

# **Diamond Industries Limited**

## **ANNUAL REPORT 2002**

### **CONTENTS**

#### **DIAMOND INDUSTRIES LIMITED**

Corporate Profile

Notice of Annual General Meeting

Directors' Report to the Members

Statement of Compliance with the code of corporate Governance

Review Report to the Members on code of Corporate Governance

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**

Corporate Profile

Auditors' Report to the Members

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)

Auditors' Report to the Board of Directors

Consolidated Balance Sheet

Consolidated Profit And Loss Accounts

Consolidated Cash Flow Statement

#### **CORPORATE PROFILE**

##### **BOARD OF DIRECTORS:**

MR. WAQAR A. .SHAFFI

Chairman

MR. MUHAMMAD SAEED

Chief Executive

MR. SHARIQ IFTIKHAR

MR. M. H. PERVEZ

MR. MALIKAAMIRANWAR

MR. SOHAIL MALIK

MR. AMANULLAH GULZAR

##### **COMPANY SECRETARY:**

MR.NAZIRAHMAD

##### **AUDITORS:**

SALEEMAHSAN & CO.

Chartered Accountants

##### **LEGAL AD VISORS:**

IRTIZA ALI NAQVI & ASSOCIATES .

##### **BANKERS:**

ALLIED BANK OF PAKISTAN LIMITED

FIDELITY INVESTMENT BANK LIMITED  
PICIC COMMERCIAL BANK LIMITED  
PLATINUM COMMERCIAL BANK LIMITED

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

**WORKERS:** PLOT NO. 25, GADOON AMAZAI  
INDUSTRIAL ESTATE. SWABI (N.W.F.P.)  
TEL: 05372 - 70297  
Email: dgi@drm.psw.erom.com.pk.

**SHARES DEPARTMENT:** MALIK BAGH, BARADARI ROAD,  
SHAHDARA, LAHORE.  
TEL: 111-111-666,7932001-7  
FAX: 92-42-7925299, TLX: 44590 DRM PK.  
Email: info@diamondfoam.com

#### **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 13th Annual General Meeting of Diamond Industries Limited will be held on 30th October, 2002 at 2.00 P.M. at Principal Office of the Company at "Malik Bagh, Baradari Road, Shahdara, Lahore" to transact the following business:-

1. To confirm the minutes of last annual General Meeting held on 27-12-2001.
2. To receive, consider and adopt the Annual Audited Accounts of the Company together with the Auditor's and Director's Reports for the period ended June 30, 2002
3. To appoint Auditors and fix their remuneration.
4. To consider any other business with the permission of the Chair.

BY ORDER OF THE BOARD

**NAZIR AHMAD**  
COMPANY SECRETARY

Lahore:09-10-2002

#### **Notes:**

1. The share transfer books of the company will remain closed from 23rd October , 2002 to October 30, 2002 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as proxy. Proxies in order to be effective, must be received at Principal Office of the company not later than form-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
3. Members are requested to notify the company with change in their addresses, if any.

## DIRECTORS' REPORT

Dear Shareholders,

The board of directors is pleased to present the 13th Annual Report together with the Audited Accounts of the Company for the year ended 30th June, 2002.

## FINANCIAL RESULTS

The financial results of the company are as under:-

	<b>(In Rs)</b>
- Profit / (Loss) for the year	(32,411,750)
- Prior years' adjustment	2,809,084
	(29,602,666)
- Unappropriated profit/(Loss) B/F	112,626
- Unappropriated profit/(loss) c/fto B/S	<b>83,023,270</b>

## REVIEW

There has been change of Chief Executive in the Board of Directors during the year under review.

No material changes and commitments affecting the financial position of your Company have occurred between the end of financial year of the company to which this Balance Sheet relates and the date of the Directors' Report.

The Foam manufacturing unit in Gadoon Amazai remained closed throughout the year as in the preceding 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.477million 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 Honourable 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 Limited 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 parameters applied in the case ofM/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 view point 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 Honorable Court, Mr. Aitzaz Ahsan appeared before the member customs on 26.01.2001 and represented our case in length, however, 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 and has refrained from passing orders as required. In view of his defiance, your company has 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 of M/s. First Capital ABN AMRO (Pak) Limited, 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 # 808/2000 is still pending before the Honourable Court.

2 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.

#### **PAYOUT FOR SHAREHOLDERS**

As a result of current year losses, directors do not recommend payment of any dividend to the shareholders of the company.

#### **EARNING PER SHARE**

Earnings per share for the year ended 30th June 2002 is Rs (3.60) compared to Rs (3.2.8 ) of last year.

#### **CODE OF CORPORATE GOVERNANCE**

Securities and Exchange Commission of Pakistan has formulated a "Code of Corporate Governance"(Code). The Company for the year ended 30th June, 2002 has duly complied with the provisions of the Code.

#### **BOARD MEETINGS**

Twenty Board Meetings were held during the year. The attendance of each director at the meetings of the board of directors is as under-

<b>Directors</b>	<b>Number of Board Meetings Attended</b>
Mr. Waqar A. Shaffi ( Chairman)	20
Mr. Muhammad Saeed. ( Chief Executive )	20
Mr. Shariq Iftikhar	20
Mr. M.H. Pervez	20
Mr. Malik Aamir Anwar	16
Mr. Sohial Malik	20
Mr. Amanullah Gulzar . .	20

#### **SUBSIDIARY**

Your directors further report the financial results or your subsidiary company namely M/s. Diamond Polymers (Pvt) Limited Mil-pur Azad Jammu & Kashmir for the year under review. The events of September 11, 2001 and the prevalent high tensions on the border characterized the period under consideration. However, besides this tense situation, cut throat competition in the trade of foam and its products, huge discount war, rise in the price of imported as well as locally available raw material, increase in salary/wages, rise in energy and transport charges, the profit of the company is of-course low as compared to last year profit and the sale itself was also less than expected and affected upon the profits of the Company but the company has achieved positive results and maintained its goodwill and quality of its products. The accounts of subsidiary company are annexed for your reference.

As informed in the preceding year report that exemption granted to your company u/s 126C of Income Tax Ordinance, 1979 was withdrawn on 28th May 2001. In this case our appeal is fixed for hearing on 16th October, 2002 before Honourable High Court Muzaffarabad AJK and in the opinion of legal counsel we will succeed in our appeal. Due to the cancellation of income tax exemptions u/s 126 C, the department has forcefully demanded and recovered the amount ofRs 30 Million.

Your directors further wish to apprise you of a pending litigation of the company with CBR Government Of Pakistan in the Supreme Court Of Pakistan in appeal NO. 499 of 2000 whereby your company has challenged the charging of custom duties & sales tax by the Government of Pakistan on imported raw materials destined for and to be consumed in Azad Kashmir. As per interim orders of Honourable Court your company is furnishing bank guarantees favouring the Collector of Customs corresponding to the amount of duties & 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 inform you that the exemption of sales tax granted for five years has been expired on 3rd January, 2002 and therefore your company is paying the sales tax on their supplies.

