DEWAN SALMAN FIBRE LIMITED

Annual Report 1995-96

A
Joint Venture
Of

MITSUBISHI CORPORATION
JAPAN

DEWAN MUSHTAQ GROUP
PAKISTAN

SAM YANG CORPORATION
KOREA

COMPANY INFORMATION

BOARD OF DIRECTORS

AKIRA YAMAMURA
Chairman

DEWAN ZIAUR REHMAN FAROOQUI
President / Chief Executive

DEWAN ASIM MUSHFIQ FAROOQUI
Managing Director

CHANG NAM KIM
DEWAN GHULAM MUSTAFA KHALID
DEWAN MOHAMMAD AYUB KHALID
DEWAN MOHAMMAD YOUSUF FAROOQUI
DEWAN ABDUL REHMAN FAROOQUI
YOON KIM (Alternate Director)
KOICHIRO YABUTA (Alternate Director)
HIROSHI KANAMORI (Alternate Director)
SHINSUKE FUJITA (Alternate Director)
HO-SIK KI (Alternate Director)

SECRETARY

TARIQ MOHAMMAD KHAN

AUDITORS

FARUQ ALl & COMPANY
CHARTERED ACCOUNTANTS

FEROZE SHARIF TARIQ & COMPANY
CHARTERED ACCOUNTANTS

LEGAL ADVISORS

KHALID ANWER & COMPANY

ADVOCATES

TAX ADVISORS
SHARIF & COMPANY
ADVOCATES

AUTHORISED CAPITAL
RS. 3,600 MILLION

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

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

REGISTERED OFFICE
DEWAN CENTRE,
17, STREET-84,
SECTOR G-6/4, ISLAMABAD-44000.

BANKERS
ABN AMR© BANK
AMERICAN EXPRESS BANK
BANK OF AMERICA
CITIBANK
HABIB BANK LTD.
MUSLIM COMMERCIAL BANK LTD.
SOCIETE GENERALE, THE FRENCH AND
INTERNATIONAL BANK
STANDARD CHARTERED BANK

NOTICE OF SEVENTH ANNUAL GENERAL MEETING
Notice is hereby given that the Seventh Annual General Meeting of DEWAN SALMAN FIBRE LIMITED will be held on 22 December 1996 at 1.00 p.m. at Dewan Centre, 17, Street 84, Sector G-6/4, Islamabad, to transact the following business:

ORDINARY BUSINESS:

1. Recitation from HOLY QURAN,

2. To read and confirm the minutes of the SIXTH ANNUAL GENERAL MEETING held on 31 January, 1996.

3. To receive, consider and adopt the annual audited accounts for the year ended 30 June 1996, together with the Directors' and Auditors' Report thereon,

4. To elect 8 Directors of the Company for a pried of three years. The number of Directors to be elected is fixed by the Board of Directors in accordance with the provisions of Section 178 (I) of the Companies Ordinance, 1984. The following retiring directors are eligible for re-election:

1. Mr. Akira Yamamura
2. Dewan Ziaur Rehman Farooqui
3. Mr. Chang Nam Kim
4. Dewan Ghulam Mustafa Khalid
5. Dewan Mohammad Ayub Kholid
6. Dewan Mohammad Yousuf Farooqui
7. Dewan Abdul Rehman Farooqui
8. Dewan Asim Mushfiq Farooqui

5. To approve the declaration of 10 % Cash Dividend

6. To appoint Auditors of the Company for the year ending 30 June 1997 and to fix their remuneration.

SPECIAL BUSINESS:

7. To consider and approve short term loans and advances out of surplus funds available with the Company to Dewan Textile Mills Limited and/or Dewan Khalid Textile Mills Limited and/or Dewan Mushtaq Textile Mills Limited in compliance with the provisions of Section 208 of the Companies Ordinance, 1984,

8. To transact any other business with the permission of the Chairman.

By Order of the Board
(TARIQ MOHAMMAD KHAN)
Company Secretary

NOTES:

1. The Shares Transfer Books of the Company will remain closed from 18 December 1996 to 31 December 1996 (Both days inclusive).

