-84, SECTOR G-6/4, ISLAMABAD-44000.
BANKERS	ABN AMRO BANK AL BARAKA ISLAMIC INVESTMENT BANK ALLIED BANK LIMITED AMERICAN EXPRESS BANK ASKARI COMMERCIAL BANK LIMITED BANK AL FALAH BANK OF CEYLONE BANK OF KHYBER CITIBANK N.A CREDIT AGRICOLE INDOSUEZ EMIRATES BANK INTERNATIONAL LIMITED FAYSAL BANK LIMITED HABIB BANK LIMITED HONG KONG & SHANGHAI BANKING CORPORATION LIMITE MASHREQ BANK LIMITED MUSLIM COMMERCIAL BANK LIMITED NATIONAL BANK OF PAKISTAN PICIC COMMERCIAL BANK LIMITED SOCIETE GENERALE, THE FRENCH AND INTERNATIONAL BA STANDARD CHARTERED BANK PLC UNITED BANK LIMITED UNION BANK LIMITED

NOTICE OF TWELVTH ANNUAL GENERAL MEETING

Notice is hereby given that the 12th Annual General Meeting of **DEWAN SALMAN FIBRE LIMITED** will be held on December 31, 2001 at 4.00 p.m, at 46 Nazim-ud-din Road, F-7/4, Islamabad, to transact the following business:

ORDINARY BUSINESS:

1. Recitation from HOLY QURAN.

2. To read and confirm the minutes of the Eleventh Annual General Meeting held on March 21, 2001.

3. To receive, consider and adopt the annual audited accounts for the year ended June 30, 2001, together with the Directors' and Auditors' Report thereon.

4. To approve issuance of Bonus Shares @ 12.5%.

5. To appoint Auditors of the Company for the year ending June 30, 2002 and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and approve an increase in the Authorized Capital of the Company from Rs.3,600 million to Rs.6,300 million.

7. To consider and approve alterations in the Articles of Association of the Company.

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

Date: December 10, 2001
Place: Islamabad

NOTES:

1. The Shares Transfer Books of the Company will remain closed from Saturday, December 29, 2001 to Friday, January 4, 2002 (Both days inclusive).

2. A member entitled to attend and vote at this meeting, is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy must be a member of the Company. Proxy forms in order to be effective must be received at the Registered Office of the Company located at 17-Dewan Centre, Street 84, Sector G-6/4, Islamabad duly stamped and signed not less than 48 hours before the meeting.

3. CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Card, Account and Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders.

4. Members are requested to promptly communicate to the Company any change in their address.

"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 12th Annual General Meeting of Dewan Salman Fibre Limited to be held on December 31,2001 and sets out material facts concerning the Special Business to be transacted at the Meeting.

1. Increase in Authorized Capital
The Board of Directors of the Company recommends to increase the Authorized Capital of the Company from Rs. 3,600 Million to Rs. 6,300 Million by creation of 270 Million Ordinary Shares of Rs. 10/- each. The primary objective to increase the Authorized Capital is to cater to possible future requirements such as issuance of Right, Bonus Shares, fresh issue of shares, etc. In this regard following Resolution is proposed to be passed, with or without modification, as a "**SPECIAL RESOLUTION".**

"RESOLVED THAT THE AUTHORIZED CAPITAL OF THE COMPANY BE AND IS HEREBY INCREASED FROM RS. 3,600 MILLION TO RS. 6,300 MILLION BY CREATION OF 270 MILLION ORDINARY SHARES OF RS. 10/- EACH AND TO EFFECT THE SAME, CLAUSE V OF THE MEMORANDUM OF ASSOCIATION AND ARTICLE NO. 4 (A) OF THE ARTICLES OF ASSOCIATION BE AND ARE HEREBY AMENDED TO READ AS FOLLOWS:

CLAUSE V OF MEMORANDUM OF ASSOCIATION OF THE COMPANY.

THE AUTHORIZED CAPITAL OF THE COMPANY IS RS, 6,300 MILLION (RUPEES SIX THOUSAND THREE HUNDRED MILLION) DIVIDED INTO 630 MILLION ORDINARY SHARES OF RS. 10/- EACH. THE COMPANY SHALL HAVE POWERS TO INCREASE OR REDUCE THE SHARE CAPITAL FROM TIME TO TIME AS IT MAY THINK PROPER AND THE SHARES FORMING THE CAPITAL-ORIGINAL, INCREASED OR REDUCED, MAY BE DIVIDED INTO SUCH CLASSES, IN ACCORDANCE WITH THE PROVISIONS OF THE COMPANIES ORDINANCE, 1984.

ARTICLE NO. 4 (A) OF THE ARTICLES OF ASSOCIATION OF THE COMPANY.

THE AUTHORIZED CAPITAL OF THE COMPANY IS RS. 6,300 MILLION (RUPEES SIX THOUSAND THREE HUNDRED MILLION) DIVIDED INTO 630 MILLION ORDINARY SHARES OF RS. 10/- EACH."

2. Alteration of Articles of Association of the Company
The Company had given special rights to Bankers Equity Limited/Asian Development Bank in its Articles of Association. The provisions of Articles of Association containing such rights are no longer required as the Company has paid off all its obligations towards Bankers Equity Limited/Asian Development Bank. Hence it is necessary to amend the Articles of Association as the subject articles have become redundant, In this regard following Resolution is proposed to be passed, with or without modification, as a "SPECIAL RESOLUTION".

"RESOLVED THATTHE ARTICLES 60-B AND 99-A CONTAINED IN THE ARTICLES OF ASSOCIATION OF THE COMPANY BE AND ARE HEREBY DELETED".

"THE ARTICLE 51 CONTAINED IN THE ARTICLES OF ASSOCIATION OF THE COMPANY BE AND IS HEREBY AMENDED TO READ AS FOLLOWS:

THE BOARD OF DIRECTORS SHALL CONSIST OF EIGHT (8) DIRECTORS. IF FOR ANY REASON THERE OCCURS A VACANCY IN 1HE BOARD OF DIRECTORS, SUCH VACANCY SHALL BE

FILLED BY THE BOARD OF DIRECTORS".

