

Dhan Fibres Limited

(3rd Annual Report 1996)

COMPANY INFORMATION

CHAIRMAN & CHIEF EXECUTIVE

Khawaja Mohammad Jawed

BOARD OF DIRECTORS

Khawaja Mohammad Kaleera

Khawaja Mohammad Hanif

Khawaja Mohammad Jahangir

Khawaja Mohammad Tanveer

Khawaja Mohammad Nadeem

Khawaja Mohammad Naveed

CORPORATE SECRETARY

Muhammad Anwar Sheikh

BANKERS

Allied Bank of Pakistan Limited

Citibank, N.A.

Muslim Commercial Bank Limited

Prime Commercial Bank Limited

Platinum Commercial Bank Limited

Standard Chartered Bank

LEGAL ADVISOR

Cornelius Lane & Mufti

Advocates and Solicitors

AUDITORS

M. Hussain Chaudhury & Co.

Chartered Accountants

REGISTERED OFFICE

7/1, E-3, Main Boulevard,

Gulberg-III, Lahore, Pakistan

Tele # (92-042) 575-7108

CORPORATE &

SHARE DEPARTMENT

31 - F, Main Market, Gulberg II,

Lahore, Pakistan

Tele # (92-042) 575-5774

FACTORY

Hattar, District Haripur, Pakistan

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 3rd Annum General Meeting of the shareholders of Dhan Fibr will be held on December 31, 1996 at 02:30 p.m. at 7-Happy Homes, 38-A Main Gulberg, Lahore the following business:-

1. To confirm the minutes of 2rid Annum General Meeting held on December 31, 1995.
2. To receive and adopt the audited accounts together with Directors' and Auditors' report year June 30, 1996.
3. To appoint auditors for the year ended June 30, 1997 and fix their remuneration. The re auditors Messrs. M. Hussain Chaudhury & Company, Chartered Accountants, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

4. To consider and if thought fit, to approve the remuneration payable to the Chief Execut whole time working directors of the Company.
5. To transact any other business with the permission of the Chair.

A Statement under Section 160 of the Companies Ordinance, 1984 pertaining to special busin attached with this notice.

BY ORDER OF THE BOARD

Lahore
December 09, 1996.

MUHAMMAD ANWAR SHEIKH
CORPORATE SECRETARY

NOTES:

- 1) A member entitled to attend and vote at the meeting may appoint another member as his/h attend and vote instead of him/her at the meeting. Proxies must be deposited at the Compan Office not less than 48 hours before the time for holding the meeting.
- 2) Members are requested to immediately notify the change of their address, if any.
- 3) Share Transfer Books of the Company shall remain closed from Sunday, December 29, 1996 January 12, 1997 (both days inclusive).

**STATEMENT UNDER SECTION 160 OF
THE COMPANIES ORDINANCE 1984.**

This statement sets out the material facts concerning the special businesses to be transacted at the 3rd Annual General Meeting of Dhan Fibres Limited to be held on December 31, 1996.

No remuneration or meeting fee has been paid to the Chief Executive and other whole time working directors since the incorporation of the Company. The Company has successfully started commercial operations since September 1996 and therefore, approval of the shareholders will be sought for the remuneration payable to Chief Executive and other whole time working Directors. For this purpose, it is intended to propose that the following resolution be passed as an Ordinary Resolution.

"RESOLVED THAT the Company hereby authorizes the payment as remuneration to the Chief Executive and whole time working Directors not exceeding in the aggregate Rupees 3.00 million per annum inclusive of house rent allowance and exclusive of utilities and other perquisites to which they are entitled under their terms of employment ".

The Chief Executive and the whole time working Directors are interested in this special business to the extent of remuneration payable to them.

DIRECTORS' REPORT

On behalf of Board of directors of your company, I take the honour to place before you the alongwith audited accounts for the year ended June 30, 1996.

