

Quarterly Report

March 31, 2010



Dewan Salman Fibre Limited



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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 :** AAMIR SHAHZAD MALIK
- 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
- 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



DIRECTOR'S REVIEW

IN THE NAME OF ALLAH; THE MOST GRACIOUS AND MERCIFUL

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

The Board of Directors of your Company present un-audited condensed interim financial statements of the Company for the nine months ended March 31, 2010 in compliance with the requirements of section 245 of the Companies Ordinance 1984, as amended through Companies (Amendment) Ordinance 2002 and Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan.

Operating Performance

During the period under review, we were unable to start the plant of your Company due to un-availability of working Capital. However, management's efforts are in progress to make the Country's largest PSF manufacturing plant operative.

Financial Performance

During the period under review your Company recorded net sales of Rs.44.159 Million of stocks, resulted in a Gross Loss of Rs.1,055.59 Million. Financial Charges are decreased in the period under review to Rs.106.736 Million, because of non-provisioning of financial charges on short/long term obligations in anticipation of positive outcome of the negotiations with financial institutions for re-structuring process.

Future Out Look

The international crude oil prices are again on rising trend, after remaining stable for some time, resulting in the prices of its derivatives including PTA and MEG are on the same trend. The domestic law and order, and unstable political situation also worsening the situation. The entire economy of the country also badly effected due to these two reasons. With the rise in Cotton prices, PSF consumption is expected to increase and this trend is likely to continue during remaining part of the current financial year. Also textile industry is now exempted from power load shedding, this will improve their production efficiency and as textile companies are the main consumer of polyester stable fibre, it will definitely improve the demand of polyester stable fibre. This scenario will be definitely help full for our financial re-structuring cause.

The Management is still very much hopeful with the blessings of Almighty Allah and the joint efforts of workers that it will be able to come out from this turmoil.

The Company is also vigorously pursuing return on its investments, particularly in its associated companies, so that the financial condition may be enhanced.

**Acknowledgement**

The Board expresses the hope that its valuable shareholder, Federal and Provincial Government functionaries, banks, financial institutions and customer of Salsabil, shall continue to extend their cooperation and support as they did in the past.

The Board also highly appreciates the valuable services of its loyal and devoted executives, staff members and workers of the Company. It recognizes that they are most valuable assets of the company.

Conclusion

We beg and pray to Almighty Allah, the Most Merciful, in the name of our Prophet, Mohammad (Peace be upon him), for continued blessing on the Company and Pakistani Nation.

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

By and under Authority of the Board of Directors

Dewan Muhammad Yousuf Farooqui

President/Chief Executive



CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2010

SHARE CAPITAL AND RESERVES	Note	Mar. 31 2010 (Rupees in '000)	June 30 2009
Authorized Capital			
630,000,000 (June 2009: 630,000,000) Ordinary shares of Rs. 10/- each		6,300,000	6,300,000
90,000,000 (June 2009: 90,000,000) Preference shares of Rs. 10/- each		900,000	900,000
		<u>7,200,000</u>	<u>7,200,000</u>
Issued, subscribed and paid-up capital		3,663,211	3,663,211
Impairment in value of Investment		3,315	-
Reserves		(10,482,935)	(9,572,222)
		<u>(6,816,409)</u>	<u>(5,909,011)</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		2,409,439	2,573,137
NON CURRENT LIABILITIES			
Long Term Loans – Secured		565,797	1,201,944
Liability against assets subject to finance lease		11,907	41,836
Deferred Liabilities		1,240,805	1,298,999
CURRENT LIABILITIES			
Trade and other payables		5,875,658	5,983,875
Markup accrued		1,813,578	1,794,211
Short term borrowings		7,216,511	7,217,093
Current and overdue portions of:			
Long Term Loan		2,500,724	1,794,624
Liability against Assets subject to Finance Lease		91,225	61,296
Provision for taxation		610,255	610,034
		<u>18,107,951</u>	<u>17,461,133</u>
Contingencies and commitments	6	<u>15,519,490</u>	<u>16,668,038</u>
NON CURRENT ASSETS			
Property, plant and equipment		9,252,103	9,958,524
Long-Term Investments		136,716	133,401
Long-Term Deposits Leased		9,788	9,788
Long-Term Prepayments		22,360	25,554
(Negative) Goodwill		(1,445)	(5,779)
CURRENT ASSETS			
Stores and Spares		1,078,186	1,078,186
Stock-in-Trade		1,064,360	1,457,460
Trade Debts - Considered good		2,832,914	2,835,872
Advances - considered good		85,293	84,489
Short term deposits and prepayments		180,996	204,626
Accrued income on financial assets			
Other Receivables- Considered good		166,771	197,469
Advance Income tax		449,795	448,873
Cash and Bank Balances		18,653	16,575
		<u>5,876,968</u>	<u>6,323,550</u>
Non current assets held for sale		<u>223,000</u>	<u>223,000</u>
		<u>15,519,490</u>	<u>16,668,038</u>

