

DEWAN SALMAN FIBRE MILLS LIMITED
ANNUAL REPORTS 2003

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COMPANY INFORMATION

BOARD OF DIRECTORS : DEWAN ZIA-UR-REHMAN FAROOQUI
President/Chief Executive
DEWAN ASIM MUSHFIQ FAROOQUI
Managing Director
LEE BAEG EUY
DEWAN GHULAM MUSTAFA KHALID
DEWAN MOHAMMAD YOUSUF FAROOQUI
DEWAN ABDUL REHMAN FAROOQUI
DEWAN MOHAMMAD AYUB KHALID

ALTERNATE DIRECTORS : SANG-HUN PARK

AUDIT COMMITTEE : DEWAN GHULAM MUSTAFA KHALID - Chairman
DEWAN MOHAMMAD YOUSUF FAROOQUI - Member
DEWAN ABDUL REHMAN FAROOQUI - Member

AUDITORS : FARUQ ALI & CO.
CHARTERED ACCOUNTANTS
FCROZE SHARIF TARIQ & CO.
CHARTERED ACCOUNTANTS

CHEIF FINANCIAL OFFICER : GHAZANFAR ALI KHAN

COMPANY SECRETARY : SYED MOONIS ABDULLAH ALVI

LEGAL ADVISORS : KHALID ANWER & COMPANY
ADVOCATES

TAX ADVISORS : SHARIF & COMPANY
ADVOCATES

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

HEAD OFFICE : DEWAN CENTRE, 3-A LALAZAR,
BEACH HOTEL ROAD, KARACHI-74000.

REGISTERED OFFICE DEWAN CENTRE, 46, NAZIMUDDIN ROAD, F-7/4, ISLAMABAD.

BANKERS : ABN AMRO BANK N.V.

AL BARAKA ISLAMIC INVESTMENT BANK
ALLIED -BANK OF PAKISTAN LTD.
AMERICAN EXPRESS BANK
ASKARI COMMERCIAL BANK LTD.
BANK AL FALAH
BANK OF CEYLON
BANK OF KHYBER
BOLAN BANK LIMITED
CITIBANK N.A.
CREDIT AGRICOLE INDOSUEZ
FAYSAL BANK LTD.
HABIB BANK LTD.
HABIB BANK AG ZURICH
HONG KONG & SHANGHAI BANKING CORPORATION LTD.
MASHREQ BANK LTD.
MEEZAN BANK LTD.
MUSLIM COMMERCIAL BANK LTD.
NATIONAL BANK OF PAKISTAN
PICIC COMMERCIAL BANK LTD.
STANDARD CHARTERED BANK
SAUDI PAK COMMERCIAL BANK LTD.
UNITED BANK LTD.
UNION BANK LTD.

THE MISSION STATEMENT

- "THE MISSION OF DEWAN SALMAN FIBRE LIMITED IS TO BE THE LEADER IN SYNTHETIC FIBRE MANUFACTURING IN PAKISTAN

AND BECOME A GLOBAL PLAYER IN THE FIELD.

- TO ASSUME LEADERSHIP ROLE IN THE TECHNOLOGICAL

ADVANCEMENT OF THE INDUSTRY AND TO ACHIEVE THE HIGHEST

LEVEL OF QUALITATIVE AND QUANTITATIVE INDIGENIZATION.

- TO BE THE FINEST ORGANIZATION IN ITS INDUSTRY, AND TO CONDUCT ITS BUSINESS RESPONSIBLY AND IN A STRAIGHT FORWARD MANNER.

- TO SEEK LONG-TERM AND GOOD RELATIONS WITH OUR SUPPLIERS

AND CUSTOMERS WITH FAIR, HONEST, AND MUTUALLY PROFITABLE DEALINGS.

- TO ACHIEVE THE BASIC AIM OF BENEFITING OUR CUSTOMERS, EMPLOYEES, SHAREHOLDERS, OTHER STAKE HOLDERS AND TO FULLFIL ITS COMMITMENTS TO OUR SOCIETY.

- TO CREATE A WORK ENVIRONMENT HIGHLIGHTING TEAM WORK, WHICH MOTIVATES, RECOGNIZES AND REWARDS ACHIEVEMENTS AT ALL LEVELS OF THE ORGANIZATION, BECAUSE "IN ALLAH WE

TRUST AND BELIEVE" AND HUMAN RESOURCE IS OUR CAPITAL AND ASSET.

- TO BE HONEST AND BE ABLE TO RESPOND EFFECTIVELY TO CHANGES IN ALL ASPECTS OF LIFE, INCLUDING TECHNOLOGY, CULTURE PROACTIVE AND ENVIRONMENT.

- TO BE A CONTRIBUTING CORPORATE CITIZEN FOR THE BETTERMENT OF SOCIETY AND TO EXHIBIT A SOCIALLY RESPONSIBLE BEHAVIOR.

TO CONDUCT BUSINESS WITH INTEGRITY AND STRIVE TO BE THE BEST".

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Fourteenth Annual General Meeting of Dewan Salman Fibre Limited will be held on 31st October 2003 at 4.00 p.m. at Dewan Centre, 46, Nazim-ud-Din Road, Sector F-7/4, Islamabad, to transact the following business:

1. Recitation from Holy Quran.
2. To read and confirm the minutes of the Extra Ordinary General Meeting held on 28th May 2003.
3. To receive, consider and adopt the Annual Audited Accounts for the year ended 30th June 2003. together with the Directors' and Auditors' Report thereon.
4. To appoint Auditors of the Company for the year ending 30th June 2004 and to fix their remuneration.
5. To consider any other business with the permission of the chairman.

By order of the Board
Syed Moonis Abdullah Alvi

Company Secretary
Date: 10 October 2003
Place: Islamabad

NOTES:

A member of the Company entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting, CDC Account holders will further have the following guidelines as laid down by the Securities and Exchange Commission of Pakistan.

a) For Attending Meeting:

i) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or original passport at the time of attending the meeting.'

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with the specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

b) For Appointing Proxies:

i) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements.

ii) Two persons whose names, addresses and NIC numbers shall be mentioned on the form shall witness the proxy.

iii) Attested copies of NIC or passport of the beneficial owners and proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original NIC or original passport at the time of the meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney with the specimen signature of the nominee shall be produced (unless it has been provided earlier) along with the proxy form to the Company.

2. Members are requested to immediately notify the change in their addresses, if any.
3. The Share Transfer Books of the Company will remain closed from 22nd October 2003 to 31st October 2003 (both days inclusive).

DIRECTORS' REPORT

Your Directors take pleasure in presenting to you the Fourteenth Annual Report of the Company together with the Audited Accounts for the year ending 30th June 2003.

The year 2002-2003 was a period of great struggle for the synthetic fibre industry. The international economic situation hampered due to various events. The spread of Severe Acute Respiratory Syndrome (SARS) virus in the Far East and later Iraq war have adversely affected the export of textiles creating general slow down and stock buildups in the textile chain and thus lower demand for PSF. High crude oil prices in the international market impacted in keeping consistently high prices of petrochemicals including PTA, MEG and ACN this year. Moreover, the reduction of import duty on polyester fibre from 25% to 20% and on acrylic fibre and tow from 20% to 15% in the budget further depressed the profitability.

The expansion project of Ibrahim Fibres came on-line causing further over capacity in the domestic staple fibre industry, which has reached over 600,000 metric tons per annum. As a result of over supply, local prices of polyester products remained underpressure through out the period, thus further eroding the already meager margins in the industry. With the expansion in the textile industry and demand for value added products, the PSF market has shown robust growth and the indications are that the new capacities will be absorbed in the market and equilibrium in demand and supply can be reached much earlier than what has been anticipated. In order to counter the over supply situation in the country, your company embarked upon exporting its products and the Board is happy to report that we have made inroads in various markets such as Syria, Turkey, Iran, Morocco, Egypt and various ED countries.

Your directors are pleased to report that the company is in the final stage of completing conversion of power generation process from furnace oil to gas.

The salient features of the accounts are:

	(Rs. in 000)
Gross Sales	18,660,932
Sales Tax	2,917,840
Depreciation	1,077,875
Gross Profit	1,438,377
Operating Profit	1,081,086
Net Profit before tax	86,662
Net Profit after tax	28,359

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

Your Directors have not recommended any dividend this year considering the lower profitability and the need to build up reserves. The profit is therefore recommended for appropriation in the following manner:

	(Rs. in 000)
Profit for the year 2002-2003	28,359
Un-appropriated profit brought forward	989,735
Transfer of surplus on revaluation of fixed assets	224,431
Un-appropriated profit carried forward	1,242,525

REVIEW ON ACCOUNTS

Due to oversupply pressure, the production has decreased by 9.1 % over the past year i.e. from 259,423 tons to 235,805 tons. Although the company could not pass on the impact of increase in cost due to sharp upward trend in raw material prices; however, turnover of the company improved slightly from last year's level in rupee terms due to better product prices and relatively lower decrease registered in the sales volume from 248,677 tons to 241,430 tons this year.