#### **FUTURE OUT LOOK**

Despite all bottlenecks, we always strive for the better outcome and are hopeful to achieve satisfactory results once the economic environments and political atmosphere improve. The Board feels that impact of positive developments of debt rescheduling, record high foreign exchanges reserves and foreign remittances would bring positive trend in overall economic outlook and eventually result in the improvement of the economy.

#### **AUDITORS**

M/S Javed Chaudhry & Co., Chartered Accountants are appointed as auditors in place of retiring auditors M/S Saleem Ahsan & Co., Chartered Accountants due to their unwillingness to continue as auditor for the year ending 30th June, 2003 and fix their remuneration.

#### **PATTERN OF SHAREHOLDING**

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

#### **ACKNOWLEDGEMENT**

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

For and on behalf of the Board

#### **MUHAMMAD SAEED**

Chief Executive

Lahore.

7th October, 2002

#### **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

The Company is in the process of implementing the requirements of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan and adopted by the Stock Exchanges. The provisions of the Code relevant for the year ended 30<sup>th</sup> June 2002 have been duly complied with by the Company.

On behalf of Board Of Directors

#### **Muhammad Saeed Lahore:**

Chief Executive

07 October, 2002

#### **REVIEW REPORT TO THE MEMBERS ON STATEMENT OE COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Diamond Industries Limited to comply with the Listing Regulation No. 37 of the Karachi, Islamabad and Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of

Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provision of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance effective as at 30 June 2002.

Lahore: 07 October, 2002

**SALEEM AHSAN & CO.  
CHARTERED ACCOUNTANTS**

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of M/S DIAMOND INDUSTRIES LTD., as at June 30, 2002 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 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 full 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. 260,568,6837- 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, 2002 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. .

**SALEEM AHSAN&CO.**  
CHARTERED ACCOUNTANTS

LAHORE.  
DATED: 07.10.2002

**BALANCE SHEET**  
As on June 30, 2002

	Note	2002 Rupees	2001 Rupees
<b>CAPITAL &amp; LIABILITIES</b>			
<b>AUTHORIZED CAPITAL</b>			
12,000,000 Ordinary shares of Rs.10 each		<b>120,000,000</b>	<b>120,000,000</b>
<b>ISSUED, SUBSCRIBED &amp; PAID</b>			
<b>UP CAPITAL</b>			
9,000,000 Ordinary Shares of Rs.10 Each	3	90,000,000	90,000,000
Un-appropriated Profit		83,023,272	112,625,936
		<b>173,023,272</b>	<b>202,625,936</b>
<b>SURPLUS ON REVALUATION</b>			
<b>OF FIXED ASSETS</b>	5	45,264,429	45,371,894
<b>LONG TERM LOAN</b>	6	197,372,915	197,372,915
<b>CURRENT LIABILITIES</b>			
Short Term Loans - Secured	7	4,611,240	3,592,358
Creditors & Accrued Liabilities	8	27,319,804	10,654,212
Other Liabilities •		-	-
Provision for Taxation		2,339,341	2,864,582
Dividend Payable		775,958	780,367
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9	-	-
		35,046,343	17,891,519
		<b>450,706,959</b>	<b>463,262,264</b>

The annexed notes form an integral part of these accounts.

**2002**                      **2001**



	Note	Rupees	Rupees
<b>PROPERTY &amp; ASSETS</b>			
<b>FIXED ASSETS</b>			
(At cost less depreciation)	10	86,579,072	88,107,676
Long Term Investment	11	31,772,120	31,772,120
<b>CURRENT ASSETS</b>			
Stock in Trade	12	8,470,491	5,992,571
Debtors		4,515,671	4,121,114
Short Term Investment	13	41,763,068	63,417,132
Due From Associated Co.		3,184,214	-
Advances, Deposit, Prepayments & Others Receivable	14	271,990,961	268,447,385
Cash and Bank Balances	15	2,431,363	1,404,266
		332,355,768	343,382,468
		<b>450,706,960</b>	<b>463,262,264</b>

**PROFIT & LOSS ACCOUNT**  
For the year ended June 30, 2002

	Note	2002 Rupees	2001 Rupees
<b>SALES</b>			
		16,336,839	11,079,710
<b>COST OF GOODS SOLD</b>			
	16	18,284,206	12,278,798
<b>GROSS PROFIT/(LOSS)</b>			
		<b>(1,947,367)</b>	<b>(1,199,088)</b>
<b>OPERATING EXPENSES:-</b>			
Administrative	17	2,649,010	6,064,760
Selling	18	1,128,826	580,465
Financial	19	20,742,749	21,404,365
		24,520,585	28,049,590
<b>OPERATING PROFIT &amp; (LOSS)</b>			
		(26,467,952)	(29,248,678)
<b>OTHER INCOME/(LOSS)</b>			
	20	(5,791,700)	(136,906)
<b>PROFIT / (LOSS) BEFORE TAXATION</b>			
		(32,259,652)	(29,385,584)
<b>TAXATION</b>			
		152,098	210,363
<b>PROFIT / (LOSS) AFTER TAXATION</b>			
		(32,411,750)	(29,595,947)
<b>PRIOR YEAR'S ADJSUTMENT</b>			
	21	2,809,084	25,005,735
		(29,602,666)	(4,590,212)
<b>UNAPPROPRIATED PROFIT(LOSS) B/F</b>			
		112,625,936	117,216,148
<b>UNAPPROPRIATED PROFIT/(LOSS) CARRIED FORWARD TO BALANCE SHEET.</b>			
		<b>83,023,270</b>	<b>112,625,936</b>

**CASH FLOW STATEMENT**

For the year ended June 30, 2002

	2002 Rupees	2001 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit / (loss) before taxation	<b>(32,259,652)</b>	<b>(29,385,584)</b>
Adjustment for :		
Depreciation	1,811,939	2,232,846
Financial Expenses	20,742,749	21,404,365
other	<b>(21,024)</b>	-
Operating Profit Before Working		

Capital Changes And Financial Expenses	<b>(9,725,988)</b>	<b>(5,748,373)</b>
Change in Working Capital		
(Increase) / Decrease in Stock in Trade	(2,477,920)	1,569,737
(Increase) / Decrease in Debtors	(394,557)	(331,043)
Increase / (Decrease) in due from associate concern	<b>(3,184,214)</b>	
(Increase) / Decrease in Advances, Deposit, Prepayments & Others Receivable	(1,224,664)	7,758,278
	(7,281,355)	8,996,972
Increase / (Decrease) in Creditors & accrued liabilities	16,478,429	(2,351,473)
Changes in Working Capital	9,197,074	6,645,499
Cash Generated From Operations	(528,914)	897,126
Financial Expenses	(20,742,749)	(21,404,365)
Net Cash Flow From Operating Activities	<b>(21,271,663)</b>	<b>(20,507,239)</b>