We are pleased to report that by the grace of Almighty Allah, your company has successful commercial production in September 1996. The production was abnormally delayed owing to reasons which have been discussed in detail in the Directors' report for the six months ended December 1995. The plant is presently being operated at over 50 percent capacity level and the product is receiving encouraging acceptance in the market. We are pleased to report that in this short period we have been able to capture a sizeable market share and are presently placed at second position in terms of market share. The efficiency level is being increased gradually with the increase in market share of our product. We understand that the quality assurance is must for developing brand in the market. Therefore, at Dhan, each batch undergoes rigorous testing to ensure quality and for the reason, some of the most quality conscious spinners have started using Dhan's polyester.

In the current fiscal budget, sales tax has been levied on the sale of domestically produced products including yarn. Resultantly our customers required sales tax paid invoice in order to claim input tax on their purchases. Sales tax Act has also been amended in the manner that purchasers can no longer claim sale tax adjustment against an invoice issued as "Exempt Supply", thus putting textile industries located in sales tax free area at a disadvantage in comparison with industries in taxable areas. We had no other option but to register ourselves for sale tax purposes.

Pakistani PSF manufacturers are suffering tremendously due to dumping by global PSF producers. The price of PSF in the international markets has been consistently higher than the prices

in Pakistan by such global producers. This disparity in prices clearly reflects that the manufacturers are selling their output at a significant discount to global prices. Due to dumping of their products, domestic producers are under a lot of pressure particularly since the tariff structure does not offer any protection to the local industry. We request the relevant authorities to take cognizance of the matter and save the industry from such practices. This is particularly important because of the fact that in a country with high cost dynamics, domestic industry was not allowed a certain amount of compensation in the form of duty protection.

Re-verification of Shares

During September 1996, our share department, detected some fake share certificates. Detailed investigation was made and the matter was immediately reported to all the stock exchanges of Pakistan. After a thorough consultation, we decided to re-verify all the share certificates alongwith transfer deeds in the interest of our valued shareholders. Special arrangements have been made for the convenience of the Shareholders which also include the receipt/delivery of Karachi based Shareholder's shares in order to eliminate the possibility of loss of Scrips in transit. The re-verification work was completed from October 07, 1996. You will appreciate that Dhan Fibres Limited is a large issue and the re-verification job will take some time to complete. Meanwhile the trading of shares of Dhan Fibres Limited continued and we are further requesting the stock exchanges to continue the trading as parallel to the trading with verified and re-verified shares & transfer deeds till such time the major portion of the re-verification is completed.

Auditors

Messrs. M. Hussain Chaudhury & Co., Chartered Accountants, retire and being eligible offer themselves for appointment as the auditors of the Company for the fiscal year 1996-97.

Pattern of Shareholding

The pattern of Shareholding is annexed.

Acknowledgment

The Company places on record the support of its local and foreign shareholders, bankers, and all individuals who have extended their cooperation for the implementation of the project.

Lahore
December 8, 1996.

ON BEHALF OF THE BOARD

KHAWAJA MOHAMMAD JAWED
CHIEF EXECUTIVE

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of DHAN FIBRES LIMITED as at 30th June, 1996 and the statement of changes in financial position (cash flow statement) together with the notes thereto for the year then ended and we state that we have obtained all the information and explanations to the best of our knowledge and belief were necessary for the purposes of our audit and, after consideration thereof, we report that:

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

(b) in our opinion:

i) the balance sheet together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given, the balance sheet and statement of changes in financial position (cash flow statement) together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of company's affairs as at 30th June, 1996 and of the changes in financial position (cash flow) for the year then ended;

(d) the company has not started any commercial production, hence no profit and loss account is available;

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

Lahore
December 08, 1996.

M. HUSSAIN CHAUDHURY &
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT 30TH JUNE, 1996

	Note	1996 Rupee
CAPITAL AND LIABILITIES		
SHARE CAPITAL		
Authorised:		
301,000,000 Ordinary Shares of Rs. 10/- each		3,010,000
Issued, Subscribed and Paid up Capital:		
296,767,400 Ordinary Shares of Rs. 10/- each	3	2,967,674

DEFERRED LIABILITIES

Gratuity

3

CURRENT LIABILITIES

Short term borrowing

4

75,2

Creditors, accrued and other liabilities

5

824,4

899,6

CONTINGENCIES AND COMMITMENTS

6

3,867,7

=====

The annexed notes form an integral part of these accounts.

