

## **Diamond Industries limited**

### **Annual Report 2001**

#### **CONTENTS**

##### **DIAMOND INDUSTRIES LIMITED**

Company Information  
Notice of Annual General Meeting  
Directors' Report to the Members  
Auditors' Report to the Members  
Balance Sheet  
Profit and Loss Account  
Cash Flow Statement  
Notes to the Accounts  
Pattern of Shareholding

##### **ACCOUNTS OF SUBSIDIARY COMPANY**

###### **DIAMOND POLYMERS (PVT) LIMITED**

Company Information  
Auditor's Report  
Balance Sheet  
Profit and Loss Account  
Cash Flow Statement  
Notes to the Accounts  
Pattern of Shareholding

##### **CONSOLIDATED FINANCIAL STATEMENT**

###### **DIAMOND INDUSTRIES LIMITED AND SUBSIDIARY**

General Information (Subsidiary)  
Auditor's Report to the  
Board of Directors  
Consolidated Balance Sheet  
Consolidated Profit and Loss Accounts  
Consolidated Cash Flow Statement

#### **COMPANY INFORMATION**

**BOARD OF DIRECTORS:** MR. WAQAR A. SHAFFI  
Chairman/Chief Executive

MR. MUHAMMAD SAEED  
MR. SHARIQ IFTIKHAR  
MR. M.H. PERVEZ  
SYED M. NAWAZ  
MR. SOHAIL MALIK  
MR. AMANULLAH GULZAR

**COMPANY SECRETARY:** MR. NAZIR AHMAD

**AUDITORS:** SALEEM AHSAN & CO.  
Chartered Accountants

**LEGAL ADVISORS:** IRTIZA ALI NAQVI & ASSOCIATES

**BANKERS:** ALLIED BANK OF PAKISTAN LIMITED  
EMIRATES BANK INTERNATIONAL  
FIDELITY INVESTMENT BANK LIMITED  
PICIC COMMERCIAL BANK LIMITED  
NATIONAL BANK OF PAKISTAN LIMITED  
PLATINUM COMMERCIAL BANK LIMITED

**REGISTERED OFFICE:** PLOT NO. 25, GADOON AMAZAI,  
INDUSTRIAL ESTATE, SWABI (N.W.F.P.)  
TEL: 05:372-70297, 70:397, 70597  
Email: dgi@drm.psw.erum.com.pk.

**WORKS:** PLOT NO. 25, GADOON AMAZAI,  
INDUSTRIAL ESTATE, SWABI [N.W.F.P.)  
TEL: 05:372-70297

**SHARES DEPARTMENT:** MALIK BAGH, BARADARI ROAD,

SHAHDARA, LAHORE.  
 TEL: 111-111-666,79:32001-7  
 FAX: 92-42-7925299, TLX: 44590 DRM PK.  
 Email: diamond@brain.net.pk

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 12th Annual General Meeting of Diamond Industries Limited will be held at Principal Office of the Company at Malik Bagh, Baradari Road, Shahdara, Lahore, on December 27, 2001 at 3.00P. M. to transact the following business:

1. To confirm the minutes of the Last Annual General Meeting held on 14th Feb., 2001.
2. To receive, consider and adopt the Annual Audited Accounts of the Company together with the Auditors' and Directors' Reports for the period ended June 30, 2001.
3. To appoint Auditors and fix their remuneration.
4. To consider any other matter of the Company with the permission of the Chair.

### SHARE REGISTRAR ADDRESS:

Diamond Industries Limited  
 Malik Bagh, Baradari Road,  
 Shahdara, Lahore.

**By Order of the Board**

Lahore  
 December 03, 2001

**NAZIR AHMAD**  
**Company Secretary**

### NOTES:

1. The Share Transfer Books of the Company will be closed from December 21, 2001 to December 27, 2001 (both days inclusive).
2. A member entitled to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The instrument appointing a proxy must be received by the Company not later than 48 hours before the meeting.
3. Members are requested to notify any change in address immediately.
4. Kindly quote Folio Number in all correspondence with the Company.

## DIRECTORS' REPORT TO THE MEMBERS

I welcome you to the 12th Annual General Meeting of your company and pleased to present to you on behalf of the Board of Directors the financial results of the company along with the Audited Accounts for the year ended June 30, 2001.

The financial results of the company are as under:

	<i>(In Rs.)</i>
Loss for the year	(29,595,947)
Un-appropriated profit/(loss)	117,216,148
	-----
	87,620,201
Prior year adjustment	25,005,735
	-----
Unappropriated profit c/f to balance sheet	112,625,936
	=====

### REVIEW

The Foam manufacturing unit in Gadoon Amazai remained closed throughout the year. The chemical unit at Lahore however remained operational but the turnover and results of the business are relatively insignificant and have resulted in a small gross loss to the company. Further the markup accrued on the Forced Demand Finance, which was a direct result of illegal and arbitrary encashment of bank guarantees by the Central Board of Revenue in October 1999, as explained in preceding report, has resulted in a heavy operating loss. In order to apprise the esteemed members of the correct and factual status of our claim of Rs. 477 million against the Central Board of Revenue, Government of Pakistan, I briefly state below the following facts.

In spite of very clear interim order dated 19.02.1999 of the Honorable Supreme Court of Pakistan, The Collector of Customs, Peshawar presented bank guarantees to the tune of Rs. 260.568 (M) to our bankers, Allied Bank of Pakistan Shahdara Branch, Lahore and by exerting unlawful and undue pressure upon the bank, managed to encash the guarantees on 19.10.1999 and 10-11-1999. Subsequently, on 5th. June 2000, the Honourable Supreme Court of Pakistan, accepted our appeal and declared all the related orders of the Central Board of Revenue, unlawful, discriminatory and consequently quashed the same. The operative

part of the judgement is reproduced below for information and evaluation of our esteemed members.

Quote: "For the Foregoing reasons, this appeal is accepted decisions already made by the respondents in the matter of the appellant inclusive of order dated 27. 04.2000 of Member customs, C.B.R. Are hereby declared to be without lawful authority and of no legal effect and quashed. The member C.B.R. is hereby directed to decide afresh the case of the appellant as regards on time relief of 25% the total duty value of the raw materials on the basis of the same criteria and the parametes applied in the case of M/S. Al Khair Gadoon and M/S. Khyber Plastic Industries and full benefit should be given in the light of the observations and the facts noted above. As the matter has already been delayed, the needful shall be done within one month from the receipt of this judgement" Unquote"

Note:- Copy of full text judgement of the Honourable Court can be provided upon request of any member.

Your company immediately approached the member customs, C.B.R. , who again ignored the directions of the court and relief was not given as ordered by the Honourable Court. The matter was again taken up before the Honourable Supreme Court vide criminal original number 35/2000 in CA. No. 903/1999 and order dated 19. 01.2001 was passed, which is reproduced below:

Quote: "In order to avoid multiplicity of proceedings. Mr. Aitzaz Ahsan is directed to appear before the learned member customs on 26.01.2001 to present his viewpoint as to how the judgement of this Court has not been implemented in letter and spirit. The learned member (customs), after hearing Mr. Aitzaz Ahsan, shall pass such orders, assigning reasons thereof as he may deem fit in accordance with law. "Unquote:

As directed by the Honourable Court, Mr. Aitzaz Ahsan appeared before the member customs on 26.01.2001 and represented our case in length. Even after passing more than 9 months, fresh decision from the member customs, C.B.R. is still awaited. It appears that the learned member Customs has opted to defy the orders of the Honourable Supreme Court of Pakistan, in as much, even after passing of over 10 months, he has refrained from passing orders as required. In view of his defiance, your company has recently again filed an application before the Honourable Supreme Court of Pakistan, which outcome is still awaited.

