Dewan Salman Fibre Limited

Annual Report 2010

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	:	DEWAN MUHAMMAD YOUSUF FAROOQUI PRESIDENT/CHIEF EXECUTIVE & CHAIRMAN BOARD OF DIRECTORS DEWAN ASIM MUSHFIQ FAROOQUI MANAGING DIRECTOR DEWAN ABDULLAH AHMED DEWAN ABDUL BAQI FAROOQUI M. A. LODHI HAROON IQBAL MANSUR-UL-HAQUE
AUDIT COMMITTEE	:	DEWAN ASIM MUSHFIQ FAROOQUI - CHAIRMAN DEWAN ABDULLAH AHMED - MEMBER DEWAN ABDUL BAQI FAROOQUI - MEMBER
COMPANY SECRETARY	:	SYED MUHAMMAD SALAHUDDIN
AUDITORS	:	FARUQ ALI & CO. CHARTERED ACCOUNTANTS FEROZE SHARIF TARIQ & CO. CHARTERED ACCOUNTANTS
LEGAL ADVISORS		KHALID ANWER & COMPANY - ADVOCATES
TAX ADVISORS	:	SHARIF & COMPANY - ADVOCATES
FACTORY OFFICE	:	PLOT NO 1, DEWAN FAROOQUE INDUSTRIAL PARK, HATTAR, DISTRICT HARIPUR (N.W.F.P.)
HEAD OFFICE	:	FINANCE & TRADE CENTRE BLOCK-A, 8TH FLOOR, SHAHRAH-E-FAISAL, KARACHI.
REGISTERED OFFICE	:	DEWAN CENTRE, 58 MAIN MARGALLA ROAD F-7/2 ISLAMABAD
SHARE REGISTRAR/ TRANSFER AGENTS	:	BMF CONSULTANTS PAKISTAN (PVT.) LTD. A-14, 4TH FLOOR BLOCK 7, K.C.H.S. MAIN SHAHRAH-E-FAISAL, KARACHI-75350 PAKISTAN
BANKERS	:	AL BARAKA ISLAMIC INVESTMENT BANK LIMITED ALLIED BANK LIMITED ASKARI BANK LIMITED ATLAS BANK LIMITED BANK ALFALAH LIMITED BANK OF KHYBER LIMITED BANK OF PUNJAB LIMITED CITI BANK N.A. FAYSAL BANK LIMITED HABIB BANK LIMITED HABIB METROPOLITAN BANK LIMITED HONG KONG & SHANGHAI BANKING CORPORATION KASB BANK LIMITED MEEZAN BANK LIMITED MYBANK LIMITED MCB BANK LIMITED NATIONAL BANK OF PAKISTAN LIMITED NIB BANK LIMITED ROYAL BANK OF SCOTLAND STANDARD CHARTERED BANK LIMITED (PAKISTAN) SAUDI PAK COMMERCIAL BANK LIMITED SONERI BANK LIMITED UNITED BANK LIMITED

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 RESPONSIBILITY 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 US 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 THE TWENTY FIRST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty First Annual General Meeting of **Dewan Salman Fibre Limited** (“***DSFL***” or “***the Company***”) will be held on **Monday, November 29, 2010, at 12:00 noon.** at Dewan Centre, House No. 58, Margallah Road, F-7/2, Islamabad, Pakistan; to transact the following businesses upon recitation from Holy Qur'aan and other religious recitals:

1. To confirm the minutes of the preceding Annual General Meeting of the Company held on Wednesday, December 02, 2009;

2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2010, togetherwith the Directors' and Auditors' Reports thereon;

3. To appoint the Statutory Auditors' of the Company for the ensuing year, and to fix their remuneration;

4. To consider any other business with the permission of the Chair.

Special Business
To consider, and if thought appropriate, approve and resolve the passing of Special Resolutions in respect of alterations to the Articles of Association of the Company.

By Order of the Board

Syed Muhammad Salahuddin
Company Secretary

Dated: November 05, 2010
Place : Karachi.

“Statement under Section 160(1)(b) of the Companies Ordinance, 1984, concerning the Special Business, is attached alongwith the Notice circulated to the members of the Company, and is deemed an integral part hereof”

NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from November 23, 2010 to November 29, 2010 (both days inclusive).

2. Members are requested to immediately notify change in their addresses, if any, at our Shares Registrar Transfer Agent BMF Consultants Pakistan (Private) Limited, located at 4th Floor, A-14, Trade Centre, Block 7/8, K.C.H.S., Main Shahrah-e-Faisal, Karachi 75350, Pakistan.

3. 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 at the abovesaid address, not less than 48 hours before the meeting.

4. CDC Account holders will further have to observe the following guidelines, as laid down in Circular 01 dated January 20, 2000, issued 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 (CNIC), or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney, alongwith 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 CNIC numbers shall be mentioned on the form, shall witness the proxy.

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

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

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

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This statement is annexed as an integral part of the Notice of the Twenty First Annual General Meeting of Dewan Salman Fibre Limited (**"the Company"** or **"DSFL")** to be held on **Monday, November 29, 2010, at 12:00 noon,** at Dewan Centre, House No. 58, Margallah Road, F-7/2, Islamabad, Pakistan; and sets out the material facts concerning the Special Business to be transacted at the Meeting.

Special Business

To consider, and if thought appropriate, approve and resolve the passing of the following proposed special resolutions in respect of alterations to the Articles of Association of the Company.

i). Clause 60 of the Articles of Associations of the Company.
The following is the special resolution proposed in this regard:

"RESOLVED THAT the provisions of Clause 60 of the Articles of Association of the Company be and are hereby substituted with the following: "The Directors may meet together for the dispatch of business, adjourn and otherwise regulate the meetings of the Board of Directors as they think fit.

The Chairman of the Board of the Company shall, on the request of a Director, convene a meeting of the Board of Directors.

Prior written notice of all meeting of the Board of Directors shall be send to all Directors as least seven (07) days before the meeting, specifying the time and place of the meeting and indicating all matters to be considered thereat, together with copies of reports, studies and any other data relating thereto, provided, however, that notice may be waived by the unanimous consent of the Directors in writing.

Unless otherwise agreed by all directors, all meetings of the Board of Directors shall be held in Pakistan".

Further, for the sake of convenient reference, the following is the Present Vs the Proposed Substitution of Clause 60 of the Articles of Association of the Company:

Present Clause 60 of the Articles of Association of the Company	*Proposed substitution of Clause 60 of the Articles of Association of the Company*
"RESOLVED THAT the provisions of Clause 60 of the Articles of Association of the Company be and are hereby substituted with the following: "The Directors may meet together for the dispatch of business, adjourn and otherwise regulate the meetings of the Board of Directors as they think fit. *The Chairman of the Board of the Company shall, on the request of a Director, convene a meeting of the Board of Directors.* *Prior written notice of all meeting of the Board of Directors shall be send to all Directors as least fourteen (14) days before the meeting, specifying the time and place of the meeting and indicating all matters to be considered thereat, together with copies of reports, studies and any other data relating thereto, provided, however, that notice may be waived by the unanimous consent of the Directors in writing.* *Unless otherwise agreed by all directors, all meetings of the Board of Directors shall be held in Pakistan".*	*"RESOLVED THAT the provisions of Clause 60 of the Articles of Association of the Company be and are hereby substituted with the following: "The Directors may meet together for the dispatch of business, adjourn and otherwise regulate the meetings of the Board of Directors as they think fit.* *The Chairman of the Board of the Company shall, on the request of a Director, convene a meeting of the Board of Directors.* *Prior written notice of all meeting of the Board of Directors shall be send to all Directors as least seven (07) days before the meeting, specifying the time and place of the meeting and indicating all matters to be considered thereat, together with copies of reports, studies and any other data relating thereto, provided, however, that notice may be waived by the unanimous consent of the Directors in writing.* *Unless otherwise agreed by all directors, all meetings of the Board of Directors shall be held in Pakistan".*

The Directors of the Company are not directly or indirectly interested with the affairs of the Special Business, which nevertheless is intended to streamline the abovesaid provision of the Articles of Association of the Company with the like provision of the Companies Ordinance, 1984, and also acts and benefits to the business convenience of the Company, and its Board of Directors taken as a whole.

DIRECTORS' REPORT

IN THE NAME OF ALLAH; THE MOST GRACIOUS AND MERCIFUL

IF YE GIVE THANKS, I WILL GIVE YOU MORE **(HOLY QURAN)**

Your Directors present to you the Twenty First Report of the company together with the Audited Accounts for the year ending June 30, 2010.

The current financial year remained dull, mainly due to shut down of plant operations for most part of the period under review due to non availability of working capital for operations as the banks refused to support the company. This resulted in heavy losses during the current year which is in continuation of the trend of the previous financial year. This proved fatal for the company as it could not sustain its operations in the absence of support from the banks. The current law and order situation and financial crises of the country also adversely affected the company's operational maneuvers. However, International financial crises and markets are convalescing but your company's financial health is unable to move abreast.

To address the current financial situation your Company is still discussing with the financial institutions to resolve the hindrances in the financial restructuring.

OPERATING AND FINANCIAL RESULTS

During the year under review, your company recorded net turnover of Rs 137 millions (Rs. 4,171 millions June 30, 2009). It also includes turnover of Acrylic Fibre Rs 49 millions during the year under review (Rs.1,058 millions June 30, 2009). There was 97% reduction in turnover in the year under review as compared to previous year. There was gross loss amounting to Rs. 1,272 million (Rs. 4,169 million June 30, 2009) & loss after taxation amounting to Rs. 1,530 million (Rs. 6,234 million June 30, 2009.

During the period under review the plants remained closed in absence of working capital.

As far as loans of banks/financial institutions are concerned, a number of recovery suits have been instituted by Banks/Financial Institutions alleging default of the company which are being successfully defended by our Counsels, who are all of well repute.The respective counsels have already filed their respective reports in respect of litigations being handled by them and all of them are of the opinion that these suits can be successfully defended. Some of the banks have even gone to the extent of filing winding up petitions against the company, even where liabilities are denied. These too are being defended and the counsels are of the same view that they can be successfully defended. It may also be pointed out that there are vested interests working to destabilize the company and are instrumental in bringing about cartelization in Banks/Financial Institutions to achieve their vested interests and trying to engineer default in repayment of loans etc. We have instituted suits and complaints against them in courts/forums of appropriate jurisdictions.

We humbly and gratefully bow our heads before Almighty Allah, and pray for his blessings for early revival of our company during this difficult period.

INDUSTRY OVERVIEW

There has been no let up in the textile raw material price trend as it has been more firm continuing from previous year, started rising in the first half of the year and then kept its pace in the second half as well. This was largely due to the scarcity of polyester fibre which your company produces, but due to its non-operational status your company could not able to take the benefit from the opportunity.

In the year under review the whole fibre industry has enjoyed substantial amount of profits while kept their capacity utilization at almost 100% as compared to 70% during the last year. Moreover, the custom duty on the import of polyester staple fibre was revised upward from 4.5% to 6% which gave some respite to the industry but not completely in terms with which the industry had demanded (i.e. 8%), because the cost of doing business in Pakistan is higher as compared to the regional manufacturers. Although there was a little relief with the slight increase in the duties but it has not been that significant as there is a big gap between supply and demand due to DSFL absence and beside that the local producers sold their product at slightly higher prices vis-à-vis import parity.

In the wake of above we are actively pursuing along with the other stake holders to make the Government realize the effect of these policies and review the same. We would like to clarify here that we are not asking any subsidy from the Government but want level playing field vis-à-vis our competition from the region as the industry has already achieved economies of scale and is fully equipped to face the competition.

As we reported in our previous year report regarding the discriminatory measures of the Government in respect of location disadvantage, sales tax exemption and other incentives pertaining to a tax exempted area. The matters are still pending with out any amicable solution and have brought your company at verge of closure.