The salient features of the accounts are as follows:

- The company achieved gross sales revenue of Rs. 18,660 million, which includes sales revenue of Rs.2,213 million from Unit-III (Acrylic business) and export of Rs.1,127 million.
- Profit before taxation as shown in the accounts is Rs.86.462 million, after providing for loss

before tax of Rs 231.815 million in the Acrylic business.

- The financial expenses incurred during this period come to Rs.993.770 million.
- Depreciation provided during this period amounts to Rs. 1,078 million which include depreciation for all the four units.
- Transferred to appropriation account an amount of Rs.224.431 million to record realization of surplus as per amendment in Section 235 of the Companies Ordinance, 1984.

The incidence of taxation is at Rs.58.303 million this year. The tax holiday available to Unit-II in accordance with clause 118 (H) of the Second Schedule of Income Tax Ordinance, 1979 expired in June 2003.

Your Directors are confident that Insha Allah the Company will be able to perform better in the coming years as the company has successfully made inroads in export markets for its Acrylic product and thus acrylic business has shown improvement in the first quarter of the current financial year.

FINANCIAL OBLIGATIONS AND REPROFILING OF DEBT

Alhamdulillah, your company has fulfilled its financial obligations on time.

In January 2003, your company received disbursement of US\$30 million from International Finance Corporation (IFC) and Rs. 1.250 billion from Local Banking Syndicate. Your company has utilized US\$ 15 million for financing the setting up of 20,000 tons per annum specialty fibre project and the remaining funds have been used for repayment of high cost loans. Debt reprofiling became pertinent because of high cost of debt that was incurred for the establishment of Acrylic Fibre and Tow manufacturing facilities and for acquisition and merger of Dhan Fibres into the company at a time when the national economy was struggling in the wake of Pakistan's nuclear testing and sanctions imposed by other countries resulting in economic uncertainty and very high interest rates regime. Furthermore, your company also renegotiated many short-term borrowings with various banks to bring financial costs down. The impact of reduction of markup rates and reprofiling has started showing results and financial costs have come down from Rs. 1.340 billion in 2002 to Rs.999.00 million in 2003. Your company believes that full impact of this exercise will be reflected in the ensuing year.

CONVERTIBLE PREFERENCE SHARES

Your Company is in the process of issuing Convertible Preference Shares - Series A of Rs. 400,000,000/- (Rupees Four Hundred Million only), which can be converted into Ordinary Shares of the Company at the option of the investor. The entire outstanding balance of the Preference Shares - Series A will be mandatorially converted into the Ordinary Shares on the expiry of seven (7) years from the date of subscription. The issue is entitled to cash dividend at 8.5% per annum of par value, in priority over any dividends on the ordinary shares.

SPECIALTY FIBRE PROJECT

Your company has a track record for developing new products that provide an edge over the competition and benefit shareholders in the long run. Following on its earlier achievements, your company is delighted to report that its new "Specialty Fibre Project" has started trial operation. The project will have the flexibility to switch production quickly and efficiently from one variant to another with minimal down time and cost. This unit will enable the company to introduce new value added PSF products in the market having different profiles and characteristics. It has an adjustable total capacity of 20,000 tpa specialty fibre line. The project cost is about Rs.900 million. It will commence commercial production in the second quarter of the current financial year. This will enable the company to produce new value added PSF products for local as well as international markets and will result in incremental cash flows in future.

Inshallah with the Almighty Allah, this project will add value to your company and hence result in better earnings.

FUTURE OUTLOOK OF POLYESTER INDUSTRY

Presently Pakistan's textile exports are overwhelmingly dominated by cotton whereas globally man-made fibres constitute 60% of total fibre consumption out of which polyester has a share of 76%. This presents a unique opportunity for consolidating the cotton base and significantly expanding into blended textile export markets. This is also recognized by the Textile Vision 2005 as a critical success factor that can only be brought about through local availability of polyester staple fibre as evidenced

in the past, and as is being done in China and India.

Pakistan has a well established PSF industry which has invested over US\$ 1 billion (PSF \$500 million and PTA \$500 million). The Textile Vision 2005 envisages additional investment of US\$ 500 million (Rs.29 billion) in the Polyester sector within the next 5 years that will only be possible if the investors foresee receiving adequate economic returns over the cycle. Experience in recent years has been that returns on investments have been at uneconomic levels explained by market dynamics to some extent, but more so, by changing regulatory goal posts and lack of support against dumping.

Being a capital-intensive industry, future investment shall be facilitated by a regulatory environment that is conducive and ensures that the domestic PSF manufacturers are fully competitive vis-a-vis Regional producers in manufacturing efficiencies. Moreover, the Drawback rate must be reviewed periodically to reflect the level of import duties on inputs as well as the locational "handicaps" faced by the local industry. The current drawback rates need to be revised upward to reflect the shift in input cost dynamics.

Local PSF market has suffered from substantial over capacity after the commencement of large expansion projects by two major producers. However, the local market has shown robust growth during this period and has absorbed major part of the new production quantities and the indications are that the new capacities will be absorbed in the market much earlier than what has been anticipated.

Although the market is responding well to absorb the new expansion capacities the margins of the industry continue to remain under pressure. The Government needs to protect its indigenous PSF industry as being done by other developed and developing countries. European Union, India and Turkey has adequately protected its indigenous industry by levying heavy antidumping duties on the import of PSF. Despite the high efficiency, and cheap cost & technology base of the Chinese synthetic industry, the Government of China has recently taken stringent anti-dumping measures to protect and nourish its PSF industry.

To meet the future challenges your company is making all out efforts to remain a strong leader of the industry and the Specialty Fibre Project is yet another step in this regard. Its fibre products are priced

higher than the normal varieties of PSF with no significant additional running cost involved in the manufacturing of these fibres. The company expects to earn higher margins on its specialty product line.

EXPORT BUSINESS

As a trendsetter in the fibre industry of Pakistan, your company has successfully established its products in PSF export markets, which was started in the previous financial year. By the grace of Almighty Allah, the total exports of PSF have increased to 20,958 tons in 2003. The same trend is forecasted for the ensuing year. Exports have also played an important role in enabling your company to optimize capacity utilization at a time of local oversupply market situation. This situation is forecasted to continue till year 2005. The overseas customers are satisfied with the quality of our product, which is up to international standards, and as a result your company has been able to procure long-term contracts. In the current year, your company has been successful in realizing steady exports to Syria, Turkey and EU markets.

By the grace of Almighty Allah, your company is pleased to report that the total exports of PSF during the on going fiscal year stand at 8,455 tons to date,

Due to unfavorable domestic market conditions and in order to optimize and achieve full capacity utilization your company has entered into acrylic export market aggressively, specially targeting Iranian carpet producers. This would help your company to achieve full capacity utilization and sales volumes during the current fiscal year.

UNIT III - ACRYLIC FIBRE AND TOW

Your company has continued +0 suffer from dumping and under invoiced imports of acrylic fibre and tow from CIS, Mexico, Thailand, Korea, Turkey and Italy; however, we have already lodged an application for imposition of Anti Dumping Duties with National Tatff Commission. The procedure for such action takes considerably long time before any relief is obtained. However, your directors believe that eventually the company will benefit from these proceedings.

In the year under review. Unit 3 has suffered a loss of Rs. 231.815 million before tax as compared to Rs. 169.205 in the year 2002. This was caused by reduction in sale and heavy financial costs.

With the hard work of the marketing department and continuous innovation, your company is expected to produce and export acrylic in the coarse denier, which will substantially increase capacity utilization. Also, your company will be repaying TFC related to Acrylic Project in the current fiscal year, which carries high mark-up rate. This would substantially reduce financial costs of acrylic project. It is noteworthy that your company had made this investment during the most trying times of our economic history; i.e. post nuclear test. During that period, we were confined to raise financing through expensive TFC issue.

Your directors are of the view that the increase in sales, reduction in financial costs, and above all the blessing of Allah, will improve the results of acrylic project significantly in the coming financial year.

CREDIT RATING

JCR-VIS Credit Rating Company has reaffirmed the medium to long-term and short-term ratings of the company at A and A-2 respectively and the medium to long-term rating of TFCs (I and II) at A+. The outlook on the medium to long-term rating, as per the rating agency, is 'Stable'.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year, your Company's contribution to the National Exchequer amounted to about Rs.3.553 billion in respect of payments under Sales Tax, Custom Duty, Income Tax and other statutory levies as well as withholding tax deductions.

HUMAN RESOURCES

You will be pleased to note that your Company attaches great importance to people development. There is a strong emphasis on enhancing the skills and competencies of the staff through focused training programs.

We would like to draw attention of the Government to the provision of the "Workers Profit Participation Fund" and "Workers Welfare Fund". While we whole-heartedly endorse and support the provision of such funds for the benefit of workers, who in our case are important stake holders, our team members do not receive this benefit fully as most of it goes to the Government and thus this becomes one more form of indirect taxation. We sincerely hope that these rules may be amended in future to provide much greater to those very workers who produce these results.