**CASH FLOW FROM INVESTING ACTIVITIES**

Net Fixed Assets	(445,777)	(42,651)
Short Term Investment	21,654,064	48,392,000
Payment of Dividend	(4,409)	(304,393)
Sales proceeds of fixed assets	76,000	415,479
Net Cash Flow from Investing Activities	<b>21,279,878</b>	<b>48,460,435</b>

**CASH FLOW FROM FINANCING ACTIVITIES**

Increase / (Decrease) in long term loans	-	17,967,697
Increase / (Decrease) in short term loans	1,018,882	(48,050,995)
Net Cash Flow from Financing Activities	1,018,882	(30,083,298)
Net Increase / (Decrease) in Cash & Cash Equivalents	1,027,097	(2,130,100)
Cash & Cash Equivalents at Beginning of the Period	1,404,266	3,534,368
Cash & Cash Equivalents at Close of the Period	<b>2,431,363</b>	<b>1,404,266</b>

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED JUNE, 30, 2002****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) EIMITED and converted into Public Limited on August 03, 1994 by the name of DIAMOND INDUSTRIES-LIMITED. The shares of the company are quoted on Lahore, Karachi and Islamabad Stock Exchanges. The Principal activity of the company is to manufacture and sales of foam, foam products and various industrial chemical/chemical binders used in textile, leather and wood industries.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1 Accounting Convention**

The accounts of the company have been prepared under the historical cost convention except for Building and Plant & Machinery which have been restated to their Revalued amounts.

**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 Current Taxation

Charge for current taxation is based on taxable income at current tax rates after taking into account all tax credits and rebates available, if any.

### Deferred

Deferred taxation is accounted for by using the liability method on all major timing differences.

### 2.1 Revenue Recognition

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

### 2.5 Other Income

Other income except Interest Income is accounted for on the realization basis.

### 2.6 Stock

They are valued at lower of cost or 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

Following the requirement of IAS 19, the accounting policy relating to gratuity expenses has been changed from accounting on payment basis to accrual basis. Provision of gratuity payable against previous periods has been provided as prior year adjustment and provision for gratuity expenses for the year has been included in the current year's operating results.

### 2.8 Investments

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

### 2.9 General

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

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

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

1,000,000 Ordinary Shares of Rs.10 each fully paid in cash

8,000,000 Ordinary Shares of

Rs.10 each paid as bonus shares

	2002	2001
Rupees	Rupees	
	<b>10,000,000</b>	<b>10,000,000</b>
	80,000,000	80,000,000
	<b>90,000,000</b>	<b>90,000,000</b>

**4 STATEMENT OF CHANGES IN EQUITIES**

	Share Capital	Unappropriated Profit/(Loss)	Shareholders Equity
Balance at July 1,2000	90,000,000	117,216,148	207,216,148
Net Profit for the year	-	(4,590,212)	(4,590,212)
Balance at June 30, 2001	90,000,000	112,625,936	202,625,936
Balance at July 1, 2001	90,000,000	112,625,936	202,625,936
Net Profit for the Year	-	(29,602,666)	(29,602,666)
Balance at June 30, 2002	<b>90,000,000</b>	<b>83,023,270</b>	<b>173,023,270</b>

**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
Accumulated Depreciation on Buliding Surplus	(596,944)	(489,479)
Accumulated Depreciation on Plant Surplus	(4,302,426)	(4,302,426)
	<b>45,264,429</b>	<b>45,371,894</b>

**6 LONG TERM LOAN**

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

**7 SHORT TERM LOANS-SECURED**

		2002 Rupees	2001 Rupees
Running Finance	7.1	1,028,490	2,891,108
Cash Finance	7.1	3,582,750	701,250
		<b>4,611,240</b>	<b>3,592,358</b>

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

**8 CREDITORS & ACCRUED LIABILITIES**

Creditors	188,385	43,352
Grauity Payable	300,536	-
Accrued Liabilities	26,817,895	10,610,860
	<b>27,306,816</b>	<b>10,654,212</b>

**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 ofRs. 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 interm 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 Coordination Committee and as given to other companies, amounting to Rs. 477 million in our case. Further the Honorable Supreme Court of Pakistan vide our CANo.903/1999 passed judgment, dated 5th June, 2000 in our favor.

c) The shares of the company were laying with Muhammad HanifMoosa member Karachi Stock Exchange. The said member was declared defaulter by the management of the KSE and all his assets laying 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 HanifMossa.

d) Diamond Industries Ltd was engaged in trading od share in stock exchanges through First Capital ABN AMRO, who have filed suit # 808/2000 against this company any 05 others for a collective amount 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 before for a sum of Rs. 200 million while reserving the right. To enhance this figure if the factual position (once it emerges at the trail of the suit) should so warrant.

#### 10.1 DISPOSAL OF FIXED ASSETS.

Particular	Cost	Acc.Dep.	Sales W.D.V	Gain/ Proceeds	Basis of (Loss)	Sales	SoId to
VEHICLES	800	745	54,976	76,000	21,024	Negotiation	Rx-Employee
Total	<b>800,000</b>	<b>745,024</b>	<b>54,976</b>	<b>76,000</b>	<b>21,024</b>		

#### 10.2 FIXED ASSETS (Chemical Division)

PARTICLDARS	COST			Rate %	DEPRECIATION		For the year	Total as at 30.06.2002	W.D.V As at 30.06.2002
	As at 01.07.2001	Additions/ (Deletions)	Total upto 30.06.2002		As at 01.07.2001	Adjustment			
	4,551,037	432,436	4,983,473	0	1,222,054		498,347	1,720,401	3,263
2002:Rupees	<b>4,551,037</b>	<b>432,436</b>	<b>4,983,473</b>		<b>1,222,054</b>	-	<b>498,347</b>	<b>1,720,401</b>	<b>3,263,073</b>
2001:Rupees	<b>4,539,698</b>	<b>11,339</b>	<b>4,551,037</b>		<b>852,167</b>	-	<b>369,887</b>	<b>1,222,054</b>	<b>3,328,983</b>

#### Allocation of Depreciation

	2002 Rupees	2001 Rupees
Cost of Sales	498,347	369,887
Administrative	-	-
	<b>498,347</b>	<b>369,887</b>

#### 11 LONG TERM INVESTMENT

Subsidiary company, Unquoted

M/s Diamond Pojymers (Pvt) Ltd.,

800,000 Ordinary shares of Rs.10/- each

800,000 Bonus Shares (During the year)

Equity held. 53.33% ( 2001 - 53.33% )

8,000,000

8,000,000

Breakup value is Rs.12.11 (2001 -Rs.21.42 ) per share

Associated company, Quoted

M/s Shaffi Chemicals Industries Ltd.,

3,754,240 ( 2001 -3,754,240 ) Ordinary shares	23,772,120	23,772,120
Equity held. 31.28% (2001-31.28%)		
Market Price. Rs.3 (2001 - Rs. 3.45 )		
	<b>31,772,120</b>	<b>31,772,120</b>