The spinning & weaving sector which is the downstream of PSF industry has also witnessed the prosperous year after the worst economic crises during the last year. They also enjoyed good profit margins and fetched good prices of their products (i.e. yarn & fabric) in the local as well as in the international markets which helped them in getting out of the liquidity crunch. It was the first time in the history that the yarn shortage was witnessed and the Government had to impose the export quota on the yarn for specific period of time to fulfill the local demand.

The raw cotton price has also broken all the previous records both locally & internationally as it has touched the all time high levels within a very short span of time as the crop size was lesser than expected. The textile industry did come across difficulties in the procurement of cotton but largely they managed to get over with it while some of the mills shifted to polyester rich blends which resulted in its increased sales.

However, the electricity shortage, surging bank interest rates and higher transportation cost in addition to the volatile economic atmosphere are some major factors which are holding back the industry to consider some sort of expansion plans.

OUT LOOK

The crude oil prices during the year under review hovered in a predicted range of USD65-85 as compared to the previous year. That resulted in the less fluctuation of the raw material prices (i.e. PTA & MEG) of Polyester Staple Fibre. Since there was a big vacuum in the availability of PSF due to your company's closure and cotton shortage, the other local PSF producers fully capitalized on it and made windfall profits while your company was unable to take the benefit.. Furthermore, the closure of your plant provided an ample opportunity to its competitors to keep their production volumes at their highest ever levels throughout the year. Moreover, the demand of PSF in Pakistan also attracted the international players to sell their products and hence a sizeable chunk of Chinese PSF became a regular feature which actually helped to bridge the gap which was created due to the closure of your company. Currently the Chinese PSF contributes to about 25% of the total PSF consumption in Pakistan.

The prices of PSF and cotton have continuously surged in tandem during the year under review while the consumption of these fibres also rose accordingly. So, it would be a good opportunity for your company to increase its market share when it resumes the operations.

Reportedly, there is going to be a shortage of raw cotton in the coming year as the cotton consumption has been increased in our country as well which will compel the textile mills to see to the first alternate of cotton which is PSF. Therefore your company sees a great opportunity in this regard.

Keeping in view the above mentioned facts, your company is nicely poised at the moment to recapture its share from the imports and other local suppliers. The spinning industry is anxiously waiting for our startup.

Since textiles are the Pakistan's biggest export earning commodity bringing in about more than USD10 billion every year, therefore, the Government should support this industry to counter the unfair competition being faced from Bangladesh, India and China which are giving huge subsidies to their textile industry. By doing so, the textile exports would get a big boost and beside that the respective upstream industry (i.e. PSF) would also have the opportunity to grow along.

The Board has also resolved proceed with securing and protecting the Company's investments in Dewan Petroleum (Pvt.) Limited, including by filings appropriate legal proceedings.

We had reported on the debt re-profiling exercise to you last year. This effort continues. And Insha-Allah we expect good progress and conclusion in the near future.

AUDITORS' OBSERVATION

Auditors of the company have qualified their report on certain instances, the para wise comments are given as under:

a) In para (a) of their report they did not agree with the going concern assumption used in preparation of financial statements accordingly they have given their adverse opinion on the financial statements. The management is in process of negotiation with the bankers and is confident that the outcome will be positive. The justifications regarding preparation of financial statements on going concern assumption are more fully explained in note 2 to the financial statement.

b) The company has not made provision of mark-up amounting to Rs. 2.825 billion (for the year ended June 30, 2009: Rs. 1.418 billion) on its mark-up bearing liabilities.
The management has approached its bankers/financial institutions for restructuring of its long-term and short-term obligations. The management is confident that the company's restructuring proposals will be accepted by the bankers/financial institutions. Therefore the company has not made any provision for mark-up.

c) Para (c) of the report relates to valuation and classification of investment in Dewan Petroleum (Pvt.) Ltd. using the equity method as required under International Accounting Standard 28 'Investment in associates' which the company has classified as held for sale.

The auditors are of the view that since the shareholders' approval sought by the company in extra ordinary general meeting held on June 23, 2008 stands expired during the year therefore the investment should be valued using equity method. Investment has been classified as held for sale upon management's intention to sell the same within next accounting cycle in the manner to be deemed appropriate, equitable, fit and beneficial to the interests of the company, although the shareholders' approval has been expired but the management will seek further shareholder's approval before disposal of the same.

DIVIDEND

In view of loss after taxation due to adverse business conditions for the year under review, no dividend has been recommended by the Board of Directors.

CODE OF CORPORATE GOVERNANCE

The directors of your company are aware of their responsibilities under the Code of Corporate Governance, incorporated in the Listing Regulations of Stock Exchanges in the country under instructions from Security & Exchange Commission of Pakistan. We are taking all necessary steps to ensure Good Corporate Government in your company as required by the code. One of the Directors purchased certain shares during the year. However, none of the other Directors, CEO, CFO, Company Secretary, their spouses and minor children have traded in the shares of the Company.

PATTERN OF SHARE HOLDING

The pattern of shareholdings of the company is attached to this report.

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 Salsbil, 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 most valuable assets of the Company.

AUDITORS

The Auditors of the Company, M/S Faruq Ali & Company Chartered Accountants and M/S Feroze Sharif Tariq & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment under the terms of the code of corporate governance, they have been recommended by the audit committee for re-appointment as auditors until the conclusion of the next annual general meeting.

CONCLUSION

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Raheem, in the name of our beloved prophet. Muhammad (Peace Be Upon Him), for continued showering of His blessings, Guidance, Strength, Health and Prosperity on our Nation, Country and also pray to Almighty Allah to bestow peace, harmony, brotherhood and unity in true Islamic spirit to the whole of Muslim Ummah, Aameen, Summa Aameen.

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

By and under Authority of the Board of Directors

Dated: November 08, 2010
Place : Karachi.

Dewan Asim Mushfiq Farooqui
Managing Director

FINANCIAL HIGHLIGHTS

Rupees in million

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Turnover	17,972	17,967	18,661	21,122	19,470	16,732	15,021	10,762	4,171	**137**
Less: Govt. Levy & Commission	2,406	2,992	2,942	3,048	2,127	10	10	16	2	-
Sales (Net)	15,566	14,975	15,719	18,074	17,343	16,722	15,011	10,746	4,169	**137**
Gross Profit	2,183	2,156	1,438	1,674	1,092	1,030	272	(2,491)	(4,037)	**(1,272)**
Profit (loss) before Tax	795	468	87	399	15	(101)	(1,154)	(4,989)	(6,364)	**(1,647)**
Profit (loss) after Tax	631	317	28	327	(128)	(120)	(808)	(4,898)	(6,234)	**(1,530)**
Gross Assets Employed	18,361	17,967	18,397	19,670	20,565	24,743	23,546	21,473	16,219	**15,343**
Return on Equity	11.61%	5.51%	0.49%	5.49%	(2.27%)	(1.40%)	(10.36%)	(169.12%)	(186.87%)	**(35.49%)**
Current assets	6,901	7,096	7,596	9,670	11,350	11,458	11,190	10,068	6,324	**5,173**
Shareholders Equity	5,434	5,751	5,659	5,963	5,626	8,605	7,797	2,896	(3,336)	**(4,311)**
Long Term Debts & Deferred Liabilities	5,781	5,037	4,472	3,604	3,191	4,654	3,831	3,142	2,543	**1,951**
Current Liabilities	7,145	7,179	8,266	10,103	11,747	11,485	11,917	15,435	17,012	**17,703**
Gross Profit Ratio	14.02%	14.40%	9.15%	9.26%	6.30%	6.20%	1.81%	(23.18%)	(96.81%)	**(928.47%)**
Net Profit Ratio	4.05%	2.12%	0.18%	1.81%	(0.74%)	(0.72%)	(5.38%)	(45.58%)	(149.51%)	**(1116.79%)**
Debt/Equity Ratio	1.06	0.88	0.79	0.60	0.56	0.54	0.49	1.08	(0.76)	**0.45**
Current Ratio	0.97	0.99	0.92	0.96	0.97	1.00	0.94	0.65	0.36	**0.29**
Earning per Share	1.85	0.93	0.08	0.96	(0.35)	(0.33)	(2.21)	(13.37)	(17.02)	**(4.18)**
Divided (Percentage)										
-Cash	-	-	-	-	-	-	-	-	-	-
-Stock	12.50%	-	-	7.50%	-	-	-	-	-	-
Production Volume(Tons)	241,732	259,423	235,805	279,291	197,677	186,615	152,764	85,595	25,808	-

STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2010

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 principals contained in the Code in the following manner:

1. The company encourages representation of Independent non-executive directors. At present, the Board includes five non-executive directors.

2. The directors have confirmed that none of them is serving as a 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 DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that Stock Exchange.

4. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the company.

5. The board has developed a vision / 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 have been duly exercised and decision 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 meetings 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 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 appraise 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 Statement 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 has already been disclosed in the pattern of shareholder.

13. Casual vacancies occuring in the board during the Financial year were duly filled up by the board.

14. The company has complied with all the corporate and financial reporting requirements of the code.

15. The Board has formed an audit committee. It comprises three members, two of whom are non-executive directors.

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

17. The Board has set-up an effective internal audit function.

18. 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, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. 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.

20. We confirm that all other material principals contained in the Code have complied with.

Total Meetings of Board of Director during the year. 10

Name of Director	**No. of Meetings Attended**
Dewan Mohammad Yousuf Farooqui	9
Dewan Asim Mushfiq Farooqui	5
Dewan Abdullah Ahmed	3
Dewan Abdul Baqi Farooqui	5
Mr. Haroon Iqbal	10
Mr. Mansur-ul-Haq	9
Mr. Aziz-ul-Haq	4
Mr. M. A. Lodhi	5

Dewan Asim Mushfiq Farooqui
Managing Director

Dated: November 05, 2010
Place : Karachi.

Feroze Sharif Tariq & Co.
CHARTERED ACCOUNTANTS
Partners : FEROZE QAISER FCA
Ali Husain FCA
Mohammad Tariq FCA, ACMA
4 / N / 4, BLOCK-6, P.E.C.H.S. SOCIETY
KARACHI-75400

FARUQ ALI & CO.
CHARTERED ACCOUNTANTS
222-A, Karachi Memon Cooperative
Housing Society, Justice Inamullah Road,
Near Hill Park, Karachi-74800.
Email: faac@cyber.net.pk

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** ('the Company') to comply with the Listing Regulations of the respective Stock Exchanges, 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 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transaction which are not executed at arm's length price recording proper justifications for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

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 as applicable to the Company for the year ended June 30, 2010

Feroze Sharif Tariq & Co.

Chartered Accountants
(Muhammad Ghalib)

Chartered Accountants
(Saiyed Naseem uz Zaman)

Karachi: November 08, 2010

Feroze Sharif Tariq & Co.

CHARTERED ACCOUNTANTS

Partners : **FEROZE QAISER FCA**
Ali Husain FCA
Mohammad Tariq FCA, ACMA

4 / N / 4, BLOCK-6, P.E.C.H.S. SOCIETY
KARACHI-75400

FARUQ ALI & CO.