ENVIRONMENT

Your Company is regularly maintaining the existing greenery and improving environment at the plant and we believe that natural environment supports all human activity. Effluent water is treated before its disposal and at works safety equipment is provided to the employees to prevent any un-toward incident and first Aid equipment and ambulance is also in place.

VOTE OF THANKS

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

The Board also expresses its appreciation for the valuable services, loyalty and laudable efforts continuously rendered by the executives, staff members and workers of the company. It recognizes that they are the most valuable assets of the company.

AUDITORS

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

CONCLUSION

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

For and on behalf of the Board of Directors

DEWAN ZIA-UR-REHMAN FAROOQUI

Islamabad: 9th October, 2003

President / Chief Executive

FINANCIAL HIGHLIGHTS

Rs. in million

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Turnover	3,479	4,347	6,642	7,317	6,052	5,638	6,724	17,972	17,967	18,661
Less: Govt. Levy & Commission	32	38	351	465	715	731	918	2,406	2,992	2,942
Sales (Net)	3,447	4,309	6,291	6,852	5,337	4,907	5,806	15,566	14,975	15,719
Gross Profit	1,102	1,256	666	824	639	636	1,061	2,183	2,156	1,438
Profit before Tax	721	910	195	350	215	207	549	795	468	87
Profit after Tax	685	868	164	350	215	296	514	631	317	28
Gross Assets Employed	4,563	6,364	7,419	7,146	7,728	9,785	18,235	18,361	17,967	18,397
Return on Equity	48.62%	38.22%	7.09%	13.06%	7.71%	9.99%	10.70%	11.61%	5.51%	0.49%
Current Assets	2,571	1,764	2,986	2,891	3,143	3,089	6,265	6,901	7,096	7,596
Shareholders Equity	1,409	2,271	2,313	2,573	2,788	2,963	4,803	5,434	5,751	5,659
Long term debts & Deferred Liabilities	2,709	2,721	2,515	2,354	2,209	4,259	5,307	5,781	5,037	4,472
Current Liabilities	980	1,372	2,591	2,219	2,697	2,563	8,124	7,145	7,179	8,266
Gross Profit Ratio	31.97%	29.15%	10.59%	12.03%	11.97%	12.96%	18.27%	14.02%	14.40%	9.15%
Net Profit Ratio	19.87%	20.14%	2.61%	5.11%	4.03%	6.03%	8.85%	4.05%	2.12%	0.18%
Debt/Equity Ratio	1.92	1.2	1.09	0.91	0.79	1.44	1.1	1.06	0.88	0.79
Current Ratio	969	1.99	1.15	1.3	1.17	1.21	1.06	1.03	1.13	1.11
Earning per Share	7.88	8.59	1.35	2.89	1.54	1.84	1.82	1.85	0.93	0.08
Dividend (percentage)										
-Cash	50.00%	20.00%	10.00%	7.50%	-	7.50%	—	—	—	—
-Stock	15.00%	20.00%	—	15.00%	15.00%	12.50%	50.00%	12.50%	—	—
Production Volume (Tons)	53,270	54,431	84,598	98,542	102,506	101,804	193,743	241,732	259,423	235,805

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED 30 JUNE, 2003

This statement is being presented to comply with the Code of Corporate Governance as contained in the Listing regulations of the Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes three independent non-executive directors and one director representing minority shareholders.
2. The directors have confirmed that none of them is serving as director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DPI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Company has prepared a 'Statement & Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
5. The Board has developed a Mission Statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along

with the dates on which they were approved or amended has been maintained.

6. All the powers of the Board had been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

7. The meeting of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board meet at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

8. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.

9. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

10. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

13. The Company has complied with all the corporate and financial reporting requirements of the Code.

14. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the chairman of the committee.

15. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

16. The Board has set up an effective internal audit function.

17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm and all its are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

19. We confirm that all other material principles contained in the Code have been complied

With

Place : Islamabad

DEWAN ZIA-UR-REHMAN FAROOQUI

Date : 9 October, 2003

President / Chief Executive

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF 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 Dewan Salman Fibre Limited to comply with the Listing Regulation No. 37, 40 and 36 of the Karachi, Lahore and Islamabad Stock Exchanges respectively 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 provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquires 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 2003.

Chartered Accountants

Chartered Accountants

Place : Islamabad

Date : 9 October 2003

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Dewan Salman Fibre Limited as at 30th June 2003 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in accounting policies, as described in note 2.3, 2.4 and 2.6 to the financial statements, with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2003 and of the profit, its cash flows and changes

in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

Chartered Accountants

Chartered Accountants

Place : Islamabad

Date : 9 October, 2003

BALANCE SHEET

AS AT 30 JUNE 2003

	Note	Amount in Rs '000	
		2003	2002
SHARE CAPITAL AND RESERVES			
Authorized Capital			
630,000,000 (2002: 630,000,000)			
Ordinary shares of Rs. 10 each		6,300,000	6,300,000
90,000,000 (2002: Nil) Preference shares of Rs. 1 0 each		900,000	-----
		7,200,000	6,300,000
Issued, subscribed and paid-up capital	3	3,407,638	3,407,638
General reserves		350,000	350,000
Unappropriated profit		1,242,525	989,735
		5,000,163	4,747,373
SURPLUS ON REVALUATION OF FIXED ASSETS	4	658,731	1,004,010
REDEEMABLE CAPITAL - SECURED	5	906,723	2,244,805
LONG TERM LOANS - SECURED	6	3,076,690	2,414,504
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	7	37,051	58,068
DEFERRED LIABILITIES	8	451,230	319,860
Current Liabilities and Provisions			
Current portion of:			
Redeemable Capital		1,338,083	432,815
Long Term Loan		25,455	430,743
Liabilities against assets subject to finance lease		65,860	50,277
Short term running finances - Secured	9	3,113,964	2,593,707 -
Provision for taxation		116,971	156,306
		8,266,653	7,178,682
CONTINGENCIES AND COMMITMENTS	11	18,397,241	17,967,302

	Note	Amount in Rs '000	
		2003	2002
TANGIBLE FIXED ASSETS			
Operating assets at cost less accumulated depreciation	12	9,661,157	10,715,086
Capital work-in-progress	13	1,124,775	141,701
LONG-TERM LOANS - considered good	14	4,240	5,705
LONG-TERM PREPAYMENTS	15	51,106	55,364
(NEGATIVE) GOODWILL	16	-40,453	-46,232
CURRENT ASSETS			
Stores and spares	17	833,291	706,639
Stock-in-trade	18	4,054,382	4,643,413
Stock-in-transit		981,478	560,114
Trade Debts	19	903,403	511,209
Advances, deposits, prepayments and other receivables	20	500,529	435,426
Cash and bank balances	21	323,333	238,877
		7,596,416	7,095,678
		18,397,241	17,967,302

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2003

	Note	Amount in Rs '000	
		2003	2002
Sales	22	18,660,932	17,967,115
Sales tax and Commission		2,942,379	2,991,779
Net Sales		15,718,553	14,975,336
Cost of Sales	23	14,280,176	12,819,634
Gross profit		1,438,377	2,155,702
Administration and Selling Expenses	24	363,070	327,843
Less Amortization of Negative Goodwill		-5,779	-5,779
		357,291	322,064
Operating Profit		1,081,086	1,833,638
Financial Charges	25	993,770	1,339,629
Gain on sale of fixed assets		-3,781	—
Workers' Profit Participation Fund	10.1	4,435	25,122
		994,424	1,364,751
Profit before taxation		86,662	468,887
Taxation			
Current		54,832	57,319
Prior		3,471	—
Deferred		—	94,504
		58,303	151,823
Profit after taxation		28,359	317,064
Unappropriated profit brought forward		989,735	672,671
Amortization of surplus on revaluation on fixed assets -net of tax			
- Prior Year		1 76,856	—
- Current Year		47,575	—
		224,431	—
Profit available for appropriation		1,242,525	989,735
Appropriation:		—	—
		1,242,525	989,735
Earning per share - Basic	24	0.08	0.93

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2003

	Note	Amount in Rs '000	
		2003	2002
NOTE - A			
MOVEMENT IN WORKING CAPITAL			
(Increase) / decrease in current assets			
Stores and spares		(1 26,652)	-157,126
Stock-in-trade		589,031	148,046
Stock-in-transit		-421,364	-227,469
Trade Debts		-392,194	-115,640
Advances, deposits, prepayments and other receivables		-89,442	27,931
Increase / (decrease) in current liabilities			
Creditors, accrued and other liabilities		207,683	-637,595
		-232,938	-961,853
NOTE - B			
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents include:			
Cash and bank balances	21	323,333	238,877
Short term finances	9		
- Short term running finances		2,089,722	2,443,708
- Book Overdraft		95,992	—
		-2,185,714	-2,443,708
		-1,862,381	-2,204,831

NOTES TO THE ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2003

1. THE COMPANY AND ITS OPERATION

The Company is incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. It is engaged in manufacture and sale of polyester and acrylic fibre & tow products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention except that certain exchange elements referred to in note 2.12 have been incorporated in the cost of relevant assets.