2. A member entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to attend, speak and vote for him/her (A proxy must be a member of the Company).

3. An instrument of proxy and a power of attorney or other authority (if any) under which it is signed or a notarilly certified copy of such power of attorney, in order to be valid must be deposited at the registered office of the Company not less than 48 hours before the time of the meeting.

4. Members are requested to notify any changes in their address immediately.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement is annexed to the Notice of the Seventh Annual General Meeting of Dewan Salman Fibre Limited to be held on 22 December 1996 and sets out material facts concerning the Special Business to be transacted at the Meeting.

1. The Board of Directors considers to advance temporary short term financing to the associated companies out of surplus funds available with the company, In this regard following resolution is proposed to be passed, with or without modification, as a 'SPECIAL RESOLUTION.'

"RESOLVED THAT THE PRESIDENT/CHIEF EXECUTIVE OF THE COMPANY BE AND IS HEREBY AUTHORISED TO MAKE TEMPORARY SHORT TERM LOANS/ADVANCES TO THE FOLLOWING ASSOCIATED COMPANIES UP TO MAXIMUM LIMIT OF RS. 50 MILLION AT THE MARK UP RATE OF 1% ABOVE THE RATE ON WHICH THE COMPANY HAS MADE THE BORROWING.

- DEWAN TEXTILE MILLS LIMITED

- DEWAN KHALID TEXTILE MILLS LIMITED

- DEWAN MUSHTAQ TEXTILE MILLS LIMITED

THESE TEMPORARY LOANS/ADVANCES SHALL BE ADJUSTED AS AND'WHEN REQUIRED BY THE COMPANY AND SHALL NOT EXCEED 12 MONTHS PERIOD.

DIRECTORS' REPORT

Your Directors take pleasure in presenting to you the Seventh Annual Report of the Company together with the audited accounts for the-year ended on 30 June 1996.

Alhamdolillah, the results for the year under review are satisfactory considering the global crisis Polyester Industry. The company has earned a consolidated Net Profit of Rs. 163.6 million. The highl of the accounts are as follows:

(I

	Unit I	Ur
Gross Sales	3,575,993	
Excise Duty	160,209	
Depreciation	198,496	
Gross Profit	388,048	
Net Profit before Tax	135,082	
Turn Over Tax	17,020	

The above profits are from the first full year's operations of both Units of the Company. It was the turbulent year for Polyester industry around the world. We humbly and gratefully bow our heads befor Almighty Allah. the most Gracious and Merciful, who has enabled your Company with His incalculable blessings and innumerable bounties to succeed in the most difficult crisis without much harm.

IF YE GIVE THANKS, I Will YOU GIVE YOU MORE (AL-QLIRAN)

Appropriation:

Your Directors are pleased to propose appropriation of profit in the following manner:-

(I

Profit for the year 1995-96

Unappropriated profit brought forward

Profit available for appropriation

Appropriation

Cash dividend

General Reserves

Unappropriated Profit carried forward

Total

The Board would like to apprise its shareholders that as per the International Accounting Standards (IAS) and in accordance with the provisions of the Companies Ordinance, 1984, it is allowed for o company to incorporate exchange differences, arising in respect of foreign currency loans/bonds issued for acquisition of its assets and against which there is no practical means of hedging, in th of relevant assets up to the date of settlement/redemption of such loans/bonds. Based on this, your Board decided to capitalize exchange loss occurred amounting to Rs. 153.4 million upto 30 June 1996.

The Board of Directors took decision for appropriation of the profit, keeping in view the track reco Dewan Mushtaq Group under whose management, Alhamdolillah and with the blessings of Almighty Allah, no group company has ever skipped dividend.

The Board also decided to apprise the valued Shareholders that how your Company suffered because of volatile international market situation, victimisation of policy makers and other circumstances i detail through this report.

Salient features of the accounts:

1. The total combined sales of the Company amounted to Rs. 6.4 billion as compared to Rs, 4.3 billio last year, The increase in Sales is due to the start of commercial operation of Unit II,

2. The earning per share of the Company works out to Rs.1.35 per share which shows significant decrease over prior years due to decreased margins.