CHARTERED ACCOUNTANTS

222-A, Karachi Memon Cooperative
Housing Society, Justice Inamullah Road,
Near Hill Park, Karachi-74800.
Email: faac@cyber.net.pk

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **DEWAN SALMAN FIBRE LIMITED** as at June 30, 2010 and the related profit and loss account, statement of comprehensive income, 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 purpose 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 above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) The financial statements of the company for the year ended June 30, 2010 reflect loss after taxation of Rs.1.530 billion and as of that date it has accumulated losses of Rs.11.232 billion which resulted in net capital deficiency of Rs.7.219 billion and its current liabilities exceeded its total assets by Rs.12.530 billion and total assets by Rs.2.360 billion. The operations of the company are closed since December 2008 due to working capital constraints. Furthermore, the company has been unable to ensure timely repayments of debts owing to financial institutions due to liquidity problems and short term finance facilities have expired and not been renewed by banks. Following course, certain lenders have gone into litigation for repayment of liabilities through attachment and sale of company's hypothecated / mortgaged properties and certain lenders have also filed winding up petitions. These conditions lead us to believe that the going concern assumption used in preparation of these financial statements is inappropriate; consequently the assets and liabilities should have been stated at their realizable and settlement amounts respectively.

b) The company has not made provision of markup for the period amounting to Rs. 2.825 billion (for the year ended June 30, 2009: Rs.1.418 billion) (refer note 29.1) on account of restructuring proposal offered to the lenders as described in note 2 to the financial statements. Non-provisioning of markup is based on management's hope that the restructuring proposal will be accepted by lenders in the proposed manner. In our opinion, since the proposal has not been accepted by the lenders so far and the lenders, instead of accepting the restructuring proposal, have preferred filing suits against the company, therefore the provision of markup should be made in these financial statements. Had the provision of markup been made in the financial statements, the loss after taxation would have been higher by Rs. 2.825 billion and markup payable would have been higher and shareholders' equity would have been lower by Rs.4.243 billion.

c) Investment in associate Dewan Petroleum (Private) Limited is disclosed as non-current assets held for sale (refer note 24 to the financial statements) although the resolution for the permission to sale the same has been expired during preceding financial year. This investment is to be shown / valued at equity method as prescribed in International Accounting Standard 28 'Investment in associates'. We are unable to quantify the effect of the same as latest audited accounts of Dewan Petroleum (Private) Limited were not made available.

d) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

e) 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 resulted from initial application of amendment to existing standards, as disclosed in note 3.2 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;

f) in our opinion and to the best of our information and according to the explanations given to us, because of significance of matters discussed in para (a), further coupled with the effects of matter discussed in Para (b) and (c) above, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof do not conform with approved accounting standards as applicable in Pakistan, and, do not give the information required by the Companies Ordinance, 1984, in the manner so required and respectively do not give a true and fair view of the state of the company's affairs as at June 30, 2010 and of the Loss, comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

Chartered Accountants
(Muhammad Ghalib)

Chartered Accountants
(Saiyed Naseem uz Zaman)

Karachi: November 08, 2010

BALANCE SHEET
AS AT JUNE 30, 2010

	Notes	2010	2009
		(Rupees in '000)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Capital			
630,000,000 (2009: 630,000,000) Ordinary shares of Rs. 10 each		**6,300,000**	6,300,000
90,000,000 (2009: 90,000,000) Preference shares of Rs. 10 each		**900,000**	900,000
		7,200,000	7,200,000
Issued, subscribed and paid-up capital	4	**3,663,211**	3,663,211
Reserves	5	**(10,882,178)**	(9,572,222)
		(7,218,967)	(5,909,011)
Surplus on revaluation of property, plant and equipment	6	**2,907,947**	2,573,137
NON CURRENT LIABILITIES			
Long term loans	7	**531,930**	1,201,944
Liability against assets subject to finance lease	8	--	41,836
Deferred liabilities	9	**1,418,727**	1,298,999
CURRENT LIABILITIES			
Trade and other payables	10	**5,841,421**	5,983,875
Markup accrued		**1,813,578**	1,794,211
Short term borrowings	11	**7,218,303**	7,217,093
Current and overdue portions of:			
Long Term Loans	7	**2,566,441**	1,794,624
Liability against assets subject to finance lease	8	**103,132**	61,296
Provision for taxation		**160,864**	161,161
		17,703,739	17,012,260
CONTINGENCIES AND COMMITMENTS	12	--	--
		15,343,376	**16,219,165**

	Notes	2010	2009
		(Rupees in '000)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	13	**9,774,842**	9,958,524
Long term investments and advances	14	**141,173**	133,401
Long term deposits - Lease		**9,788**	9,788
Long term prepayments	15	**21,296**	25,554
(Negative) Goodwill	16	--	(5,779)
CURRENT ASSETS			
Stores and spares	17	**1,053,025**	1,078,186
Stock in trade	18	**811,589**	1,457,460
Trade debts - Considered good	19	**2,878,916**	2,835,872
Advances - Considered good	20	**73,339**	84,489
Short term deposits and prepayments	21	**180,996**	204,626
Other receivables - Considered good	22	**163,981**	197,469
Cash and bank balances	23	**11,431**	16,575
		5,173,277	5,874,677
Non current assets held for sale	24	**223,000**	223,000
		15,343,376	**16,219,165**

The annexed notes form an integral part of these financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the company is presently out of the country, therefore these financial statements have been signed by two Directors of the company duly authorized by the Board of Directors.

Dewan Asim Mushfiq Farooqui
Managing Director

Haroon Iqbal
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Notes	2010	2009
		(Rupees in '000)	
Sales	25	**137,498**	4,171,300
Commission		**--**	1,685
Net sales		**137,498**	4,169,615
Cost of sales	26	**1,409,779**	8,206,331
Gross loss		**(1,272,281)**	(4,036,716)
Distribution cost	27	**15,283**	65,963
Administration expenses	28	**77,526**	156,263
Less: Amortization of negative goodwill		**(5,779)**	(5,779)
		87,030	216,447
Operating loss		**(1,359,311)**	(4,253,163)
Finance cost	29	**125,725**	2,050,224
Provision for doubtful advances /debts		**21,445**	53,062
Provision for obsolesence / slow moving stocks		**148,584**	--
(Reversal) / Impairment in value of investment		**(7,772)**	16,590
Other (income)	30	**--**	(9,420)
		287,982	2,110,456
Loss before taxation		**(1,647,293)**	(6,363,619)
Taxation			
Current		**687**	752
Deferred		**(118,308)**	(130,585)
		(117,621)	(129,833)
Loss after taxation		**(1,529,672)**	(6,233,786)
Loss per share - Basic (Rupees)	31.1	**(4.18)**	(17.02)
Loss per share - Diluted (Rupees)	31.2	**(3.98)**	(16.26)

Appropriations have been reflected in the statement of changes in equity.

The annexed notes form an integral part of these financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the company is presently out of the country, therefore these financial statements have been signed by two Directors of the company duly authorized by the Board of Directors.

Dewan Asim Mushfiq Farooqui
Managing Director

Haroon Iqbal
Director

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in '000)	
Net loss after taxation	**(1,529,672)**	(6,233,786)
Comprehensive income transferred to equity	**(1,529,672)**	(6,233,786)
Net change in fair value of available-for-sale financial assets	--	1,966
Surplus on revaluation of property plant and equipment	**756,148**	--
Related deferred tax	**(201,622)**	--
	554,526	--
Incremental depreciation transferred from surplus on revalution of property, plant and equipment	**338,024**	373,098
Related deferred tax	**(118,308)**	(130,584)
	219,716	242,514
Total comprehensive income for the year	**(755,430)**	(5,989,306)
Component of comprehensive income not reflected in equity	**(554,526)**	--
Total comprehensive income transferred to equity	**(1,309,956)**	(5,989,306)

The annexed notes form an integral part of these financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the company is presently out of the country, therefore these financial statements have been signed by two Directors of the company duly authorized by the Board of Directors.

Dewan Asim Mushfiq Farooqui
Managing Director

Haroon Iqbal
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

		2010	2009
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) before taxation		**(1,647,293)**	(6,363,619)
Adjustments for:			
Depreciation		**939,830**	1,048,272
Amortization of negative goodwill & prepayments		**(1,521)**	(1,521)
Provision for gratuity		**37,267**	43,395
Provision for doubtful debts		**21,445**	53,062
(Reversal) / Impairment in value of investment		**(7,772)**	16,590
Provision for obsolesence / slow moving stocks		**148,584**	--
Gain on Sale of Fixed Assets		--	(9,420)
Financial charges		**125,725**	2,050,224
		(383,735)	(3,163,017)
Movement in working capital	(Note – A)	**383,773**	3,779,385
Cash generated from operations		**38**	616,368
Payments for:			
Staff gratuity		**(853)**	(22,750)
Financial charges		**(18,158)**	(360,737)
Long term loans to employees -net		--	--
Tax		**(984)**	(18,397)
		(19,995)	(401,884)
Net cash generated in operating activities		**(19,957)**	214,484
Cash Flow from Investing Activities			
Payment for capital expenditure		--	(10,898)
Long term Deposits		--	1,360
Sale proceeds of fixed assets sold		--	17,776
Net cash used in investing activities		--	8,238
Cash Flow from Financing Activities			
Long term loans -net		**13,603**	(21,931)
Repayment of Redeemable capital		--	(5,680)
Repayment of lease liability		--	(18,329)
Short term finances		--	18,330
Net cash outflow from financing activities		**13,603**	(27,610)
Net (decrease) in cash and cash equivalents		**(6,354)**	195,112
Cash and cash equivalents at 01 July		**(2,969,146)**	(3,164,258)
Cash and cash equivalents at 30 June	(Note – B)	**(2,975,500)**	(2,969,146)

The annexed notes form an integral part of these financial statements.

Dewan Asim Mushfiq Farooqui
Managing Director

Haroon Iqbal
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

Note - A

Movement in Working Capital

	2010	2009
	(Rupees in '000)	
(Increase) / decrease in current assets		
Stores and spares	--	171,788
Stock-in-trade	**522,448**	3,226,133
Trade Debts	**(43,044)**	(213,564)
Advances	**4,435**	37,643
Short term deposits and prepayments	**23,630**	339,489
Other receivables	**18,758**	190,404
Increase / (decrease) in current liabilities		
Trade and other payables	**(142,454)**	27,492
	383,773	3,779,385

Note - B

Cash and Cash Equivalents

Cash and cash equivalents include:

	2010	2009
Cash and bank balances	**11,431**	16,575
Short term finances:		
-Short term running finances	**2,971,676**	2,969,884
-Book Overdraft	**15,255**	15,837
	(2,986,931)	(2,985,721)
	(2,975,500)	(2,969,146)

The annexed notes form an integral part of these financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the company is presently out of the country, therefore these financial statements have been signed by two Directors of the company duly authorized by the Board of Directors.

Dewan Asim Mushfiq Farooqui
Managing Director

Haroon Iqbal
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Issued, subscribed and paid-up capital	General Reserve	Unappropriated Profit	Total
	Amount in Rs. '000'			
Balance as on July 01, 2008	**3,663,211**	**350,000**	**(3,932,916)**	**80,295**
Total comprehensive (loss) for the year	--	--	(5,989,306)	(5,989,306)
Balance as at 30 June 2009	**3,663,211**	**350,000**	**(9,922,222)**	**(5,909,011)**
Total comprehensive (loss) for the year	--	--	(1,309,956)	(1,309,956)
Balance as at 30 June 2010	**3,663,211**	**350,000**	**(11,232,178)**	**(7,218,967)**

The annexed notes form an integral part of these financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984
The Chief Executive of the company is presently out of the country, therefore these financial statements have been signed by two Directors of the company duly authorized by the Board of Directors.

Dewan Asim Mushfiq Farooqui
Managing Director

Haroon Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1 THE COMPANY AND ITS OPERATION

The Company was incorporated in Pakistan on October 04, 1989 and its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. It is engaged in manufacture and sale of polyester, acrylic fibre and tow products. The registered office of the Company is situated at Dewan Centre, House No. 58, Margalla Road, F-7/2, Islamabad, Pakistan.