2.2 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirement of such directives take precedence.

2.3 Staff retirement benefits

The Company operates an unfunded gratuity scheme for the staff. Provisions are made based on actuarial recommendations. During the year actuarial valuation was carried out for the first time with effective date of 30 June 2003 using the projected unit of credit method as required by International Accounting Standard 19 "Employee Benefits". Had the policy not been changed the profit for the year would have been higher by Rs. 4.290 million.

Principal Actuarial Assumption

Expected Rate of increase in salaries 7% p.a.

Discount Factor used 8% p.a.

Retirement Age 60 years

The transitional liability arising out of change in accounting policy is recognized over a period of five years on straight line basis.

Current

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

Deferred

During the year Company has changed its accounting policy in respect of deferred taxation in order to comply with the requirements of the revised International Accounting Standard 12 "Income Taxes" which became applicable for the financial statements covering periods beginning on or after 01 January 2002. Accordingly, deferred tax is now recognized on all major timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

The change in accounting policy has been applied prospectively and the comparative information has not been restated as change will not have a material effect on the prior years and current year.

2.5 Trade and other payables

Short term liabilities for trade and other payables are carried at cost.

2.6 Tangible fixed assets and depreciation

Owned:

Operating assets except freehold and leasehold land are stated at cost or revalued/

adjusted amounts less accumulated depreciation. Freehold and leasehold land are stated at cost and capital work-in-progress is stated at cost. Cost of certain fixed assets and capital work in progress comprises of historical cost, exchange differences referred to in note 2.12, cost of exchange risk cover in respect of foreign currency loans obtained for acquisition of fixed assets upto the commencement of commercial production and the cost of borrowings during construction period in respect of loans taken for specific projects.

Upto last year full year depreciation was charged in the year of acquisition while no depreciation was charged in the year of disposal. However, in view of complicity with circular No. 10 of 2002 dated 11 th November 2002 issued by the Institute of Chartered Accountants of Pakistan, the Company has changed its policy from current year as "Depreciation is charged from the month of acquisition or transfer of assets from capital work in progress on proportionate basis". Had the full year depreciation been charged, the profit for the year would have been reduced by Rs. 1.949 million.

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

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

Assets subject to finance lease are initially recorded at lower of the present value of minimum lease payments under the lease agreements and the fair value of leased assets. The related obligation under the finance lease less financial charges allocated to future periods are shown as liability.

Depreciation charge is based on the reducing balance method at the rates specified in Note 12. Full year's depreciation is charged on additions while no depreciation is charged in the year of disposal.

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

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

2.7 Negative Goodwill

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

2.8 Stores and Spares

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

2.9 Stock-in-trade

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

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

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

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

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred to make the sale.

2.70 Trade Debts

Trade debts originated by the company are recognized and carried at original invoice

amount less an allowance for any uncollectible amounts, if any. An estimate for doubtful debt is made when collection of full amount is no longer probable. Bad debts are written off as incurred.

2.7.7 Foreign currency translation

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

Assets and liabilities in foreign currencies are translated into Rupees at exchange rates approximating those prevailing at the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in which case the rates contracted for are used.

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

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

2.7.3 Transaction with Associated Companies

All dealings with associated companies are done at Comparable Uncontrolled Price Method.

2.7.4 Revenue recognition

Sales are recorded on dispatch of goods to customers. Profit/mark-up on deposits and investments are accounted for when it becomes receivable.

2.7.5 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

2.7.7 Financial Instruments

All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

Financial instruments carried on the balance sheet include investments, receivables, cash and bank balances, creditors, borrowings and other payables. The particular recognition method adopted are disclosed in the individual policy statements associated with each item.

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2003	2002	Amount in 2003	Rs '000 2002
65,000,000	65,000,000		
	ordinary shares of Rs. 10 each fully paid in cash	650,000	650,000
242,292,654	242,292,654		
	ordinary shares of Rs. 10 each issued as bonus shares	2,422,926	2,422,926
1,215,345	1,215,345		
	ordinary shares of Rs. 10 each issued against conversion of convertible bonds	12,154	12,154
32,255,800	32,255,800		
	ordinary shares of Rs. 10 each issued in exchange for 96,767,400 shares of Rs 10 each of Dhan		

		Fibres Limited.	322,558	322,558
340,763,799	340,763,799		3,407,638	3,407,638

3.1 Rs. 145,519,202 (2002: Rs. 145,519,202) shares were held by associated companies.

4. SURPLUS ON REVALUATION OF FIXED ASSETS

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

	Amount in Rs '000	
	2003	2002
Balance as on 01 July	1,004,010	1,004,010
Less : Surplus relating to incremental depreciation charged on related assets in Prior Years transferred to Appropriation account.	1,76,856	—
Less : Related deferred tax liability on surplus on revaluation on fixed assets	120,848	—
Less : Transferred to Appropriation account on account of incremental depreciation for the year	47,575	—
Balance as on 30 June	658,731	1,004,010

4.1 In accordance with the amendment introduced in Section 235 of the Companies Ordinance, 1984, and S.R.O. 45(1)/2003 dated 13 January 2003 of SECP, amounts equal to incremental depreciation for the year and incremental depreciation charged in previous years have been transferred to Appropriation account to record realization of surplus to the extent of incremental depreciation charged.

5. REDEEMABLE CAPITAL - SECURED (NON-PARTICIPATORY) Amount in Rs '000

					2003	2002
Long term finances utilized under mark-up arrangements						
Term Finance Certificates						
Financier	Installments payable	repayment Period	Mark-up rate	Note		
TFC Series No. 1	Half Yearly	2001-2004	19% p.a.	5.1	431,362	862,723
TFC Series No. 2	Half Yearly	2001-2005	16% p.a.	5.2	1,813,444	1,814,897
					2,244,806	2,677,620
Less: Current portion - shown under current liabilities					1,338,083	432,815
					906,723	2,244,805

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

5.2 • These term finance certificates are issued to finance the acquisition of and merger with Dhan

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

6. LONG TERM LOANS - Secured

Long term finances utilized under mark-up arrangements

				Amount in Rs '000		
Financier	Installments payable	repayment Period	Mark-up rate	Note	2003	2002
Consortium of Banks	Half Yearly	2001-2003	17.5% p.a.	6.1	—	240,000
United Bank Limited	Half Yearly	2001-2005	2.5% above	6.2	—	60,000

Saudi Pak Industrial Agricultural Investment Company (Pvt.) Limited	Half Yearly	2000-2005	STFB p.a. 19% p.a.	6.3	—	61,154
Pakistan Kuwait Investment Company (Pvt.) Limited	Half Yearly	2001-2007	14.90%p.a.	6.4	114,545	140,000
Mashreq Bank	Half Yearly	2001-2003	1.75% over SBP Discount rate or 17% p.a. which ever is higher	6.5	—	30,000
Meezan Bank Limited	Half Yearly	2002-2003	14% p.a.	6.6	—	80,000
Financier	Installments payable	repayment Period	Mark-up rate	Note	Amount in Rs '000 2003 2002	
National Bank of Pakistan	Half Yearly	2001-2004	1,75% over SBP Discount rate or 15%p.a which ever is higher	6.7	—	160,000
Long Term Morahaba Finance Faysal Bank Limited	s Monthly		18.5% p.a.	6.8	—	24,093
Syndicated Term Loan Syndicate of banks	Half Yearly	2003-2005	2% over 6 months T-bill rate or 15% p.a. which ever is higher	6.9	—	2,050,000
Syndicate of banks	Half Yearly	2003-2008	3.75% over 6 months T-bill rate	6.1	1,250,000	—
International Finance Corporation (IFC) FCY-LOAN			6.9 % p.a.	6.11	1,737,600	—
					3,102,145	2,845,247
Less: Current portion -shewn under current liabilities						
Long term finances utilized under mark-up arrangements					25,455	406,650
Long term morahaba finances					—	24,093
					25,455	430,743
					3,076,690	2,414,504

6.1 to 6.7 These finances are obtained to finance the Unit III (Acrylic Fibre & Tow Plant) of the company and are secured by way of first pari passu charge on all the present and future movable and immovable assets of the company excluding stocks and book debts. With the

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

6.9 These represents term loans obtained from syndicate of commercial banks to finance the acquisition of and merger with Dhan Fibre Limited and are secured by way of first pari passu hypothecation charge on all the present and future fixed assets of the company. The loan is also prepaid through debt reprofiling exercise as mentioned above.

6.10 These represents term loans obtained from syndicate of commercial banks and are secured by way of first pari passu hypothecation charge on all the present and future fixed assets

of the company.

6.11 This represents US Dollars 30 million term loan obtained from IFC to finance the setting up specialty fibre project and repayment of high cost loans. This is secured by way of hypothecation charge on all the present and future fixed assets of the company.

7. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Company entered into lease agreements with various leasing companies to acquire certain part of Plant & Machinery for its Unit III, set up to manufacture Acrylic Fibre and Tow.