As reported in the preceding report, your company remained actively involved in quantifying the losses suffered by it due to illegal and unfair trade practice by the Chairman, office bearers, directors and certain officers of the Karachi and the Lahore stock exchanges. The Company had made various representations before the Securities & Exchange Commission of Pakistan and filed various claims against certain members and the Karachi Stock Exchange. Following claims are of significant importance.

1. The company had filed a complaint against M/S. First Capital ABN AMRO Equities (Pak) Limited, presently First Capital Equities (Pvt) Limited, Member Karachi and the Lahore Stock Exchanges before the SECP for fraudulent handling and withdrawal of its shares lying with them in the CDC sub account of the company. The Company had also requested the SECP not to permit change of name and management to M/s First Capital ABN AMRO (Pak) Ltd, which request apparently fell to deaf ears and the SECP allowed the change. However the counter claim filed with the Sind High Court in suit no. 808/2000 is still pending before the Honourable Court.

2. The company has filed a claim for Rs. 488.83.million against the Karachi Stock Exchange and its member Hanif Moosa for illegal withdrawal and sale of shares, properties of your company, entrusted and lying with the said member, by the exchange and misappropriation of proceeds thereof.

3. Your company is also in the process of filing suit for recovery and or damages against the Karachi Stock Exchange and the SECP for illegal, ma-la-fide and fraudulent acts committed by their directors, members and officials during the period January to June 2000.

#### **SUBSIDIARY**

Your Directors are further pleased to report that our subsidiary company namely M/s Diamond Polymers (Pvt) Ltd. (Azad Jammu & Kashmir) has performed very well during this financial year and increased its sales to the tune of RS. 625 million from Rs. 588 million last year. This positive result is in spite of increase in cost of raw materials due to increase in international prices and rupee devaluation and simultaneous decrease in selling price due to stiff resistance from competitors. This has been achieved due to a very aggressive sales and publicity policy. In this manner the company has increased its market share. which if sustained, w'11 be beneficial in the long run. The accounts of DPOL are annexed for your reference.

Your directors further wish to apprise you of a pending litigation of the Company with the Central Board of Revenue (CBR), Government of Pakistan, in the Supreme Court of Pakistan in appeal no. 499 of 2000, whereby your company has challenged the charging of customs duties and sales tax by the Government of Pakistan on imported raw materials destined for and to be consumed in Azad Jammu and Kashmir. As per interim orders of the Honourable Court, your company is furnishing bank guarantees favouring the Collector of Customs corresponding to the amount of duties and taxes payable, which are fully secured. The balance sheet provides for this liability, which, in the opinion of legal advisors of your company, will never accrue..

Your directors also wish to inform you that your company enjoyed exemption for payment of income tax under clause 126C of the Income Tax Ordinance 1979. Income Tax assessments for the last three years were finalized on this basis. Unfortunately, the Income Tax Department, in sheer violation of the law and with ma-la-fide have unlawfully withdrawn the said exemption on 28th. May 2001. Your company is presently filed appeal before the I.T.A.T Muzafarabad, AJK which upheld the decision of the I.A.C. Thereupon your company has filed reference before I.T.A.T. and intends to pursue the matter before the Honourable High Court, Muzafarabad, AJK and, in the opinion of legal counsel, will succeed. In view of this, only the provision for turnover tax has been provided and reflected in the balance sheet.

#### **AUDITORS**

The retiring auditors M/s Saleem Ahsan and Company, Chartered Accountants shall retire and being eligible offer themselves

for re-appointment.

#### **PATTERN OF SHAREHOLDING**

The pattern of shareholding under Section 236 of the Companies Ordinance 1984 is annexed to this report.

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

**For and on behalf of the Board**

Lahore  
Dated: 26 November, 2001.

**(WAQAR A. SHAFFI)**  
**CHIEF EXECUTIVE**

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

We have audited the annexed Balance Sheet of **M/S DIAMOND INDUSTRIES LTD.**, as at June 30, 2001 and the related Profit & (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 the system of internal control and prepare and present the above said statements in conformity with the approved accounting standards and the requirement of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said 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) The Central Board of Revenue (CBR) has force fully encashed the bank guarantee to the company against the amount payable by the company on account of custom duty. According to management, the encashment of guarantee was made in the presence of valid interim order by Supreme Court of Pakistan, in favor of Diamond Industries Ltd., Against this issue. Therefore, while recording the liability effect, the management recorded the same as receivables from CBR of amounting to Rs. 260,568,683/- as mentioned in note # 14 in Notes to the Accounts. Currently the receivables are in the process of negotiations with CBR and hence could not be verified and confirmed.

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

c) in our opinion:

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

ii) the expenditure incurred during the year was for the purpose of company's business; and

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

d) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and related Profit & Loss Account and 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 subject to the above mentioned clause "a" and its consequential effects on financial position, respectively give a true and fair view of the state of the company's affairs as at June 30, 2001 and of the Loss, its changes in equity for the year then ended; and

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

LAHORE.  
DATED: 26.11.2001

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

#### **BALANCE SHEET AS ON JUNE 30, 2001**

<i>Note</i>	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>CAPITAL &amp; LIABILITIES</b>		

<b>AUTHORIZED CAPITAL</b>			
12,000,000 Ordinary shares of Rs. 10 each		120,000,000	120,000,000
<b>ISSUED, SUBSCRIBED &amp; PAID UP CAPITAL</b>			
9,000,000 Ordinary Shares of Rs. 10 Each	3	90,000,000	90,000,000
Un-appropriated Profit	4	112,625,936	117,216,148
		202,625,936	207,216,148
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
<b>LONG TERM LOAN</b>	6	197,372,915	179,405,218
<b>CURRENT LIABILITIES</b>			
Short Term Loans - Secured	7	3,592,358	51,643,353
Creditors & Accrued Liabilities	8	10,654,212	13,005,685
Other Liabilities		--	7,432,111
Provision for Taxation		2,864,582	2,654,219
Dividend Payable		780,367	1,084,760
<b>CONTINGENCIES AND COMMITMENTS</b>	9	--	--
		17,891,519	75,820,128
		463,262,264	512,605,293

The annexed notes form an integral part of these accounts.

**Waqar A. Shaffi**  
Chief Executive

**Muhammad Saeed**  
Director

#### PROPERTY & ASSETS

<b>FIXED ASSETS</b>			
(At cost less depreciation)	10	88,107,676	90,826,472
Long Term Investment	11	31,772,120	31,772,120
<b>CURRENT ASSETS</b>			
Stock in Trade	12	5,992,571	7,562,308
Debtors		4,121,114	3,790,071
Short Term Investment	13	63,417,132	100,883,600
Advances, Deposit, Prepayments & Others Receivable	14	268,447,385	274,236,354
Cash and Bank Balances	15	1,404,266	3,534,368
		343,382,468	390,006,701
		463,262,264	512,605,293

**Waqar A. Shaffi**  
Chief Executive

**Muhammad Saeed**  
Director

#### PROFIT & LOSS ACCOUNT For The Year Ended June 30, 2001

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>SALES</b>		11,079,710	146,722,249
<b>COST OF GOODS SOLD</b>	16	12,278,798	145,499,529
<b>GROSS PROFIT/(LOSS)</b>		(1,199,088)	1,222,720
<b>OPERATING EXPENSES:-</b>			
Administrative	17	6,064,760	10,268,214
Selling	18	580,465	1,074,222
Financial	19	21,404,365	21,709,969

		28,049,590	33,052,405
<b>OPERATING PROFIT/(LOSS)</b>		(29,248,678)	(31,829,685)
<b>OTHER INCOME/(LOS s)</b>	20	(136,906)	58,228,212
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		(29,385,584)	26,398,527
<b>TAXATION</b>		210,363	1,976,881
<b>PROFIT/(LOSS) AFTER TAXATION</b>		(29,595,947)	24,421,646
<b>PRIOR YEAR'S ADJUSTMENT</b>	21	25,005,735	--
<b>UNAPPROPRIATED PROFIT/(LOSS) B/F</b>		(4,590,212)	24,421,646
		117,216,148	103,148,102
<b>APPROPRIATIONS:</b>			
<b>INTERIM CASH DIVIDEND</b>		112,625,936	127,569,748
<b>UNAPPROPRIATED PROFIT/(LOSS) CARRIED</b>	22	--	10,353,600
<b>FORWARD TO BALANCE SHEET.</b>		112,625,936	117,216,148