2 GOING CONCERN ASSUMPTION

The financial statements for the year ended June 30, 2010 reflect loss after taxation of Rs. 1.530 billion (2009: 6.234 billion) and as of that date it has accumulated losses of Rs.11.232 billion (2009: Rs 9.922 billion) which have resulted in net capital deficiency of Rs.7.219 billion (2009: Rs.5.909 billion) and its current liabilities exceeded its current assets by Rs.12.530 billion (2009: 11.139 billion) and total assets by Rs.2.360 billion (2009:0.793 billion). The operations of the company are closed since December 2008 due to working capital constraints. Further, the company has been unable to ensure timely repayments of debts owing to financial institutions due to liquidity problems and short term finance facilities have not been renewed by banks. Following course most of the lenders have gone into litigation for repayment of liabilities through attachment and sale of company's hypothecated / mortgaged properties and certain lenders have also filed winding up petitions. These conditions indicate the existence of material uncertainty, which may cast significant doubt about company's ability to continue as going concern.

These financial statements have been prepared on going concern assumption because the above conditions are temporary and would reverse. The management is confident that the outcome will be positive as the company is negotiating reprofiling of the debt with all the lenders and is expected to be closed in near future. Accordingly, the company has approached its lenders for the restructuring of its entire debt in the following manner:

a) All the debt obligations of the company be converted into interest bearing long term loan in proportion to their respective current exposures;

b) Principal to be repaid in 12 years equal quarterly installments commencing from 28th month of the restructuring date;

c) Mark-up payable as on December 31, 2008 to be frozen and paid quarterly over a period of three years commencing after 3 months from the restructuring date.

The management believes that the restructuring proposal presented is workable and would enable the company to service its debts. Therefore, the management is confident that the proposal will be accepted by its lenders. Accordingly, these financial statements have been prepared on a going concern basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except revalued assets which are stated at revalued amounts and certain investments which are carried at revalued amounts.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

i) Staff retirement benefits
ii) Income taxes
iii) Revaluation of property, plant and equipment
iv) Estimation of residual values and useful lives of property, plant and equipment.

3.2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan with the exception of departure of IFRS as mentioned in 25.1 to the financial statements, for which the management concludes that provisioning of markup (note 29.1) would conflict with the objective of financial statements. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 provision of and directives issued under the Companies Ordinance, 1984. In case requirement differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

Initial Application of a standard or an Interpretation

The following standards, amendments and interpretations become effective during the current year.

During the current year, the Company has adopted the following new and amended IAS as of July 01, 2009, which has resulted in extended disclosures as described below:

IAS 1 - (Revised) - Presentation of Financial Statements' (effective January 1, 2009)

IAS 1 (Revised) prohibits the presentation of items of income and expenses (i.e. 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the company shows all 'owner related changes in equity' in statement of changes in equity, whereas all 'non-owner related changes in equity' are presented in other comprehensive income. The company has preferred to present two statements; a profit and loss account (income statement) and a second statement beginning with profit or loss and display components of comprehensive income (statement of comprehensive income).

IFRS 8, 'Operating segments' was effective from January 1, 2009.

The new standard requires a 'management approach', under which segment information is required to be presented on the same basis as that used for internal reporting purposes. Operating segments are determined and presented in a manner consistent with the internal reporting provided to the chief operating decision maker. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company has determined operating segments on the basis of its products i.e. Polyester Staple Fibre (PSF) and Acrylic Staple Fibre (ASF)

The adoption of the above standard does not have any significant effect on the Company's financial statements other than certain increased disclosures. Furthermore, the adoption of this standard neither has any impact on earnings per share nor does it require the restatement or reclassification of comparative information.

IFRS 8 'Operating Segments' (Amendments) effective January 1, 2010 has been early adopted by the Company. Under the amendment, it has been clarified that a measure of segment assets should be disclosed only if that amount is regularly provided to the chief operating decision-maker. Accordingly, information about business segments have been disclosed in these financial statements in the same manner as reported to the chief operating decision-maker on a regular basis.

Standard and interpretations that become effective during the year

The following standards (revised or amended) and interpretations become effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Company:

IFRS 3 -	Business Combinations (Revised)
IFRS 7 -	Financial Instruments: Disclosure (Amended)
IAS 23 -	Borrowing Cost (Revised)
IAS 27 -	Consolidated and Separate Financial Statements (Revised)
IAS 32 -	Financial instruments (Amended of reputable instruments and obligations arising on liquidation)
IAS 39 -	Financial Instruments: Recognition and Measurement (Amended)
IFRIC 15 -	Agreements for the Construction of Real Estate.
IFRIC 16 -	Hedges of a Net Investment in a Foreign Operation
IFRIC 17 -	Distributions of Non-cash Assets to Owners
IFRIC 18 -	Transfers of Assets from Customers

Standards and interpretations issued but not yet effective for the current financial year

The following are the standards and interpretations which have been issued but are not yet effective for the current financial year.

		Effective for period beginning on or after
IAS 24 -	Related Party Disclosures (Revised)	January 01, 2011
IAS 32 -	Financial Instruments: Presentation - Amendments Relating to Classification of Rights Issues	February 01, 2010
IFRS 2 -	Share-based Payment: Amendments relating to Group Cash -settled Share-based Payments Transactions	January 01, 2010
IFRIC 14 -	IAS 19 - The Limited on Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment)	January 01, 2011
IFRIC 19 -	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.3 Staff retirement benefits

The Company operates unfunded gratuity scheme covering all employees eligible to the benefit. Provisions are based on actuarial recommendations. Actuarial valuations are carried out using the projected unit credit method as required by International Accounting Standard 19 "Employee Benefits". The unrecognized actuarial gains or losses at each valuation date are amortized over the average remaining working lives of the employees in excess of 10% of the present value of the defined benefit obligation.

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

3.4 Taxation

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

Deferred
Deferred tax is 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.

3.5 Trade and other payables

Short term liabilities for trade and other payables are carried at cost which is the fair value of consideration to be paid for goods and services..

3.6 Property, plant and equipment 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 property, plant and equipment and capital work in progress comprises of historical cost and the cost of borrowings during construction period in respect of loans taken for specific projects.

Depreciation on additions is charged from the month of acquisition or transfer of assets from capital work in progress on proportionate basis.

An amount equal to the incremental depreciation charged on revalued property, plant and equipment is transferred from surplus on revaluation of property, plant and equipment to retained earnings.

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 13. Depreciation on additions is charged from the month of acquisition or transfer of assets from capital work in progress on proportionate basis.

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.

3.7 Borrowing costs

Borrowings costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of the relevant asset.

3.8 Investments

Available for sale:
Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair values (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. In case the investments in foreign currencies, fair values dominated in foreign currencies are reported using the exchange rates that existed when the values were determined. Gains and losses on remeasurement to fair value are recognized directly in equity through the statement of changes in equity.

3.9 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.

3.10 Stores and spares

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

3.11 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 lower of cost, which includes prime cost and appropriate portion of production overheads, and net realizable value.

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.

3.12 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.

3.13 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.

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

3.14 Transactions with related parties

All transactions with related parties are priced on an arm's length basis using Comparable Uncontrolled Price Method.

3.15 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.

3.16 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.

3.17 Cash and cash equivalent

For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank balances, net of short term running finances.

3.18 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.

3.19 Non current assets held for sale

Non current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less cost to sell.

3.20 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment loss. Any impairment loss arising is recognized as expense in the profit and loss account.

4 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010	2009		2010	2009
			(Rupees in '000)	
65,000,000	65,000,000	Ordinary shares of Rs. 10 each fully paid in cash	**650,000**	650,000
267,849,938	267,849,938	Ordinary shares of Rs. 10 each issued as bonus shares	**2,678,499**	2,678,499
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
366,321,083	366,321,083		**3,663,211**	3,663,211

4.1 156,433,140 (2009: 156,433,140) shares were held by associated companies.

5 RESERVES

Revenue reserves:		
General Reserves	**350,000**	350,000
Accumulated loss	**(11,232,178)**	(9,922,222)
	(10,882,178)	(9,572,222)

6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Opening balance	**2,573,137**	2,815,651
Surplus arising during the year	**756,148**	--
Related deferred tax	**(201,622)**	--
Less : Transferred to un-appropriated profit in respect of incremental depreciation for the year - Net of tax	**(219,716)**	(242,514)
Balance as on 30 June	**2,907,947**	2,573,137

The following fixed assets of the Company were revalued on June 25, 2010. The revaluation was carried out by independent valuer M/s Asif Associates (Pvt.) Limited (Muqadams, Evaluators & Custom Agents). Bases of revaluation are as follows:

Land
Valuation of land is determined by obtaining key market data from property brokers, dealers and estate agents to ascertain the asking and selling prices of the property of the same nature in the immediate neighborhood and adjoining areas.

Building
Revalued amount of building has been determined by reference to present depreciated replacement values after taking into consideration covered area and type of construction, age of civil and ancillary structures, physical condition and level of preventive maintenance carried out by the Company.

Plant and Machinery
Revalued amount of plant and machinery has been determined by reference to present depreciated replacement values after taking into consideration the existence, level of maintenance and assessment of value of the machinery on the basis of its present conditions. Since the plant is not operational therefore assessment is carefully made to establish if the machinery can be put into operation after routine maintenance. Assessed value is determined through a computation of the remaining useful life of the assets with the present market value.

The revaluation carried out during the year has resulted in increase in surplus and corresponding carrying amounts of property, plant and equipment by Rs.756.148 million.

Particulars	W.D.V. of assets before revaluation	Revalued amount	Revaluation Surplus
		(Rupees in thousands)	
PSF Units			
Freehold Land	66,450	88,600	22,150
Leasehold Land	366,866	524,800	157,934
Factory Building	657,909	910,515	252,606
Non-Factory Building	323,030	421,085	98,055
Plant and Machinery	5,385,208	5,393,000	7,792
Acrylic Unit			
Factory Building	237,237	350,600	113,363
Non-Factory Building	2,484	3,100	616
Plant and Machinery	1,581,368	1,685,000	103,632
	8,620,552	9,376,700	756,148

The closing balance of surplus on revaluation of property, plant and equipment is not available for distribution to shareholders.

7 LONG TERM LOANS

Financier	Installments payable	Repayment Period	Mark-up rate	Note	2010	2009
					(Rupees in '000)	
From Bank and Financial Institutions-secured						
Syndicate of banks	Half Yearly	2003-2008	3.75% over 6 months T-bill rate	7.2	**58,333**	58,333
International Finance Corporation (IFC) FCY-LOAN	Half Yearly	2005-2011	6.9% p.a.	7.3	**1,453,500**	1,382,100
International Finance Corporation (IFC) FCY-LOAN	Annual	2010	5% p.a.	7.4	**342,000**	325,200
Saudi Pak Industrial & Agricultural Investment Co. (Pvt.) Ltd.	Quarterly	2009	3% over six months KIBOR	7.5	**49,000**	49,000
National Bank of Pakistan	Quarterly	2011	2% over three months KIBOR	7.6	**500,000**	500,000
Allied Bank Limited	Monthly	2010	3.25% over three months KIBOR	7.7	**460,691**	460,691
From Related parties-unsecured						
Director - unsecured, interest free					**234,847**	221,244
					3,098,371	2,996,568
Less: Current portion - Shown under current liabilities					**722,417**	726,894
Less: Overdue portion - Shown under current liabilities					**1,844,024**	1,067,730
					531,930	1,201,944

7.1 This loan is obtained to finance the Acrylic Fibre & Tow Project 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.

7.2 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 property, plant and equipment of the company.

7.3 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 property, plant and equipment of the company.

7.4 This represents the financing of US Dollars 4 million obtained under the "Convertible C Loan Agreement" dated June 16, 2003 from IFC to finance the setting up specialty fibre project and repayment of high cost loans. This is secured by way of first ranking security interests in all assets and rehis subject to the security documents.
A commitment fee shall be paid to IFC @ 0.5 % per annum beginning on the date of this agreement until the date of disbursement on the basis of a 360-days year and the actual number of days in the relevant period.