PROPERTY AND ASSETS

FIXED ASSETS - TANGIBLE

Operating fixed assets

7

59,6

Capital work-in-progress

8

2,879,1

2,938,8**DEFERRED COSTS**

9

88,6

CURRENT ASSETS

Stores, spares & loose tools

10

121,8

Stock-in-trade

11

546,9

Trade Debts

12

3,9

Loans, advances, deposits, prepayments
& other receivables

13

57,6

Cash and bank balances

14

109,8

840,2-----
3,867,7

=====

STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED 30TH JUNE, 1996

	1996
	Rupee
CASH FLOW FROM INVESTING ACTIVITIES	
Addition to operating fixed assets	(13,96)
Capital work-in-progress	(751,13)
Proceed from sale of fixed assets	7
Interest/mark-up received	21,2
Deferred costs	(2)

Net cash outflow from investing activities	(743,108)
	=====
CASH FLOW FROM FINANCING ACTIVITIES	
Increase in share capital	
Short term financing	75,2
Financial charges paid	(41)
Net cash inflow from financing activities	74,8

	(668,25)
Effect on cash flow due to working capital changes	
(Increase)/decrease in current assets:	
Loans, advance, deposits, prepayments and other receivables	(703,68)
(Decrease)/Increase in current liabilities:	
Creditors, accrued and other liabilities	(84,35)

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	
	(1,456,2)
Cash and cash equivalents at the beginning of the year	1,566,1

Cash and cash equivalents at the end of the year	109,8
	=====

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE, 1996**

1. THE COMPANY AND ITS OPERATIONS

1.1 Dhan Fibres Limited was incorporated on 8th March 1994 as a public limited company in Companies Ordinance, 1984 and is quoted on all the Stock Exchanges of Pakistan,

The primary object of the Company is to manufacture and sale of man-made fibre (polyester Polyester Chips.

1.2 Profit and Loss account for the year ended 30th June, 1996 has not been drawn up as th

commenced commercial production.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention without any adjustment for inflation or current values.

2.2 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all the employees who have completed qualifying service period under the company's rules. Annual provision is made to cover the scheme.

2.3 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation except free-hold land/leasehold work in progress which are stated at cost.

Cost of operating fixed assets consists of historical cost and attributable expenses in bringing to working condition.

Depreciation is charged applying reducing balance method so as to write off the cost of operating assets over their useful lives.

No depreciation is charged on the assets deleted during the year whereas full year's depreciation is charged on additions during the year.

Gain or loss on disposal of fixed assets is reflected in the income. Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

2.4 Stores, spares and loose tools

These are valued at moving average cost

2.5 Stock in Trade

The basis of valuation has been specified against each:

Finished goods	at lower of cost or net realisable value
Raw & packing material	at moving average cost
Goods in transit	at invoice value and other charges relevant thereto
Work in process	at average cost

Cost signifies prime cost and appropriate portion of production overheads

2.6 Taxation

The company has not yet commenced commercial production and as such the provision for current and deferred taxation is neither required nor provided for in these accounts.

2.7 Deferred costs

Deferred cost shall be amortized during the period not exceeding five years commencing from commercial production.

2.8 Foreign currency translation

Transactions in foreign currency are recorded in the books at the rate of exchange ruling except for transactions which are covered under forward exchange contracts, are translated at the ruling rates.

Deposits in foreign currencies are translated into Pak Rupee at the rate of exchange ruling on the reporting date.

2.9 Revenue Recognition

Revenue from sales is recognized on despatch of goods to the customers, interest income is recognized on an accrual basis.

2.10 General

- a) Figures have been rounded off to the nearest rupee; and
- b) Previous year figures have been re-arranged wherever necessary to facilitate comparison.

ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

296,767,400 (1995: 296,767,400) Ordinary shares
of Rs. 10/- each fully paid in cash

199
Rupee

2,967,6

2,967,6
=====

4. SHORT TERM BORROWING

Short term running finance - secured

4.1

75,2
=====

4.1 This represents short term finance utilized under Mark-up arrangements against the total assets (1995: Rs. Nil). These arrangements are normally for a period of twelve months and mark-up facilities ranges between 18% to 20% per annum. These arrangements are secured by means of hypothecation on the entire assets of the company ranking pari passu with other lending banks.

5. CREDITORS, ACCRUED AND OTHER LIABILITIES

Payable to machinery supplier

Creditors

Payable to contractors

Retention money

Accrued interest

62,0
5.1 467,6
19,0
5.2 7,2
1,5

Expenses payable	4,7
Others	262,0

	824,4
	=====

5.1 This includes amount payable to suppliers for material imported against usance letters

5.2 This represents amount retained from contractors/suppliers and is payable upon completion specified in the agreements.

6. CONTINGENCIES & COMMITMENTS

6.1 Contingencies

Guarantee issued in favour of Ministry of Commerce for Rs. 7.533 million (1995:75.333 million) license fee as per SRO 1317 (1)90 dated December 22,1990. Against the total amount of guarantee of Rs. 67.80 million (1995 Rs. Nil) has been released on production order by the Provincial Industries Department to the effect that the machinery has been installed in the factory for the purpose.

The guarantee has been issued by the bankers of the company which is secured against first mortgage of the property of the company.

6.2 Commitments

Commitments in respect of capital expenditure contracted but not incurred amounting to Rs. 0.500 billion (1995: Rs. 0.500 billion).

7. OPERATING FIXED ASSETS

PARTICULARS	AS ON 7/1/1995	C O S T	
		ADDITIONS (DELETIONS)	AS ON 6/30/1996
	Rupees	Rupees	Rupees
1. Land - freehold	41,275,997	396,750	41,672,747
2. Land - leasehold	2,994,282	-	2,994,282
3. Furniture & Fixtures	1,347,633	3,198,645	4,546,278
4. Factory Equipment	13,829	2,642,028	2,655,857
5. Office Equipment	1,354,600	3,290,605	4,645,205
6. Vehicles	2,657,448	4,441,965	7,100,413
		-911,732	
		-----	-----
1996	49,643,789	13,969,993	62,613,782
Total		-911,732	
		=====	=====

1995

9,507,491

40,136,298

49,6

=====

=====

=====

Note: The depreciation charge has been transferred to unallocated capital expenditure - (N

7.1 Disposal of fixed assets

PARTICULARS	COST	ACCUMULATED DEPRECIATION	BOO VALU
Vehicles			9
TOYOTA CORROLA (1600 CC)	911,732	--	

199
Rupe

8. CAPITAL WORK IN PROGRESS

Civil and development works (including design mid consultancy)			221,6
Plant & Machinery (including fabrication, electrification, installation of machinery and erection expenses)			2,582,3S
Un-allocated capital expenditure		8.1	181,5

			2,985,4
Less: Interest Income			106,2

			2,879,1

8.1 UN-ALLOCATED CAPITAL EXPENDITURES

Salaries, wages and other benefits			21,7
Office renovation and maintenance			2,5
Vehicles running and maintenance			1,8
Insurance			3
Electricity and other utilities			9,0
Postage, telephone and telegrams			5,9
Rent, rates and taxes			1,7
Printing and stationery			1,7
Travelling and entertainment			6,7
Newspaper and periodicals			6
Fee and subscriptions			5
Freight and octroi			2
Legal and professional			2
Charity and donation		8.1.1	1,1

Auditors' remuneration	8.1.2	4
Advertisement Expenses		1,2
Share department expenses		6
Interest and bank charges		2,0
Trial run cost		117,9
Loss on disposal of fixed assets		1
Depreciation		3,0
Miscellaneous expenses		1,2
Other income		(2)