Waqar A. Shaffi  
Chief Executive

Muhammad Saeed  
Director

### CASH FLOW STATEMENT For The Year Ended June 30, 2001

	2001 Rupees	2000 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) before taxation	(29,385,584)	26,398,527
<b>Adjustment for:</b>		
Depreciation	2,232,846	2,780,169
Amortization	--	527,417
Financial Expenses	21,404,365	21,709,969
Other Income	--	(24,865,378)
Others	--	(33,362,834)
<b>Operating Profit Before Working Capital Changes And Financial Expenses</b>	(5,748,373)	(6,812,130)
<b>Change in Working Capital</b>		
(Increase)/Decrease in Stock in Trade	1,569,737	56,819,143
(Increase)/Decrease in Debtors	(331,043)	(1,077,319)
(Increase)/Decrease in Advances, Deposit, Prepayments & Others Receivable	7,758,278	(257,295,900)
	8,996,972	(201,554,076)
Increase / (Decrease) in Creditors & accrued liabilities	(2,351,473)	(3,085,252)
<b>Changes in Working Capital</b>	6,645,499	(204,639,328)
<b>Cash Generated From Operations</b>	897,126	(211,451,458)
Financial Expenses	(21,404,365)	(21,709,969)
<b>Net Cash Out Flow From Operating Activities</b>	(20,507,239)	(233,161,427)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net Fixed Assets	(42,651)	(1,272,647)
Short Term Investment	48,392,000	(1,067,022)
Payment of Dividend	(304,393)	(9,336,730)
Sales proceeds of fixed assets	415,479	64,425
Other Income/(Loss)	--	58,228,212
<b>Net Cash Provided By (Use In) Investing Activities</b>	48,460,437	46,616,238
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase / (Decrease) in Long Term Loans	17,967,697	179,405,218
Increase / (Decrease) in Short Term Loans	(48,050,995)	8,686,712
<b>Net Cash Used in Financing Activities</b>	(30,083,298)	188,091,930

Net Increase / (Decrease) in Cash & Cash Equivalents	(2,130,100)	1,546,741
Cash & Cash Equivalents at Beginning of the Period	3,534,368	1,987,627
Cash & Cash Equivalents at Close of the Period	1,404,266	3,534,368

**Waqar A. Shaffi**  
Chief Executive

**Muhammad Saeed**  
Director

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE, 30, 2001

### 1. STATUS AND NATURE OF BUSINESS

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting Convention

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

#### 2.2 Fixed Assets and Depreciation

a) Fixed assets are stated at cost or reassessed values as the case may be less accumulated depreciation except capital work in progress which is stated at cost.

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

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

#### 2.3 Taxation

The company is entitled to tax exemption for a period of 10 years by virtue of clause 122-C of the Second Schedule of the Income Tax Ordinance 1979 which has been expired in November, 1999. However, provision for taxation has been made on the basis of turnover under section 80-D of Income Tax Ordinance 1979. The Company does not account for deferred taxation arising due to major time differences as its income is not taxable.

#### 2.4 Revenue Recognition

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

#### 2.5 Other Income

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

#### 2.6 Stock

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

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

#### 2.7 Retirement Benefits

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

#### 2.8 Investments

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

#### 2.9 General

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

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

*2001*                      *2000*  
*Rupees*                      *Rupees*

**3. ISSUED, SUBSCRIBED & PAID UP CAPITAL**

1,000,000 Ordinary Shares of Rs. 10 each fully paid in cash	10,000,000	10,000,000
8,000,000 Ordinary Shares of Rs. 10 each paid as bonus shares	80,000,000	80,000,000
	-----	-----
	90,000,000	90,000,000
	=====	=====

**4. STATEMENT OF CHANGES IN EQUITY**

	<i>Share Capital</i>	<i>Unappropriated Profit/(Loss)</i>	<i>Shareholders Equity</i>
Balance at July 1, 1999	90,000,000	103,148,102	193,148,102
Net Profit for the year	--	24,421,646	24,421,646
Dividend Declared	--	(10,353,600)	(10,353,600)
	-----	-----	-----
Balance at June 30, 2000	90,000,000	117,216,148	207,216,148
	-----	-----	-----
Balance at July 31, 2001	90,000,000	117,216,148	207,216,148
Net Profit for the Year	--	(4, 590,212)	(4, 590,212)
Dividend Declared	--	--	--
	-----	-----	-----
Balance at June 30, 2001	90,000,000	112,625,936	202,625,936
	=====	=====	=====

**5. SURPLUS ON REVALUATION OF FIXED ASSETS**

The surplus arising from the revaluation of Fixed Assets

Certified by Minhas Associates as on June 30, 1997 was made up as follows.

Land	4,500,750	4,500,750
Building	2,638,788	2,638,788
Plant & Machinery	43,024,261	43,024,261
	50,163,799	50,163,799
Depreciation on building Surplus	(489,479)	--
Depreciation on Plant Surplus	(4,302,426)	--
	-----	-----
	45,371,894	50,163,799
	=====	=====

**6. LONG TERM LOAN**

Such liability is payable to Allied Bank of Pakistan, Shahdara Branch, Lahore against force demand finance by Collector of Customs for encashment of Bank Guarantees (see Note # 14.1) Mark up rate 10% p.a

		<i>2001 Rupees</i>	<i>2000 Rupees</i>
<b>7. SHORT TERM LOANS - SECURED</b>			
Running Finance	7.1	2,891,108	16,643,398
Cash Finance	7.1	701,250	4,999,955
Current maturity of long term loan		--	30,000,000
		-----	-----
		3,592,358	51,643,353
		=====	=====

7.1 These are obtained from ABL and are secured against pledge/hypothecation of stock in trade, first charge on fixed assets, floating charge over the current assets, charge over fixed deposits, quitable mortgage, on personal properties and guarantees of Directors of the Company. Markup @ 49 paisa per thousand rupees per day.

**8. CREDITORS & ACCRUED LIABILITIES**

Creditors	43,352	60,000
Accrued Liabilities	10,610,860	12,945,685
	-----	-----
	10,654,212	13,005,685
	=====	=====

**9. CONTINGENCIES AND COMMITMENTS**

(a) Outstanding amount of guarantees issued by financial institutions/insurance company on behalf of the company amounting to Rs. 38,656,739 (2000-Rs.38,656,739).

(b) Bank guarantees of Rs. 260.568 millions were presented by the collector of custom, Peshawar and were forcefully en-cashed on 18-10-1999 despite of the presence of clear interim order



issued before the honorable Supreme Court of Pakistan as on 10-02-1999 to entertain and finalize our claim for compensation of 25% tax concession as decided by Economic Co-ordination Committee and as given to other companies, amounting to Rs. 477 million in our case. Further the Honorable Supreme Court of Pakistan vide our CA No. 903/1999 passed judgment, dated 5th June, 2000 in our favor.

(c) The shares of the company were lying with Muhammad Hanif Moosa member Karachi Stock Exchange. The said member was declared defaulter by the management of the KSE and all his assets lying with the exchange were sold in an improper, illegal, dubious, clandestine and fraudulent manner by the KSE Board. So the company has filed a claim against Karachi Stock Exchange (G) Ltd. receivable amount of Rs. 488.83 million for sale of companies shares which were in custody of Muhammad Hanif Moosa.

(d) Diamond Industries Ltd was engaged in trading of share in stock exchanges through First Capital ABN AMRO, who have filed suit # 808/2000 against this company and 05 others for a collective amount of Rs. 552 million.