DIRECTORS' REPORT

Your Directors take pleasure in presenting to you the Twelfth Annual Report of the Company together with the Audited Accounts for the year ended June 30, 2001.

The year under review was an eventful year for your company in which full impact of merger of Dhan Fibre (Unit-IV) into your company as well as first year of commercial operations of the acrylic unit are reflected. Also the synergy benefits accrued post merger in respect of production capabilities also contributed significantly towards total turn over.

Your company earned net profit before tax of Rs. 795.281 million after setting off the net loss incurred in acrylic business of Rs. 149.149 million.

The salient features of the accounts are provided below:

	(Rs. in '000)	
* Gross Sales	17,972,447	* Debt-- Equity Ratio
* Sales Tax	2,371,298	* Current Ratio
* Depreciation	1,240,420	* Earnings Per Share (Rs.)
* Gross Profit	2,182,529	* Return on Equity (%)
* Operating Profit	1,892,843	* Breakup Value (Rs.)
* Financial Charges	1,047,855	* Gross Margin (%)
* Net Profit before Tax	795,281	* Operating Margin (%)
* Net Profit after Tax	630,669	* Net Margin (%)

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 these difficult times.

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

Your Directors have recommended distribution of Bonus Shares at the rate of 12.5% i.e, one Bonus Share for each eight Shares held for the year and are pleased to propose appropriation of profit in the following manner:

(Rs. in 000)

Profit for the year 2000-2001
Un-appropriated profit brought forward
Transfer from share premium account

Profit available for appropriation

Appropriations

Reserve for issue of bonus shares @ 12.5%
Un-appropriated profit carried forward

Total

The Board of Directors has transferred Rs. 224.004 million from Share Premium Account for issuing fully paid bonus shares to the shareholders of the company.

REVIEW ON ACCOUNTS

The financial performance, for the year under review, of the company is the first year of combined operating results of all four units. Hence turn over of the company increased by 167% over the past year. More over, de-bottlenecking and technical upgrading activities as reported in last Annual Report also brought significant impact.

The negative goodwill amounting to Rs.52.011 million appearing in the Balance Sheet represents the excess of fair value of the net assets acquired over the acquisition cost of Dhan Fibres Limited (Unit-IV) after adjusting for the goodwill amounting to Rs. 842 million, The estimation of fair value of assets was carried out by M/s Iqbal A. Nanjee & Company (a leading firm of surveyors, valuers and engineering consultants recognized by financial institutions). The amount of negative goodwill will be amortized over a period of 10 years.

Depreciation provided for the year carries an additional charge of Rs. 90 million resulting from estimation of fair value of assets of Unit-IV as prescribed by International Accounting Standards. Thus, this year depreciation includes an extra Rs. 180.36 million due to revaluation of Assets carried out last year and adjustment this year.

The incidence of tax has increased to Rs. 164 million in the year under review from Rs. 34 million in the preceding year as Unit-I, Unit-III and Unit-IV are liable to taxation. The tax holiday for Unif-II will continue till June 2003.

FINANCIAL OBLIGATIONS

Alhamdolillah, as always your company has fulfilled its financial obligations on time. With **Almighty Allah's** blessings, your company has redeemed the entire principal and interest of Euro Convertible Bonds (ECB) amounting to US $ 38.222 million equivalent to Rs. 2,301 million on May 04, 2001 i.e on its due date.

The ECB were issued in the international capital market in May 1994 for an amount of US $ 45 million as part of financial scheme for the company's polyester Unit-II. The ECB were for a seven years tenor carrying an option of conversion to equity. It was the first such issue from Pakistan and todate is the only private sector instrument in the international capital market. Subsequent to the issue, an amount of US $ 7.710 million was converted into shares of the company. Throughout the tenor, the company paid the coupon amount on the respective due dates.

The Board wishe to place on record it's gratitude to international bondholders for reposing their trust and confidence in our company. It would also wishes to thank The Ministry of Finance, State Bank of Pakistan, Securities and Exchange Commission and the Bankers who lent their support in the floatation and repayment of ECB.

The final installment of US $ 20 million lease financing obtained from Al-Tawfeek Company for Investment Funds for meeting cost of machinery and equipment for Unit-II was also remitted on its due date in April 2001.

Your company shall continue to follow a conservative financial profile and will focus on meeting its future debt servicing requirements through its own cashflows. It intends to accomplish this by achieving higher level of operational efficiencies.

IMPACT OF MERGER

As forecasted in the previous Directors' Report we are pleased to state that with the blessing of **Almighty Allah** and the dedicated efforts of the engineering staff the production capacity of polyester fibre has increased to 250,000 tons per annum. This was achieved by applying technology and know-how gained over decade long experience in polyester manufacturing process. As a result the combined polyester fibre production increased by over 16% to 225,302 tons as compared to output of 193,743 tons in the preceding year.

The quality and product characteristics of Unit-IV have been brought at par with Unit-I and Unit-II and the discount in selling price, which was being provided prior to merger, is gradually being reduced.

The management of the plant is now working towards further de-bottlenecking of the capacity and increasing production efficiencies. Moreover, the Engineering and Technical team has already developed various new varieties and are in the process to carry out this exercise further. The Board is happy to report that already your company succeeded in selling about 16 different varieties in polyester and 10 different varieties in acrylic. The pioneering role in developing newer varieties is continuously the motto of our Engineering and Technical staff.

FUTURE OUTLOOK OF POLYESTER INDUSTRY

The Chinese polyester fibre producers are aggressively expanding their capacities thus distorting the regional market and trading environment. The polyester fibre capacities built in the Far East relying on exports to China are reverting to distress sales in the region thus causing excesses in the regional supplies and weakening the prices of polyester fibre. USA, European Union and India have already imposed anti dumping duties to protect their domestic industrial investments in the wake of slow down of downstream textile industry.