		181,5
		=====

8.1.1 None of the directors or their spouse have any interest in the donee's fund.

8.1.2 Auditors' remuneration

Audit fee		2
Out of pocket expenses		
Statutory report and certificates		
Tax consultation		1

		4
		=====

9. DEFERRED COSTS

Preliminary expenses		2,9
Public issue expenses	9.1	85,6

		88,6
		=====

9.1 It includes commission to the bankers to the issue, brokerage to the members of the stock exchange, placement fee, underwriting fee and other floatation expenses inclusive of cost of printing and distribution of prospectus, share certificates, and listing fee etc. The amount shall be a liability for a period of five years from the year of commencement of commercial production.

10. STORES, SPARES AND LOOSE TOOLS

Stores and spares		92,9
Loose tools		28,9

		121,8
		=====

11. STOCK-IN-TRADE

Raw and packing material	11.1	489,8
Work in process		31,8
Finished goods		25,3

546,9
=====

11.1 It includes goods in transit amounting to Rs. 50,993,758 (1995: Rs. Nil).

12. TRADE DEBTS

Trade debtors - Considered Good - unsecured

3,9
=====

This represents amount due from associated undertakings.

13. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - Considered good:

- for goods and services

7,7

- against expenses

1,3

- employees

4

Advance income tax

13.1

9,2

Prepaid excise duty

2

Prepaid expenses

8

Security deposits

7

Deposits with KMC

1

Sales tax and import duty refundable

34,8

Interest receivable

9

Other receivables

1,0

57,6
=====

13.1 It includes Rs.2.5 million (1995: Rs. Nil) paid as advance turnover tax u/s 80-D of the Ordinance, 1979.

14. CASH AND BANK BALANCES

Cash in hand

1,5

Cash at bank:

In current accounts

13,3

In deposit accounts

94,9

108,3

109,8
=====

Cash and bank balances include an amount equivalent to US\$ 2.095 million (1995: US\$ 37.095 million) under lien by the bank.

15. CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES' REMUNERATION

No remuneration or meeting fee has been paid during the year to the Chief Executive and Directors. Aggregate amount charged in accounts for the remuneration and allowances to the Executives is as under:

Remuneration	2,8
House rent	1,1
Utilities and other allowances	2

4,3
=====

Number of persons

In addition to above (3) Directors and (7) Executives were provided with company's maintenance.

16. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The company sold to associated undertakings goods in the aggregate sum of Rs. 6,988,428 (1995: Rs. 6,988,428) which were at market prices. Maximum aggregate amount due from associated undertakings at the end of the year was Rs. 3,928,429 (1995: Rs. Nil).

17. PLANT CAPACITY

The plant according to specifications has an annual production capacity of 91,000 Tons polyester staple fibre. The plant is also capable of either manufacturing 100% polyester staple fibre or producing 130 Tons of staple fibre per day. The plant has commenced trial production from June 1996.

FORM- 34

THE COMPANIES ORDINANCE, 1984
(SECTION 236)

PATTERN OF SHAREHOLDING AS AT 30TH JUNE 1996

Number of Shareholders	From	Shareholding To	Total Shares Held
254	1		100
85943	101		500
607	501		1000
842	1001		5000
234	5001		10000
26	10001		15000
29	15001		20000
14	20001		25000
14	25001		30000
2	30001		35000
6	35001		40000
3	40001		45000
			25400
			42846000
			602200
			2729300
			1703200
			336800
			560000
			332200
			402100
			62500
			240000
			130200

10	45001	50000	490600
4	50001	55000	214900
1	55001	60000	60000
1	65001	70000	70000
1	70001	75000	75000
1	85001	90000	88000
2	90001	95000	185500
14	95001	100000	1396000
84	100001	Above	244217500
-----		-----	-----
88092			296767400
=====		=====	=====
Categories of Shareholders			Number of Shareholders
Individuals			87977
Investment Companies			2
Insurance Company			1
Joint Stock Company			1
Financial Institutions			7
Foreign Institutional Investors			67
Others			37

T O T A L			88092
			=====

			=====