

Quarterly Report March 31, 2014



DEWAN SALMAN FIBRE LIMITED



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**COMPANY INFORMATION****BOARD OF DIRECTORS**

EXECUTIVE DIRECTOR : DEWAN MUHAMMAD YOUSUF FAROOQUI
CEO & CHAIRMAN BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS : DEWAN ABDUL REHMAN FAROOQUI
DEWAN ABDUL BAQI FAROOQUI
MR. HAROON IQBAL
MANSUR-UL-HAQUE
MR. ISHTIAQ AHMED

INDEPENDENT DIRECTOR : MR. AZIZ-UL-HAQUE

AUDIT COMMITTEE : MR. AZIZ-UL-HAQUE - CHAIRMAN
HAROON IQBAL - MEMBER
MR. MANSUR-UL-HAQUE - MEMBER

HUMAN RESOURCE & REMUNERATION COMMITTEE : MR. HAROON IQBAL - CHAIRMAN
DEWAN MUHAMMAD YOUSUF FAROOQUI - MEMBER
MR. MANSUR-UL-HAQUE - MEMBER

CHIEF FINANCIAL OFFICER : ZAFAR ASIM

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 (K.P.K.)

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 (PRIVATE) LIMITED**
ANUM ESTATE BUILDING, ROOM NO. 310 & 311,
3RD FLOOR, 49, DARUL AMAN SOCIETY,
MAIN SHAHRAH-E-FAISAL, ADJACENT TO BALOCH COLONY BRIDGE,
KARACHI, PAKISTAN.

BANKERS : AL BARAKA ISLAMIC INVESTMENT BANK LIMITED
ALLIED BANK LIMITED
ASKARI BANK LIMITED
BANK ALFALAH LIMITED
BANK OF KHYBER LIMITED
BANK OF PUNJAB LIMITED
FAYSAL BANK LIMITED
HABIB BANK LIMITED
HABIB METROPOLITAN BANK LIMITED
HONG KONG & SHANGHAI BANKING CORPORATION
KASB BANK LIMITED
MEEZAN BANK LIMITED
SUMMIT BANK LIMITED
MCB BANK LIMITED
NATIONAL BANK OF PAKISTAN LIMITED
NIB BANK LIMITED
STANDARD CHARTERED BANK LIMITED (PAKISTAN)
SILK 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 on March 31, 2014 in compliance with the requirements of section 245 of the Company's 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

We did our best to start the operation of the plant but due to non-availability of Working Capital it was not possible to start operation of your company. However, management of your company believes that largest unit of the country is still a viable project and after restructuring it can bring laurels to all the stakeholders as done in the past.

The Company is successfully facing litigation with lenders as elaborated in our previous financial statements. The Management is fully confident that the Company will have favorable decision from the concerned courts.

Industry Overview

During the period under review, the polyester plant of your company remained closed. This could be a precious chance for existing polyester manufacturers to increase their existing production capacities at the maximum but due to interference of Chinese exporter, the domestic PSF market is continually facing difficulties during the period under review. Domestic producers are unable to compete the incomparable pricing and sales volumes by the Chinese exporter which caused loss in operating results. On the contrary, the electricity tariffs in Pakistan had been extra ordinarily raised by the new Government which rattled the economics of the industry. An appeal against the unpromising final decision by the NTC on anti-dumping duty on Chinese exports has been filed. Improvement in margins will depend on the outcome.

Outlook

We had reported on the debt-profiling exercise to you in the last audited financial statements for the year ended 30th June 2013. This effort continues and Insha Allah we expect good progress and conclusion in the near future.

Financial Performance

Company recorded net sales of Rs.nil (2013-Rs.nil) during the period under review suffered gross loss of Rs.540.494 million.(2013 Rs. 594.460 million) And loss after taxation amounted to Rs.487.512 million. (2013- Rs. 965.367 million)

Acknowledgment

The Board expresses the hope that its valued shareholders, Federal and Provincial Government functionaries, banks, financial institutions and customers of Salsabil, shall continue to extend their cooperation, support and patronage as in the past.