The Chinese market has got maximum leverage over all chemical fibres as not only they are big producers themselves but at the same time being the largest consumer of chemical fibres in the world, they are still big importers of chemical fibres. The dynamics are such that they are capable of becoming very competitive exporting country as well, The Chinese leverage is not just impacting polyester and other chemical fibre industry, but it is also dictating movement of raw material prices as well as downstream textile industry.

In the absence of anti dumping support from the Government the local polyester fibre prices are continuously under pressure, consequently exerting pressure on the already meager margins in the industry. The local businesses will have to upgrade themselves to world scale size and improve their efficiencies to international levels to combat the onslaught of cheap and dumped material. It is a big and difficult challenge to overcome as the infrastructure, financial and other costs of doing business are comparatively higher in Pakistan. Your company is striving to combat this challenge by increasing efficiencies through de-bottlenecking and cross technology synergy.

The initiative taken by the Honorable Minister of Commerce to look for markets for domestic polyester fibre exports, especially to china, using existing good political relations between the two countries holds a ray of hope for the industry. However, this can only be achieved if the Government provides supportive duty draw back regime to the industry, The Government will have to comprehend this situation and should expeditiously move to avail this window of opportunity. This matter assumes further significance as the expansion of Ibrahim Fibres and ICI is expected to come on stream by mid of next year adding further capacity of 180,000 tons of polyester fibre in an already saturated market.

UNIT III --ACRYLIC FIBRE AND TOW

Your directors are pleased to report the results of first year of commercial operations. Though the company has suffered a loss of Rs. 149 million before tax in it's maiden year, the Board feels that the operations will improve significantly in the current year.

The technical operations are running smoothly and producing high-class acrylic fibre and tow, both dyed and raw white. The company is slowly and successfully penetrating the market despite having to compete with the menace of dumping. Furthermore, acrylic products are being smuggled in the country without any let and hindrance through the porous border of Afghanistan. On the other hand, some rogue importers are getting their consignments cleared through mis-declaration of C&F values, quantity and quality to evade custom levies especially at dry ports in the interior of the country where custom authorities are not suitably equipped to counter such menace.

The documentation drive of the Government and strikes by the unorganized sector also played its role in the stockpiling of inventory as your company's downstream industry operates in unorganized sector.

The Board is confident that with the hard efforts of Technical and Marketing staff and thorough enhancing technical skills for developing more and more varieties as well as cost saving operations together with Government support for eradicating malpractices as enumerated above and above all with the blessing of Allah, your company will be able to overcome these difficulties and will be able to make its acrylic operations contributing to profits of the company.

TARIFF PROTECTION AND FISCAL ISSUES

Polyester Fibre Industry

In the previous budget the tariff regime for polyester fibre was retained and subsequently Government excluded polyester fibre from the ambit of Duty and Tax Remission for Export (DTRE) scheme.

On the other hand the Government announced a phased reduction in the duty draw back rates applicable to domestic consumption of polyester fibre for export purposes. APTMA has made a representation to the Government for review of the decision. The polyester fibre producers also support their viewpoint and urge the Government to restore the drawback rates to previous level. However in order to enable local industry to compete internationally the Government should take note of duty drawbacks made available to the competing countries. For example in India where the entire chemical chain is available locally the Government is providing duty drawback to the textile industry at 13% of FOB value, equal to Pakistani Rs. 12. T0 per kg. of polyester fibre, although no duty is collected by the state in the value addition process.

If the Government wishes to achieve the targets laid down in its 'Fibre Vision 2005' it will have to take bold steps for providing supportive export policy as well providing due protection to the local industry from the unrealistic competition from abroad and menace of dumping.

The Government should implement multiple duty slabs in the next budget to accommodate various steps in the value addition chain. It is indicated that the top duty rate will come down to 25% in the forthcoming budget. The Government should freeze the current tariff regime available to polyester industry for a period of five years to provide certainty and if it wishes to induct further polyester fibre capacity as envisaged in the 'Fibre Vision 2005'.

Acrylic Fibre Industry
Instead of providing support to the fledgling industry the import duty was reduced to 20% in the last budget thus adding further miseries in our first year of operation. The industry has been suffering world wide from recession and the menace of dumping and due to this fact several countries like India, Indonesia and Malaysia have responded by levying harsh anti dumping duties whereas the Government of Pakistan is turning deaf ear to our requests for protection instead of imposing punitive antidumping duties on rogue exporters. We strongly urge the Government to atleast bring the acrylic fibre and tow duty to 25% i.e. in line with the duty on polyester fibre,

In the past, Government had provided high protective duties to polyester fibre industry which enabled it to prosper and grow from a modest capacity of 12,000 tons in 1982 to over 425,000 tons in 2001. Similarly, the acrylic industry should also be provided with a supportive tariff so that it can replicate the success of polyester industry in the country. Large-scale acrylic industry would not 0nly boost the development of downstream textile and worsted industry but also develop newer products for local and export market.

Furthermore, there is very high import duty of 20% on dyestuff being used to produce dyed fibre and tow, thereby leaving no protection to these products which comprise almost 90% of the market. The Government should reduce the duty on dyestuff to the level that is available for primary raw materials. As none of the dyestuff is produced locally therefore reduction in duty will not pose any threat to local industry.

In the last budget the Government has levied 20% sales tax on polyester fibre, its raw materials, acrylic fibre and tow and its raw materials instead of 15% applicable generally on all other products. This is causing another setback in the growth of chemical fibres particularly our acrylic business. Yet there is another discrepancy in respect of acrylic products where the rate of sales tax is 20% whereas on the import of acrylic tops the rate applicable is 15%, Acrylic tow and tops are similar products where through a small and simple process tow is converted to tops, This has provided opportunities to such rogue importers who are not utilizing their sales tax payments in value added chain and have got an incentive to further manipulate on this discrepancy. We strongly urge the Government to review the rate of 20% sales tax on the acrylic fibre and tow and bring it down to 15% as is in the case of other products.