This loan shall repay the entire outstanding amount of the C Loan on the fourteenth Interest payment date @ 5% per annum from the date of execution of this agreement i.e.., February 24, 2004 unless prior to the fourteenth interest payment date, subject to any prior conversion of all or part of the C Loan pursuant to the conversion option. "The conversion option may be exercised by IFC one or several times, each time by delivering a notice of conversion. IFC shall subscribe for the conversion shares at the conversion price and shall pay by setting off with the C Loan. The conversion period commencing on the second anniversary of the date of this agreement and ending on the date when all amounts of whatsoever nature, outstanding has been paid to the entire satisfaction of IFC.

According to agreement the basic conversion price is Rs. 20/- per share. The conversion price per share obtained by applying the formula " to multiply the basic conversion price with initial number of share divided by number of issued, subscribed, paid up shares as of the settlement date." and the conversion shares calculated by applying the formula "the part of the C Loan to be converted into US / Pak Rs official rate as of the settlement date divided by conversion price per share".
There is further extension of convertible C Loan agreement with the acceptation of US 1 million dated May 14, 2004 with all the terms and conditions of the said agreement remains unchanged.

7.5 This represents loan for the purpose of working capital requirements and is secured by way of first pari passu hypothecation charge over fixed assets with 25% margin.

7.6 This represents term finance facility for the purpose of restructuring of the balance sheet of the company and is secured by way of ranking charge over fixed assets with 25% margin and first pari passu hypothecation charge over all future stocks and receivables.

7.7 This represents term finance facility for the purpose of retiring present running finance & FADB outstanding and is secured by way of first pari pasu charge over fixed assets with 25% margin.

8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2010		2009	
	Minimum Lease Payments	Present Value of minimum lease payments	Minimum Lease Payments	Present Value of minimum lease payments
	(Rupees in '000)			
Less than one year	**111,921**	**103,132**	45,733	61,296
One to five years	--	--	66,188	41,836
Total minimum lease payments	**111,921**	**103,132**	111,921	103,132
Less: Financial charges allocated to the future period	**8,789**	--	8,789	--
Present value of minimum lease payments	**103,132**	**103,132**	103,132	103,132
Less: Transferred to current maturity	**103,132**	**103,132**	61,296	61,296
	--	--	41,836	41,836

The Company entered into lease agreements with various leasing companies to acquire gas generators to reduce the power costs. The rentals under these lease agreements are payable quarterly up to the period ending June 2011. Mark up rate ranging from 13.71 % to 14.38 % per annum (2009: 13.71% to 14.38% per annum) have been used as discounting factors. The cost of operating and maintaining the leased assets will be borne by the company. The Company intends to exercise its option to purchase the leased assets at its aggregate residual value of Rs.11.148 millions upon the completion of the respective lease periods.

9 DEFERRED LIABILITIES

		2010	2009
		(Rupees in '000)	
Deferred liability for staff gratuity	9.1	**160,152**	123,738
Deferred taxation	9.2	**1,258,575**	1,175,261
		1,418,727	1,298,999

9.1 Provision for staff gratuity

	2010	2009
Movement in balance		
Opening Balance	**123,738**	103,093
Less: payments during the year	**853**	22,750
	122,885	80,343
Add: provision for the year	**37,267**	43,395
	160,152	123,738
Balance sheet reconciliation		
Present value of defined benefit obligations	**159,076**	121,978
Less: Payable to outgoing members	**8,980**	2,540
Less: Unrecognised Actuarial Loss	**(7,904)**	(780)
	160,152	123,738

	2010	2009
	(Rupees in '000)	
Charge for the year		
Service Cost	**25,069**	31,221
Interest Cost	**12,198**	11,189
Recognition of Transitional Liability	**--**	985
	37,267	43,395
Allocation of charge for the year		
Cost of sales	**29,813**	34,716
Distribution cost	**1,863**	2,170
Administrative expenses	**5,591**	6,509
	37,267	43,395
Principal actuarial assumption		
Expected rate of increase in salaries	**11% p.a.**	9% p.a.
Discount factor used	**12% p.a.**	10% p.a.
Average expected remaining working life times of employees	**13 years**	13 years

9.2 Deferred taxation

	2010	2009
Liability / (asset) balances arising in respect of:		
- Accelerated tax depreciation allowance	**587,513**	591,967
- Finance lease transactions	**6,796**	11,353
- Certain provisions/ liabilities	**(177,287)**	(111,786)
- Carried forward losses and available tax credits	**(4,332,093)**	(4,044,049)
Deferred tax (asset)	**(3,915,071)**	(3,552,515)
Deferred tax asset not recognized	**3,915,071**	3,552,515
	--	--
Deferred tax liability in respect of:		
- Revaluation net of related depreciation	**1,258,575**	1,175,261
	1,258,575	1,175,261

		2010	2009
		(Rupees in '000)	

10 TRADE AND OTHER PAYABLES

Trade creditors		**5,661,789**	5,843,533
Accrued expenses		**152,381**	111,546
Unclaimed TFCs redemption warrants		**2,269**	2,269
Others	10.1	**24,982**	26,527
		5,841,421	5,983,875

10.1 This includes Rs. 5.098 billion (2009: Rs 4.375 billion) being amount payable to banks in respect of overdue letter of credits.

10.2 Others include Rs.20.943 million (2009: Rs.20.943 million) payable to Dewan Farooq Motors Limited.

11 SHORT TERM BORROWINGS

From banks and financial institutions - Secured		
Morabaha Finance	**621,530**	621,530
Short Term Loans	**3,609,842**	3,609,842
Short Term Running Finance - Secured	**2,971,676**	2,969,884
Temporary book overdraft - Unsecured	**15,255**	15,837
	7,218,303	7,217,093

The facilities for various loans and finances under mark-up arrangements available from various banks amount to Rs. 8.766 billion (2009: Rs.8.766 billion) and carry mark up ranging from 1 % to 4 % over one to six months KIBOR. (2009: 1% to 4%). 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. Out of the total facilities Rs.7.614 have not been renewed by the banks, however, the renewal would take place at the finalization of the financial restructuring process.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

(a) In respect of liabilities towards banks / financial institutions disclosed in note 7, 8, 10.1 and 11 to the financial statements, most of banks /financial institutions have filed suits in Honorable High Court of Sindh at Karachi for recovery of their liabilities through attachment and sale of Company's hypothecated / mortgaged properties. The aggregate suits amount is Rs. 15.187 billion, out of total suits amount four of the banks having suit to the extent of Rs.3.152 billion has also filed winding up petition u/s 305 of the Companies Ordinance, 1984. Since the company is in dispute with banks / financial institutions therefore the estimated financial effect of litigations is not being disclosed, as it may have adverse affect on company's position in the suits.

The management has disputed the claim and is strongly contesting the cases. The management has filed counter claims alleging that the banks claims are highly exaggerated as they have charged markup on markup and other levies higher than the rate of markup agreed and other charges in violation of State Bank of Pakistan rules and all other applicable laws of Pakistan. The management is hopeful that the decision will be in favor of the company and the base less suits shall be rejected by the concerned courts. Since all the cases are pending before Honorable Courts therefore the ultimate outcome cannot be established at this stage.

(b) The Company is defendant in a legal proceeding initiated by certain transporters for an aggregate amount of Rs.31.127 million (being pending bill of Rs.27.127 million and Rs.4.00 million as delayed payment charges) which is pending before Hon'able Lahore High Court (Rawalpindi Bench), the outcome of which cannot be established at this stage. The management, based on the strength of its case and the advice of its lawyers, believes that no additional liability will arise out of these proceedings; hence no provision for delayed payment charges has been made in these financial statements.

(c) Guarantees given by the commercial banks on behalf of the company amounted to Rs.78.30 million (2009: Rs.78.30 million)

13 PROPERTY PLANT AND EQUIPMENT

		2010	2009
		(Rupees in '000)	
Operating fixed assets	13.1	**9,632,029**	9,815,711
Capital work in progress	13.4	**142,813**	142,813
		9,774,842	9,958,524

13.1 Operating fixed assets

2010

Particulars	Cost / Revaluation As at 01 July 2009	Addition / Transfers / (deletion)	Revaluation	As at 30 June 2010	Rate	Depreciation As at 01 July 2009	Charge for the period / Adjustment	As at 30 June 2010	Book Value As at 30 June 2010
	(Rupees in '000)					(Rupees in '000)			
PSF - Units									
Freehold Land	88,950	--	22,150	111,100	--	--	--	--	111,100
Leasehold Land	368,000	--	157,934	525,934	--	--	--	--	525,934
Islamabad office	140,383	--	--	140,383	10%	79,184	6,120	85,304	55,079
			--						
Factory building	1,547,718	--	252,606	1,800,324	10%	827,463	73,580	901,043	899,281
Non factory building	874,974	--	98,055	973,029	10%	514,947	36,545	551,492	421,537
Tank terminal	16,453	--	--	16,453	10%	13,610	284	13,894	2,559
Plant and machinery	14,742,325	--	7,792	14,750,117	10%	8,814,009	588,368	9,402,377	5,347,740
Vehicles	170,727	--	--	170,727	20%	110,805	11,984	122,789	47,938
Furniture and fixtures	80,027	--	==	80,027	10%	49,744	3,028	52,772	27,255
Office equipment	136,487	--	--	136,487	10%	82,999	5,349	88,348	48,139
Leased Assets									
Plant & Machinery (Generator)	178,517	--	--	178,517	10%	42,352	13,617	55,969	122,548
2010	**18,344,561**	**--**	**538,537**	**18,883,098**		**10,535,113**	**738,875**	**11,273,988**	**7,609,110**
Acrylic Unit									
Factory Building	527,833		113,363	641,196	10%	266,672	26,861	293,533	347,663
Non-Factory Building	5,555	--	616	6,171	10%	2,803	278	3,081	3,090
Plant & Machinery	4,055,118	--	103,632	4,158,750	10%	2,314,162	173,629	2,487,791	1,670,959
Vehicles	3,604	--	--	3,604	20%	3,123	96	3,219	385
Furniture & Fixtures	890	--	--	890	10%	531	36	567	323
Office Equipment	1,370	--	--	1,370	10%	816	55	871	499
2010	**4,594,370**	--	**217,611**	**4,811,981**		**2,588,107**	**200,955**	**2,789,062**	**2,022,919**
		--	--				--		
TOTAL – 2010	**22,938,931**	**--**	**756,148**	**23,695,079**		**13,123,220**	**939,830**	**14,063,050**	**9,632,029**

2009

Particulars	Cost / Revaluation As at 01 July 2008	Addition / Transfers / (deletion)	Revaluation	As at 30 June 2009	Rate	Depreciation As at 01 July 2008	Charge for the period / Adjustment	As at 30 June 2009	Book Value As at 30 June 2009
	(Rupees in '000)					(Rupees in '000)			
PSF - Units									
Freehold Land	88,950	--	--	88,950	--	--	--	--	88,950
Leasehold Land	368,000	--	--	368,000	--	--	--	--	368,000
Islamabad office	140,383	--	--	140,383	10%	72,384	6,800	79,184	61,199
		--							
Factory building	1,547,718	--	--	1,547,718	10%	746,985	80,478	827,463	720,255
Non factory building	874,974	--	--	874,974	10%	475,394	39,553	514,947	360,027
Tank terminal	16,453	--	--	16,453	10%	13,269	341	13,610	2,843
Plant and machinery	14,742,325	--	--	14,742,325	10%	8,155,307	658,702	8,814,009	5,928,316
Vehicles	235,886	8,511	--	170,727	20%	161,978	15,000	110,805	59,922
		(73,670)					(66,173)		
Furniture and fixtures	79,711	316	--	80,027	10%	46,381	3,363	49,744	30,283
Office equipment	134,416	2,071	--	136,487	10%	77,132	5,867	82,999	53,488
		--					--		
Leased Assets									
Plant & Machinery (Generator)	178,517	--	--	178,517		27,223	15,129	42,352	136,165
2009	**18,407,333**	**10,898**	**--**	**18,344,561**		**9,776,053**	**825,233**	**10,535,113**	**7,809,448**
		(73,670)					**(66,173)**		
Acrylic Unit									
Factory Building	527,833	--	--	527,833	10%	237,652	29,020	266,672	261,161
Non-Factory Building	5,555	--	--	5,555	10%	2,499	304	2,803	2,752
Plant & Machinery	4,055,118	--	--	4,055,118	10%	2,120,723	193,439	2,314,162	1,740,956
Vehicles	9,025	--	--	3,604	20%	7,511	174	3,123	481
		(5,421)					(4,562)		
Furniture & Fixtures	890	--	--	890	10%	491	40	531	359
Office Equipment	1,370	--	--	1,370	10%	754	62	816	554
2009	**4,599,791**	**--**	**--**	**4,594,370**		**2,369,630**	**223,039**	**2,588,107**	**2,006,263**
		(5,421)					(4,562)		
TOTAL – 2009	**23,007,124**	**10,898**	**--**	**22,938,931**		**12,145,683**	**1,048,272**	**13,123,220**	**9,815,711**
		(79,091)					**(70,735)**		