3. The year under review was marked by volatile movements in the polyester sector. The raw material price hike continued up to the end of first quarter of 1996 and broke all previous records due to complete imbalance between demand and supply position.

4. Alhamdolillah, despite mitigating factors, your Company has been able to meet all its financial obligations on time and from its own resources. Todate, seven instalments of long term foreign currency loan have been paid on schedule. Further, three instalments of lease financing obtained from AI Tawfeek Company for Investment Funds have been remitted as per Repayment Schedule, In addition, interest amount on Euro Convertible Bonds are being remitted to the bondholders on due dates.

Plant Operation:

The Board feels pleasure to report that, Alhamdolilloh, its Unit II, having production capacity of 5 tons per annum of Polyester Staple Fibre (PSF) has successfully completed its first full year of ope and produced 44,324 tons of PSF. The product was well accepted by the buyers. Unit II has the distinction to produce for the first time in Pakistan various deniers, lusters, lengths and cross se which your Company successfully introduced and provided domestic substitution of such specialised products, The performance of Unit I also remained satisfactory, The production of 40,274 tons agains installed capacity of 52,500 tons is due to commercial reasons which are explained herein.

Year Under Review:

The year under review was one of the most turbulent year in the history of Polyester Industry in the This was an experience and test of nerves for the management to cope up with the most difficult of times with patience.

As reported in our last year's review, your plant faced major difficulty in procuring the raw materi particularly Pure Terephthalic Acid (PTA). Under the long term agreement with Mitsubishi Corporation Japan, they were supposed to supply PTA for the increased demand of your Company from Sam Nom Petrochemicals Co., Ltd., South Korea whose second plant commenced production in November 1995 instead of announced schedule of June 1995 due to severe global shortage of its feedstock Paraxylene. This led to considerable difficulty in obtaining PTA, due to which part of the requireme was procured from the spot market and your Company had to also reduce its operational level. The situation was further exacerbated by tremendous upsurge in the price of both main raw materials i.e. PTA and MEG, These factors have resulted in a squeeze on the profit margins of your Company,

While raw material price touched its peak, it badly affected consumption of polyester fibre around t world. At the same time, massive new capacities started coming into operation which further aggravated the situation. This started the spate of dumping from large global manufacturers under the lead of U.S. manufacturers whose domestic prices of PTA were much lower than the Asian market and who took advantage of the circumstances of rising raw material cost and short supply and exerted tremendous pressure on Asian market and significantly on Pakistani Polyester Industry. It was then t turn of Far Eastern manufacturers who got desperate because of this situation and desperation added with new capacities started commencing production. Pakistani market became dumping ground and it was free for all situation. Under these circumstances, a leading Saudi company started their polyester plant and this new entrant also could not find any market in Pakistan for dumping their ou Because of this dumping, the local Polyester Industry was unable to even sell their production comfortably. This situation is amply reflected by the huge stocks that your Company was carrying as of the close of balance sheet year.

DIRECTORS' REPORT

As the polyester market tumbled globally, the polyester companies started to dry their pipeline stoc of raw materials which resulted in sudden panic decline in PTA prices followed by Paraxylene, It tur out as a chaos for polyester and intermediate industry around the world, The new capacities of PTA and Paraxylene manufacturing further contributed to this situation, However, during the third quarte of this calendar year, market touched the bottom and stabilised a bit but sudden technical problems in different PTA plants who were operating at optimal capacity without giving appropriate maintenanc time again created temporary shortfall during the fourth quarter. Since the huge capacity of Paraxylene, PTA and Polyester is in various stages of implementation around the globe, therefore, future scenario appears to be in favour of consumers,

Future Plans:

The Board of Directors is seriously considering new Investment opportunities and diversification of business and would very soon announce the plan regarding its future business expansion and strategy.

Persistent discriminatory policies against the Company:

The frequent changes in policies of the government through budget, series of mini budgets and sudden shocks of devaluation have resulted in additional sufferings to your Company.