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

**12 STOCK IN TRADE**

Raw Materials	6,555,311	3,461,356
Finished Goods	1,915,180	2,531,215
	<b>8,470,491</b>	<b>5,992,571</b>

**13- SHORT TERM INVESTMENTS:**

NAME OF THE COMPANY	NO OF SHARES	YEAR 2002		YEAR 2001		
		MARKET VALUE	COST	NO OF SHARES	MARKET VALUE	COST
ADAMJEEINSURANCE	2,000	73,300	51,200	-	-	-
DEWAN SALMA	33	457	1,200	33	347	1,200
BANK OF PUNJAB	1,893,150	21,676,568	30,425,476	3,280,650	32,970,533	52,490,400
DG KHAN CEMENT	-	-	-	-	-	-
NISHATMILL	109	1,695	4,142	109	1,886	4,142
SUI NORTHERN GAS	545	7,521	8,175	545	5,450	8,175
BANKERS EQUITY LTD	400,000	-	1,320,000	400,000	120,000	1,320,000
BANKERS EQUITY LTD	4,500	-	18,000	4,500	1,350	18,000
BANK OF PUNJAB	-	-	-	4,553	45,758	136,590
ASKERI COMM. BANK	267,500	5,122,625	4,534,125	267,500	3,450,750	4,534,125
FAUJI FERTILIZER CO	60,000	2,724,000	3,615,000	60,000	2,136,000	3,615,000
FIDELITY INVESTMENT BANK	12,000	42,000	48,000	12,000	31,200	48,000
FIRST FIDELITY LEASE MOD	25,000	103,750	100,000	25,000	121,250	100,000
FIRST PUNJAB MODARBA	151,000	702,150	604,000	151,000	611,550	604,000
FAYSAL BANK	43,000	483,750	537,500	43,000	324,650	537,500
FFCJORDON	135,000	850,500	496,250	-	-	-
<b>TOTAL</b>	<b>2,993,837</b>	<b>31,788,316</b>	<b>41,763,068</b>	<b>4,248,890</b>	<b>39,820,722</b>	<b>63,417,132</b>

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

	2002 Rupees	2001 Rupees
Advances to Employees	60,362	193,529
Advances to others	907,183	622,781
Sales Tax Refundable	125,000	606,320
Advance Income Tax	7,259,245	3,976,801
Prepaid Expenses	42,500	153,213
Prepayments	858,679	156,749
Deposits	200,000	200,000
Tanveer Malik	1,969,309	1,969,309
Other Receivables 14.1	260,568,683	260,568,683
	<b>271,990,961</b>	<b>268,447,385</b>

**14.1 OTHER RECEIVABLE**

Bank guarantees of Rs.260.568 M were presented by the Collector of Custom, Peshawar and were forcefully

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

**15 CASH AND BANK BALANCES**

Cash and Cheques in hand	<b>2,187,509</b>	<b>802,763</b>
Cash with Banks in current accounts	243,854	601,503
	<b>2,431,363</b>	<b>1,404,266</b>

**16 COST OF GOODS SOLD**

	<b>2002</b>	<b>2001</b>
	<b>Rupees</b>	<b>Rupees</b>
Raw Material Purchased	16,528,446	8,454,873
Raw Material Opening Stock	3,461,356	5,157,378
	19,989,802	13,612,251
Raw Material Closing Stock	(6,555,311)	(3,461,356)
Raw Material Consumed	13,434,491	10,150,895
Manufacturing Expenses	16.1 4,233,680	2,254,188
	17,668,171	12,405,083
Finished Goods Opening Stock	2,531,215	2,404,930
	20,199,386	14,810,013
Finished Goods Closing Stock	(1,915,180)	(2,531,215)
	<b>18,284,206</b>	<b>12,278,798</b>

**16.1 MANUFACTURING EXPENSES**

Wages, Salaries & Allowances	1,248,556	833,366
Utilities & Telecommunication	1,500,637	956,377
Repair & Maintenance	986,140	94,558
Depreciation	498,347	369,887
	<b>4,233,680</b>	<b>2,254,188</b>

**17 ADMINISTRATIVE EXPENSES**

Directors Remuneration	-	301,320
Salaries & Allowances	764,410	2,441,599
Insurance	42,802	361,872
Fee, Taxes, Consultancy, etc.	360,676	703,325
Repair & Maintenance	4,535	4,115
Travelling Expenses	5,582	61,829
Auditors Remuneration	17.1 75,000	40,000
Utilities & Telecommunication	31,034	205,114
Misc. Expenses	51,379	82,627
Depreciation	1,313,592	1,862,959
	<b>2,649,010</b>	<b>6,064,760</b>

**17.1 AUDITORS REMUNIRATION**

Audit Fee	<b>75,000</b>	<b>40,000</b>
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**18 SELLING EXPENSES**

	<b>2002</b>	<b>2001</b>
	<b>Rupees</b>	<b>Rupees</b>
Salaries & Allowances	59,248	110,442
Publicity & Advertisement	293,218	34,905
Travelling & Vehicle Running Expenses	500,998	231,780
Freight & Octroi	188,465	192,283
Misc. Expenses	86,897	11,055

	<b>1,128,826</b>	<b>580,465</b>
<b>19 FINANCIAL EXPENSES</b>		
Bank Charges	20,890	85,312
Interest Paid	20,721,859	21,319,053
	<b>20,742,749</b>	<b>21,404,365</b>
<b>20 OTHER INCOME /(LOSS)</b>		
Dividend Income	1,440,287	3,099,273
Realised Capital Gain / (loss)	(7,231,987)	(3,236,179)
	<b>(5,791,700)</b>	<b>(136,906)</b>
<b>21 PRIOR YEAR ADJUSTMENT</b>		
Other Liabilities	2,809,084	7,432,111
Tanveer Malik	-	1,969,309
Investment	-	10,925,532
Depreciation	-	4,678,783
	<b>2,809,084</b>	<b>25,005,735</b>

**22 AGGREGATE TRANSACTION WITH ASSOCIATED COMPANIES**

The Company's purchases/sales from /to associated companies were Rs.Nil (2001 Nil)/ Rs. Nil (2001 Nil) respectively.

Maximum aggregate balance due from associated companies at the end of any month during the year was Rs.14,108,939/-(2001 Rs.Nil)

**23 INSTALLED CAPACITY**

	2002		2001	
	Capacity	Tons Production	Tons Capacity	Production
Foam	12,000 -		12,000 -	
PVA	1,560	424	1,560	301

**24 REMUNERATION OF DIRECTORS AND EXECUTIVES**

Particulars	2002			2001		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Remuneration	-	-	-	-	-	-
Perquisites, Benefits & Allowances	-	-	-	-	-	-
Total	-	-	-	-	-	-
No. of Persons	1	2	4	1	2	4

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

**25 STATEMENT PURSUANT TO SECTION 237 OF THE COMPANIES ORDINANCE, 198**

25.1 Accounts of the Subsidiary- Diamond Polymers (Pvt) Ltd., for the year ended June 30, 2002 alongwith Auditors and Directors reports thereon are attached herewith.