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

	2010			2009		
	PSF - Units	Acrylic Unit	Total	PSF - Units	Acrylic Unit	Total
	(Rupees in '000)			(Rupees in '000)		
Cost of sales	735,181	199,950	935,131	**821,107**	**221,923**	**1,043,030**
Administrative expenses	3,694	1,005	4,699	**4,126**	**1,116**	**5,242**
	738,875	200,955	939,830	**825,233**	**223,039**	**1,048,272**

13.3 Plant and machinery 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.

13.4 Capital work in progress

	2010	2009
	(Rupees in '000)	
Opening balance	**142,813**	142,813
Additions	-	-
Closing balance	**142,813**	142,813
Plant and machinery		
- Owned	**56,429**	56,429
- Leased	**86,384**	86,384
	142,813	142,813

13.5 Had there been no revaluation the carrying amounts of revalued assets as at June 30, 2010 would have been as follows :

Particulars	2010	2009
	(Rupees in thousands)	
PSF Units		
Freehold Land	**64,173**	64,173
Leasehold Land	**2,268**	2,268
Factory Building	**580,995**	672,852
Non-Factory Building	**128,337**	114,627
Plant and Machinery	**3,015,918**	3,348,178
Acrylic Unit		
Factory Building	**125,482**	139,305
Non-Factory Building	**1,323**	1,468
Plant and Machinery	**1,242,287**	1,379,148
	5,160,783	5,722,019

14 LONG TERM INVESTMENTS

	Note	2010	2009
		(Rupees in '000)	
Investment in listed securities			
Meezan Balance Fund (500,000 certificates of Rs.10/- each)		**5,000**	5,000
Pakistan Strategic Allocation Fund (2,204,000 certificates of Rs.10/- each)		**22,040**	22,040
		27,040	27,040
Accumulated Impairment		**(8,818)**	(16,590)
		18,222	10,450
Investment in non-listed securities			
Global Securities (Pvt) Limited - 495,000 shares of Rs. 10/- each at a premium of Rs.40.92/- per share		**25,205**	25,205
Equity investment in Dewan Petroleum (Pvt) Limited. - 12,000,000 (2009: 12,000,000) shares of Rs.10/- each at a premium of Rs.8.583/- per share	14.1	**223,000**	223,000
Shares application money - Dewan Petroleum (Pvt.) Ltd	14.2	**97,746**	97,746
		320,746	320,746
Less: transferred to non-current assets held for sale	24	**(223,000)**	(223,000)
		141,173	133,401

14.1 REPL has transferred its entire 40% working interest in Safed Koh Block to Dewan Petroleum (Private) Limited (DPL) (an associated company of DSFL). By virtue of the Company's ownership of 49% of 40% indirect working interest in Safed Koh Block through REPL, the Company has acquired 12 million ordinary shares of Rs.10/- each of the DPL (33.33% of DPL equity) in lieu of its equity investment and advance against cash calls under authority of the special resolution passed under section 208 of The Companies Ordinance, 1984 in Extra Ordinary General Meeting held on August 30, 2006

14.2 This represents the amounts paid against the committed investment of Rs.97.0 Million to retain its proportionate shares in DPL equity under terms of a Financial arrangement concluded between International Finance Corporation (IFC) and DPL. This commitment was made under authority of the special resolution passed in Extra Ordinary General Meeting held on August 30, 2006.

	2010	2009
	(Rupees in '000)	
15 LONG TERM PREPAYMENTS	**21,296**	25,554

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.

16 (NEGATIVE) GOODWILL

	2010	2009
	(Rupees in '000)	
Opening Balance	**(5,779)**	(11,558)
Less: Amortized during the period	**5,779**	5,779
	-	(5,779)

On 30 June 2000, the company acquired 67.8% of voting shares of Dhan Fibres Limited (DFL), at a total cost of Rs. 4,200,000,000/-. On 27 October 2000, the Honorable 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 was increased by Rs. 900 million over the book value as at 30 June 2000. Accordingly, Rs. 842.210 million has been adjusted in the financial statements 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 3.9 to these financial statements.

17 STORES AND SPARES

	2010	2009
Consumable stores	**1,009,218**	1,009,218
Packing material	**12,501**	12,501
Chemicals	**51,107**	51,107
Fuel, oil and lubricants	**5,360**	5,360
	1,078,186	1,078,186
Less: provision for obsolescence and slow moving stock	**(25,161)**	-
	1,053,025	1,078,186

18 STOCK IN TRADE

	2010	2009
	(Rupees in '000)	
Raw materials	**308,497**	308,497
Work-in-process	**103,879**	103,879
Finished goods		
At cost	**744,707**	1,197,806
Less: written down to net realizable value	**(445,805)**	(563,695)
	298,902	634,111
Stock in transit	**183,571**	334,102
Waste	**40,163**	76,871
	935,012	1,457,460
Less: provision for obsolescence and slow moving stock	**(123,423)**	--
	811,589	1,457,460

18.1 Stock amounting to Rs. 299 million (2009: 634 million) were pledged with a bank against finance facilities.

18.2 During the period under review, auction of company's pledged stock was held as per order of Honorable High Court of Sindh. Net realizable value used to value the stock represents the highest bid amount offered during auction.

19 TRADE DEBTS

	2010	2009
Considered good	**2,878,916**	2,835,872
Considered doubtful	**201,514**	201,514
	3,080,430	3,037,386
Less: Provision for doubtful debts	**(201,514)**	(201,514)
	2,878,916	2,835,872

19.1 Trade debts include Rs.122 million (2009: Rs.122 million) due from associated companies, Dewan Khalid Textile Mills Limited, Dewan Mushtaq Textile Mills Limited and Dewan Textile Mills Limited.

19.2 Trade debts also include a sum of Rs.46.002 (2009: NIL) receivable from Nazir of High Court of Sindh representing receivable against sales made on account auction of company's stock as per order of court. All the sale proceeds are being deposited by the successful bidder directly with Nazir of High Court. The said amount will be adjusted against liability of bank under litigation upon lifting of all pledged stock.

20 ADVANCES - Considered good

	2010	2009
Against expenses		
Considered good	**73,339**	84,489
Considered doubtful	**6,715**	--
	80,054	84,489
Less: Provision for doubtful debts	**(6,715)**	
	73,339	84,489

	Note	2010	2009
		(Rupees in '000)	
21 SHORT TERM DEPOSITS AND PREPAYMENTS			
Deposits		**1,760**	1,760
Margin		**150,295**	173,925
Prepayments		**28,941**	28,941
		180,996	204,626
22 OTHER RECEIVABLES - Considered good			
Sales tax		**69,276**	68,890
Duty drawback receivable		**73,964**	92,596
Duties refundable		**4,691**	4,644
Insurance claim receivable		**14,730**	14,730
Others	22.1	**16,050**	16,609
		178,711	197,469
Less: Provision for doubtful receivable		**(14,730)**	--
		163,981	197,469

22.1 Others include Rs. 16.050 million (2009: Rs. 16.050 million) payable to Dewan Petroleum (Pvt.) Limited.

	2010	2009
23 CASH AND BANK BALANCES		
Cash in hand	**751**	650
Cash at bank:		
- Current account	**5,207**	10,841
- Foreign currency deposits	**5,473**	5,084
	11,431	16,575
24 NON CURRENT ASSETS HELD FOR SALE		
Equity investment in Dewan Petroleum (Pvt) Limited.		
- 12,000,000 shares of Rs.10/- each at a premium of Rs.8.583/- per share	**223,000**	223,000

The above investment has been classified as held for sale upon management's intention to sell the same within next accounting cycle in the manner to be deemed appropriate, equitable, fit and beneficial to the interests of the company. For the purpose special resolution was passed by the shareholders in the Extra Ordinary General Meeting of the Company held on June 23, 2008 which was expired during the preceding financial year, however the management will seek further shareholders' approval before disposal of the same.

25 OPERATING RESULTS

Amount in Rs. '000'

	Note	PSF Unit	Acrylic Unit	2010 Total	PSF Unit	Acrylic Unit	2009 Total
Sales							
Fiber - Local		57,774	9,626	**67,400**	3,076,629	967,962	4,044,591
Fiber - Export		--	--	--	--	75,164	75,164
Waste		30,730	39,368	**70,098**	35,079	16,466	51,545
		88,504	48,994	**137,498**	3,111,708	1,059,592	4,171,300
Export commission		--	--	--	--	1,685	1,685
Net Sales		88,504	48,994	**137,498**	3,111,708	1,057,907	4,169,615
Cost of sales	26	902,886	506,893	**1,409,779**	6,631,797	1,574,534	8,206,331
Gross (Loss)		(814,382)	(457,899)	**(1,272,281)**	(3,520,089)	(516,627)	(4,036,716)
Distribution cost	27	9,837	5,446	**15,283**	43,618	22,345	65,963
Administrative Expenses	28	50,572	26,954	**77,526**	116,785	39,478	156,263
Amortization of negative goodwill		(5,779)	--	**(5,779)**	(5,779)	--	(5,779)
		54,630	32,400	**87,030**	154,624	61,823	216,447
Operating (loss)		(869,012)	(490,299)	**(1,359,311)**	(3,674,713)	(578,450)	(4,253,163)
Finance cost	29	110,768	14,957	**125,725**	1,583,217	467,007	2,050,224
Provision for doubtful advances /debts		21,445	--	**21,445**	53,062	--	53,062
Provision for obsolesence / slow moving stocks		148,584	--	**148,584**	--	--	--
(Reversal) / Impairment in value of investment		(7,772)	--	**(7,772)**	16,590	--	16,590
Other (income)	30	--	--	--	(9,420)	--	(9,420)
		273,025	14,957	**287,982**	1,643,449	467,007	2,110,456
(Loss) before W.P.P.F.. and taxation		(1,142,037)	(505,256)	**(1,647,293)**	(5,318,162)	(1,045,457)	(6,363,619)

26 COST OF SALES

Amount in Rs. '000'