CONTRIBUTION TO NATIONAL EXCHEQUER
During the year, your Company's contribution to the National Exchequer amounted to about Rs. 3,655.063 million in respect of payments under Sales Tax, Custom Duty and other statutory

levies as well as tax deducted from payments made to employees, suppliers and contractors,

VOTE TO THANKS

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

The Board also expresses its appreciation for the valuable services, loyalty and laudable efforts continuously rendered by the executives, staff members and workers of the company. It recognizes that they are the most valuable assets of the company. The Board also appreciates the efforts of those executives, staff members and workers of Unit-IV who decided to continue with the new management and worked wholeheartedly for achieving the targets and integrating into the company.

AUDITORS

The Auditors of the Company, M/s. Faruq Ali and Company, Chartered Accountants and M/s. Feroze Sharif Tariq and Company, Chartered Accountants, retire and offer their services for re-appointment for the ensuing year.

CONCLUSION

In conclusion, we bow, beg and pray to **Almighty Allah, Rahman-e-Rahim**, in the name of our beloved prophet, **Muhammad, 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)

For and on behalf of the Boar
DEWAN ZIA-UR-REHMAN
President / Chief Exe

Islamabad: 30th November 2001

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Dewan Salman Fibre Limited as at 30th June 2001 and the related profit and loss account, cash flow statement and 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 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 a system of internal control and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

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

(b) in our opinion:

(i) the balance sheet and profit 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2001 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Faruq Ali & Company
Chartered Accountants

Place: Islamabad
Date: 30th November 2001

BALANCE SHEET AS AT 30 JUNE 2001

	Note	2001
SHARE CAPITAL AND RESERVES		
Authorized Capital 360,000,000 (2000: 360,000,000) Ordinary shares of Rs. 10 each		

Issued, subscribed and paid-up capital	3
Proposed issue of shares to minority shareholders of Dhan Fibre Limited	
Share premium	4
General reserves	
Reserve for proposed issue of bonus shares	
Unappropriated profit	
SURPLUS ON REVALUATION OF FIXED ASSETS	5
REDEEMABLE CAPITAL	6
LIABILITIES AGAINST ASSETS SUBJECT TO FI	7
BRIDGE FINANCES	8
DEFERRED LIABILITIES	9
CURRENT LIABILITIES AND PROVISIONS	
Current potion of:	
Redeemable capital	
Liabilities against assets subject to finance lease	
Convertible bonds	10
Short term finances	11
Provision for taxation	
Creditors, accrued and other liabilities	12
CONTINGENCIES AND COMMITMENTS	13
TANGIBLE FIXED ASSETS	
Operating assets	14
Capital work-in-progress	15
LONG-TERM LOANS	16
LONG-TERM PREPAYMENTS	17
(Nagative) Goodwill	18
CURRENT ASSETS	
Stores and spares	19
Stock-in-trade	20
Stock-in-transit	
Trade Debts	
Advances, deposits, prepayments and other	

receivables	21	
Cash and bank balances	22	

DEWAN ZIA-UR-REHMAN FAROOQUI
President / Chief Executive

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2001

	Note	*2001*
Sales	23	
Sales tax and Commission		
Net sales		
Cost of sales	24	
Gross profit		
Administration and Selling expenses	25	
Less: Amortization of Negative goodwill		
Operating profit		
Other income	23	
Financial charges	26	
Workers' profit participation fund		
Profit before taxation		
Taxation		
Current		
Deferred		

Profit after taxation
Unappropriated profit brought forward

Profit available for appropriation

Appropriation:
Transfer from General Reserve
Transfer from Share Premium Account
Issue of Bonus Shares- 12.50 % (2000: 50%)

Unappropriated profit carried forward

Earning per share - Basic	27

DEWAN ZIA-UR-REHMAN FAROOQUI
President / Chief Executive

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2001

2001

CASH FLOW FROM OPERATING ACTIVITIES
Profit before taxation
Adjustments for:
Depreciation
Amortization of negative goodwill & prepayments
Provision for gratuity
Financial charges

Movement in:
Working capital
Long term prepayments

Cash generated from operations

Payments for:
Staff gratuity
Financial charges
Tax

Net cash generated in operating activities

CASH FLOW FROM INVESTING ACTIVITIES
Payment for capital expenditure
Acquisition of Dhan Fibres Limited
Long term investment

Net cash used in investing activities

CASH FLOW FROM FINANCING ACTIVITIES
Syndicated term loans
Exchange loss on convertible bonds
(Repayment) / Revaluation of Convertible Bonds
(Repayment) / settlement of Bridge loan
Long term borrowing (Public subscription TFC second issue)
Repayment of long term borrowings
Repayment of liability under finance lease
Dividends paid
Tax refunds received
Long term loans to employees

Net cash inflow from financing activities

Net increase / (decrease) in cash and cash
equivalents

Cash and cash equivalents at 01 July

Cash and cash equivalents at 30 June

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2001

2001

MOVEMENT IN WORKING CAPITAL

(Increase) / decrease in current assets
Stores and spares
Stock-in-trade
Stock-in-transit
Trade Debts
Advances, deposits, prepayments and
other receivables
Increase / (decrease) in current liabilities
Creditors, accrued and other liabilities

ACQUISITION OF DHAN FIBRES LIMITED
Current assets
Operating assets
Goodwill
Long term loans
Long term morahaba financing
Creditors, accrued expenses and other liabilities
Provision for staff gratuity
Provision for taxation
Issue of shares

Cash flow on acquisition net of cash acquired

CASH AND CASH EQUIVALENTS
Cash and cash equivalents include:
Cash and bank balances
Short term finances

DEWAN ZIA-UR-REHMAN FAROOQUI
President / Chief Executive

STATEMENT OF CHANGES IN EQUITY

	Issued, subscribed and paid-up capital	*Proposed Issue of Shares to minority shareholders of Dhan Fibres Ltd.*	*Reserve for proposed issue of bonus shares*
Balance as at 30 June 1999	1,603,823	--	
Profit after taxation for the year ended 30	--	--	