The claim is still pending before the honourable Sindh High Court

The Company and its associated undertaking M/s Shaffi Chemical Industries Limited have jointly filed a counter claim against the said broker for a sum of Rs. 200 million while reserving the right. To enhance this figure if the factual position (once it emerges at the trial of the suit) should so warrant.

## 10. FIXED ASSETS (FOAM DIVISION)

PARTICULARS	COST				DEPRECIATION			W.D.V.	
	As at 01.07.2000	Additions/ (Deletions)	Total upto 30.06.2001	Rate %	As at 01.07.2000	Adjustment	For the year	Total as at 30.06.2001	As at 30.06.2001
Land	6,528,000	--	65,280,130	--	--	--	--	--	6,528,000
Building	19,602,239	--	19,602,239	5%	6,210,356	--	669,594	6,879,950	12,722,289
Building Revaluation	2,638,788	--	2,638,788	5%	376,357	--	113,122	489,479	2,149,309
Plant and Machinery	42,989,708	--	42,989,708	--	24,628,721	--	--	24,628,721	18,360,987
Plant Revaluation	43,024,261	--	43,024,261	--	4,302,426	--	--	4,302,426	38,721,835
Vehicles	15,648,485	23,500	14,098,355	20%	10,812,498	(1,158,151)	888,802	10,543,149	3,555,206
	--	(1,573,630)	--	--	--	--	--	--	--
Furniture and Fixtures	3,959,183	7,810	3,966,993	10%	2,171,153	--	179,584	2,350,737	1,616,256
Office Equipment	2,806,703	--	2,806,703	10%	1,556,914	--	124,979	1,681,893	1,124,810
2001: Rupees	137,197,367	(1,542,320)	135,655,047		50,058,425	(1,158,151)	1,976,080	50,876,354	84,778,693
2000: Rupees	136,640,007	557,360	137,197,367		48,223,557	(535,575)	2,370,443	50,058,425	87,138,942

	2001 Rupees	2000 Rupees
<b>ALLOCATION OF DEPRECIATION</b>		
Cost of Sales	--	--
Administrative	1,862,959	2,370,443
Charge to Revaluation surplus	113,122	--
	1,976,080	2,370,443

### 10.1 DISPOSAL OF FIXED ASSETS

Particular of As	Cost	Accumulated Depreciation	W.D.V	Sales Proceeds	Gain	Basis of Sales	Sold to
Car	257,000	172,786	84,214	84,214	--	Negotiation	Ex-Employee
Car	664,700	507,878	156,822	156,822	--	Negotiation	Ex-Employee
Car	577,000	425,743	151,257	151,257	--	Negotiation	Ex-Employee
MOTOR CYCLE	50,900	37,557	13,343	13,343	--	Negotiation	Ex-Employee
MOTOR CYCLE	24,030	14,187	9,843	9,843	--	Negotiation	Ex-Employee
	1,573,630	1,158,151	415,479	415,479	--		

### 10.2 FIXED ASSETS (Chemical Division)

PARTICULARS	COST				DEPRECIATION			W.D.V.	
	As at	Additions/	Total upto	Rate	As at	For the	Total as at	As at	

	01.07.2000	(Deletions)	30.06.2001	%	01.07.2000	Adjustment	year	30.06.2001	30.06.2001
Plant and Machinery	4,539,698	11,339	4,551,037	10%	852,167	--	369,887	1,222,054	3,328,983
2001: Rupees	4,539,698	11,339	4,551,037		852,167	--	369,887	1,222,054	3,328,983
2000: Rupees	4,424,411	115,287	4,539,698		442,441	--	409,726	852,167	3,687,531

**2001**                      **2000**  
**Rupees**                      **Rupees**

**10.3 ALLOCATION OF DEPRECIATION**

Cost of Sales	369,887	409,726
Administrative	--	--
	369,887	409,726

**11. LONG TERM INVESTMENT**

Subsidiary Company, Unquoted M/s Diamond Polymers (Pvt) Ltd., 800,000 Ordinary shares of Rs. 10/- each 800,000 Bonus Shares (During the year) Equity held. 53.33% ( 2000 - 53.33% ) Breakup value is Rs.21.42 (2000 - Rs.41.52 ) per share	8,000,000	8,000,000
Associated Company, Quoted M/s Shaffi Chemical Industries Ltd., 3,754,240 (2000 -3,754,240) Ordinary Shares Equity held. 31.28% (2000 - 31.28%) Market Price. Rs. 3.45 (2000 - Rs.4.95)	23,772,120	23,772,120
	31,772,120	31,772,120

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

**12. STOCK IN TRADE**

Raw Materials	3,461,356	5,157,378
Finished Goods	2,531,215	2,404,930
	5,992,571	7,562,308

**13. SHORT TERM INVESTMENTS**

NAME OF COMPANY	YEAR 2001			YEAR 2000		
	NO. OF SHARES	MARKET VALUE	COST	NO. OF SHARES	MARKET VALUE	COST
ADAMJEE INSURANCE	--	--	--	165,000	9,908,250	8,250,000
DEWAN SALMAN	33	347	1,200	100	1,050	1,200
BANK OF PUNJAB	3,280,650	32,970,533	52,490,400	5,245,150	68,186,950	83,922,400
DG KHAN CEMENT	--	--	--	871,000	7,055,100	8,710,000
NISHAT MILL	190	1,886	4,142	--	--	--
SUI NORTHERN GAS	545	5,450	8,175	--	--	--
BANKERS EQUITY LTD	400,000	120,000	1,320,000	--	--	--
BANKERS EQUITY LTD	4,500	1,350	18,000	--	--	--
BANK OF PUNJAB	4,553	45,758	136,590	--	--	--
ASKERI COMM. BANK	267,500	3,450,750	4,534,125	--	--	--
FAUJI FERTILIZER CO	60,000	2,136,000	3,615,000	--	--	--
FIDELITY INVESTMENT BANK	12,000	31,200	48,000	--	--	--
FIRST FIDELITY LEASE MOD	25,000	121,250	100,000	--	--	--
FIRST PUNJAB MODARABA	151,000	611,550	604,000	--	--	--
FAYSAL BANK	43,000	324,650	537,500	--	--	--
<b>TOTAL</b>	4,248,890	32,970,879	63,417,132	6,281,250	85,151,350	100,883,600

**2001**                      **2000**  
**Rupees**                      **Rupees**

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

Advances to Employees	193,529	197,314
-----------------------	---------	---------

Advances to others		622,781	1,695,116
Sales Tax Refundable		606,320	763,831
Advance Income Tax		3,976,801	4,096,684
Prepaid Expenses		153,213	51,728
Prepayments		156,749	380,000
Deposits		200,000	6,482,998
Tanveer Malik		1,969,309	--
Other Receivables	14.1	260,568,683	260,568,683
		-----	-----
		268,447,385	274,236,354
		=====	=====

**14.1. OTHER RECEIVABLE**

Bank guarantees of Rs. 260.568 (M) were presented by the Collector of Custom, Peshawar and were force fully Encashed on 18.10.99 and 10.11.99 despite of the presence of clear interim order issued before the honourable Supreme Court of Pakistan as on 18.02.99 to entertain and finalize our claim for compensation of 25 % tax concession as decided by Economic Coordination Committee and as given to other companies, amounting to Rs. 477 (M) in our case.