**25.2 Statement under section 237 (1)(e)**

- a) Extent of shareholding in subsidiary company: 53.33%
- b) i) Profit/(Loss) of the subsidiary for the year ended June 30, 2002 amounting to

Rs. 14.89 million - Loss (2001 Rs.1.09million - Profit) 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. 18.27 million ( 2001 Rs.17.21 million ) has not been dealt with in these accounts. '

iii) Profit/(Loss) for the year ended June 30, 2002 amounting toRs. 27.91 million- Loss (2001 Rs.2.00 million - Profit) has not been dealt with in these accounts.

iv) Profits for previous financial years of the subsidiary company amounting to

Rs. 6.34million ( 2001 Rs. 32,28 million ) has not been dealt with in these accounts.

v) Profits or loss of the subsidiary company since investment has not been dealt with in the accounts of the holding company. ,

The Loss for the year ending June 30, 2002 was amounting to Rs.27.92 million of the subsidiary company.

## 26 FIGURES

Have been rounded off nearest to Rupee.

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

## FORM "34"

### PATTERN OF SHAREHOLDING AS AT JUNE 30TH, 2002

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL SHARES SHARES
234	1	500	78350
73	501	1000	61150
79	1001	5000	172600
14	5001	10000	116950
6	10001	15000	78050
2	20001	25000	45000
2	25001	30000	54500
1	40001	45000	43500
1	85001	90000	90000
1	125001	150000	150000
1	625001	650000	650000
1	700001	725000	710000
1	725001	750000	750000
1	1350001	1375000	1363800
1	1400001	1425000	1422450
1	1500001	1525000	1503650
1	1700001	1725000	1710000
<b>420</b>			<b>9000000</b>

### CATEGORIES OF SHARE HOLDERS

S.NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARE HELD	PERCENTAGE HELD
1	Individuals	413	7343400	81.59333

2	Investment Companies	2	10150	0.11278
3	Insurance Companies	0		
4	Joint Stock Companies	4	1602950	17.81056
5	Financial Institutions	0		
6	Modaraba Companies	0		
7	Mutual Fund	1	43500	0.48333
8	Others	0		
	<b>Total</b>	<b>420</b>	<b>9000000</b>	<b>100</b>

## DAIMOND POLYMERS (PVT) LIMITED

Annual Reports 2002

### CORPORATE PROFILE

#### BOARD OF DIRECTORS:

MR. WAQARA. SHAFFI  
Chairman/ Chief Executive  
MR. MUHAMMAD SAEED

#### COMPANY SECRETARY:

MR.NAZIRAHMAD

#### AUDITORS:

SALEEM AHSAN & CO.  
Chartered Accountants

#### LEGAL AD VISORS:

IRTIZA ALI NAQVI & ASSOCIATES .

#### BANKERS:

ALLIED BANK OF PAKISTAN LIMITED  
FIDELITY INVESTMENT BANK LIMITED  
PICIC COMMERCIAL BANK LIMITED  
PLATINUM COMMERCIAL BANK LIMITED  
HABIB BANK AG ZURICH  
SAUDI PAK COMMERCIAL BANK LIMITED •  
ISLAMIC INVESTMENT BANK LIMITED  
MUSLIM COMMERCIAL BANK LIMITED  
EMIRATES BANK INTERNATIONAL

#### REGISTERED OFFICE:

12/A, NEW INDUSTRIAL AREA, MIRPUR,  
AZAD JAMMU & KASHMIR  
TEL: 0342-7358113  
E-mail:info@diamondfoam.com

### AUDITORS'REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of DIAMOND POLYMERS (PVT) LTD., as at June 30,2002 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 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 obj ects 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 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 June 30,2002 and of the Loss, its changes in equity for the year then ended; and

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

**BALANCE SHEET  
AS ON JUNE 30,2002**

<b>CAPITAL &amp; LIABILITIES</b>	<b>NOTE</b>	<b>2002 RUPEES</b>	<b>2002 RUPEES</b>
<b>AUTHORISED CAPITAL</b>			
3,000,000 shares of Rs. 10 each		<b>30,000,000</b>	<b>30,000,000</b>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>			
3,000,000 shares of Rs. 10 each		30,000,000	30,000,000
Un-Appropriated Profit / (loss)		6,341,702	34,257,229
		36,341,702	64,257,229
Loan From Directors		36,161,813 -	
Liability A^inst Finance Lease	3	<b>23,927,964</b>	<b>(7,937,202)</b>
<b>CURRENT LIABILITIES</b>			
Short term Loan (Secured)	4	126,633,785	101,130,960
Creditors & Accrued Liabilities	5	75,423,878	30,299,113
Bank Guarantees Payable	6	226,298,735	139,430,499
Due to Associate Concern		3,184,214	
Provision for Taxation		2,712,670	3,127,558
		434,253,282	273,988,130
		<b>530,684,761</b>	<b>346,182,561</b>
<b>PROPERTY &amp; ASSETS</b>	<b>NOTE</b>	<b>2002 RUPEES</b>	<b>2001 RUPEES</b>

**FIXED ASSETS**

(At cost less Depreciation)

7 **91,814,652** **69,874,526****CURRENT ASSETS**

Stock in Trade

8 86,368,998 74,235,913

Debtors Un-secured

47,754,058 3,347,827

Short Term Investment

**43,793,205** **14,832,239**

Advances, deposits, prepayments

&amp; Other Receivables

9 33,688,646 35,985,875

Cash &amp; Bank Balances

10 227,265,202 147,906,182

438,870,109 276,308,036

**530,684,761** **346,182,561****PROFIT & LOSS ACCOUNT****FOR THE YEAR ENDED JUNE 30, 2002**

	<b>NOTE</b>	<b>2002 RUPEES</b>	<b>2001 RUPEES</b>
Sales	11	457,622,766	625,511,579
Cost Of Goods Sold	12	370,916,123	511,482,688
Gross Profit		<b>86,706,643</b>	<b>114,028,891</b>
<b>OPERATING EXPENSES</b>			
Administrative Expenses	13	37,793,904	44,007,627
Selling & Distribution Expenses	14	41,043,509	60,362,918
Financial Expenses	15	26,842,390	15,936,177
Operating Profit/(Loss)		105,679,803	120,306,722
Other income		(18,973,160)	(6,277,831)
Profit/(Loss) Before Taxation		21,779,193	11,428,703
Provision For Taxation		2,806,033	5,150,872
Net profit/(Loss) after taxation		2,712,670	3,127,558
Prior Year Adjustment	16	93,363	2,023,314
		28,009	47,703
		(27,915,527)	1,975,611
Un Appropriated Profit/(Loss) B/F		34,257,229	47,281,618
Bonus Shares		6,341,702	49,257,229
Accumulated profit/(Loss) carried Forward to Balance Sheet		-	(15,000,000)
		<b>6,341,702</b>	<b>34,257,229</b>