The rentals under these lease agreements are payable quarterly in arrears during the period 1998-2004 and are subject to mark up rate ranging from 14.5% p.a. to 21 % p. a. (2002 : 21% p.a.). The Company intends to exercise its option to purchase the leased plant and machinery at its salvage value upon the completion of the respective lease period.

The amount of future minimum lease payments together with the present value of the minimum lease payments and the periods during which they fell due are as follows:

	Amount in Rs '000			
	2003 Minimum lease payments	Present value of minimum lease payment	2002 Minimum lease payment	Present value of minimum lease payment
Year to 30 June 2003	—	—	69,762	50,277
Year to 30 June 2004	78,411	65,860	64,267	58,068
Year to 30 June 2005	13,883	8,984	—	—
Year to 30 June 2006	13,883	10,360	—	—
Year to 30 June 2007	13,883	11,945	—	—
Year to 30 June 2008	5,971	5,762	—	—
	126,031	102,911	134,029	108,345
Less: Financial charges allocated to future period	23,120	—	25,684	—
Present Value of Minimum lease payments	102,911	102,911	108,345	108,345
Less: Current maturity shown under current liabilities	65,860	65,860	50,277	50,277
	37,051	37,051	58,068	58,068

The Company is in the process of settlement of the above leases under the debt reprofiling exercise.

	Amount in Rs '000	
	2003	2002
8. DEFERRED LIABILITIES		
Provision for staff gratuity	8.1	112,554
provision of deferred taxation	8.2	338,676
		451,230
8.1 Provisions for Staff Gratuity		
Movement in Balance		
Opening Balance		102,032
Less: payments during the year		19,697
		82,335
Add: provision for the year		30,219
	8.1.1	112,554
Balance Sheet Reconciliation		
Present value of defined benefit obligations		117,635
Less: Unrecognised Transitional Liability		-4,177
Less: Unrecognised Actuarial Loss		-904
		112,554
		Amount in
		2003
8.1.1 Charge for the year		
Service Cost		20,594
Interest Cost		8,580
		Rs '000
		2002
		—
		—

Recognition of Transitional Liability	1,045	—
	30,219	—
8.2 Provision for Deferred Taxation		
Credit/ (debit) balances arising in respect of:		
- Accelerated tax depreciation allowance	1,161,852	1,213,536
- Debits arising in respect of certain provisions/liabilities	-496,461	-697,437
- Others	-326,715	-298,271
	338,676	217,828
9. SHORT TERM LOANS AND FINANCES		
Short Term Running Finance	2,089,722	2,443,708
Book Overdraft	95,992	—
Short Term Finances	2,185,714	2,443,708
Demand Finance	355,000	—
Morabaha Finance	279,916	99,999
Short Term Loans	293,334	50,000
	3,113,964	2,593,707

The facilities for various loans and finances under mark-up arrangements available from various banks amount to Rs. 3,958 million (2002: Rs. 2,600 million) and carry mark up ranging from 4.5% to 9.95 % per annum. (2002: 12% to 15.675%). These facilities are secured by hypothecation of the Company's stock-in-trade and book debts and are generally for a period of one year renewable at the end of the period.

10. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Trade Creditors		3,394,317	3,174,225
Accrued expenses		106,125	158,996
Accrued interest on long term loans		96,638	153,992
Workers' Profit Participation Fund	10.1	4,435	25,122
Unclaimed dividends		96	150
Others		4,709	2,349
		3,606,320	3,514,834
10.1 Workers' Profit Participation Fund			==
Opening Balance		25,122	49,707
Less: payments during the year		25,122	49,707
Add: provision for the year		4,435	25,122
		4,435	25,122

11. CONTINGENCIES AND COMMITMENTS

11.1 Bank guarantees given to Collector of Customs and others - Rs.256 million (2002: Rs. 97 million)

11.2 Capital expenditure commitments outstanding Rs. 200 million (2002: Rs. 367 million)

11.3 Commitments in respect of letter of credits other than for capital expenditures amounts to Rs. 931 million (2002: Rs. 785 million)

12. OPERATING ASSETS

12.1 The following is a statement of operating assets:

Particulars	Cost / Revaluation				As at 01 Jul 2002	/ Charge for the period/ Adjustment	As at 30 June 2003	Book Value as at
	As at 01 July 2002	Addition / (deletion)	As at 30 June 2003	Depre- ciation Rate				30 June 2003
PSF - Taxable Units								
Freehold Land	41,673	—	41,673	—	—	—	—	41,673
Leasehold Land	1,135	—	1,135	—	—	—	—	1,135
Islamabad Office	130,415	1,000	131,415	10%	18,140	11,328	29,468	101,947
Factory Building	504,321	—	504,321	10%	157,489	34,683	192,172	312,149
Non-Factory Building	336,221	2,950	339,171	10%	163,508	17,345	180,853	158,318
Tank Terminal	16,453	—	16,453	10%	10,042	641	10,683	5,770
Plant & Machinery	6,873,978	51	6,874,029	10%	2,456,423	441,757	2,898,180	3,975,849
Vehicles	157,818	13,525	161,680	20%	82,716	15,774	91,135	70,545
		-9,663				-7,355		

Furniture & Fixtures	66,805	2,705	69,510	10%	17,032	5,052	22,084	47,426
Office Equipment	88,510	5,932	94,442	10%	27,803	6,516	34,319	60,123
30 June 2003	8,217,329	26,163	8,233,829		2,933,153	533,096	3,458,894	4,774,935
		-9,663				-7,355		
30 June 2002	7,668,257	549,072	8,217,329		2,340,348	592,805	2,933,153	5,284,176
PSF - Tow Exempted Unit								
Leasehold Land	1,134	—	1,134	—	—	—	—	1,134
Factory Building	206,123	—	206,123	10%	97,863	10,826	108,689	97,434
Non-Factory Building	196,348	—	196,348	-10%	134,031	6,232	140,263	56,085
Plant & Machinery	3,891,043	—	3,891,043	10%	1,834,331	205,671	2,040,002	1,851,041
Vehicles	39,326	-2,227	37,099	20%	27,200	2,416	27,636	9,463
						-1,980		
Furniture & Fixtures	4,468	104	4,572	10%	1,943	263	2,206	2,366
Office Equipment	17,180	233	17,413	10%	6,608	1,068	7,676	9,737
30 June 2003	4,355,622	337	4,353,732		2,101,976	226,476	2,326,472	2,027,260
		-2,227				-1,980		
30 June 2002	4,324,450	31,172	4,355,622		1,850,012	251,964	2,101,976	2,253,646
Acrylic Unit								
Factory Building	359,273	—	359,273	10%	68,262	29,101	97,363	261,910
Non-Factory Building	3,780	—	3,780	10%	718	306	1,024	2,756
Plant & Machinery								
- Owned	3,324,248	—	3,324,248	10%	631,607	269,264	900,871	2,423,377
- Leased	226,051	—	226,051	10%	42,950	18,310	61,260	164,791
Vehicles	9,025	—	9,025	20%	3,249	1,155	4,404	4,621
Furniture & Fixture:	817	1	818	10%	155	66	221	597
Office Equipment	1,248	—	1,248	10%	237	101	338	910
30 June 2003	3,924,442	1	3,924,443		747,178	318,303	1,065,481	2,858,962
30 June 2002	3,924,442	—	3,924,442		393,347	353,831	747,178	3,177,264
TOTAL - 2003	16,497,393	26,501	16,512,004		5,782,307	1,077,875	6,850,847	9,661,157
		-11,890				-9,335		
2002	15,917,149	580,244	16,497,393		4,583,707	1,198,600	5,782,307	10,715,086

12.2 The depreciation charge for the year has been allocated as follows:

	Amount in Rs '000							
	PSF-Taxable Units	PSF-Tax Exempted Unit	Acrylic Unit	Total 2003	PSF Taxable Units	PSF-Tax Exempted Unit	Acrylic Unit	Total 2002
Cost of Sales	530,421	225,306	316,711	1,072,438	589,841	250,704	352,062	1,192,607
Administrative	2,675	1,170	1,592	5,437	2,964	1,260	1,769	5,993
30 June	533,096	226,476	318,303	1,077,875	592,805	251,964	353,831	1,198,600

12.3 Unit I and Unit IV have been merged as Taxable Units, Unit II is disclosed as Tax Exempted Unit and Unit III represent Acrylic & Tow Unit. Unit II Tax Exemption expired on 15 June 2003.