**15. CASH AND BANK BALANCES**

Cash and Cheques in hand		802,763	1,066,979
Cash with Banks		--	--
in current accounts		601,503	2,467,389
		-----	-----
		1,404,266	3,534,368
		=====	=====

**16. COST OF GOODS SOLD**

Raw Material Purchased		8,454,873	86,327,331
Raw Material Opening Stock		5,157,378	61,745,499
		-----	-----
Raw Material Closing Stock		13,612,251	148,072,830
		(3,461,356)	(5,157,378)
		-----	-----
Raw Material Consumed		10,150,895	142,915,452
Manufacturing Expenses	16.1	2,254,188	2,353,055
		-----	-----
Finished Goods Opening Stock		12,405,083	145,268,507
		2,404,930	2,635,952
		-----	-----
Finished Goods Closing Stock		14,810,013	147,904,459
		(2,531,215)	(2,404,930)
		-----	-----
		1272787798	145,499,529
		=====	=====

**16.1. MANUFACTURING EXPENSES**

Wages, Salaries & Allowances		833,366	631,329
Utilities & Telecommunication		956,377	729,229
Repair & Maintenance		94,558	130,220
Depreciation		369,887	409,726
Fuel Charges		--	452,551
		-----	-----
		2,254,188	2,353,055
		=====	=====

**17. ADMINISTRATIVE EXPENSES**

Directors Remuneration		301,320	301,320
Salaries & Allowances		2,441,599	4,065,123
Insurance		361,872	889,594
Fee, Taxes, Consultancy, etc.		703,325	1,079,148
Repair & Maintenance		4,115	7,310
Travelling Expenses		61,829	55,427
Auditors Remuneration	17.1	40,000	40,000
Utilities & Telecommunication		205,114	815,804
Misc. Expenses		82,627	116,628
Depreciation		1,862,959	2,370,443
Amortization		--	527,417
		-----	-----
		6,064,760	102,687,214
		=====	=====

**17.1. AUDITORS REMUNIRATION**

Audit Fee		40,000	40,000
-----------	--	--------	--------

**18. SELLING EXPENSES**

Salaries & Allowances	110,442	180,124
Publicity & Advertisement	34,905	42,037
Travelling & Vehicle Running Expenses	231,780	270,648
Freight & Octroi	192,283	555,937
Misc. Expenses	11,055	25,476
	-----	-----
	580,465	1,074,222
	=====	=====

**19. FINANCIAL EXPENSES**

Bank Charges	85,312	633,815
Interest Paid	21,319,053	21,076,154
	-----	-----
	21,404,365	21,709,969
	=====	=====

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

Dividend Income	3,099,273	24,865,378
Realised Capital Gain / (loss)	(3,236,179)	33,362,834
	-----	-----
	(136,906)	58,228,212
	=====	=====

**21 PRIOR YEAR ADJUSTMENT**

Other Liabilities	7,432,111	--
Tanveer Malik	1,969,309	--
Investment	10,925,532	--
Depreciation	4,678,783	--
	-----	-----
	25,005,735	--
	=====	=====

**22. DIVIDEND**

INTERM DIVIDEND 30%		--	27,000,000
FORGO DIVIDEND	22.1	--	16,646,400
		-----	-----
		--	10,353,600
		=====	=====

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

**23 AGGREGATE TRANSACTION WITH ASSOCIATED COMPANIES**

The Company, s purchases/sales from/to associated companies were Rs. Nil (2000- Nil)/Rs. Nil (2000-133.75 million) respectively. The purchases/sales of chemicals were made at cost inclusive handling charges.

Maximum aggregate balance due from associated companies at the end of any month during the year was Rs. Nil-(2000-Rs.201 million)

**24. INSTALLED CAPACITY**

	2001		2000	
	Capacity	Production	Capacity	Production
Foam	12,000	--	12,000	--
PVA	1,560	300.98	1,560	1,357

**25. REMUNERATION OF DIRECTORS AND EXECUTIVES**

Particulars	2001			2000		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Remuneration	--	200,886	299,861	--	200,886	299,861
Perquisites, Benefits & Allowances	--	100,443	149,931	--	100,443	149,931
	-----	-----	-----	-----	-----	-----
Total	--	301,329	449,792	--	301,329	449,792
	=====	=====	=====	=====	=====	=====
No. of Persons	1	2	4	1	2	4
	=====	=====	=====	=====	=====	=====

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

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

26.1 Accounts of the Subsidiary - Diamond Polymers (Pvt) Ltd., for the year ended June 30, 2001 alongwith Auditors and Directors reports thereon are attached herewith.

26.2 Statement under section 237 (1) (e)

a) Extent of shareholding in subsidiary company: 53.33%

b) i) Profit of the subsidiary for the year ended June 30, 2001 amounting to Rs.1.09 million (2000 Rs. 16.11 million) concerning members of the holding company has not been dealt with in these accounts.

ii) Profits of the subsidiary for previous financial years concerning members of the holding company amounting to Rs. 17.21 million (2000 Rs.9.103 million) has not been dealt with in these accounts.

iii) Profit for the year ended June 30, 2001 amounting to Rs.2. million (2000 Rs.30.21) million has not been dealt with in these accounts.

iv) Profits for previous financial years of the subsidiary company amounting to Rs. 32.28 million (2000 Rs. 17.070 million) has not been dealt with in these accounts.

v) Profit or Loss of the subsidiary company since investment has not been dealt with in the accounts of the holding company. One Bonus Shares for each share held (800,000 shares) has been received and accounted for on face value (Rs. 10 each) during the year.

The Profit as at June 30, 2001 was amounting to Rs.2. million of the subsidiary company.

## 27. FIGURES

Have been rounded off nearest to Rupee.

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

## FORM "34"

### PATTERN OF SHAREHOLDING

### HELD BY SHAREHOLDERS AS AT 30TH JUNE, 2001

NUMBER OF SHARE HOLDERS	SHAREHOLDINGS		TOTAL SHARES HELD
	FROM	TO	
18	1	100	1400
215	101	500	76750
70	501	1000	58750
81	1001	5000	174700
14	5001	10000	117450
6	10001	15000	78050
2	20001	25000	45000
2	25001	30000	54500
1	40001	45000	43500
1	85001	90000	90000
1	145001	150000	150000
1	645001	650000	650000
1	705001	710000	710000
1	745001	750000	750000
1	1360001	1365000	1363800
1	1420001	1425000	1422450
1	1500001	1505000	1503650
1	1705001	1710000	1710000
-----			-----
418			9000000
=====			=====

## CATEGORIES OF SHAREHOLDERS

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE HELD
Individuals	411	7343400	81.593
Investment Companies	4	55650	0.618
Insurance Companies	--	--	--

Joint Stock Companies	3	1600950	17.788
Financial Institutions	--	--	--
Modaraba Companies	--	--	--
Leasing Companies	--	--	--
Others	--	--	--
	-----	-----	-----
	418	9000000	100.000
	=====	=====	=====

## Diamond Polymers (Pvt) Limited

### COMPANY INFORMATION

<b>BOARD OF DIRECTORS:</b>	MR. WAQAR A. SHAFFI Chairman/Chief Executive
	MR. MUHAMMAD SAEED
<b>COMPANY SECRETARY:</b>	MR. NAZIR AHMAD
<b>AUDITORS:</b>	SALEEM AHSAN & CO. Chartered Accountants
<b>LEGAL ADVISORS:</b>	IRTIZA ALI NAQVI & ASSOCIATES
<b>BANKERS:</b>	ALLIED BANK OF PAKISTAN LIMITED EMIRATES BANK INTERNATIONAL FIDELITY INVESTMENT BANK LIMITED PICIC COMMERCIAL BANK LIMITED NATIONAL BANK OF PAKISTAN LIMITED PLATINUM COMMERCIAL BANK LIMITED
<b>REGISTERED OFFICE:</b>	12/A, NEW INDUSTRIAL AREA, MIRPUR, AZAD JANMU & KASHMIR TEL: 0342-7358113 Email: diamond@brain.net.pk

### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of DIAMOND POLYMERS (PVT) LTD as at June 30, 2001 and the related Profit & (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 purposes of our audit.