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

Dewan Muhammad Yousuf Farooqui

Dewan Muhammad Yousuf Farooqui
President/Chief Executive

Haroon Iqbal

Haroon Iqbal
Director



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2010

	Mar. 31 2010	Mar. 31 2009
	(Rupees in '000)	
Sales	44,159	4,140,853
Sales Discount and Commission	-	1,685
Net Sales	44,159	4,139,168
Cost of Sales	1,036,651	6,937,156
Gross (Loss)	(992,492)	(2,797,988)
Distribution Cost	12,313	59,896
Administration Expenses	55,127	124,263
Less Amortization of Negative Goodwill	(4,334)	(4,334)
	63,106	179,825
Operating (Loss)	(1,055,598)	(2,977,813)
Finance Cost	106,736	3,124,823
Gain in the value of investment	-	-
Provision for doubtful debts	-	-
Other income	-	(9,420)
	106,736	3,115,403
(Loss) before taxation	(1,162,334)	(6,093,216)
Impairment loss charge for the Quarter	-	(4,616)
	(1,162,334)	(6,097,832)
Taxation		
Current	221	-
Prior		
Deferred	(88,145)	(97,938)
	(87,924)	(97,938)
(Loss) after taxation	(1,074,410)	(5,999,894)
(Loss) per share - Basic (Rupees)	(2.93)	(16.38)
(Loss) per share - Diluted (Rupees)	(2.79)	(15.67)

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Dewan Muhammad Yousuf Farooqui
President/Chief Executive

Haroon Iqbal
Director



CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2010

	Mar. 31 2010	Mar. 31 2009
	(Rupees in '000)	
Cash Flow from Operating Activities		
(Loss) before taxation	(1,162,334)	(6,097,832)
Adjustments for:		
Depreciation	706,421	782,816
Amortization of negative goodwill & prepayments	(1,140)	(1,140)
Provision for obsolete stock	--	--
Provision for gratuity	30,380	33,170
Impairment in the value of investment	--	
Gain on sale of fixed assets	--	(9,420)
Financial charges	106,736	3,124,823
	(319,937)	(2,167,583)
Movement in working capital (Note – A)	341,365	(853,068)
Cash generated from operations	21,428	(3,020,651)
Payments for:		
Staff gratuity	(430)	(17,496)
Financial charges	(26,777)	(344,722)
Tax	(922)	(18,316)
	(28,129)	(380,533)
Net cash generated in operating activities	(6,701)	(3,401,185)
Cash Flow from Investing Activities		
Payment for capital expenditure	--	(12,251)
Sale proceeds of fixed assets sold	--	84,075
Long term Investments	--	--
Net cash used in investing activities	--	71,825
Cash Flow from Financing Activities		
Long term loans -net	9,359	(393,857)
Repayment of lease liability	--	(16,969)
Short term finances	--	(316,387)
Net cash outflow from financing activities	9,359	(727,213)
Net Increase/ (decrease) in cash and cash equivalents	2,658	(4,056,573)
Cash and cash equivalents at beginning	(2,969,146)	(3,164,258)
Cash and cash equivalents at 31 December (Note – B)	(2,966,488)	(7,220,831)