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

12.5 Plant and machinery unit IV include effect of adjustments resulting from subsequent increase in fair value, amounting to Rs. 900 million. This fair value was determined by an independent valuer (Iqbal A. Nanjee & Co.) during the year ended 30 June 2001,

12.6 The following assets were disposed of during the year:

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceed	Mode of disposal	Particulars of Buyers
VEHICLES						
Honda Civic	490	205	285	521	Tender	Haq Nawaz 96-B-I Ahrley Street, Rawalpindi
Suzuki Margalla	156	66	90	247	Tender	Muhammad Aslam 3-A, Chaklala Scheme, Rawalpindi
Suzuki Khyber	135	57	78	185	Tender	Tahir Ijaz Dhana Wali Post Office, Sailkot
Honda Civic	380	161	219	574	Tender	Muhammad Rafi

Suzuki Margalla	119	50	69	255	Tender	21 -B, St #55, F-7/4, Islamabad Ijaz Ahmed
Suzuki Mehran	176	166	10	109	Tender	2-B, Kohsar Rood, F-7/2, Islamabad Shabir Anwar 418 Peshwar Road, Chohar Harpal, Rawalpini
Mercedes Bens	4,500	3,272	1,228	1.5	Tender	Ijaz Ahmed 2-B, Kohsar Rood, F-7/2, Islamabad
Toyota Crown	745	678	67	340	Tender	Najeeb Ur Rehman 538, St #10, G-10/1, Islamabad
Mazda Double Cabin	575	542	33	250	Tender	Najeeb Ur Rehman 538, St #10, G-10/1, Islamabad
Suzuki Mehran	225	194	31	105	Tender	Najeeb Ur Rehman 538, St #10, G-10/1, Islamabad
Suzuki Mehran	185	172	13	85	Tender	Najeeb Ur Rehman 538, St #10, G-10/1, Islamabad
Suzuki Mehran	175	165	10	95	Tender	Mrs Afshan Ansari 1 1 3-B, Model Town, Lahore
Lancer - Mitsubishi	551	512	39	225	Tender	Saeed Ahmed House 4, Block 9, 1-8/1, Islamabad
Suzuki Mehran _	225	194	31	150	Tender	Muhammad Zabir 72, St 3, Vaiiey Road, Rawalpindi
Suzuki Margalla	452	388	64	320	Tender	Javad Irshad C-135, Kashmir Road, Rawalpindi
Lancer - Mitsubishi	575	534	41	200	Tender	Ijaz Ahmed 2-B, Kohsar Road, F-7/2, Islamabad
Nissan Sunny	625	589	36	285	Tender	Slal Bin Habib 198, St-1, 1-10/3, Islamabad
Suzuki Potohar - Jeep	501	431	70	240	Tender	S Mohson Abbas Shah NE-4099, 6 Sultan Pura, Rawalpindi
Suzuki Margalla	425	378	47	265	Tender	Mohsin Javed Raja V& P.O. Pichari Kalan, Chakwal
Honda Civic	675	581	94	385	Tender	M. Azim Hashmi 7-A, Nazim Ud Din Road, F-10/4, Islamabad
	11,890	9,335	2,555	6,336		

Amount in
2003 Rs '000
2002

13. CAPITAL WORK-IN-PROGRESS

Civil works and buildings	561,326	51,937
Plant and machinery	495,449	75,000
Others	68,000	14,764
	1,124,775	141,701

13.1 Civil works and buildings include Rs. 27.563 million borrowing cost capitalized during the year relating to the loan specifically taken for the project.

14. LONG TERM LOANS - Considered Good

Due from employees	6,740	8,205
Less: Receivable within one Year	-2,500	-2,500
	4,240	5,705

These unsecured interest free loans to employees are granted in accordance with their terms of employment and are payable within three years. The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs.8.1 million (2002: Rs. 8.9 million).

15. LONG-TE PREPAYMENTS 51, 106 55,364

The company has entered in to a long term terminal services agreement with Engro Vopak Terminal Limited (EVTL) to receive Acrylonitrile (ACN), basic raw material for Unit III from ships, store this chemical and make it available for delivery to the company. The company has constructed the dedicated facilities on behalf of EVTL to be exclusively used for providing services to the Company. This represents all cost and expenses incurred for constructing

dedicated facilities by the Company and will be considered advance payment of fixed price element for dedicated facilities for 15 years by the company to EVTL. The charge applicable to the current year has been taken to the Profit and Loss Account.

On 30 June 2000, the company acquired 67.8% of voting shares of Dhan Fibres Limited (DFL), at a total cost of Rs. 4,200,000,0007-. On 27 October 2000, the Honourable Lahore High Court, Rawalpindi Bench approved the scheme of arrangement for amalgamation of DFL with the Company to take effect from 30 June 2000. Accordingly transfer of identifiable assets and liabilities of DFL as at 30 June 2000 at their respective book values and the goodwill, which represented the excess of acquisition cost over the book value of net assets transferred from DFL, were recorded in the books of the Company.

Subsequent to the acquisition of and merger of DFL, the Company appointed an independent valuation consultant Iqbal A Nanjee & Co. to determine the fair value of plant & machinery of DFL transferred to the Company. As a result of valuation of plant & machinery of DFL the fair value has increased by Rs. 900 million over the book value as at 30 June 2000. Accordingly, Rs. 842.210 million has been adjusted in the accounts against the Goodwill and balance amount of Rs. 57.790 million has been recognized as Negative Goodwill and shown as deduction from the assets of the Company. The negative goodwill will be recognized as income as per Note 2.7 to these financial statements.

	Amount in 2003	Rs '000 2002
17. STORES AND SPARES		
Consumable stores	589,334	513,128
Packing material		
Chemicals	11,096 26,776	7,111 20,355
Fuel, oil and lubricants	206,085	166,045
	833,291	706,639
18. STOCK IN TRADE		
Raw materials	1,526,309	2,037,364
Work-in-process		
Finished goods	112,556 2,325,836	72,992 2,458,085
Waste	89,681	74,972
	4,054,382	4,643,413
19. TRADE DEBTS		
Unsecured -considered good	531,305	408,967
Secured (against letters of credit)	372,098	102,242
	903,403	511,209
20. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES -Considered Good		
Advance:		
Taxes	154,976	181,625
Suppliers	5,526 1AQ 1	4,480
Expenses	1,681	3,450
Contractors	25,269	,056
Deposits	1,473	2,117
Other Receivables:		
Sales tax	195,669	93,044
	35,629	37,149
suppliers Others	80,306	27,566
	500,529	435,426
21. CASH AND BANK		
Cash in hand	1,576	2,749
Cash at bank:		
Current account	310,867	91,715
Foreign currency deposits and special US dollars certificates	10,890	144,413
	323,333	238,877

22. OPERATIN RESULTS

	PSF Taxable	PSF Tax Exempt	Acrylic	2003 Total	PSF Taxable T	PSF ax Exempt	Acrylic	2002 Total
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	Units	Unit	Unit	Units	Unit	Unit	!
Sales							
Fiber - Local	9,758,547	5,501,339	2,140,479	17,400,365	11,545,502	4,192,713	2,108,394
Fiber - Export	878,669	207,947	40,784	1,127,400	—	—	—
Waste	37,077	23,033	73,057	133,167	64,419	21,200	34,887
1	0,674,293	5,732,319	2,254,320	18,660,932	11,609,921	4,213,913	2,143,281
Sales Tax	1,631,660	919,894	366,286	2,917,840	1,932,784	701,769	355,984
Commission	16,122	8,378	39	24,539	618	618	6
	1,647,782	928,272	366,325	2,942,379	1,933,402	702,387	355,990
Net Sales	9,026,511	4,804,047	1,887,995	15,718,553	9,676,519	3,511,526	1,787,291
Cost of sales							
(Note: 23)	8,229,032	4,226,063	1,825,081	14,280,176	8,246,350	3,028,545	1,544,739
Gross Profit/(Loss)	797,479	577,984	62,914	1,438,377	1,430,169	482,981	242,552
Administrative & Selling Expenses (Note 24)	225,753	103,948	33,369	363,070	225,753	75,952	26,138
Amortization of negative goodwill	-5,779	—	—	-5,779	-5,779	—	-
	219,974	103,948	33,369	357,291	219,974	75,952	26,138
Operating profit /(loss)	577,505	474,036	29,545	1,081,086	1,210,195	407,029	216,414
Financial charges (Note: 25)	480,342	252,068	261,360	993,770	868,912	85,098	385,619
(Gain) on disposal of fixed assets	-2,461	-878	—	-3,339	—	—	—
	477,881	251,190	261,360	990,431	868,912	85,098	385,619
Profit /(loss) before W.P.P.F. and taxation	99,624	222,846	-231,815	90,655	341,283	321,931	-169,205