June 2000		
Issue of Bonus Shares	1,102,629	--
Proposed issue of Shares to minority shareholders of Dhan Fibres Limited	--	322,558
	------------------	------------------
Balance as at 30 June 2000	2,706,452	322,558
Profit after taxation for the year ended 30 June 2001	--	--
Reserve for proposed issue of bonus shares	--	--
Shares Issued to minority shareholders of Dhan Fibres Ltd.	322,558	(322,558)
	------------------	------------------
Balance as at 30 June 2001	3,029,010	--
	==========	==========

DEWAN ZIA-UR-REHMAN FAROOQUI
President / Chief Executive

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2001

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 products and acrylic fibre and tow products. The newly installed independent Unit III to manufacture acrylic fibre and tow has started commercial operations since 1st July 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.2 Accounting convention
These accounts have been prepared under the historical cost convention, except that certain exchange elements referred to in note 2.9 have been incorporated in the cost of relevant assets.

2.3 Staff retirement benefits
The Company operates an un-funded gratuity scheme for its staff for which annual provision is made in the accounts to cover the obligation in accordance with the Company service rules.

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

The Company accounts for deferred taxation on all material timing differences using the liability method. However, as a matter of prudence, the Company does not recognize net deferred tax debit balance, if any, in the accounts.

2.5 Tangible fixed assets and depreciation
Operating assets except freehold and leasehold land are stated at cost / revalued / adjusted amounts less accumulated depreciation. Freehold land, leasehold land and capital work-in-progress are 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 14, Full year's depreciation is charged on additions including due to revaluation of certain fixed assets and capitalization of exchange differences in the year of acquisition/revaluation/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 capitalized and the assets so replaced, if any, are retired.

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

The amount of negative goodwill representing excess of fair value of net assets acquired over acquisition cost is recognized as income over the remaining weighted average useful life of the plant & machinery, transferred from DFL with effect from 01 July 2001.

2.7 Stores and Spares
These are valued at average cost except for those in transit, which are valued at cost.

2.8 Stock-in-trade
Raw and packing materials except for those in transit are valued at lower of average cost and net realizable value.

Work-in-process 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 necessarily to be incurred to make the sale.

2.9 Foreign currency translation
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 exchange rates approximating those prevailing at the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities in which case the rates contracted for are used.

In respect of foreign currency loans obtained for acquisition of fixed assets, exchange differences on principal amount are included in the cost of relevant assets over the period of these loans.

All other exchange differences are taken to profit and loss account.

2.10 Revenue recognition
Sales are recorded on despatch of goods to customers. Profit/mark-up on deposits and investments are accounted for when it becomes receivable,

2.11 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.

2001

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

65,000,000	ordinary shares of Rs. 10 each fully paid in cash	
204,429,813	ordinary shares of Rs, 10 each	

	issued as bonus shares
1,215,345	ordinary shares of Rs. 10 each issued against conversion of convertible bonds
32,255,800	ordinary shares of Rs. 10 each issued in exchange for 96,767,400 shares of Rs 10 each of Dhan Fibres Limited.

302,900,958	
==========	

4. Share Premium

Balance as at 01 July

Less: Reserve for proposed issue of bonus shares

Balance as at 30 June

5. SURPLUS ON REVALUATION OF FIXED ASSETS

On 30 June 2000 the plant and machinery pertaining to Unit I was revalued by Iqbal A. Nanjee & Company which resulted in a revaluation surplus of Rs. 1,004 million over the book value.

6. REDEEMABLE CAPITAL - Secured (Non-participatory)
Long term finances utilized under mark-up arrangements

Financier	*Installments payable*	*repayment Period*	*Mark-up rate*
Consortium of Banks	Half Yearly	2001-2003	17.5% p.a.
United Bank Limited	Half Yearly	2001-2003	2.5% above STFB p.a.
Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited	Half Yearly	2000-2004	19% p.a
Pakistan Kuwait Investment Company (Pvt) Limited	Half Yearly	2001-2005	19% p.a
Mashreq Bank	Half Yearly	2001-2003	1.75% over SBP Discount Rate or 17% p.a. which ever is higher

Standard Chartered Bank plc	Half Year	1999-2002	1.75% over SBP Discount rate or 16% p.a. which ever is higher
Societe Generale, The French and International Bank	Half Yearly	2002	1.7% over SBP Discount rate or 15% p.a. which ever is higher
National Bank of Pakistan	Half Yearly	2001-2003	1.75% over SBP Discount rate or 15% p.a. which ever is higher
Long Term Marahaba Finances			
Faysal Bank Limited	Monthly	--	18.5% p.a.
Term Finance Certificates			
TFC Series No. 1	Half Yearly	2001-2003	19% p.a.
TFC Series No. 2	Half Yearly	2001	16% p.a.
Syndicated Term Loan			
Syndicate of banks	Half Yearly	2003-2008	2% over T. bill rate or 15% p.a. which ever is higher

Less: Current portion - shown under current liabilities
Long term finances utilized under mark-up arrangements
Long term morahaba finances
Term finance certificates

Purpose and security of above finances:

6.1 to 6.8 These finances are obtained to finance the Unit III (Arcylic Fibre & Tow Plant) of the company and are secured by way of first pari passu charge on all the present and future movable and immovable assets of the company excluding stocks and book debts.

6.9 This loan has been transferred from Dhan Fibres Limited (Unit IV) and is secured by way of first charge on movable and immovable properties of the company.

6.10 These term finance certificates are issued to finance the Unit Ill of the company and are secured by way of first pari passu charge on all the present and future movable and immovable assets of the company excluding stocks and book debts. These term finance certificates are listed on Karachi Stock Exchange.