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

Dewan Muhammad Yousuf Farooqui
President/Chief Executive

Haroon Iqbal
Director



CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2010

Note - A

Mar. 31 Mar. 31
2010 2009

(Rupees in '000)

Movement in Working Capital*(Increase) / decrease in current assets*

Stores and spares		171,788
Stock-in-trade	393,100	3,121,688
Trade Debts	2,958	(177,317)
Advances	(804)	(72,521)
Short term deposits and prepayments	23,630	367,517
Other receivables	30,698	111,647

Increase / (decrease) in current liabilities

Trade and other payables	(108,217)	(4,375,871)
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341,365

(853,069)

Note - B**Cash and Cash Equivalents**

Cash and cash equivalents include:

Cash and bank balances	18,653	15,016
Short term finances:		
-Short term running finances	2,970,020	7,231,232
-Book Overdraft	15,121	--
	(2,985,141)	(7,231,232)
	(2,966,488)	(7,216,216)

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Dewan Muhammad Yousuf Farooqui
President/Chief Executive

Haroon Iqbal
Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED MARCH 31, 2010

	Issued, subscribed and paid-up capital	General Reserve	Unrealized gain / (loss) due to change in fair value of investment	Unappropriated Profit / (Accumulated Loss)	Total
Amount in Rs. '000'					
Balance as at 01 July 2008	3,663,211	350,000	(1,966)	(3,930,950)	80,295
(Loss) for the year	--	--	--	(6,233,786)	(6,233,786)
Transfer from Surplus on revaluation of fixed assets - net of tax	--	--	--	242,514	242,514
Deficit due to change in fair value of investment	--	--	1,966	--	1,966
Balance as at 30 June 2009	3,663,211	350,000	--	(9,922,222)	(5,909,011)
Balance as at 01 July 2009	3,663,211	350,000	--	(9,922,222)	(5,909,011)
(Loss) for the Half Year Ended December 31, 2009	--	--	--	(765,722)	(765,722)
Transfer from Surplus on revaluation of fixed assets - net of tax	--	--	--	109,132	109,132
Deficit due to change in fair value of investment impairment in the value of investement charged directly to equity note no.	--	--	2,636	--	2,636
Balance as at 31 December 2009	3,663,211	350,000	2,636	(10,578,812)	(6,562,965)
(Loss) for the Quarter Ended March 31, 2010	--	--	--	(308,688)	(308,688)
Transfer from Surplus on revaluation of fixed assets - net of tax	--	--	--	54,565	54,565
Gain due to change in fair value of investment	--	--	679	--	679
Balance as at 31 March 2010	3,663,211	350,000	3,315	(10,832,935)	(6,816,409)

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


CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED MARCH 31, 2010

	9 Months		3 Months	
	July '09- March '10	July '08- March '09	Jan '10- March '10	Jan '09- March '09
Loss for the period	(1,074,410)	(5,999,894)	(308,688)	(1,521,442)
Other comprehensive income:				
Available for sale financial assets				
-Changes in fair value	-	1,566	-	-
-Impairment carried directly in equity	3,315	-	679	-
Total comprehensive loss for the period	(1,071,095)	(5,998,328)	(308,009)	(1,521,442)

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



Dewan Muhammad Yousuf Farooqui
President/Chief Executive



Haroon Iqbal
Director



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2010

1. The Company is incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. It is engaged in manufacturing and sale of polyester, acrylic fibre and tow products.
2. These condensed interim financial statements are unaudited and have been prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting."
3. These condensed interim financial statements are being submitted to the shareholders in compliance with the provisions of section 245 of the Companies Ordinance, 1984.
4. The accounting policies and methods of computations followed in the preparation of these financial statements are the same as those of the last published financial statements for the period ended June 30, 2009 except for the departure from IAS - 39 as described to the interim condensed financial statements.
5. The significant assumptions and estimates adopted in the preparation of these financial statements are the same as those of the last published financial statements for the period ended June 30, 2009.