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

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

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and related Profit & Loss Account and Cash flow Statement together with the Notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2001 and of the Profit, for the year then ended; and

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

LAHORE.  
DATED: 26.11.2001

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

## BALANCE SHEET AS ON JUNE 30, 2001

	NOTE	2001 Rupees	2000 Rupees
<b>CAPITAL &amp; LIABILITIES</b>			
<b>AUTHORISED CAPITAL</b>			
3,000,000 shares of Rs. 10 each		30,000,000	30,000,000
<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>			
3,000,000 shares of Rs. 10 each		30,000,000	15,000,000
Un-Appropriated Profit / (Loss)		34,257,229	47,281,617
		64,257,229	62,281,617
Loan From Directors		--	104,840,965
Liability Against Finance Lease	3	7,937,202	5,365,078
<b>CURRENT LIABILITIES</b>			
Short Term Loan (Secured)	4	101,130,960	--
Creditors & Accrued Liabilities	5	30,299,113	114,484,181
Other Liabilities	6	139,430,499	51,051,447
Due to Associated Concern		--	4,569,229
Provision for Taxation		3,127,558	2,940,719
		273,988,130	173,045,576
		346,182,561	345,533,236

**Waqar A. Shaffi**  
**Chief Executive**

**Muhammad Saeed**  
**Director**

## PROPERTY & ASSETS

<b>FIXED ASSETS</b>			
(At cost less Depreciation)	7	69,874,526	58,283,152
<b>CAPITAL WORK IN PROGRESS</b>	8	--	1,104,332
<b>CURRENT ASSETS</b>			
Stock in Trade	9	74,235,913	146,409,267
Debtors Un-secured		3,347,826	63,685,490
Short Term Investment		14,832,239	--
Advances, Deposits, Prepayments & Other Receivables	10	35,985,875	22,315,271
Due from Associated Concern		--	600,000
Cash & Bank Balances	11	147,906,182	53,135,725
		276,308,035	286,145,753
		346,182,561	345,533,236

**Waqar A. Shaffi**  
**Chief Executive**

**Muhammad Saeed**  
**Director**

## PROFIT & LOSS ACCOUNT For The Year Ended June 30, 2001

	<i>NOTE</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
Sales		625,511,579	588,143,853
Cost of Goods Sold	12	511,482,688	463,507,397
Gross Profit		114,028,891	124,636,456
<b>OPERATING EXPENSES</b>			
Administrative Expenses	13	44,007,627	34,395,967
Selling & Distribution Expenses	14	60,362,918	51,335,947
Financial Expenses	15	15,936,177	5,602,933
		120,306,722	91,334,846
<b>Operating Profit/(Loss)</b>		(6,277,831)	33,301,609
Other income		11,428,703	--
<b>Profit/(Loss) Before Taxation</b>		5,150,872	33,301,609
Provision For Taxation		3,127,558	2,940,719
<b>Net profit/(Loss) after taxation</b>		2,023,314	30,360,890
Prior Year Adjustment		47,703	150,009
		1,975,611	30,210,881
Un Appropriated Profit/(Loss) B/F		47,281,618	17,070,737
		49,257,229	47,281,618
Bonus Shares		(15,000,000)	--
<b>Accumulated profit/(Loss) carried forward to Balance Sheet</b>		34,257,229	47,281,618

Waqar A. Shaffi  
Chief Executive

Muhammad Saeed  
Director

## CASH FLOW STATEMENT For The Year Ended June 30, 2001

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	5,150,872	33,301,609
<b>Adjustments for:</b>		
Depreciation	10,068,991	713,716
Other Income	(11,428,703)	--
Mark-up	15,936,177	5,602,933
<b>Operating profit before working capital changes</b>	19,727,337	46,041,703
<b>(INCREASE) / (DECREASE) IN CURRENT ASSETS</b>		
Stock in trade	72,173,354	(81,892,179)
Trade debtors	60,337,664	(47,982,626)
Advances, deposits, prepayments & other receivables	(13,670,604)	(11,054,414)
Due From Associated Concern	600,000	13,021,089
	119,440,414	(127,908,130)
<b>INCREASE / (DECREASE) IN CURRENT LIABILITIES</b>		
Creditors, accrued and other liabilities	(84,185,068)	102,596,014
Increase/(Decrease) in Other Liabilities	88,379,052	25,761,682
Short Term Loans	101,130,960	(101,826,398)
	105,324,944	26,531,298
Changes in Working Capital	224,765,358	(101,376,832)
<b>Cash Generated From Operations</b>	244,492,695	(55,335,129)
Mark-up	(15,936,177)	(5,602,933)
Taxes Paid / Adjustment	(2,940,719)	(1,526,108)
<b>Net cash used in operating activities</b>	225,615,799	(62,464,170)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		



Net Fixed Assets	(21,602,672)	(6,560,117)
Sales proceed of fixed asset	998,936	539,200
Capital Work in Progress	--	(1,104,332)
Short Term Investment	(14,832,239)	--
Other Income	11,428,703	--
<b>Net cash used in investing activities</b>	<b>(24,007,272)</b>	<b>(7,125,249)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from obligation under finance lease	18,394,244	1,710,000
Repayment of obligation under finance lease	(15,822,120)	(6,209,953)
Increase / (Decrease) in long term loan from directors	(104,840,965)	104,840,965
Increase / (Decrease) in due to associated concerns	(4,569,229)	4,569,229
<b>Net cash used in financing activities</b>	<b>(106,838,070)</b>	<b>104,910,241</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>94,770,457</b>	<b>35,320,822</b>
<b>Cash and Cash Equivalents at the beginning of the period</b>	<b>53,135,725</b>	<b>17,814,903</b>
<b>Cash and Cash Equivalents at the close of the period</b>	<b>147,906,182</b>	<b>53,135,725</b>

**Waqar A. Shaffi**  
Chief Executive

**Muhammad Saeed**  
Director

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE, 30, 2001

### 1. STATUS AND NATURE OF BUSINESS

The Company was incorporated under the Companies Ordinance, 1984, as Private Limited Company on 21st May, 1996. The main activity of the company is to manufacture and sale of foam and foam products main activity of the company is to manufacture and sale of foam and foam products.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting Convention

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

#### 2.2 Fixed Assets and Depreciation

Operating fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the reducing balance method at the rates given in Note # 7 to write off the cost of operating fixed assets over their expected useful life. Full year's depreciation is charged on additions of fixed assets acquired during the year whereas no depreciation is charged on assets disposed off during the year.

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

#### 2.3 Assets Subject to Finance Lease

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of fixed assets acquired on lease. Aggregate amount of obligation relating to assets subject to finance lease is accounted for at net present values of liabilities. Assets so acquired are amortized over their expected useful life at the rates mentioned in Note # 7.2. Amortization of leased assets is charged to current year's expense.

#### 2.4 Investment

Long term investment is stated as cost provision for diminution in value is made only if considered permanent. Short term investments are carried at cost

#### 2.5 Stock

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

Raw Material	Weighted Average Cost
Work in Progress and finished Goods	Average Manufacturing Cost.
Stock in Bonded Warehouse	At actual costs incurred upto date.

#### 2.6 Stores, Spares and Loose Tools

Stores, Spares and Loose Tools are charged to expense in the year of purchase.

#### 2.7 Taxation

The factory is located in tax free zone at Gadoon Amazai and the company is enjoying eight years tax holiday. The company does not account for deferred taxation arising due to major time difference as its income is not taxable.