**CASH FLOW STATEMENT**

As on 30 th June, 2002

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>2002 Rupees</b>	<b>2001 Rupees</b>
Profit / (Loss) before taxation	<b>2,806,033</b>	<b>5,150,872</b>
Adjustments for;		
Depreciation	11,733,936	10,068,991
Other Income	(21,779,193)	(11,428,703)
Mark-up	26,842,390	15,936,177
Operating profit before working capital changes	<b>19,603,166</b>	<b>19,727,337</b>
<b>(INCREASE) / DECREASE IN CURRENT ASSETS</b>		

Stock in trade	(12,133,085)	72,173,354
Trade debtors	(44,406,231)	60,337,664
Advances, deposits, prepayments & other receivables	(18,404,060)	(13,670,604)
Due From Associated Concern	-	600,000
	<b>(74,943,376)</b>	<b>119,440,414</b>

**INCREASE/ (DECREASE) IN CURRENT LIABILITIES**

Creditors, accrued and other liabilities	40,605,475	(84,185,068)
Increase/(Decrease) in Bank Guarantee Payable	83,415,207	88,379,052
Short term loans	25,502,825	101,130,960
	149,523,507	105,324,944
Changes in Working Capital	74,580,131	224,765,358
Cash Generated From Operations	94,183,297	244,492,695
Mark-up	(26,842,390)	(15,936,177)
Taxes Paid / Adjustment	(3,127,558)	(2,940,719)
Net Cash Flow from operating activities	<b>64,213,349</b>	<b>225,615,799</b>

**CASH FLOW FROM INVESTING ACTIVITIES**

Net Fixed Assets	(6,497,467)	(21,602,672)
Sales proceed of fixed asset	3,243,534	998,936
Capital Work in Progress	-	-
Short Term Investment	(28,960,966)	(14,832,239)
Other Income	21,352,713	11,428,703
Net Cash Flow from investing activities	<b>(10,862,186)</b>	<b>(24,007,272)</b>

**CASH FLOW FROM FINANCING ACTIVITIES**

Proceeds from obligation under finance lease	'	18,394,244
Repayment of obligation under finance lease	(13,338,170)	(15,822,120)
Increase / (Decrease) in long term loan from directors	36,161,813	(104,840,965)
Increase / (Decrease) in due to associated concerns	3,184,214	(4,569,229)
Net Cash Flow from financing activities	<b>26,007,857</b>	<b>(106,838,070)</b>

Net Increase / (Decrease) in Cash & Cash Equivalants	79,359,020	94,770,457
Cash and Cash Equivalants at the begining of the period	147,906,182	53,135,725
Cash and Cash Equivalants at the close of the period	<b>227,265,202</b>	<b>147,906,182</b>

**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED JUNE, 30, 2002****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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1 Accounting Convention**

The accounts of the company are prepared under the historical cost convention.

**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 # 1 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 of cost or 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 up to 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**

#### **Current**

Charge for current taxation is based on taxable income at current tax rates after taking into account all tax credits and rebates available, if any.

#### **Deterred**

Deferred taxation is accounted for by using the liability method on all major timing differences.

### **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

Following the requirement of IAS 19, the accounting policy relating to gratuity expenses has been changed from accounting on payment basis to accrual basis. Provision of gratuity payable against previous periods has been provided as prior year adjustment and provision for gratuity expenses for the year has been included in the current year's operating results.

## 2.11 General

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

	<b>2002</b>	<b>2001</b>
	<b>RUPEES</b>	<b>RUPEES</b>
<b>3 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
2001-2002	-	6,118,722
2002-2003	13,046,469	1,876,515
2003-2004 ,	11,547,669	611,719
2004-2005	5,081,241	-
	29,675,379	8,606,956
<b>LESS:-Future finance charges</b>	5,747,415	669,754
Net lease obligation'	<b>23,927,964</b>	<b>7,937,202</b>
<b>4 SHORT TERM LOAN (SECURED)</b>		
Emirates Bank Int. (Running Finance)	-	9,484,149
Allied Bank (Cash Finance)	49,851,134	45,404,920
Allied Bank (Running Finance)	76,782,651	46,241,891
	<b>126,633,755</b>	<b>101,131</b>
<b>5 CREDITORS &amp; ACCRUED LIABILITIES</b>		
Expenses Payable	16,910,335	9,957,313
Documents & Duties Payable	45,966,270	5,381,893
Creditors & others	6,552,398	14,959,907
Gratuity Payable	5,994,875	-
	<b>75,423,878</b>	<b>30,299,113</b>
<b>6 OTHER LIABILITIES</b>		
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 Gurantees.		
<b>8 STOCK IN TRADE</b>		
Raw Meterial	70,290,030	53,255,059
Finished Goods	16,078,968	20,980,854
	<b>86,368,998</b>	<b>74,235,913</b>
<b>7 Diamond Polymers (Pvt) Ltd.</b>		
Depreciation Chart		

For the Year Ended June.30 2002

PARTICULARS	COST			RATE	DEPRICIATION		For the Period	Total upto 30-06-2002	W.D.V. As on 30-06-2002
	As at 01.07.2001	Addition (Deletion)	Total upto 30-06-2002		As on 01.07.1001	Adjustment			
Land	1,019,707	(1,019,707)			-	-	-	-	-
Building	28,253,784	133,400	28,387,184	5%	5,982,099	-	1,120,254	7,102,353	21,284,831
Plant Machinery	24,599,450	17,381,066	41,980,516	10%	8,855,437	2,868,849 (1,434,423)	3,169,065	13,458,928	28,521,588
Furniture & Fixture	2,180,523	269,335	3,449,858	10%	637,207		181,265	818,472	1,631,386
Office Equipment	3,349,905	1,625,100	4,975,005	10%	844,553	-	413,050	1,257,553	3,717,452
Vehicles	17,530,240	7,832,810 (6,106,000)	19,257,050	20%	9,826,406	1,641,680 (3,288,946)	2,215,582	10,394,722	8,862,328
<b>Year 2002</b>	<b>76,933,609</b>	<b>20,116,004</b>	<b>97,049,613</b>		<b>26,145,652</b>	<b>(212,840)</b>	<b>7,099,217</b>	<b>33,032,029</b>	<b>64,017,584</b>
<b>Year 2001</b>	<b>63,817,262</b>	<b>13,116,347</b>	<b>76,933,609</b>		<b>16,220,510</b>	<b>4,627,826</b>	<b>5,297,342</b>	<b>26,145,678</b>	<b>50,787,931</b>