6. Contingencies

- (a) During the year and subsequent to balance sheet date following banks / financial institutions have filed recovery suits u/s 9 of Financial Institution (Recovery of Finances) Ordinance 2001 in High Court of Sindh at Karachi for recovery of liabilities, the

Name of Bank / DFI	Suit Amount (Rupees in '000)	Status
During the year:		
MCB Bank Limited	268,710	Company contested the claim to be invalid, therefore Hon'able High Court has appointed a chartered accountants to verify the company's contention.
Mybank Limited	918,848	Leave to defend has been filed, pending for hearing.
Pak Oman Investment Co. (Pvt.) Ltd.	132,553	Leave to defend has been filed, pending for hearing.
Hongkong and Shanghai Banking Corp.	225,656	Notice received, pending for hearing
Soneri Bank Limited	824,000	Leave to defend has been filed, pending for hearing.
Meezan Bank Limited	422,697	Leave to defend has been filed, pending for hearing.



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2010

KASB	776,952	Leave to defend has been filed, pending for hearing.
Askari Leasing	20,114	Leave to defend has been filed, pending for hearing.
Orix Leasing	64,700	Leave to defend has been filed, pending for hearing.

The company has strongly contested the cases, since the cases are pending for hearing therefore ultimate outcome cannot be determined at this stage.

- (b) International Finance Corporation has also filed a recovery suit against the company u/s 9 of Financial Institution (Recovery of Finances) Ordinance 2001 for an aggregate amount of US\$ 23.304 million being principle and markup thereon through sale of company's hypothecated assets. The case is pending for hearing therefore the ultimate outcome cannot be determined at this stage.
- (c) Certain lenders have also filed winding up petition against the company U/s 305 and appointment of inspectors U/s 265 of the Company's Ordinance, 1984, where affidavit in opposition to be filed. The ultimate outcome of the case cannot be determined at this stage.
- (d) 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 condensed interim financial statements.
- (e) Guarantees given by the commercial banks on behalf of the company amounted to Rs. nil (June 30, 2009: Rs. 78.3 million)

6.1 Commitments

In respect of letter of credits other than for capital expenditures amounts to NIL (June 30, 2009: Rs. Nil)

7. Date of Authorization for Issue

These condensed interim financial statements were authorized for issue on April 29, 2010 by the Board of Directors of the Company.

8. General

Figures have been rounded off the nearest thousand of rupee unless other wise stated.

Dewan Muhammad Yousuf Farooqui
President/Chief Executive

Haroon Iqbal
Director



CONDENSED INTERIM OPERATING RESULT (UNAUDITED) FOR THE QUARTER ENDED MARCH 31, 2010

	Mar. 31 2010	Mar. 31 2009
	(Rupees in '000)	
Sales	-	341,662
Sales Discount and Commission	-	--
Net Sales	-	341,662
Cost of Sales	302,625	861,612
Gross Loss	(302,625)	(519,950)
Distribution Cost	3,742	8,571
Administration Expenses	18,207	42,661
Less Amortization of Negative Goodwill	(1,445)	(1,445)
	20,504	49,787
Operating (Loss)	(323,129)	(569,737)
Finance Cost	14,941	979,735
Loss before taxation	(338,070)	(1,549,472)
Imparement loss charge for the Quarter	-	(4,616)
Taxation	(338,070)	(1,554,088)
Current	-	--
Deferred	(29,382)	(32,646)
	(29,382)	(32,646)
Loss after taxation	(308,688)	(1,521,442)
Loss per share - Basic (Rupees)	(0.84)	(4.15)
Loss per share - Diluted (Rupees)	(0.79)	(3.97)

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

Dewan Muhammad Yousuf Farooqui
President/Chief Executive

Haroon Iqbal
Director