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 and recognize that they are most valuable assets of the Company.

Conclusion

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Rahcem, 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 on whole Muslim Ummah, Aameen, Summa Aameen.

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

By and under Authority of the Board of Directors



Dewan Muhammad Yousuf Farooqui
Chief Executive/Chairman Board of Directors

Karachi: April 25, 2014

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT MARCH 31, 2014

	Notes	UN-AUDITED MAR. 31, 2014	AUDITED JUNE 30, 2013
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
630,000,000 (2013: 630,000,000) Ordinary shares of Rs. 10/- each		6,300,000	6,300,000
90,000,000 (2013: 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
Reserves		(14,549,445)	(14,191,601)
		<u>(10,886,234)</u>	<u>(10,528,390)</u>
Surplus on revaluation of property, plant and equipment		2,123,445	2,251,240
NON CURRENT LIABILITIES			
Long term loans		377,745	362,134
Deferred liabilities		1,128,803	1,172,276
CURRENT LIABILITIES			
Trade and other payables		7,579,390	7,557,193
Short term borrowings	4	7,153,055	7,153,055
Overdue portion of long term loans		3,123,924	3,142,824
Overdue portion of liability against assets subject to finance lease		69,724	69,724
Provision for taxation		160,864	160,864
		<u>18,086,957</u>	<u>18,083,660</u>
Contingencies and commitments	5	--	--
		<u>10,830,716</u>	<u>11,340,920</u>
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment		6,817,075	7,309,950
Long term investments		160,444	158,569
Long term prepayments		5,326	8,520
CURRENT ASSETS			
Stores and spares		1,021,719	1,021,719
Stock in trade		176,742	176,743
Trade debts		2,131,171	2,158,899
Advances - Considered good		38,525	37,089
Short term deposits and prepayments		161,857	161,858
Other receivables - Considered good		76,778	76,393
Cash and bank balances		18,079	8,180
		<u>3,624,871</u>	<u>3,640,881</u>
Non current assets held for sale		223,000	223,000
		<u>10,830,716</u>	<u>11,340,920</u>

The annexed notes form an integral part of this interim condensed financial information.



Dewan Muhammad Yousuf Farooqui
Chief Executive/Chairman Board of Directors



Haroon Iqbal
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE NINTH MONTH ENDED MARCH 31, 2014**

	March 31, 2014	March 31, 2013
	(Rupees in '000)	
Sales	--	--
Cost of sales (fixed costs)	540,949	594,460
Gross loss	(540,949)	(594,460)
Distribution cost	3,816	7,168
Administration expenses	31,138	50,598
	34,954	57,766
Operating loss	(575,903)	(652,226)
Finance cost	(18,828)	85,875
Provision for obsolescence and slow moving stocks	--	8,749
Provision for doubtful debt and receivable	--	295,925
Other income	(750)	(950)
	(19,578)	389,599
(Loss) / before taxation	(556,325)	(1,041,825)
Taxation		
Current	--	--
Deferred	(68,813)	(76,458)
	(68,813)	(76,458)
(Loss) / after taxation	(487,512)	(965,367)
Loss per share - Basic (Rupees)	(1.33)	(2.64)
Loss per share - Diluted (Rupees)	(1.26)	(2.50)

The annexed notes form an integral part of this interim condensed financial information.