23. COST OF SALES

	Amount in Rs '000							
	2003		2002		2003		2002	
	PSF Taxable Units	PSF Tax Exempt Unit	Acrylic Unit	Total	PSF Taxable Units	PSF Tax Exempt Unit	Acrylic Unit	Total
Raw material consumed								
Opening stock	1,257,365	306,464	473,535	2,037,364	1,560,504	502,345	651,798	2,714,647
Purchases	5,937,183	3,602,997	1,131,594	10,671,774	6,293,920	2,258,623	873,285	9,425,828
	7,194,548	3,909,461	1,605,129	12,709,138	7,854,424	2,760,968	1,525,083	12,140,475
Closing stock	-816,467	-436,249	-273,593	-1,526,309	-1,257,365	-306,464	-473,535	-2,037,364
	6,378,081	3,473,212	1,331,536	11,182,829	6,597,059	2,454,504	1,051,548	10,103,111
Salaries, wages and benefits (Note: 23.1)	252,844	135,098	30,362	418,304	247,687	91,860	27,184	366,731
Electricity, fuel and power	667,395	356,596	101,469	1,125,460	773,835	286,995	84,930	1,145,760
Packing material consumed	68,034	36,351	9,154	113,539	76,008	29,421	11,651	117,080
Stores and spares	89,675	47,914	29,319	166,908	214,848	62,589	22,760	300,197
Insurance	35,948	19,210	15,912	71,070	29,265	14,770	12,084	56,119
Depreciation (Note: 12.5)	530,421	225,306	316,711	1,072,438	589,841	250,704	352,062	1,192,607
Repairs and maintenance	2,153	1,150	533	3,836	6,517	754	1,187	8,458
Vehicle running expenses	7,787	4,161	434	12,382	11,109	1,589	514	13,212
Travelling expenses	12,570	6,716	1,572	20,858	25,036	8,179	2,180	35,395
General expenses	9,435	5,041	100	14,576	9,872	245	84	10,201
work-in-process	47,444	13,983	11,565	72,992	37,002	32,056	-	69,058
Closing stock of work-in-process	-47,666	-23,140	-41,750	-112,556	-47,444	-13,983	-11,565	-72,992
Cost of goods manufactured	8,054,121	4,301,598	1,806,917	14,162,636	8,570,635	3,219,683	1,554,619	13,344,937
Opening stock of finished goods	1,179,976	457,854	895,227	2,533,057	855,691	266,716	885,347	2,007,754
Closing stock of finished goods	-1,005,065	-533,389	-877,063	-2,415,517	-1,179,976	-457,854	-895,227	(2,533,057)^
	8,229,032	4,226,063	1,825,081	14,280,176	8,246,350	3,028,545	1,544,739	12,819,634

23.1 Salaries, wages and benefits include Rs. 22,958 million (2002: Rs. 16,983 million) in respect of staff retirement benefits.

24. ADMINISTRATION AND SELLING EXPENSES

	PSF Taxable Units	PSF Tax Exempt Unit	Acrylic Unit	Total 2003	PSF Taxable Units	PSF Tax Exempt Unit	Acrylic Unit	Total 2002
Salaries and benefits (Note: 24.1)	45,897	23,499	5,204	74,600	36,623	13,000	4,144	53,767
Advertisement	1,998	1,038	250	3,286	3,640	1,292	412	5,344
Entertainment	4,705	2,445	450	7,600	4,034	1,432	456	5,922
Outward freight and handling	52,845	27,461	9,750	90,056	86,910	30,851	9,834	127,595
Communication	13,803	7,173	1,500	22,476	12,727	4,518	1,440	18,685
Depreciation (Note: 12.2)	2,675	1,170	1,592	5,437	2,964	1,260	1,769	5,993
Vehicle running expenses	7,087	3,683	696	11,466	6,053	2,149	685	8,887
Legal and professional	10,273	5,339	5,934	21,546	18,645	6,619	2,110	27,374
Printing and stationery	2,072	1,077	401	3,550	3,462	1,229	392	5,083
Electricity, fuel and power	6,296	3,272	814	10,382	7,150	2,538	809	10,497
Repair and maintenance	5,039	2,619	590	8,248	5,307	1,883	600	7,790
Insurance	3,887	2,020	1,990	7,897	5,105	1,559	555	7,219
Travelling expenses	12,608	6,551	1,030	20,189	10,474	3,209	1,023	14,706
Auditors' remuneration (Note: 24.2)	550	291	—	850	660	—	—	660
Donation (Note: 34)	1,154	952	147	2,253	12,694	1,578	1,005	15,277
Export freight & others	46,701	11,121	2,114	59,936	—	—	—	—
General expenses	8,154	4,237	907	13,298	9,305	2,835	904	13,044
	225,753	103,948	33,369	363,070	225,753	75,952	26,138	327,843

24.1 Salaries and benefits include Rs. 7,928 million (2002: Rs. 2,973 million) in respect of staff retirement benefits.

24.2 Auditors' Remuneration

	2003			2002		
	Feroze Sharif	Faruq Ali & Co.	Total	Feroze Sharif & Co.	Faruq Ali	Total
Tariq & Co.						
Annual Audit fees	225	225	450	225	225	450
Fee for Half Yearly review	100	100	200	—	—	—
Other services	50	50	100	25	100	125
Out of pocket	50	50	100	40	45	85
Total	425	425	850	290	370	660

25. FINANCIAL CHARGES

	PSF Taxable Units	PSF Tax Exempt Unit	Acrylic Unit	Total 2003	PSF Taxable Units	PSF Tax Exempt Unit	Acrylic Unit	Total 2002
Interest on long term loan		153,864	79,956	79,522	313,342	340,852-	-	340,852
Financial charges on leased assets		900	467	23,372	24,739-		3,021	36,739
Mark-up on:								39,760

Redeemable capital	191,025	99,267	137,562	427,854	296,842-		322,716	619,558
Short term finances	134,553	72,378	20,904	227,835	231,218	82,077	26,164	339,459
	480,342	252,068	261,360	993,770	868,912	85,098	385,619	1,339,629

Amount in Rs '000

2003 2002

26. BASIC EARNING PER SHARE

Net profit for the year	28,359	317,064
Average ordinary shares in issue during the year	340,763,799	340,763,604
Earning per share	0.08	0.93

27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

27.] Interest rate risk exposure

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

	2003		Non Interest bearing		Total
	Interest bearing Less than one year	One year < five years	Less than one year	One year to five years	
Financial assets					
Long term loans	—	—	2,500	4,240	6,740
Trade debts	—	—	903,403	—	903,403
Advances, deposits and other receivables	—	—	81,779	—	81,779
Cash and bank balances	10,890	—	312,443	—	323,333
Effective interest rates	10,890	—	1,300,125	4,240	1,315,255
	2%				
Financial liabilities					
Redeemable capitaJ	1,338,083	906,723	—	—	2,244,806
Long term loans	25,455	3,076,690	—	—	3,102,145
Liabilities against Assets subject to Finance Lease	65,455	37,051	—	—	102,506
Short Term Running Finance- secured Creditors, Accrued and Other Liabilities	3,113,964	—	—	—	3,113,964
	—	—	3,606,320	—	3,606,320
	4,542,957	4,020,464	3,606,320	—	12,169,741
Total 2003	-4,532,067	-4,020,464	-2,306,195	4,240	(10,936,670)

Effective interest rates 5% 5.5% to 2 1.5%

	2002		Non Interest bearing		Total
	Interest bearing Less than one year	One year to five years	Less than one year	One year to five years	
Financial assets					
Trade debts	—	—	511,209	—	511,209
Advances, deposits and other receivables	37,119	—	398,307	—	435,426
Cash and bank balances	144,413	—	94,464	—	238,877
Effective interest rates	181,532	—	1,003,980	—	1,185,512
	6%				
Financial liabilities					
Redeemable capital	863,558	4,659,309	—	—	5,522,867
Liabilities against Assets subjec* to Finance Lease	50,277	58,068	—	—	108,345
Short Term Running Finance- secured	2,593,707	—	—	—	2,593,707

Creditors, Accrued and Other Liabilities	—	—	3,514,834	—	3,514,834
	3,507,542	4,717,377	3,514,834	—	11,739,753
Total 2002	-3,326,010	-4,717,377	-2,510,854	—	-10,554,241
Effective interest rates	15%	16% to 21.5%			

27.2 Concentration of credit risk and credit exposures of the financial instruments.

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

27.3 Fair value of the financial instruments

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

28. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where receivables and payables exists due to transactions with foreign undertakings. Payables exposed to foreign currency risks are covered through hedging or by forward foreign exchange contracts, when considered appropriate.

29. LIQUIDITY RISK

Liquidity risk reflects the company's inability of raising funds to meet commitments. Management closely monitors the company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of over all funding mix and avoidance of undue reliance on large individual customers.

30. REMUNERATION OF DIRECTORS AND EXECUTIVE, DIRECTOR AND EXECUTIVES

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

	Chief Executive		Director		Executives		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
Managerial remuneration	3,960	3,960	2,376	2,376	91,010	82,736	97,346	89,072
Retirement benefits	-	—	—	—	9,279	8,346	9,279	8,346
House rent allowance	1,740	1,740	1,044	1,044	33,837	32,747	36,621	35,531
Utilities	300	300	180	180	8,526	7,114	9,006	7,594
Medical	—	—	—	—	5,634	4,741	5,634	4,741
Conveyance	-	-	-	-	7,356	6,949	7,356	6,949
	6,000	6,000	3,600	3,600	155,642	142,633	165,242	152,233
Number of Persons	1	1	1	1	362	339	364	341

The Chief Executive, Directors and certain Executives are provided with free use of Company cars.

31. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	Amount in Rs '000	
	2003	2002
Sales of goods to Associated Companies	357,229	589,308
Purchases of goods from Associated Companies	41,277	91,378
Maximum amount due from/to associated undertaking at the end of any month during II its year	164,438	280,650

32. ALLOCATION OF INCOME AND EXPENSES BETWEEN UNITS

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

33. TAXATION

Unit II of the company enjoys Income Tax Exemption for eight years from the date of commencement of commercial production i.e., 15 June 1995 in accordance with the clause 118 (H) of the IInd Schedule of Income Tax Ordinance, 1979. Unit II Tax Exemption expired on 15 June 2003.

The income tax assessments of the company have been finalized up to and including assessment year 2002-2003. In view of available tax losses, the provision for current year taxation is based on minimum turnover tax @ 0.5%. Further, certain appeals are pending before the income tax authorities.

	Amount in 2003	Rs '000 2002
33.1 Relationship between income tax expense and accounting profit:		
Accounting profit as per accounts	86,662	468,887
Applicable tax rate	35%	35%
Tax on accounting profit	30,332	164,110
Tax effect of accelerated tax depreciation	-20,407	39,741
Tax effect of Tax Exempt Unit	-78,009	-112,676
Tax effect of expenses that are not deductible in determining taxable income charged to profit and loss account	-267,710	-73,997
Tax (refundable)/ payable under normal rules	-335,794	17,178
Minimum tax payable under Income Tax Ordinance, 2001	54,832	57,319

34. DONATION

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

35. PLANT CAPACITY AND PRODUCTION

	2003 Annual Capacity (tons)	Production (tons)	2002 Annual Capacity (tons)	Production (tons)
PSF Taxable Units	170,000	142,709	143,500	171,115
PSF Tax Exempt Unit	70,000	76,252	56,000	69,528
Acrylic Unit	25,000	16,844	25,000	18,780
Total	265,000	235,805	224,500	259,423

The capacity of PSF Units are enhanced as a result of successful de-bottlenecking of the facility. The short production in Acrylic Unit is due to limited market demand.

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on October 09, 2003 by the Board of Directors of the Company

37. GENERAL

37.1 Unit I & IV have been merged in these accounts as Taxable Units, Unit II is disclosed as Tax Exempt Unit and Unit III as Acrylic Unit. Unit II Tax Exemption expired on 15 June 2003.

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

37.3 The figures have been rounded off to the nearest thousand rupees.

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

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

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

IAS	UK GAAP	U.S. GAAP
Inventories are valued at lower of cost and net realisable value. determined on an individual item basis.	Inventories are valued at lower of cost and net realisable value.	Inventories are valued at cost or market whichever is lower.
Net realisable value is the estimated selling price less the estimated cost ot completion and sale.	Net realisable value is equal to the estimated sale proceeds less all further cost to completion and all directy related marketing, selling and distribution cost.	The term market means current replacement cost (by purchase or by production, as the case may be), except that: — Market shall not exceed the net realisable value (i.e. estimated selling price in the ordinary course of business less reasonably predictable costs of completion and disposal); and — Market shall not be less than net realisable value reduced by an allowance for approximately normal profit margin.
Earnings per share disclosed.	Earnings per share data for before extraordinary items and net income are required to be disclosed.	Earnings per share data for income before extraordinary items and net income are required to be disclosed.
No disclosures made for particulars of staff.	Average number of persons employed by the company analysed by category and aggregate payroll costs are required to be disclosed.	No disclosures required.
Total amount of directors remuneration disclosed.	Aggregate amount of directors' emoluments including money value of benefits in kind and the number of directors whose aggregate emoluments fall within various bands are required to be disclosed.	No disclosures required.
Repayment terms for term loans disclosed.	Amounts falling due after more than five years are required to be disclosed separately.	Repayment terms for term loans disclosed.
Maximum amount due from companies affiliated to the company's shareholders at the end of any month during the year and sales to affiliates during the year disclosed.	No UK standard on related party transactions.	Disclosures regarding related party transactions shall also include: — The nature of the relationship; — A description of the transaction, including transactions to which no amounts or nominal amounts are ascribed; — The terms and manner of settlement. Dividends are not required to be associated with a particular period's earnings and dividends proposed after the year end are generally not reflected in that year's financial
Proposed dividends for the year, though proposed after the year end, are reflected in the related financial statements.	Proposed dividends for the year, though proposed after the year end, are reflected in the related financial statements.	

statement.

PATTERN OF SHARE HOLDING
AS ON JUNE 30, 2003

NUMBER OF SHARE HOLDERS	SHARE HOLDINGS	TOTAL SHARES HELD
3,237	1	99,884
12,190	101	2,565,987

1,442	501	-	1,000	1,095,522
2,242	1,001	-	5,000	5,205,106
445	5001	-	10000	3,337,865
158	10001	-	15000	1,918,836
109	15001	-	20000	1,914,130
69	20001	-	25000	1,580,912
38	25001	-	30000	1,043,744
23	30001	-	35000	742,644
19	35001	-	40000	708,508
8	40001	-	45000	340,801
26	45001	-	50000	1,237,428
12	50001	-	55000	628,260
11	55001	-	60000	632,491
6	60001	-	65000	377,497
5	65001	-	70000	338,238
8	70001	-	75000	585,751
4	75001	-	80000	311,669
4	800001	-	85000	333,905
3	85001	-	90000	260,642
6	90001	-	95000	558,655
8	95001	-	100000	793,223
3	100001	-	105000	308,128
1	105001	-	110000	108,399
5	110001	-	115000	559,131
3	115001	-	1 20000	352,982
4	120001	-	125000	491,635
5	135001	-	140000	693,024
1	140B01	-	145000	141,677
3	145001	-	150000	449,890
1	150001	-	160000	157,030
1	155001	-	160000	157,030
2	160001	-	165000	324,322
3	165001	-	170000	507,034
2	175001	-	180000	354,012
8	180001	-	185000	1,470,197
1	185001	-	190000	189,224
4	195001	-	200000	793,653
2	200001	-	205000	404,635
1	210001	-	215000	215,000
1	215001	-	220000	217,114
1	220001	-	225000	223,165
1	225001	-	230000	228,500
3	230001	-	235000	696,227
1	255001	-	260000	258,750
2	260001	-	265000	524,646
1	270001	-	275000	271,332
1	275001	-	280000	276,21 1
i	285001	-	290000	289,086
i	295001	-	300000	300,000
i	300001	-	305000	301,280
i	305001	-	310000	310,000
i	315001	-	320000	319,428
i	320001	-	325000	646,866
2	325001	-	330000	653,286
1	335001	-	340000	337,550
1	340001	-	345000	342,143
2	355001	-	360000	716,032
1	370001	-	375000	370,500
i	375001	-	380000	375,271
2	380001	-	385000	765,639
1	385001	-	390000	389,000
1	395001	-	400000	398,624
1	405001	-	410000	408,449
1	435001	-	440000	436,500
5	460001	-	465000	2,309,785

NUMBER OF

SHARE HOLDINGS

TOTAL

SHARE HOLDERS		SHARES HELD	
1	465001	470000	469,202
1	470001	-	475,000
1	490001	-	495,586
3	495001	-	500,000
1	500001	-	503,000
1	510001	-	512,000
1	515001	-	520,000
1	520001	-	521,000
1	530001	-	534,000
2	545001	-	1,096,000
1	560001	-	563,500
1	590001	-	591,500
1	650001	-	653,375
1	680001	-	682,594
1	690001	-	692,931
1	760001	-	764,169
1	770001	-	774,500
1	790001	-	790,500
1	800001	-	801,987
1	815001	-	820,000
1	970001	-	971,856
i	975001	-	979,000
i	1195001	-	1,198,282
i	1390001	-	1,393,000
i	1440001	-	1,442,406
i	1495001	-	1,500,000
i	1725001	-	1,727,874
i	1750001	-	1,754,000
i	1805001	-	1,808,000
i	2180001	-	2,183,963
i	2195001	-	2,200,000
i	2330001	-	2,331,039
i	2340001	-	2,342,592
i	2620001	-	2,621,824
2	2770001	-	5,547,162
1	2790001	-	2,793,443
1	2875001	-	2,878,274
1	2945001	-	2,946,659
1	2995001	-	2,995,500
1	3270001	-	3,272,374
1	6745001	-	6,745,838
1	8125001	-	8,130,000
1	18475001	-	18,478,622
1	30025001	-	30,027,767
2	37530001	-	75,069,422
1	97010001	-	97,012,813
20301			340,763,799

CATEGORIES OF SHARE HOLDERS

PARTICULARS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
1. INDIVIDUALS	19,930	72,601,727	21.31%
2. INVESTMENT COMPANIES	12	3,488,647	1.02%
3. INSURANCE COMPANIES	10	3,160,816	0.93%
4. JOINT STOCK COMPANIES	168	167,159,895	49.05%
5. FINANCIAL INSTITUTIONS	43	11,427,106	3.35%
6. MODARABA	22	1,350,031	0.40%
7. FOREIGN INVESTORS	106	79,523,719	23.34%
8. OTHERS	10	2,051,858	0.60%
TOTAL :-	20,301	340,763,799	100.00%