#### 2.8 Revenue Recognition

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

## 2.9 Other Income

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

## 2.10 Retirement Benefits

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

## 2.11 General

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

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

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>3. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
2000-2001	--	5,083,425
2001-2002	6,118,722	764,848
2002-2003	1,876,515	341,955
2003-2004	611,719	--
	-----	-----
	8,606,956	6,190,228
Less:-Future finance charges	669,754	825,150
	-----	-----
Net lease obligation	779377202	5,365,078
	=====	=====
<b>4. SHORT TERM LOAN (SECURED)</b>		
Emirates Bank Int. (Running Finance)	9,484,149	--
Allied Bank (Cash Finance)	45,404,920	--
Allied Bank (Running Finance)	46,241,891	--
	-----	-----
	101,130,960	--
	=====	=====
<b>5. CREDITORS &amp; ACCRUED LIABILITIES</b>		
Expenses Payable	9,957,313	3,222,938
Documents & Duties Payable	5,381,893	79,477,424
Creditors & others	14,959,907	31,783,818
	-----	-----
	30,299,113	114,484,180
	=====	=====

## 6. OTHER LIABILITIES

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

## 7. DEPRECIATION CHART

<i>PARTICULARS</i>	<i>COST</i>				<i>DEPRECIATION</i>				<i>W.D.V.</i>
	<i>As at</i> <i>01.07.2000</i>	<i>Addition</i> <i>(Deletion)</i>	<i>Total upto</i> <i>30-06-2001</i>	<i>RATE</i>	<i>As on</i> <i>01.07.2000</i>	<i>Adjustment</i>	<i>For the</i> <i>Period</i>	<i>Total upto</i> <i>30-06-2001</i>	<i>As on</i> <i>30-06-2001</i>
Land	901,313	118,394	1,019,707	--	--	--	--	--	1,019,707
Building	28,023,484	230,300	28,253,784	5%	4,809,905	--	1,172,194	5,982,099	22,271,685
Plant Machinery	22,466,011	2,133,439	24,599,450	10%	7,106,102	--	1,749,335	8,855,437	15,744,013
Furniture & Fixtures	1,948,183	232,340	2,180,523	10%	465,727	--	171,480	637,207	1,543,316
Office Equipment	2,635,821	714,084	3,349,905	10%	566,155	--	278,375	844,530	2,505,375
Vehicles	7,842,450	11,036,500 (1,348,710)	17,530,240	20%	3,272,621	4977600 (349,774)	1,925,959	9,826,406	7,703,834
	-----	-----	-----		-----	-----	-----	-----	-----
Year 2001	63,817,262	13,116,347	76,933,609		16,220,510	4,627,826	5,297,342	26,145,678	50,787,931
	=====	=====	=====		=====	=====	=====	=====	=====
Year 2000	--	--	--		--	--	--	--	--
	=====	=====	=====		=====	=====	=====	=====	=====

## 7.1 DISPOSAL OF FIXED ASSETS

<i>Particular of Assets</i>	<i>Cost</i>	<i>Acc. Dep.</i>	<i>W.D.V</i>	<i>Sales Proceeds</i>	<i>Gain/ Sales</i>	<i>Basis of (Loss)</i>	<i>Sold to</i>
Car	1,143,710	228,742	914,968	914,968	--	Negotiation	Ex-Employee
Car	205,000	121,032	83,968	83,968	--	Negotiation	Ex-Employee

Total	1,348,710	349,774	998,936	998,936	--
-------	-----------	---------	---------	---------	----

**7.2 ASSETS SUBJECT TO FINANCE LEASE**

PARTICULARS	COST			RATE %	DEPRECIATION			W.D.V. As on 30-06-2001	
	As at 01.07.2000	Addition (Deletion)	Total upto 30-06-2001		As on 01.07.2000	Adjustment	For the Period		Total upto 30-06-2001
Vehicles	18,310,000	18,394,244 (10,200,000)	26,504,244	20%	7,623,600	(4,977,600)	4,771,649	7,417,649	19,086,595
Year 2001	18,310,000	8,194,244	26,504,244		7,623,600	(4,977,600)	4,771,649	7,417,649	19,086,595
Year 2000	--	--	--		--	--	--	--	--

**7.3 ALLOCATION OF DEPRECIATION**

	Rupees
Cost of Sales	2,921,529
Administrative	7,147,462
<b>TOTAL</b>	<b>10,068,991</b>

	2001 Rupees	2000 Rupees
Building	--	911,036
Machinery	--	193,296
	--	1,104,332

**8. CAPITAL WORK IN PROGRESS**

Raw Material	53,255,059	118,913,639
Finished Goods	20,980,854	27,495,628
	74,235,913	146,409,267

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

Advance to Employees	1,526,337	640,106
Advance Income Tax	28,897,579	12,080,937
Letter of Credit	383,392	5,006,566
Advances to Others	3,312,076	103,937
Security Deposit	1,866,491	650,341
Other Receivable	--	3,833,384
	35,985,875	22,315,271

**11. CASH AND BANK BALANCES**

Cash at Bank	11.1	146,027,071	50,433,737
Cash & Cash Equivalents		1,879,111	2,701,988
		147,906,182	53,135,725

**11.1. CASH AT BANK**

Special Account	11.2	141,193,536	40,233,335
Lc Margin Account		--	2,400,000
Current Account		614,462	5,303,449
Saving Account		4,219,073	2,496,953
		146,027,071	50,433,737

**11.2 SPECIAL ACCOUNT**

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

**12. COST OF GOODS SOLD**

Raw Material Opening S took	118,913,039	37,623,718
Raw Material Purchased	421,509,119	528,976,684
	-----	-----
	540,422,758	566,600,402
Raw Material Closing Stock	53,255,059	118,913,639
	-----	-----
Raw Material Consumed	487,167,699	447,686,763
*Manufacturing Expenses Note-12.1	17,800,215	16,422,892
	-----	-----
	504,967,914	464,109,655
Finished Goods Opening stock	27,495,628	26,893,370
	-----	-----
	532,463,542	491,003,025
Finished Goods Closing Stock	20,980,854	27,495,628
	-----	-----
	511,482,688	463,507,397
	=====	=====

**12.1 MANUFACTURING EXPENSES**

Salaries, Wages, Benefits & Others	10,516,651	9,268,320
Electricity Charges	2,738,892	2,288,521
Fuel & Energy	164,001	213,360
Repair & Maintenance	1,459,142	1,724,267
Depreciation	2,921,529	2,928,424
	-----	-----
	17,800,215	16,422,892
	=====	=====

**13. ADMINISTRATIVE EXPENSES**

Salaries, Wages, Benefits & Others	16,601,056	10,331,878
Directors Remuneration	600,000	1,200,000
Electricity & Fuel	2,467,728	2,323,553
Telephone & Telex	2,929,620	2,487,673
Gas & Water Charges	236,309	185,431
Insurance Charges	4,048,032	4,712,929
Repair & Maintenance	1,596,108	1,703,080
Charity & Donation	506,329	650,338
Travelling & Conveyance	1,412,392	2,108,798
Fees & T axes	970,511	931,123
Fire Fighting	14,895	29,829
Printing & Stationary	2,084,128	900,695
Legal & Professional Charges	440,112	807,370
Entertainment	703,296	715,686
Postage & Telegrams	158,946	158,639
Depreciation	7,147,462	4,208,737
Misc. Exp	2,090,703	940,208
	-----	-----
	44,007,627	34,395,967
	=====	=====

**14. SELLING & DISTRIBUTION EXPENSES**

Sales Allowances & Rebate	3,559,436	2,893,569
Advertising. & Publicity	17,988,792	19,795,853
Travelling & Conveyance Charges	1,117,216	685,791
Freight & Forwarding	37,697,454	27,960,734
	-----	-----
	60,362,918	51,335,947
	=====	=====

**15. FINANCIAL CHARGES**

Bank Charges	2,678,196	1,827,701
Mark-up	13,257,981	3,775,232
	-----	-----
	15,936,177	5,602,933
	=====	=====

**PATTERN OF SHAREHOLDING****HELD BY SHAREHOLDERS AS AT 30TH JUNE, 2001**

<i>NUMBER OF SHARE HOLDERS</i>	<i>FROM</i>	<i>CATEGORIES</i>	<i>TO</i>	<i>TOTAL SHARES HELD</i>
--	-------------	-------------------	-----------	----------------------------------

1	1	--	50000	20000
1	50001	--	1000000	180,000
2	10000001	--	Above	2800000
-----				-----
4				3000000
=====				=====