	Note	PSF Unit	Acrylic Unit	2010 Total	PSF Unit	Acrylic Unit	2009 Total
Raw material consumed							
Opening stock		98,766	209,731	**308,497**	225,420	248,812	474,232
Purchases		--		--	3,152,830	791,756	3,944,586
		98,766	209,731	**308,497**	3,378,250	1,040,568	4,418,818
Closing stock		(98,766)	(209,731)	**(308,497)**	(98,766)	(209,731)	(308,497)
		--	--	--	3,279,484	830,837	4,110,321
Salaries, wages and benefits		58,945	11,985	**70,930**	247,173	52,049	299,222
Electricity, fuel and power		14,383	--	**14,383**	455,881	118,028	573,909
Storage charges of raw material		--	16,382	**16,382**	--	17,737	17,737
Packing material consumed		--	--	--	20,388	3,585	23,973
Stores and spares		--	--	--	154,807	32,598	187,405
Insurance		--	--	--	98,786	20,802	119,588
Depreciation	13.2	735,181	199,950	**935,131**	821,107	221,923	1,043,030
Repairs and maintenance		42	9	**51**	1,426	300	1,726
Vehicle running expenses		11	3	**14**	2,007	423	2,430
Traveling expenses		367	75	**442**	8,239	1,735	9,974
General expenses		440	89	**529**	3,146	1,420	4,566
Opening stock of work-in-process		63,011	40,868	**103,879**	122,948	51,104	174,052
Closing stock of work-in-process		(63,011)	(40,868)	**(103,879)**	(63,011)	(40,868)	(103,879)
Cost of goods manufactured		809,369	228,493	**1,037,862**	5,152,381	1,311,673	6,464,054
Opening stock of finished goods		368,179	342,803	**710,982**	1,847,595	605,664	2,453,259
Closing stock of finished goods		(274,662)	(64,403)	**(339,065)**	(368,179)	(342,803)	(710,982)
		902,886	506,893	**1,409,779**	6,631,797	1,574,534	8,206,331

27 DISTRIBUTION COST

Amount in Rs. '000'

	PSF Unit	Acrylic Unit	2010 Total	PSF Unit	Acrylic Unit	2009 Total
Salaries and benefits	9,798	5,424	**15,222**	18,754	6,386	25,140
Advertisement	24	14	**38**	63	--	63
Outward freight and handling	15	8	**23**	24,801	8,445	33,246
Export freight & others	--	--	--	--	7,514	7,514
	9,837	5,446	**15,283**	43,618	22,345	65,963

28 ADMINISTRATIVE EXPENSES

Amount in Rs. '000'

	Note	PSF Unit	Acrylic Unit	2010 Total	PSF Unit	Acrylic Unit	2009 Total
Salaries and benefits		29,935	16,572	**46,507**	61,640	20,989	82,629
Entertainment		88	48	**136**	450	154	604
Communication		998	553	**1,551**	5,346	1,820	7,166
Depreciation	13.2	3,694	1,005	**4,699**	4,126	1,116	5,242
Vehicle running expenses		2,656	1,470	**4,126**	10,298	3,507	13,805
Legal and professional		6,733	3,727	**10,460**	5,917	2,015	7,932
Printing and stationary		437	242	**679**	1,012	345	1,357
Electricity, fuel and power		281	155	**436**	1,976	673	2,649
Repair and maintenance		637	352	**989**	8,836	3,009	11,845
Insurance		--	--	--	424	144	568
Traveling expenses		--	--	--	644	218	862
Auditors' remuneration	28.1	869	481	**1,350**	1,007	343	1,350
Donation	28.2	--	--	--	7,152	2,435	9,587
General expenses		4,244	2,349	**6,593**	7,957	2,710	10,667
		50,572	26,954	**77,526**	116,785	39,478	156,263

28.1 Auditor's remuneration

Amount in Rs. '000'

	Feroze Sharif Tariq & Co.	Faruq Ali & Co.	Total 2010	Feroze Sharif Tariq & Co.	Faruq Ali & Co.	Total 2009
Annual Audit Fee	500	500	**1,000**	500	500	1,000
Fee for Half yearly review	100	100	**200**	100	100	200
Other Certifications	50	50	**100**	50	50	100
Out of pocket	25	25	**50**	25	25	50
	675	675	**1,350**	675	675	1,350

28.2 Donation

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

29 FINANCE COST

Amount in Rs. '000'

	PSF Unit	Acrylic Unit	2010 Total	PSF Unit	Acrylic Unit	2009 Total
Mark-up on:						
Long term loan	18,992	--	**18,992**	173,833	--	173,833
Short term finances	16,273	2,652	**18,925**	939,834	318,433	1,258,267
Lease finances	--	--	--	14,331	--	14,331
Interest on other long term loans	--	--	--	--	--	--
Financial charges leased assets	--	--	--	--	--	--
Exchange loss	75,503	12,305	**87,808**	455,219	148,574	603,793
	110,768	14,957	**125,725**	1,583,217	467,007	2,050,224

29.1 Company has not made the provision of markup for the year amounting to Rs. 2.825 billion (for the year ended June 30, 2009: Rs. 1.418 billion) keeping in view of the financial restructuring proposed to the lenders as disclosed in note 2. Management is hopeful that the restructuring proposal will be accepted by the lenders. Had the provision been made the loss for the year would have been higher by Rs. 2.825 billions and accrued markup would have been higher and shareholders' equity would have been lower by Rs. 4.243 billion. The said non provisioning is departure from the requirements of IAS-23 'Borrowing Costs".

30 OTHER (INCOME) / LOSS

	2010	2009
	(Amount in Rs. '000')	
Gain on disposal of fixed assets	--	(9,420)
	--	(9,420)

31 (LOSS) PER SHARE - Basic and diluted

31.1 Basic (loss) per share

	2010	2009
Net (loss) for the year	**(1,529,672)**	(6,233,786)
	Number of shares	
Average ordinary shares in issue during the year	**366,321,083**	366,321,083
	Rupees	
(Loss) per share - Basic	**(4.18)**	(17.02)

31.2 Diluted (loss) per share	2010	2009
	(Amount in Rs. '000)	
Net (loss) for the year	**(1,529,672)**	(6,233,786)
Dilutive effect - Net of tax	**2,774**	13,384
	(1,526,898)	(6,220,402)
	Number of shares	
Average ordinary shares in issue during the year	**366,321,083**	366,321,083
Dilutive effect	**17,100,000**	16,260,000
	383,421,083	382,581,083
	Rupees	
(Loss) per share - Diluted	**(3.98)**	(16.26)

32 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company is exposed to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

The board of directors has the overall responsibility for the establishment and oversight of company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

32.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primary attributable to its receivables and balances with banks.

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

Trade debts	**2,878,916**	2,835,872
Deposits, loans and other receivables	**325,824**	382,942
Bank balance	**10,680**	15,925
	3,215,420	3,234,739

The Company manages credit risk of receivables through the monitoring of credit exposures and continuous assessment of credit worthiness of its customers. The company believes that it is not exposed to any major concentration of credit risk as its customers are credit worthy and dealing banks posses good credit ratings.

32.2 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.. At present the company is facing liquidity problems and have been unable to make timely repayment of its liabilities resulting in over dues, further, the short term finance facilities have expired and not been renewed by the lenders. The following are the contractual maturities of the financial liabilities, including estimated markups:

	Carrying Amounts	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
			Rupees in '000			
2010						
Financial Liabilities						
Loans	3,098,371	3,465,189	2,347,936	882,406	--	234,847
Lease liabilities	103,132	122,873	65,576	57,297	--	--
Trade and other payables	5,841,421	6,369,570	6,369,570	--	--	--
Mark up payable	1,813,578	1,794,211	1,794,211	--	--	--
Short term borrowings	7,218,303	8,709,563	8,709,563	--	--	--
	18,074,805	**20,461,406**	**19,286,856**	**939,703**	**--**	**234,847**

	Carrying Amounts	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
			Rupees in '000			
2009						
Financial Liabilities						
Loans	2,996,568	3,451,586	1,793,845	391,797	956,592	309,352
Lease liabilities	103,132	122,873	65,576	21,537	35,760	--
Trade and other payables	5,983,875	6,468,709	6,468,709	--	--	--
Mark up payable	1,794,211	1,794,211	1,794,211	--	--	--
Short term borrowings	7,217,093	8,708,353	8,708,353	--	--	--
	18,094,879	**20,545,732**	**18,830,694**	**413,334**	**992,352**	**309,352**

All the financial liabilities of the Company are non derivative financial liabilities. The contractual cash flow relating to the above financial liabilities have been determined on the basis of markup rates effect as at June 30.

32.3 Market Risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of financial instruments. The company is exposed to currency risk and interest rate risk only.

32.3.1Currency risk

Foreign currency risk arises mainly where receivables and payables exists due to transactions in foreign currencies. The company's financial instruments of the exposed to currency risk were as follows:

	2010	2009
	(Amount in Rs. '000)	
Loan	**(1,795,500)**	(1,707,300)
Makup on loans	**(90,122)**	(96,628)
Bank balances	**5,473**	5,084
	(1,880,149)	(1,798,844)

The following significant exchange rate has been applied:

	2010	2009
USD to PKR (Reporting date rate in Rupees)	**85.60**	81.30
USD to PKR (Average rate in Rupees)	**83.40**	78.89

Sensitivity analysis

At reporting date if PKR against US Dollar had strengthened by 10% against the US Dollar with all other variables held constant loss / profit for the year would have been lower / higher by the amounts shown below, mainly as a result of foreign exchange gain on translation of foreign currency liabilities.

	2010	2009
Effect on loss / profit	**188,015**	179,884

The 10% weakening of the PKR against US Dollar would have had an equal but opposite impact on the loss / profit for the year on the basis that all other variables remain constant.

32.3.2 Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The company's exposure to the risk of changes in interest rates relates primarily to the following:

	2010	2009
Fixed rate instruments at carrying amounts:		
Financial Assets		
Balance with banks	**5,473**	5,084
Financial liabilities		
Long term loans	**1,795,500**	1,707,300
Variable rate instruments at carrying amounts:		
Financial liabilities		
Loans	**1,068,024**	1,068,024
Lease liabilities	**103,132**	103,132
Short term borrowings	**7,203,048**	7,201,256
Trade payables (overdue letter of credits)	**5,387,048**	1,770,138
	13,761,252	10,142,550

Fair value sensitivity analysis for fixed rate instruments:

The company does not account for any fixed rate financial assets at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased / decreased loss/profit for the year by the amounts shown below:

	2010	2009
	(Amount in Rs. '000)	
Effect on loss due to change of 100 BPs		
Increase	--	14,464
Decrease	--	14,464

The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

32.4 Fair value of the financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying values of financial instruments reflected in these financial statements approximate their fair values.

32.5 Capital risk management

The company's prime objective when managing capital is to safe guard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

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

Amount in Rs. '000'

	Chief Executive		Director		Executive		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Managerial remuneration	**3,960**	3,960	**2,376**	2,376	**16,603**	50,408	**22,939**	56,744
Retirement benefits	--	--	--	--	--	--	--	--
House rent allowance	**1,740**	1,740	**1,044**	1,044	**7,471**	22,684	**10,255**	25,468
Utilities	**300**	300	**180**	180	**1,660**	5,041	**2,140**	5,521
Medical	--	--	--	--	--	--	--	--
Conveyance	--	--	--	--	**115**	125	**115**	125
	6,000	6,000	**3,600**	3,600	**25,849**	78,258	**35,449**	87,858
Number of Persons	**1**	1	**1**	1	**24**	68	**26**	70

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

34 TRANSACTION WITH RELATED PARTIES

The related parties comprise associated undertakings, directors and key management personnel. Remuneration and benefits to chief executive directors and key management personnel under terms of their employment are disclosed in note 33 to the financial statements. Transaction with related parties other than remuneration and benefits to key management personnel are as under:

	2010	2009
	(Rupees in '000)	
Associated companies		
Sales of goods	--	670,705
Purchases of goods	--	16,371
Purchase of vehicles	--	8,511
Director:		
Long term loan received / (paid)	**13,603**	46,594

35 INFORMATION ABOUT BUSINESS SEGMENTS

35.1 For management purposes, the activities of the Company are organized into business segments based on their products and has two reportable operating segments. The PSF segment mainly relates to production and sale of Polyester Staple Fibre. ASF segment includes production and sale of Acrylic Staple Fibre. The operations of the company are closed since December 2008.

35.2 The transaction relating to sales and collection of sales are recorded on the basis of actual sale of PSF and ASF. Conversion costs are allocated on the basis of production, distribution cost and administrative expenses are allocated on the basis of sales value.