6.11 These term finance certificates are issued to finance the acquisition of and merger with Dhan Fibres Limited and are secured by way of first pari passu Hypothecation charge on all the present and future fixed assets of the company and equitable mortgage over immovable properties of the company. These term finance certificates are listed at Karachi Stock Exchange.

6.12 These represents Term Loans obtained from syndicate of commercial banks to finance the acquisition of and merger with Dhan Fibres Limited and are secured by way of hypothecation charge on all the present and future fixed assets of the company.

	Note	*2001*
7. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Foreign currency	7.1	
Local currency	7.2	
Current portion - shown under current liabilities		
Foreign currency		
Local currency		

7.1 This represents lease facility of US $ 20,000,000 provided by Al-Tawfeek Company for Investment Funds for Unit-II of the company which have since been repaid.

7.2 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 1998-2004 and are subject to mark up rate of 21% 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 payments for the lease and the period in which these payments will become due are as follows:

Year to 30 June 2000
Year to 30 June 2001
Year to 30 June 2002
Year to 30 June 2003
Year to 30 June 2004

Less: Financial charges allocated to future period

8. BRIDGE FINANCES
Balance as at 30 June

These short-term finances were obtained from various commercial banks to finance the acquisition of and merger with Dhan Fibres Limited and the same has been settled during the year.

9. DEFERRED LIABILITIES
Provision for staff gratuity
Provision for deferred taxation

10. CONVERTIBLE BONDS
Outstanding principal amount in US Dollars

Converted into Rupees

These bonds were redeemed on their due date i.e. 05 May 2001 along with interest coupons.

11. SHORT TERM FINANCES
The facilities for running finance under mark-up arrangements available from various banks aggregate to Rs.2,600 million (2000: Rs.2,000 million) and carry mark up ranging from 12.00 to 15.675 percent per annum. These facilities are secured by hypothecation of the

Company's stock-in-trade and book debts and are generally for a period of one year renewable at the end of the period.

12. CREDITORS, ACCRUED AND OTHER LIABIITIES

Trade creditors
Accrued expenses
Notes payable
Sales tax payable

Accrued interest on:
Convertible bonds
Long term loans

Accrued profit and exchange risk fee on foreign currency liability against assets subject to finance lease

Workers' profit participation fund
Unclaimed dividends
Others

13. CONTINGENCIES AND COMMITMENTS

13.1 Bank guarantees given to Collector of Customs and others- Rs. 54.16 million (2000: Rs. 75.216 million).

14. Operating Assets

14.1 The following is a statement of operating assets:

Particulars	***Cost and revaluation at 30 June 2000***	***Addition/ Adjustment***	***Cost and revaluation at 30 June 2001***
UNIT I			
Leasehold Land	1,135	--	
Islamabad Office	10,860	--	
Factory Building	167,495	--	
Non-Factory Building	180,322	24,321	
Tank Terminal	16,454	--	
Plant & Machinery	3,282,818	--	
Vehicles	79,356	6,002	
Furniture & Fixtures	22,320	5,792	
Office Equipment	48,213	12,120	
	-----------------	-----------------	

2001	3,808,973	48,235
	==========	==========
2000	2,782,463	1,026,510
	==========	==========
UNIT II		
Leasehold Land	1,134	--
Factory Building	206,123	--
Non-Factory Building	194,598	1,750
Plant & Machinery		
-- Owned (Note 14.3)	2,927,104	321,271
-- Leased	614,668	--
Vehicles	39,260	66
Furniture & Fixtures	4,005	119
Office Equipment	12,106	2,246
	------------------	------------------
2001	3,998,998	325,452
	==========	==========
2000	3,953,128	45,870
	==========	==========
UNIT III		
Factory Building	--	359,273
Non-Factory Building	--	3,780
Plant & Machinery	--	3,550,299
Vehicles	--	9,025
Furniture & Fixtures	--	817
Office Equipment	--	1,248
	------------------	------------------
2001	--	3,924,442
	==========	==========
2000	--	--
	==========	==========
UNIT IV		
Freehold Land	41,673	--
Factory Building	279,752	7,642
Non-Factory Building	4,050	--
Plant & Machinery		
(Note: 14.5)	2,378,897	1,059,328
Vehicles	6,085	14,536
Furniture & Fixtures	7,367	1,752
Office Equipment	8,087	1,880
	------------------	------------------
2001	2,725,911	1,085,138
	==========	==========
2000	--	2,725,911
	==========	==========

TOTAL-2001	10,533,882	5,383,267
	==========	==========
TOTAL-2000	6,735,591	3,798,291
	==========	==========

14.2 Fixed Assets of Unit IV represents the written down value of fixed assets transferred from Dhan Fibres Limited as on 30 June 2000.

14.3 Additions to Plant & Machinery **-** owned (Unit II) include exchange losses of Rs. 321.272 million (2000: Rs. 44.170 million) arising on translation of long term loans / bonds as mentioned in Note 2.9.

14.4 Plant & Machinery Unit I include effect of revaluation surplus amounting to Rs.1,004 million. This revaluation was carried out by an independent valuer (Iqbal Nanjee & Company)as on 30 June 2000.

14.5 Plant and Machinery Unit IV include effect of adjustments resulting from subsequent increase in fair value, amounting to Rs.900 M. This fair value was determined by an independent valuation consultants (Iqbal A. Nanjee & Company) during the year.

14.6 Depreciation charge for the year has been allocated as follows:

			2001	
	Unit I	***Unit II***	***Unit III***	***Unit IV***
Administrative	1,424	1,509	1,967	
Cost of Sales	211,028	275,407	391,380	
	------------------	------------------	------------------	
	212,452	276,916	393,347	
	==========	==========	==========	

2001

15. CAPITAL WORK-IN-PROGRESS

Unit III (Acrylic Fibre & Tow Plant)
Civil works and buildings
Plant and machinery

Others
Civil works and buildings
Plant and machinery

16. LONG-TERM LOANS -- Considered Good
Due from employees
Less: Receivable within one year

These unsecured interest free loans to employees are granted in accordance with their terms of employment and are payable within three years. The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs.5,283,850.