**Disposal of Fixed Assets**

Particular of Assets	Cost	Acc.Dep	W.D.V	Sales Proceeds	Gain/ (Loss)	Basis of Sales	Sold to
Toyota Land Cruiser	3,000,000	1,446	1,553,520	1,980,000	426,480	Insurance claim	E.F.U.General InsuranceCo
Toyota Land Cruiser	3,000,000	1,771,200	1,228,800	1,228,800		Negotiation	Mr- iqbal Majeed, Wassan pura
Suzuki Fx	106,000	71,266	34,734	34,734		Negotiation	Sold to
<b>Total</b>	<b>6,106,000</b>	<b>3,288,946</b>	<b>2,817,054</b>	<b>3,243,534</b>			

**ASSETS SUBJECT TO FINANCE LEASE**

PARTICULARS	COST			RATE %	DEPRECIATION		For the Period	Total upto 30-06-2002	W.D.V. As on 30-06-2002
	As at 01.07.2001	Addition (Deletion)	Total upto 30-06-2002		As on 01.07.2001	Adjustment			
Vehicles	9,660,000	13,062,500 (6,400,000)	16,322,500	0.2	4,048,800	(1,641,680)	2,783,076	5,190,196	11,132,304
Machinery	16,844,244	16,266,432 (14,344,244)	18,766,432	0.1	3,368,845	(2,868,849) (250,000)	1,851,644	2,101,640	16,664,792
<b>Year 2002</b>	<b>26,504,244</b>	<b>8,584,688</b>	<b>35,088,932</b>	<b>0</b>	<b>7,417,645</b>	<b>(4,760,529)</b>	<b>4,634,720</b>	<b>7,291,836</b>	<b>27,797,096</b>
<b>Year 2001</b>	<b>18,310,000</b>	<b>8,194,244</b>	<b>26,504,244</b>		<b>7,623,600</b>	<b>(4,977,600)</b>	<b>4,771,649</b>	<b>7,417,649</b>	<b>19,086,595</b>

7.3

Allocation of Depreciation

Cost of Sales

Administrative

**TOTAL**

	2002 Rupees	2001 Rupees
Cost of Sales	6,141	2,021,529
Administrative	5,592,973	7,147,462
<b>TOTAL</b>	<b>11,733,936</b>	<b>10,068,991</b>

**ADVANCES, DEPOSITS, PREPAYMENTS,**



**AND OTHER RECOVERABLE**

	<b>2002</b>	<b>2001</b>
	<b>RUPEES</b>	<b>RUPEES</b>
Advance to Employees	1,860,616	1,526,337
Advance Income Tax	28,693,192	28,897,579
Letter of Credit	106,429	383,392
Advances to Others	1,361,034	3,312,076
Security Deposit	1,667,375	1,866,491
	<b>33,688,646</b>	<b>4,462,248,500</b>

**CASH AND BANK BALANCES**

Cash at Bank Note 10.1	226,592,667	146,027,071
Cash & Cash Equivalents	672,535	1,879,111
	<b>227,265,202</b>	<b>147,906,182</b>
Cash at Bank		
Special Account Note 10.2	202,103,703	141,193,536
Lc Margin Account	11,900,000	-
Current Account	1,200,284	614,462
Saving Account	11,388,680	4,219,073
	<b>226,592,667</b>	<b>146,027,071</b>

**Special Account**

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

**SALES**

Local sales	456,394,523	625,238,033
Export Sales	1,228,243	273,546
	<b>457,622,766</b>	<b>625,511,579</b>

**12 COST OF GOOD SOLD**

	<b>2002</b>	<b>2001</b>
	<b>RUPEES</b>	<b>RUPEES</b>
Raw Material Opening Stock	53,255,059	118,913,639
Raw Material Purchased	368,109,618	421,509,119
	421,364,677	540,422,758
Raw Material Closing Stock	70,290,030	53,255,059
Raw Material Consumed	351,074,647	487,167,699
Manufacturing Expenses Note-12,1	14,939,590	17,800,215
	366,014,237	504,967,914
Finished Goods Opening stock	20,980,854	27,495,628
	386,995,091	532,463,542
Finished Goods Closing Stock	16,078,968	20,980,854
	<b>370,916,123</b>	<b>511,482,688</b>

**12.1 MANUFACTURING EXPENSES**

Salaries,Wages,Benefits & Others	6,001,682	10,516,651
Fuel & Energy	1,734,851	2,902,893
Repair & Maintenance	1,062,094	1,459,142
Depreciation	6,140,963	2,921,529
	<b>14,939,590</b>	<b>17,800,215</b>

**13 ADMINISTRATIVE EXPENSES**

	<b>2002</b>	<b>2001</b>
	<b>RUPEES</b>	<b>RUPEES</b>

Salaries,Wages,Benefits & Others	16,405,235	16,601,056
Directors Remuniration	856,038	600,000
Electricity & Fuel	2,356,796	2,467,728
Telephone & Telex	1,597,245	2,929,620
Gas & Water Charges	131,050	236,309
Insurance Charges	2,740,775	4,048,032
Repair & Maintance	2,169,298	1,596,108
Charity & Donation	229,990	506,329
Travelling & Conveyance	1,080,499	1,412,392
Fees & Taxes	984,846	970,511
Fire Fighting	145,462	14,895
Printing & Stationary	507,545	2,084,128
Legal & Professional Charges.	1,196,680	440,112
Entertainment	450,467	703,296
Postage & Telegrams	146,351	158,946
Depreciation	5,592,973	7,147,462
Misc.Exp	1,202,654	2,090,703
	<b>37,793,904</b>	<b>44,007,627</b>

**14 SELLING & DISTIBUTION EXPENSES**

Sales Allownces & Rebate	767,346	3,559,456
Advertising & Publicity	24,314,309	17,988,792
Travelling & Conveyance Charges	753,887	1,117,216
Freight & Forwarding	15,207,967	37,697,454
	<b>41,043,509</b>	<b>60,362,918</b>

**15 FINANCIAL CHARGES**

Bank Charges	5,012,659	2,678,196
Mark-up	21,829,731	13,257,981
	<b>26,842,390</b>	<b>15,936,177</b>

**16 PRIOR YEAR'S ADJUSTMENT**

INCOME TAX	20,701,987	473,703
OTHERS	7,306,903	-
	<b>28,008,890</b>	<b>473,703</b>

**FORM "34"****PATTERN OF SHAREHOLDING AS AT JUNE 30TH, 2002**

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL SHARES HELD
1	1	50000	20000
1	50001	5000000	180000
2	10000001	Above	2800000
<b>4</b>			<b>3000000</b>

**CATEGORIES OF SHARE HOLDERS**

S.NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARE HELD	PERCENTAGE HELD
1	Individuals	2	20000	6.67
2	Joint Stock Companies	2	2800000	93.33
		<b>4</b>	<b>3000000</b>	<b>100</b>

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

General Information

Subsidiary

Accounting Year Ended	2002	2001
	Diamond Polymers (Pvt) Ltd. 30.06.2002	Diamond Polymers (Pvt) Ltd. 30.06.2001
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	<u>(14,888,300)</u>	<u>1,079,033</u>
- In the previous years	<u>26,294,319</u>	<u>25,215,286</u>

**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, 2002 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, 2002 and the results of their operations for the year then ended.