As you are well aware, the primary reason for setting up the plant in NWFP was the availability of a
specific incentives which, given the large capital outlay and the incremental operating costs arisin
from the location, justified the project's feasibility. The overseas and Pakistani sponsors of the C
sought comfort in the assurances that these incentives were provided legal cover under the 'Protection of Economic Reforms Act, 1992'.

The Company was still contesting with the Government regarding 12.5% Sales Tax which was levied on imported raw materials in 1992, only six months after its commercial operations, whereas imported ra
materials of Polyester Industry was exempt from Sales Tax since 1981

The Sales Tax was later increased to 15% In 1994, thereby removing the very reason for placing the p
In the under developed area of NWFP.

Therefore, it came as a great shock when in the Budget 1995-96, the Federal Government once again exclusively aiming at your Company, reduced the Sales Tax on finished product from 15% to 10% and imposed Excise Duty of 6% on locally produced PSF, while retaining Sales Tax on import of its raw materials at 15%. The imposition of Excise Duty on the sale of finished goods caused a direct erosio
of your Company's profitability, as it created an additional cost equal to 5% of total revenues. Thi
of the Government was again taken at the behest of our competitors who instigated the Government functionaries against your Company under the slogan of 'level playing field' and suggested the innovative idea as to how to renege from the sovereign commitments.

This has not only washed out our incentive totally but it had also placed your Company in much adver
situation as compared to other PSF manufacturers situated outside the exempt areas who were able to claim refund of Sales Tax paid at input stage as input tax exceeded the output tax. Similarly, yo
Company had to pay higher Excise Duty due to its higher base price as Excise Duty is calculated on the basis of price per Kg. net of Sales Tax on finished goods, This fiscal measure resulted in a los
revenue of Rs. 89.4 million to your Company in addition to complete erosion of Sales Tax incentive. Is how the champions of 'fair play' and 'level playing field' managed to make the same playing field unlevelled for your Company,

The Budget of 1996-97 delivered the final blow to your Company when the Sales Tax was imposed on the Textile Industry. Prior to 1996-97 budget, your Company was issuing Invoices to its customers ag
"exempt supply" i.e. customers could claim Sales Tax adjustment on the basis of such invoices, However, the right was never exercised as the Textile Industry was exempt from the payment of Sales Tax, In 1996-97 budget, sales tax has been levied on the sale of domestically produced textile produ
Including yarn, This has created a requirement for the customers of your Company to request for a sa
tax paid invoice for their purchases.

At the same time Clause (iv) of Sub Section (2) of Section 7 of the Sales Tax Act, 1990 has been ame
in such a manner that a purchaser can no longer claim Sales Tax adjustment against an Invoice issued as "exempt supply". Therefore, your Company was at a tremendous disadvantage as its invoices could not be used by its customers to adjust their Sales Tax payments, Due to this glaring case of p
emptory discrimination, your Company was compelled to relinquish its right to Sales Tax exemption against all norms of natural justice, equity, fair play and established doctrine of promissory estop

It is evident from the aforementioned facts that your Company has been methodically persecuted and placed into a tremendous disadvantage compared to other PSF players in the industry. Its area-specific incentives have been systematically removed and it has been forced to pay Sales Tax in orde
to be able to sell its output, In the first instance, it may seem that your Company is now at par wi
manufacturers, However, the things are divergent as your Company has to bear high additional costs

like transportation of row materials to factory which is about 1500 km from the port, freight cost o finished product to customers which are located at a distance of 400 km and incremental salaries by way of hardship allowance to highly trained technical staff. However, your Company is zealously pursuing its case with the government and judicial courts in order to obtain its vested right with r to the area-specific incentive.

The Company is still continuing its efforts to convince the government to implement the Arbitration Award given in its favour. Your Company has been sending distress signals to the Federal Government on account of erosion of the level of exemption through the Government Notifications.

Need of Anti-Dumping Legislation:
Whenever new industrial capacity came on line in Pakistan. it has been followed up by a spate of dumping of PSF from manufacturers to discourage future formation of capacity in order to safeguard their interests in our market, The price of PSF in the international markets has been consistently h than the CNF prices being offered in Pakistan by such foreign suppliers, The disparity in prices cle reflect that international manufacturers are dumping their output in Pakistan at a significant disco to global prices.