17. LONG-TERM PREPAYMENTS
Balance as at 30 June

The company has entered into a long term terminal services agreement with Engro Vopak Terminal Limited (EVTL) to receive Acrylonitrile (ACN), basic raw material for Unit III from ships, store this chemical and make it available for delivery to the company. The company has constructed the dedicated facilities on behalf of EVTL to be exclusively used for providing services to the Company. This represents all cost and expenses incurred for constructing dedicated facilities by the Company and will be considered advance payment of fixed price element for dedicated facilities for 15 years by the company to EVTL. This charge applicable to the current year has been taken to the Profit and Loss Account.

18. GOODWILL/(NEGATIVE GOODWILL)
Gross Amount
Add/(Less) adjustments resulting from subsequent identification/changes in value of plant & machinery of DFL

Less: Amortized during the year

Balance as at 30 June

On 30 June 2000, the company acquired 67.8% of voting shares of Dhan Fibres Limited (DFL), at a total cost of Rs.4,200,000,000/=. On 27 October 2000, the Honourable Lahore High Court, Rawalpindi Bench approved the scheme of Arrangement for Amalgamation of DFL with the company to take effect from 30 June 2000. Accordingly transfer of identifiable assets and liabilities of DFL as at 30 June 2000 at their respective book values and the goodwill, which represented the excess of acquisition cost over the book value of net assets transferred from DFL, were recorded in the books of the company.

Subsequent to the acquisition of and merger with DFL, the company appointed an independent valuation consultant Iqbal A. Nanjee & company to determine the fair value of plant & machinery of DFL transferred to the company. As a result of valuation of plant & machinery of DFL, the fair value of plant & machinery has increased by Rs. 900 million over the book value as of June 30, 2000. Accordingly, Rs. 842.210 million has been adjusted in these accounts against Goodwill and balance amount of Rs, 57.690 million has been recognized as Negative Goodwill and shown as deduction from the assets of the company. The negative goodwill will be recognized as income as per Note 2,6 to these financial statements.

19. STORES AND SPARES

Consumable stores
Packing material
Chemicals
Fuel, oil and lubricants

20. STOCK IN TRADE

Raw materials
Work-in-process
Finished goods
Waste

21. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advance:

Taxes
suppliers
expenses
contractors

Deposits

Other Receivables

Income tax refundable
Sales tax
Margin against letter of credits/guarantee
Suppliers
Accrued interest and mark-up
Others

22. CASH AND BANK

Cash in hand

Cash at bank:
Current account
Foreign currency deposits and special US dollar certificates 22.1

22.1 This represents net amount of foreign currency deposits and special US dollar bonds held by the company after setting off short term finances obtained against certain portion of foreign currency deposits and special US dollar bonds.

23. OPERATING RESULTS

	Unit I	***Unit II***	***Unit III***
Sales			
Fibre	4,364,293	4,316,183	
Waste	23,063	33,715	
	4,387,356	4,349,898	
Sales Tax	578,629	573,450	
Commission	10,018	8,652	
	588,647	582,102	
Net Sales	3,798,709	3,767,796	
Cost of Sales	3,299,818	3,150,046	
Gross Profit	498,891	617,750	
Administrative & Selling Expenses	84,010	74,585	
Less: amortization of negative goowill	--	--	
	84,010	74,585	
Operating profit	414,881	543,165	
Other income	--	--	
	414,881	543,165	
Financial Charges	133,619	108,589	
Workers' profit participation fund	14,063	21,729	

	147,682	130,318
Profit / (loss) before taxation	267,199	412,847

24. COST OF SALES

	Unit I	*Unit II*	*Unit III*
Raw material consumed			
Opening stock	572,985	655,199	
Purchases	2,909,804	2,301,999	
	3,482,789	2,957,198	
Closing stock	(1,032,826)	(502,345)	
	2,449,963	2,454,853	
Salaries, wages and benefits	120,509	118,031	
Electricity fuel and power	263,323	294,314	
Packing material consumed	20,497	20,744	
Stores and spares	70,190	34,651	
Insurance	6,728	8,853	
Depreciation	211,028	275,407	
Repairs and maintenance	4,393	4,585	
Vehicle running expenses	2,540	2,494	
Travelling expenses	12,316	8,165	
Chemicals	9,401	7,823	
General expenses	8,215	8,072	
Opening stock of work-in-process	6,530	5,428	
Closing stock of work-in-process	(8,943)	(32,056)	
Cost of goods manufactured	3,176,690	3,211,364	
Opening stock of			

finished goods	545,270	205,398	
Closing stock of finished goods	(422,142)	(266,716)	
	-----------------	-----------------	
	3,299,818	3,150,046	
	=========	=========	

25. ADMINISTRATION AND SELLING EXPENSES

	Unit I	*Unit II*	*Unit III*
Salaries and benefits	15,222	14,945	
Advertisement	1,023	1,005	
Entertainment	2,316	2,273	
Outward freight and handling	26,156	28,364	
Communication	4,065	3,991	
Depreciation	1,425	1,510	
Vehicle running expenses	2,967	2,912	
Legal and professional	2,620	2,571	
Printing and stationary	1,093	1,071	
Electricity, fuel and power	3,520	3,456	
Repair and maintenance	2,222	2,176	
Insurance	1,612	1,582	
Travelling expenses	4,354	5,554	
Auditors' remuneration	800	--	
Donation	13,411	1,996	
General expenses	1,204	1,179	

	------------------	------------------	
	84,010	74,585	
	==========	==========	

26. FINANCIAL CHARGES

	Unit I	*Unit II*	*Unit III*
Interest on long term loan	--	--	
Interest on Convertible bonds	--	95,638	
Financial charges on leased assets	--	4,338	
Mark-up on: Redeemable capital	--	--	
Short term finances & others	133,619	8,613	
	------------------	------------------	
	133,619	108,589	
	==========	==========	