**Diamond Industries Limited and Subsidiary****For the year ended June 30,2002**

	2002 Rupees	2001 R upccs
<b>CAPITAL &amp; LIABILITIES</b>		
<b>AUTHORIZED CAPITAL</b>	<u>120,000,000</u>	<u>120,000,000</u>
12,000,000 Ordinary shares of Rs.10 each		
<b>ISSUED, SUBSCRIBED &amp; PAID</b>		
<b>U P CAPITAL</b>		
9,000,000 Ordinary Shares of Rs.10 Each	90,000,000	90,000,000
U n -appropriated Profit	94,403,850	138,894,816

	<b>184,403,850</b>	<b>228,894,816</b>
<b>MINORITY INTEREST</b>		
Share Capital	14,000,000	14,000,000
Reserves	2,960,622	15,987,849
	16,960,622	29,987,849
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	<b>45,264,429</b>	<b>45,371,894</b>
<b>LOAN FROM DIRECTORS</b>	36,161,813 -	
<b>LONG TERM L O A N</b>	197,372,915	197,372,915
<b>LIABILITY AGAINST FINANCE LEASE</b>	<b>23,927,964</b>	<b>7,937,202</b>
<b>CURRENT LIABILITIES</b>		
Short Term Loans - Secured	131,245,025	104,723,318
Creditors & Accrued Liabilities	102,744,185	40,953,825
Other Liabilities	226,298,735	139,430,499
Provision for Taxation	<b>5,052,011</b>	<b>5,992,140</b>
Due to Associate Concern	-	-
Dividend Payable	775,958	780,367
	<b>466,115,914</b>	<b>291,880,149</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		
	<b>970,207,507</b>	<b>801,444,825</b>
<b>PROPERTY &amp; ASSETS</b>		
<b>FIXED ASSETS</b>		
(At cost less depreciation)	<b>178,393,724</b>	<b>157,982,202</b>
Capital work in progress		
Long Term Investment	<b>23,772,120</b>	<b>23,772,120</b>
<b>CURRENT ASSETS</b>		
Stock in Trade	94,839,489	80,228,484
Debtors	52,269,729	7,468,940
ShortTerm Investment	85,556,273	78,249,371
Due from Associated Concern	-	-
Advances, Deposit, Prepayments & Others Receivable	305,679,607	304,433,260
Cash and Bank Balances	229,696,565	149,310,448
	768,041,663	619,691
	<b>970,207,507</b>	<b>801,444,825</b>

**CONSOLIDATED PROFIT AND LOSS ACCOUNT****Diamond Industries Limited and Subsidiary****For the year ended June 30, 2002**

	<b>2002</b>	<b>2001</b>
	<b>Rupees</b>	<b>Rupees</b>
Sales	473,959,605	636,591,289
Cost of Sales	389,200,329	523,761,486
Gross Profit	84,759,276	112,829,803
Administrative Expenses	40,442,914	50,072,387
Selling and Distribution Expenses	42,172,335	60,943,383
Financial Charges	47,585,139	37,340,542
	<b>130,200,388</b>	<b>148,356,312</b>
Operating Profit / (Loss)	(45,441,112)	(35,526,509)
Other Income / ( Loss)	15,987,493	11,291,797

Profit / (Loss) for the year	(29,453,619)	(24,234,712)
Prior years adjustment	(25,199,806)	24,958,032
Profit / (Loss) before taxation .	(54,653,425)	723,320
Less : Taxation	2,864,768	3,337,921
Profit after Taxation	(57,518,193)	(2,614,601)
Minority Interest	(13,027,227)	922,018
Net Profit attributable to parent company	<b>(44,490,966)</b>	<b>(3,536,619)</b>

**STATEMENT OF RETAINED EARNINGS**

Retained earnings beginning of the year	138,894,816	142,431,435
Net income for the year /?	(44,490,966)	(3,536,619)
Dividend	-	-
Retained earnings end of the year	<b>94,403,850</b>	<b>138,894,816</b>

**CONSOLIDATED CASH FLOW STATEMENT****Diamond Industries Limited and Subsidiary****For the year ended June 30,2002**

	<b>2002</b>	<b>2001</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit / (loss) before taxation	<b>(25,453,619)</b>	<b>(24,234,712)</b>
Adjustment for :		
Depreciation	13,545,875	12,301,837
Amortization	-	-
Financial Expenses	47,585,139	37,340,542
Other Income	(21,779,193)	(11,428,703)
Others	<b>(21,024)</b>	-
Operating Profit Before Working		
Capital Changes And Financial Expenses	<b>9,877,178</b>	<b>13,978,964</b>
Change in Working Capital		
(Increase) / Decrease in Stock in Trade	(14,611,005)	73,743,091
(Increase) / Decrease in Debtors	(44,800,788)	60,006,621
(Increase) / Decrease in Due from Associated Concern		<b>600,000</b>
(Increase) / Decrease in Advances, Deposit,		
Prepayments & Others Receivable	(19,628,724)	(5,912,326)
	(79,040,517)	128,437,386
Increase / (Decrease) in Short Term Loan	25,502,825	101,130,960
Increase / (Decrease) in Creditors & Accrued Liabilities	57,083,904	(86,536,541)
Increase / (Decrease) in Other Liabilities	83,415,207	88,379,052
Changes in Working Capital	86,961,419	231,410,857
Cash Generated From Operations	96,838,597	245,389,821
Financial Expenses	(47,585,140)	(37,340,542)
Taxes Paid/Adjustment	(3,127,558)	(2,940,719)
Net Cash Flow from Operating Activities	<b>46,125,899</b>	<b>205,108,560</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net Fixed Assets	(6,943,244)	(21,645,321)
Short Term Investment	(7,306,902)	33,559,761
Paymen of Dividend	(4,409)	(304,393)
Capital Work in Progress	-	-
Sales proceeds of fixed assets	3,319,534	1,414,415
Other Income / (loss)	21,352,713	11,428,703

Net Cash Flow from Investing Activities

**10,417,692****24,453,165****CASH FLOW FROM FINANCING ACTIVITIES**

Proceed from obligation under Finance Lease	-	18,394,244
Repayment of obligation under Finance Lease	(13,338,170)	(15,822,120)
Increase / (Decrease) in Loan From Directors	36,161,813	(104,840,965)
Increase / (Decrease) in Long Term Loans	-	17,967,697
Increase / (Decrease) in Short Term Loans	1,018,882	(48,050,995)
Increase / (Decrease) in due to Associate concern	-	(4,569,229)
Net Cash Flow from Financing Activities	23,842,525	(136,921,368)
Net Increase / (Decrease) in Cash & Cash Equivalents	80,386,116	92,640,357
Cash & Cash Equivalents at Beginning of the Period	149,310,449	56,670,092
Cash & Cash Equivalents at Close of the Period	<b>229,696,565</b>	<b>149,310,449</b>