The unchecked and reckless spate of dumping of PSF is resulting in the ruination of PSF manufacturin companies in the country. The damage is being caused due to lack of availability of an anti-dumping legislation to arrest the activities of rogue exporters and apathy on the part of the Government to understand the situation. So for, the industry has successfully tackled these issues but due to lack protective legislation available to safeguard the local industry, the dumping of PSF in the time of recession all around the world in the PSF Industry has delivered a damaging blow to the local PSF Industry.

The Government should immediately formulate anti-dumping laws, as is a normal practice in various countries, to stop this monster of dumping from devouring the entire PSF Industry and to protect domestic PSF manufacturers from being completely wiped out by global players. However, in the interim, additional protective duty should be imposed on imported PSF while the anti-dumping legislation is being developed.

Preferential Treatment to Gadoon Industries is supporting Foreign Suppliers:
The regulations covering Gadoon Amazai Industrial Estate allow the spinners to import raw materials including PSF with a 2,5% concession from all import levies. This industrial estate was established when there was a shortage of domestic PSF capacity and imports were used to bridge the gap between the total demand and supply of PSF. Pakistan has now reached self-sufficiency in the production of PSF. However, the manufacturers in this industrial estate are not using domestic PSF a it is very expensive compared to the imported PSF due to the concession available to them. The spinners in this industrial estate import over 15,000 tons per annum of PSF. In view of the increase capacity coming on stream soon, there will be tremendous over-supply of PSF and, therefore, it is suggested that the Government while retaining the benefits of Gadoon Amazoi Industrial Estate, should allow the spinners to procure PSF from the local market on similar terms so as to bring local at par with imported PSF, as the current measures tantamount to serving and protecting the overseas PSF producers and their exports into our country.

Future Prospects:-
It is expected that Polyester Industry will see comparatively greater stability as compared to compl chaos last year. Uncertainty in raw materials supply and cost will stabilise to some extent. However economy as well as the Polyester Industry has yet to come out from the clouds of uncertainty. We hav already seen over 12% devaluation of Pak Rupee against US Dollar during current fiscal year and ther are continuous rumours of further devaluation. Ever-rising inflation, constant increase in fuel, pow

charges and borrowing cost and increase in excise duty on telecommunication services are adversely affecting the margins.

Only the strong companies will be able to stand up to the challenge whilst weak companies having inferior and deficient technology will suffer more. Your Company will have to make extraordinary efforts to encounter diverse difficulties which are of commercial nature as well as unethical moveme of competitors and undue pressures from the Textile lobby, Apart from this, another challenge would arise from the over-supply situation when the new PSF capacities will commence operations. However, in spite of these odds, we are still confident that we will be able to face the challenges courageou as we have unwavering faith and belief in Almighty Allah's blessings, support and guidance. Alhamdolillah, your Company having sound potential will, Inshallah, emerge successful in this evolvi scenario.

New Textile Package:
The caretaker Government has announced on 23 November 1996 a new Textile Package in which certain steps have been token regarding Textile and Polyester Industry in order to put them back on track. However, the policy is aimed primarily at providing boost to the Textile Industry and stops s from addressing the issues faced by the Polyester Industry.

The Government has announced removal of Regulatory Duty of 10% levied on imports of PTA and MEG while at the same time, protective duty on imported PSF has been reduced from 15% to 5% besides Excise Duty of 5% levied on local sales of PSF has also been removed, a notification for which is expected to be issued very soon. There is no net effect on the existing protection level of Polyeste Industry as the impact of removal of Regulatory Duty on raw materials and Excise Duty on finished product as been nullified by reduction of Regulatory Duty on imported PSF.

The Polyester Industry boast of second highest investment in the county after power projects. The ma ailment of Textile Industry is consecutive cotton crop failures, the Polyester Industry has supporte Textile Industry by providing an alternate source of cheap raw material i.e. PSF. The local price of has always been pegged below that of imported PSF; and at no time, Polyester Industry tried to take advantage of higher prices in the international market; even during the last year due to upsurge in global PSF market, local PSF manufacturers maintained their prices at 15-20% lower level- a fact whi Textile Industry cannot deny.