	2001
27. EARNING PER SHARE	
Net profit for the year	
Average ordinary shares in issue during the year	
Earning per share	

28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 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:

	Interest bearing		*Non Interest bearing*
	Less than one year	*One year to five years*	
Financial assets			
Trade debts	--	--	
Advances, deposits and Other Receivables	94,530	--	
Cash and bank balances	178,996	--	
	273,526	--	
Average interest rates	6%		
Financial liabilities			
Syndicated Term Loans	--	2,050,000	
Redeemable Capital	--	3,424,260	
Liabilities against Assets subject to Finance Lease - Local Currency	--	95,837	
Short Term Running Finance-secur	2,477,433	--	
Current Maturity & Overdue portion of Long Term Liabilities	464,023	--	
Creditors, Accrued Expenses and Other Liabilities	--	--	
	2,941,456	5,570,097	
Average interest rates	15%	16% to 21.5%	

29. CONCENTRATION OF CREDIT RISK AND CREDIT EXPOSURES OF THE FINANCIAL INSTRUMENTS

The Company attempts to control credit risks by monitoring credit exposure, limiting transaction with specific customers and continuing assessment of credit worthiness of customers.

30. FAIR VALUE OF THE FINANCIAL INSTRUMENTS

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

31. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

	Chief Executive		
	2001	*2000*	*2001*
Managerial Remuneration	6,000	3,960	
Retirement Benefits	--	--	
House Rent Allowance	2,700	1,740	

Utilities	600	300
Medical	--	--
Conveyance	--	--
	------------------	------------------
Total	9,300	6,000
	==========	==========
Number of Persons	1	1
	==========	==========

Certain Directors and Executives are provided with free use of Company cars.

32. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	2001
Sales of fibre to Dewan Textile Mills Limited	
Sales of fibre to Dewan Khalid Textile Mills Limited	
Sales of fibre to Dewan Mushtaq Textile Mills Limited	
Purchase of polypropylene bags from Dewan Sugar Mills Limited	
Purchase of vehicles from Dewan Farooque Motors Limited	
Maximum amount due from / to associated undertaking at the end of any month during the year	

33. ALLOCATION OF INCOME AND EXPENSES BETWEEN UNITS

The transactions of all the units have been recorded in the separate books of account of the company.

34. TAXATION

The Income Tax exemption for eight years in respect of Unit I expired on 31 December 2000 whereas Unit II of the company 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 Ilnd Schedule of Income Tax Ordinance, 1979.

The income tax assessments of the Company have been finalized up to and including assessment year 1999-2000.

35. DONATION

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

36. CAPACITY, PRODUCTION & OTHER INFORMATION

A) Capacity and Production

	2001		
	Annual Capacity (tons)	***Production (tons)***	***Annual Capacity (tons)***

Unit I	52,500	57,472
Unit II	56,000	60,010
Unit III	25,000	16,430
Unit IV	91,000	107,820
	------------------	------------------
Total	224,500	241,732
	==========	==========

37. GENERAL
Corresponding figures have been rearranged and reclassified for comparison, where necessary.

DEWAN ZIA-UR-REHMAN FAROOQUI
President / Chief Executive

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	UK GAAP
Inventories are valued at lower of cost and net realisable value.	Inventories are valued at lower of cost and net realisable value,
Earnings per share not disclosed.	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,
Total amount of directors remunera 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.
Repayment terms for term loans disclosed.	Amounts falling due after more than five years are required to be disclosed separately.
Maximum amount due from companies affiliated to the compan shareholders at the end of any month during the year and sales to affiliates during the year disclosed.	No UK standard on related party transactions.
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.

PATTERN OF SHARE HOLDINGS AS AT 30 JUNE 2001

NUMBER OF SHARE HOLDERS	***SHARE HOLDINGS***			***TOTAL SHARES HELD***
1,488	1	--	100	
13,679	101	--	500	
615	501	--	1,000	
945	1,001	--	5,000	
141	5,001	--	10,000	
54	10,001	--	15,000	
29	15,001	--	20,000	
23	20,001	--	25,000	

11	25,001	--	30,000
7	30,001	--	35,000
6	35,001	--	40,000
14	40,001	--	45,000
1	45,001	--	50,000
4	50,001	--	55,000
2	55,001	--	60000
1	60,001	--	65,000
2	65,001	--	70,000
1	70,001	--	75,000
3	75,001	--	80,000
5	80,001	--	85,000
2	90,001	--	95,000
1	100,001	--	105,000
1	110,001	--	115,000
1	120,001	--	125,000
1	135,001	--	140,000
2	150,001	--	155,000
4	160,001	--	165,000
1	190,001	--	195,000
3	205,001	--	210,000
1	245,001	--	250,000
1	265,001	--	270,000
1	285,001	--	290,000
2	315,001	--	320,000
1	335,001	--	340,000
1	360,001	--	365,000
6	410,001	--	415,000
1	760,001	--	765,000
1	860,001	--	865,000
1	1,940,001	--	1,945,000
1	2,070,001	--	2,075,000
1	2,080,001	--	2,085,000
1	2,330,001	--	2,335,000
1	2,460,001	--	2,465,000
1	2,465,001	--	2,470,000
1	2,480,001	--	2,485,000
1	2,615,001	--	2,620,000
1	2,905,001	--	2,910,000
1	16,425,001	--	16,430,000
1	26,690,001	--	26,695,000
2	33,360,001	--	33,365,000
1	66,400,001	--	66,405,000
1	86,230,001	--	86,235,000

17,077			
=========			

CATEGORIES OF ***NUMBER OF*** ***SHARES***

SHARE HOLDERS	***SHARE HOLDERS***	***HELD***
INDIVIDUALS	16,914	
INVESTMENT COMPANIES	5	
INSURANCE COMPANIES	5	
JOINT STOCK COMPANIES	26	
FINANCIAL INSTITUTIONS	13	
MODARABA	9	
FOREIGN INVESTORS	104	
OTHERS	1	

TOTAL:-	17,077	
	=========	