Dewan Muhammad Yousuf Farooqui
Chief Executive/Chairman Board of Directors



Haroon Iqbal
Director

**CONDENSED INTERIM OPERATING RESULTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2014**

	Qtr Ended Mar 31, 2014	Qtr Ended Mar 31, 2013
	(Rupees in '000)	
Sales	--	--
Cost of sales	179,517	196,974
Gross loss	(179,517)	(196,974)
Distribution cost	1,126	2,465
Administration expenses	9,967	14,678
	11,093	17,143
Operating loss	(190,610)	(214,117)
Finance cost	(115,177)	25,130
Other income	(750)	--
	(115,927)	25,130
Loss before taxation	(74,683)	(239,247)
Taxation		
Deferred	(22,939)	(25,486)
Loss after taxation	(51,744)	(213,761)
Loss per share - Basic (Rupees) --	(0.14)	(0.58)
Loss per share - Diluted (Rupees)	(0.13)	(0.55)

The annexed notes form an integral part of this interim condensed financial information.



Dewan Muhammad Yousuf Farooqui
Chief Executive/Chairman Board of Directors



Haroon Iqbal
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINTH MONTH ENDED MARCH 31, 2014**

	Marc 31, 2014	Marc 31, 2013
	(Rupees in '000)	
Net loss after taxation	(487,512)	(965,367)
Comprehensive income transferred to equity	(487,512)	(965,367)
Net change in fair value of available-for-sale financial assets	1,875	7,599
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment	196,607	218,453
Related deferred tax	(68,813)	(76,458)
	127,794	141,995
Total comprehensive loss for the period	(357,843)	(815,773)
Total comprehensive loss transferred to equity	(357,843)	(815,773)

The annexed notes form an integral part of this interim condensed financial information.



Dewan Muhammad Yousuf Farooqui
Chief Executive/Chairman Board of Directors



Haroon Iqbal
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) 'FOR THE NINTH MONTH ENDED MARCH 31, 2014

	March 31, 2014	March 31, 2013
	(Rupees in '000)	
Cash Flow from Operating Activities		
Loss before taxation	(556,325)	(1,041,825)
Adjustments for:		
Depreciation	492,874	548,153
Amortization of prepayments	3,194	3,194
Provision for obsolescence and slow moving stocks	--	295,925
Provision for doubtful debts and receivable	--	8,749
Provision for gratuity	25,624	29,580
Financial charges	(18,828)	85,875
cash outflow before working capital changes	(53,461)	(70,349)
Movement in working capital (Note - A)	48,104	69,924
Cash generated /(used) from operations	(5,357)	(425)
Payments for:		
Staff gratuity	(209)	(7,384)
Financial charges	(15)	(37)
Tax	(131)	(343)
	(355)	(7,764)
Net cash generated in operating activities	(5,712)	(8,189)
Cash Flow from Financing Activities		
Long term loans -net	15,611	2,440
Net cash outflow from financing activities	15,611	2,440
Net Increase/ (decrease) in cash and cash equivalents	9,899	(5,749)
Cash and cash equivalents at beginning	(2,964,715)	(2,958,640)
Cash and cash equivalents at 30 September (Note - B)	(2,954,816)	(2,964,389)
Note - A		
Movement in Working Capital		
<i>(Increase) / decrease in current assets</i>		
Stock-in-trade & stores	--	--
Trade Debts	27,728	--
Advances	(1,436)	(492)
Short term deposits and prepayments	--	473
Other receivables	(385)	(632)
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	22,197	70,575
	48,104	69,924
Note - B		
Cash and Cash Equivalents		
Cash and cash equivalents include:		
Cash and bank balances	18,079	8,506
Short term finances:		
-Short term running finances	(2,970,019)	(2,970,019)
-Book Overdraft	(2,876)	(2,876)
	(2,972,895)	(2,972,895)
	(2,954,816)	(2,964,389)

The annexed notes form an integral part of this interim condensed financial information.