35.3 All non current assets of the company as of June 30, 2010 are located in Pakistan.

35.4 All sales have been made to customers based in Pakistan. Sales amounting to Rs.46.002 million comprising 33.46% of entity revenues are made to one customer being the successful bidder of the auction of company's stocks.

36 TAXATION

36.1 Relationship between income tax expense and accounting profit

	2010	2009
Accounting profit as per profit and loss account	**(1,647,293)**	(6,363,619)
Applicable tax rate	**35%**	35%
Tax on accounting profit	**(576,553)**	(2,227,267)
Tax effect of accelerated tax depreciation	**125,283**	70,846
Tax effect of export sales subject to tax separately U/s 169	--	136,714
Tax effect of expenses that are not deductible in determining taxable income charged to profit and loss account	**63,449**	49,802
Tax (refundable) / payable under normal rules	**(387,821)**	(1,969,905)
Minimum tax payable under Income Tax Ordinance, 2001	**687**	752

37 PLANT CAPACITY AND PRODUCTION

	2010		2009	
	Annual Capacity (tons)	**Production (tons)**	**Annual Capacity (tons)**	**Production (tons)**
PSF Units	**240,900**	--	240,900	21,447
Acrylic Unit	**25,760**	--	25,760	4,361
Total	**266,660**	--	**266,660**	**25,808**

The operation of the company are closed since December 2008 due to working capital constraints.

38 CORRESPONDING FIGURES

Prior year's figures have been reclassified and rearranged wherever necessary to facilitate comparison. Significant reclassifications include advance income tax amounting to Rs.448.873 million previously disclosed separately have now been net off from taxes payable and storage charges amounting to Rs.17.737 million previously included in purchases have been disclosed separately in cost of sales. The reclassifications have no impact on loss for the prior year and has been made for better presentation.

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on November 08, 2010 in accordance with the resolution by the Board of Directors of the Company.

40 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Rupees, which is the Company's functional currency. All financial information presented in Rupees been rounded to nearest thousand.

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the company is presently out of the country, therefore these financial statements have been signed by two Directors of the company duly authorized by the Board of Directors.

Dewan Asim Mushfiq Farooqui
Managing Director

Haroon Iqbal
Director

PATTERN OF SHAREHOLDING UNDER REGULATION 37(XX)(I) OF THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2010

Srl #	Categories of Shareholders	Number of Shareholders	Number of Shares held	% of Shareholding
1.	Associated Companies	3	156,433,140	42.70%
2.	NIT and ICP	6	10,901,528	2.98%
3.	Directors, CEO, their Spouses & Minor Children	6	21,087,449	5.76%
4.	Executives	3	1,500	0.00%
5.	Public Sector Companies & Corporations	132	7,002,745	1.91%
6.	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds	135	51,763,568	14.13%
7.	Individuals	21,937	119,131,154	32.52%
	TOTAL	22,222	366,321,084	100.00%

DETAILS OF CATAGORIES OF SHAREHOLDERS

Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1.	**Associated Companies**			
1.1	Dewan Textile Mills Limited	1	104,288,773	28.47%
1.2	Dewan Khalid Textile Mills Limited	1	32,279,849	8.81%
1.3	Dewan Mushtaq Textile Mills Limited	1	19,864,518	5.42%
		3	156,433,140	42.70%
2.	**NIT and ICP**			
2.1	National Bank of Pakistan, Trustee Department NI(U)T Fund	1	5,959,723	1.63%
2.2	National Bank of Pakistan	1	4,789,182	1.31%
2.3	National Investment Trust Limited	1	148,511	0.04%
2.4	Investment Corporation of Pakistan	1	2,401	0.00%
2.5	National Bank of Pakistan, Trustee Department	1	1,611	0.00%
2.6	IDBP (ICP UNIT)	1	100	0.00%
		6	10,901,528	2.98%
3.	**Directors, CEO, their Spouses & Minor Children**			
	Directors and CEO			
3.1	Dewan Muhammad Yousuf Farooqui	1	12,443,983	3.40%
3.2	Dewan Asim Mushfiq Farooqui	1	2,982,122	0.81%
3.3	Dewan Abdullah Ahmed Farooqui	1	2,507,880	0.68%
3.4	Dewan Abdul Baqi Farooqui	1	2,520,300	0.69%
3.5	Mr. Haroon Iqbal	1	500	0.00%
3.6	Mr. Mansoor ul Haq	1	500	0.00%
3.7	Mr. Maudood Ahmed Lodhi	1	500	0.00%
		7	20,455,785	5.58%
	Spouses of Directors and CEO			
3.8	Mrs. Heena Yousuf	1	384,867	0.11%
		1	384,867	0.11%
	Minor Children of Directors and CEO			
3.9	Miss Yumna Yousuf	1	248,297	0.07%
		1	248,297	0.07%

SHAREHOLDERS HOLDING 10% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY

Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1	Mitsubishi Corporation	1	40,349,814	11.01%
2	M/s Dewan Textile Mills Limited	1	104,288,773	28.47%

DETAILS OF TRADING IN THE SHARES OF THE COMPANY BY DIRECTORS, CEO, CFO, COMPANY SECRETARY, THEIR SPOUSES AND MINOR CHILDREN

During the year under review, none of the CEO, CFO, Directors, Company Secretary, their spouses and minor children have traded in the shares of the Company.

PATTERN OF SHAREHOLDING

1. Incorporation Number **0020315**

2. Name of the Company **DEWAN SALMAN FIBRE LIMITED**

3. Pattern of holding of the shares held by the Shareholders as at 30 06 2010

4.

Number of Shareholders	Shareholdings				Total Shares held
5,895	1	-	100	Shares	158,989
8,315	101	-	500	Shares	1,979,496
1,845	501	-	1,000	Shares	1,584,173
3,542	1,001	-	5,000	Shares	10,098,104
1,120	5,001	-	10,000	Shares	9,000,168
361	10,001	-	15,000	Shares	4,650,517
283	15,001	-	20,000	Shares	5,243,669
158	20,001	-	25,000	Shares	3,678,639
118	25,001	-	30,000	Shares	3,345,867
69	30,001	-	35,000	Shares	2,287,140
55	35,001	-	40,000	Shares	2,131,650
32	40,001	-	45,000	Shares	1,381,202
84	45,001	-	50,000	Shares	4,136,904
24	50,001	-	55,000	Shares	1,269,892
22	55,001	-	60,000	Shares	1,300,211
20	60,001	-	65,000	Shares	1,268,925
14	65,001	-	70,000	Shares	958,047
17	70,001	-	75,000	Shares	1,243,953
14	75,001	-	80,000	Shares	1,087,324
9	80,001	-	85,000	Shares	749,576
15	85,001	-	90,000	Shares	1,327,472
1	90,001	-	95,000	Shares	92,775
44	95,001	-	100,000	Shares	4,393,004
7	100,001	-	105,000	Shares	715,453
9	105,001	-	110,000	Shares	975,438
4	110,001	-	115,000	Shares	456,000
6	115,001	-	120,000	Shares	706,563
1	120,001	-	125,000	Shares	125,000
3	125,001	-	130,000	Shares	386,000
2	130,001	-	135,000	Shares	266,291

Number of Shareholders	Shareholdings			Total Shares held
5	135,001	-	140,000 Shares	685,273
4	140,001	-	145,000 Shares	576,500
9	145,001	-	150,000 Shares	1,339,935
1	150,001	-	155,000 Shares	150,911
2	155,001	-	160,000 Shares	316,000
4	160,001	-	165,000 Shares	651,665
3	165,001	-	170,000 Shares	504,472
2	170,001	-	175,000 Shares	349,697
4	175,001	-	180,000 Shares	715,921
2	180,001	-	185,000 Shares	365,125
1	185,001	-	190,000 Shares	190,000
2	190,001	-	195,000 Shares	388,996
10	195,001	-	200,000 Shares	1,995,184
3	200,001	-	205,000 Shares	609,000
1	205,001	-	210,000 Shares	208,405
1	210,001	-	215,000 Shares	215,000
1	215,001	-	230,000 Shares	230,000
2	230,001	-	235,000 Shares	463,455
2	235,001	-	240,000 Shares	475,100
1	240,001	-	245,000 Shares	245,000
4	245,001	-	250,000 Shares	997,297
1	250,001	-	260,000 Shares	259,992
1	260,001	-	270,000 Shares	269,000
1	270,001	-	275,000 Shares	275,000
2	275,001	-	285,000 Shares	568,938
1	285,001	-	290,000 Shares	290,000
1	290,001	-	295,000 Shares	292,798
4	295,001	-	300,000 Shares	1,196,437
1	300,001	-	310,000 Shares	306,000
1	310,001	-	320,000 Shares	318,729
1	320,001	-	335,000 Shares	331,500
2	335,001	-	350,000 Shares	694,118
2	350,001	-	385,000 Shares	769,734
4	385,001	-	400,000 Shares	1,600,000
2	400,001	-	410,000 Shares	819,300
1	410,001	-	420,000 Shares	417,641
1	420,001	-	440,000 Shares	439,082
1	440,001	-	460,000 Shares	455,797
1	460,001	-	470,000 Shares	466,500
1	470,001	-	475,000 Shares	473,168

Number of Shareholders	Shareholdings			Total Shares held
1	475,001	-	480,000 Shares	477,850
1	485,001	-	495,000 Shares	493,707
3	495,001	-	500,000 Shares	1,500,000
1	500,001	-	505,000 Shares	500,005
1	505,001	-	550,000 Shares	550,000
1	550,001	-	590,000 Shares	585,780
1	590,001	-	600,000 Shares	600,000
1	600,001	-	605,000 Shares	602,500
1	605,001	-	695,000 Shares	690,500
1	695,001	-	705,000 Shares	702,378
1	705,001	-	720,000 Shares	719,500
1	720,001	-	745,000 Shares	740,669
1	745,001	-	805,000 Shares	803,500
1	805,001	-	920,000 Shares	917,658
1	920,001	-	930,000 Shares	930,000
1	930,001	-	940,000 Shares	937,000
3	940,001	-	1,000,000 Shares	3,000,000
2	1,000,001	-	2,000,000 Shares	3,720,012
1	1,345,001	-	2,110,000 Shares	2,109,634
1	2,110,001	-	2,510,000 Shares	2,507,880
1	2,510,001	-	2,525,000 Shares	2,520,300
1	2,525,001	-	2,985,000 Shares	2,982,122
1	2,985,001	-	3,005,000 Shares	3,004,965
1	3,005,001	-	3,520,000 Shares	3,517,802
1	3,520,001	-	4,790,000 Shares	4,789,182
1	4,790,001	-	5,590,000 Shares	5,589,998
1	5,590,001	-	5,960,000 Shares	5,959,723
1	5,960,001	-	6,820,000 Shares	6,819,765
1	6,820,001	-	8,000,000 Shares	8,000,000
1	8,000,001	-	12,445,000 Shares	12,443,983
2	12,445,001	-	19,865,000 Shares	21,771,123
1	19,865,001	-	32,280,000 Shares	32,279,849
1	32,280,001	-	40,350,000 Shares	40,349,814
1	40,350,001	-	104,290,000 Shares	104,288,773
22,222	**TOTAL**			**366,321,084**

5.	Categories of Shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer, their spouses and minor children	21,088,949	5.76%
5.2	Associated Companies, undertakings and related parties	156,433,140	42.70%
5.3	NIT and ICP	10,901,528	2.98%
5.4	Banks, Development Financial Institutions, Non-Banking Finance Companies	49,434,187	13.49%
5.5	Insurance Companies	2,253,034	0.62%
5.6	Modarabas and Mutual Funds	76,347	0.02%
5.7	Shareholders holding 10%	144,638,587	39.48%
5.8	General Public		
	a. Local	119,131,154	32.52%
	b. Foreign	-	0.00%
5.9	Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees)	7,002,745	1.91%