**CATEGORIES OF  
SHAREHOLDERS**

	<b>NUMBER</b>	<b>SHARES HELD</b>	<b>PERCENTAGE HELD</b>
Individuals	2	200000	6.67
Joint Stock Companies	2	2800000	93.33
	-----	-----	-----
	4	3000000	100.00
	=====	=====	=====

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED FINANCIAL INFORMATION

#### Diamond Industries Limited and Subsidiary

**General Information**

	<b>2001</b>	<b>2000</b>
<b>Subsidiary</b>	<b>Diamond Polymers (Pvt) Ltd.</b>	<b>Diamond Polymers (Pvt) Ltd.</b>
Accounting Year Ended	30.06.2001	30.06.2000
Percentage Holding	53.33 %	53.33 %
Nature of Business	Foam & Foam Products	Foam & Foam Products
Reserves attributable to members of the parent dealt within the financial statements of the Parent:		
- In the current year	Nil	Nil
- In the previous years	Nil	Nil
Reserves attributable to members of the parent not dealt within the financial statements of the Parent:		
- In the current year	1,079,033	16,111,462
- In the previous years	25,215,286	9,103,824

**Waqar A. Shaffi**  
Chief Executive

**Muhammad Saeed**  
Director

### AUDITORS' REPORT TO THE BOARD OF DIRECTORS

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of Diamond Industries Limited and its subsidiary company, Diamond Polymers (Pvt) Limited as at June 30, 2001 statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

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

In our opinion the consolidated financial statements examined by us present fairly the financial position of Diamond Industries Limited and its subsidiary company, Diamond Polymers (Pvt) Limited as at June 30, 2001 and the results of their operations for the year then ended.

LAHORE.  
DATED: 26.11.2001

**SALEEM AHSAN & CO.**  
CHARTERED ACCOUNTANT

### CONSOLIDATED BALANCE SHEET

#### For The Year Ended June 30, 2001

	<b>2001</b>	<b>2000</b>
<b>CAPITAL &amp; LIABILITIES</b>	<b>Rupees</b>	<b>Rupees</b>

<b>AUTHORIZED CAPITAL</b>	120,000,000	120,000,000
12,000,000 Ordinary shares of Rs.10 each	=====	=====
<b>ISSUED, SUBSCRIBED &amp; PAID UP CAPITAL</b>		
9,000,000 Ordinary Shares of Rs.10 Each	90,000,000	90,000,000
Un-appropriated Profit	138,894,816	142,431,435
	-----	-----
	228,894,816	232,431,435
<b>MINORITY INTEREST</b>		
Share Capital	14,000,000	7,000,000
Reserves	15,987,849	22,066,331
	-----	-----
	29,987,849	29,066,331
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	45,371,894	50,163,799
<b>LOAN FROM DIRECTORS</b>	--	104,840,965
<b>LONG TERM LOAN</b>	197,372,915	230,456,665
<b>LIABILITY AGAINST FINANCE LEASE</b>	7,937,202	5,365,078
<b>CURRENT LIABILITIES</b>		
Short Term Loans - Secured	104,723,318	51,643,353
Creditors & Accrued Liabilities	40,953,825	127,489,865
Other Liabilities	139,430,499	7,432,111
Provision for Taxation	5,992,140	5,594,938
Due to Associate Concern	--	4,569,229
Dividend Payable	780,367	1,084,760
	-----	-----
	291,880,149	197,814,256
<b>CONTINGENCIES AND COMMITMENTS</b>		
	-----	-----
	801,444,825	850,138,529
	=====	=====
<b>PROPERTY &amp; ASSETS</b>		
<b>FIXED ASSETS</b>		
(At cost less depreciation)	157,982,202	149,109,624
Capital work in progress	--	1,104,332
Long Term Investment	23,772,120	23,772,120
<b>CURRENT ASSETS</b>		
Stock in Trade	80,228,484	153,971,575
Debtors	7,468,940	67,475,561
Short Term Investment	78,249,371	100,883,600
Due from Associated Concern	--	600,000
Advances, Deposit, Prepayments & Others Receivable	304,433,260	296,551,625
Cash and Bank Balances	149,310,448	56,670,092
	-----	-----
	619,690,503	676,152,453
	-----	-----
	801,444,825	850,138,529
	=====	=====

Waqar A. Shaffi  
Chief Executive

Muhammad Saeed  
Director

## CONSOLIDATED PROFIT AND LOSS ACCOUNT For The Year Ended June 30, 2001

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>Sales</b>	636,591,289	601,119,436
Cost of Sales	523,761,486	475,260,260
	-----	-----
<b>Gross Profit</b>	112,829,803	125,859,176
Administrative Expenses	50,072,387	44,664,181
Selling and Distribution Expenses	60,943,383	52,410,169
Financial Charges	37,340,542	27,312,902

	148,356,312	124,387,252
Operating Profit / (Loss)	(35,526,509)	1,471,924
Other Income / (Loss)	11,291,797	58,228,212
Profit / (Loss) for the year	(24,234,712)	59,700,136
Prior years adjustment	24,958,032	(150,009)
Profit / (Loss) before taxation	723,320	59,550,127
Less: Taxation	3,337,921	4,917,600
Profit after Taxation	(2,614,601)	54,632,527
Minority Interest	922,018	14,099,418
Net Profit attributable to parent company	(3,536,619)	40,533,109
<b>STATEMENT OF RETAINED EARNINGS</b>		
Retained earnings beginning of the year	142,431,435	112,251,926
Net income for the year	(3,536,619)	40,533,109
Dividend	--	(10,353,600)
Retained earnings end of the year	138,894,816	142,431,435

**Waqar A. Shaffi**  
Chief Executive

**Muhammad Saeed**  
Director

## CONSOLIDATED CASH FLOW STATEMENT For The Year Ended June 30, 2001

	<b>2001</b>	
	<b>Rupees</b>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit / (loss) before taxation	(24,234,712)	
<b>Adjustment for:</b>		
Depreciation	12,301,837	
Amortization	--	
Financial Expenses	37,340,542	
Other Income	(11,428,703)	
Others	--	
<b>Operating Profit Before Working Capital Changes And Financial Expenses</b>	13,978,964	
<b>Change in Working Capital</b>		
(Increase) / Decrease in Stock in Trade	73,743,091	
(Increase) / Decrease in Debtors	60,006,621	
(Increase) / Decrease in Due from Associated Concern	600,000	
(Increase) / Decrease in Advances, Deposit, Prepayments & Others Receivable	(5,912,326)	
Increase / (Decrease) in Short Term Loan	128,437,386	
Increase / (Decrease) in Creditors & Accrued Liabilities	101,130,960	
Increase / (Decrease) in Other Liabilities	(86,536,541)	
	88,379,052	
<b>Changes in Working Capital</b>	231,410,857	
<b>Cash Generated From Operations</b>	245,389,821	
Financial Expenses	(37,340,542)	
Taxes Paid/Adjustment	(2,940,719)	
<b>Net Cash From Operating Activities</b>	205,108,560	
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net Fixed Assets	(21,645,321)	
Short Term Investment	33,559,761	
Payment of Dividend	(304,393)	
Capital Work in Progress	--	
Sales proceeds of fixed assets	1,414,415	
Other Income / (loss)	11,428,703	

<b>Net Cash Provided By (Use In) Investing Activities</b>	----- 24,453,165 -----
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Proceed from obligation under Finance Lease	18,394,244
Repayment of obligation under Finance Lease	(15,822,120)
Increase / (Decrease) in Loan From Directors	(104,840,965)
Increase / (Decrease) in Long Term Loans	17,967,697
Increase / (Decrease) in Short Term Loans	(48,050,995)
Increase / (Decrease) in due to Associate concern	(4,569,229)
<b>Net Cash Used in Financing Activities</b>	----- (136,921,368) -----
Net Increase / (Decrease) in Cash & Cash Equivalents	92,640,357
Cash & Cash Equivalents at Beginning of the Period	--
Cash & Cash Equivalents at Close of the Period	----- 92,640,357 =====