Dewan Muhammad Yousuf Farooqui
Chief Executive/Chairman Board of Directors



Haroon Iqbal
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINTH MONTH ENDED MARCH 31, 2014

	Issued, subscribed and paid-up capital	General reserve	Unrealized gain/ (loss) due to change in fair value of investment (Rupees in '000)	Accumulated loss	Total
Balance as at July 1, 2012	3,663,211	350,000	7,159	(13,601,686)	(9,581,316)
Comprehensive loss for the period	--	--	--	(1,146,636)	(1,146,636)
Net changes in fair value of available for sale financial assets	--	--	10,237	--	10,237
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment- Net of Tax	--	--	--	189,325	189,325
Balance as at June. 30, 2013	3,663,211	350,000	17,396	(14,558,997)	(10,528,390)
Balance as at July 1, 2013	3,663,211	350,000	17,396	(14,558,997)	(10,528,390)
Total Comprehensive loss for the period	--	--	--	(487,512)	(487,512)
Net changes in fair value of available for sale financial assets	--	--	1,875	--	1,875
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment- Net of Tax	--	--	--	127,794	127,794
Balance as at Mar. 31, 2014	3,663,211	350,000	19,271	(14,918,715)	(10,886,233)

The annexed notes form an integral part of this interim condensed financial information.



Dewan Muhammad Yousuf Farooqui
Chief Executive/Chairman Board of Directors



Haroon Iqbal
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED 30, SEPTEMBER 2013

1 THE COMPANY AND ITS OPERATIONS

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 BASIS OF PREPARATION

2.1 These condensed interim financial statements of the company are for the nine months period ended March 31, 2014 have been prepared in accordance with the requirements of International Accounting Standard 34 (IAS 34) "Interim Financial Reporting" and being submitted to the shareholders under section 245 of the Companies Ordinance 1984 and listing regulations of the Karachi, Lahore and Islamabad Stock Exchange.

2.2 These interim financial Statements comprises of the Balance Sheet as at March 31, 2014 and the Profit and Loss Account, Statement of Changes in Equity and the Cash Flow Statement for the nine months period ended March 31, 2014.

2.3 These comparative Balance Sheet presented in these condensed interim financial statements as March 31, 2014 has been extracted from the annual audited financial statements of the company for the year ended June 30, 2013 where as the items of comparative profit and loss account, statement of changes in equity, cash flow statement and statement of comprehensive income are for the nine months period ended March 31, 2013. The comparative profit and loss for the quarter ended March 31, 2013 is also included in these condensed interim financial statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies, significant accounting estimates and judgments adopted and applied in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the company's annual financial statements for the year ended June 30, 2013, except as described below:

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendment that requires an entity to recognise actuarial gains and losses (renamed as remeasurements) immediately in other comprehensive income. Actuarial gains and losses will no longer be deferred using the corridor approach or recognised in profit or loss. Past service costs will be recognised in the period of a plan amendment and will no longer be spread over a future-service period.

Consequent to the application of amended IAS 19, the Company's policies for staff retirement benefits in respect of remeasurements and past service costs stand amended as 'past service costs and amounts arising as a result of remeasurements are recognized in balance sheet immediately with a charge or credit to other comprehensive income in the periods in which they occur.

The change in accounting policy has been applied retrospectively and comparative figures of balance sheets have been restated. The change resulted in decrease in benefits payables and accumulated loss as of June 30, 2013 by Rs.2.323 million (increase in benefits payables and accumulated loss as of June 30, 2012 Rs. 7.904 million). The actuarial valuations are carried out on annual basis therefore the impacts on this and comparative interim condensed financial information are not quantifiable and also considered immaterial.

4 **SHORT TERM BORROWINGS**

The short term borrowings has not been renewed by the bank as of balance sheet date.

5 **CONTINGENCIES AND COMMITMENTS**

The status of contingencies and commitments are same as reported in the half yearly financial statements for the period ended December 31, 2013.

6 **DATE OF AUTHORIZATION FOR ISSUE**

These financial statement have been authorized for issue on April 25, 2014 by the board of Directors of the company.

7 **GENERAL**

The figure have been rounded off to the nearest thousand rupees.



Dewan Muhammad Yousuf Farooqui
Chief Executive/Chairman Board of Directors



Haroon Iqbal
Director

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Karachi - 75350, Pakistan. Ph: 021-34321533-35 Fax: 021-34321533