The misinformation has been generally spread that profits made by the domestic Polyester Industry have been at the expense of Textile manufacturers. However, this is completely untrue and it is incorrect to assume that the profits of one sector have come from those of another. The fact remains that during the successive cotton crop failures of 1992-95, it was the presence of this large domest capacity of PSF that averted a complete disaster for the Textile Industry by consistently making PSF available at a discount compared with imported PSF. Usage of PSF by the Textile Industry also generated valuable foreign exchange by increasing exports. In fact, the domestic Polyester Industry has made very significant contributions to the country and most of the benefits that have accrued fr the growth in PSF usage have to the Textile industry.

It is imperative that the protective duty differential between imported PSF and its main raw materia should be maintained at minimum 15% to recognise unique Pakistani cost (lack of infrastructure, high interest rates, fuel and energy cost, etc.), the capital-intensive nature of this industry and addin new capacities. Soon, the new capacities of Ibrahim Fibre. ICI Expansion and full capacity of Dhan Fibres shall also come on stream, thus increasing the local production of PSF available for 1997 to 389,500 tons against the expected demand of 220,000 tons.

Note of Thanks:

The Board puts on record its gratitude to its valued shareholders, federal and provincial government functionaries, banks, development financial institutions and customers of Salsabil, whose cooperatio unwavering support and patronage have enabled the Company to achieve the desired results.

The Board also express its thanks for the valuable services, loyalty and laudable efforts rendered b the executives, staff members and workers of the Company, during the year under review, and wishes to place on record its appreciation for the same.

Auditors:
The Auditors of your Company M/s. Faruq Ali and Company, Chartered Accountants, and Messers Feroze Sharif Tariq and Company, Chartered Accountants, retire and offer their services for re-appointment for the ensuing year on the same remuneration.

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

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

For and on behalf of the Board of Directors
DEWAN ZIAUR REHMAN FAROOQUI
President / Chief Executive

AUDITORS' REPORT TO THE MEMBERS
We have audited the annexed Balance Sheet of Dewan Salmon Fibre Limited, as at 30 June, 1996 and the related Profit and Loss Account and Cash Flow Statement 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 and after due verification 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 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 as stated in note 2.7 with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and the 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 the Company's affairs as at 30 June 1996 and of the profit and the Cash Flow for the year then ended; and

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

Faruq Ali & Company
Chartered Accountants

Feroze Sharif Tariq & Company
Chartered Accountants

Place :Karachi

Date : 24 November 1996

BALANCE SHEET
AS AT 30 JUNE 1996

	Note
TANGIBLE FIXED ASSETS	3
LONG TERM INVESTMENT	4
CURRENT ASSETS	
Stores and Spares	5
Stock-in-Trade	6
Stock-in-Transit	
Trade Debtors - unsecured (considered good)	
Advances, Deposits and Other Receivables	7
Cash and Bank Balances	8
CURRENT LIABILITIES	
Current Portion of Long Term Liabilities	9
Short Term Running Finances - Secured	10
Creditors, Accrued Expenses and Other Liabilities	11
Dividend Payable / Proposed	12
Provision for Taxation	

NET CURRENT ASSETS

FUNDS EMPLOYED

SHAREHOLDERS' EQUITY

Share Capital	13
Reserves and Surplus	14

NON CURRENT LIABILITIES

Convertible Bonds - unsecured	15
Redeemable Capital --secured	16
Long Term Foreign Currency Loan - secured	17
Liability against Assets subject to Finance Lease	18
Deferred Liability for Gratuity	
Contingencies and Commitments	19

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1996

		Unit I
SALES- NET	20	3,392,323
COST OF SALES	21	3,004,275
GROSS PROFIT		388,048
OPERATING EXPENSES		
Administrative & General	22	33,072
Selling & Distribution	23	32,479
		65,551
OPERATING PROFIT		322,497

OTHER CHARGES			
Financial Charges	24		157,872
Donation	25		22,433
Workers' Profit Participation Fund			7,110
		---------	-
			187,415
		---------	-
NET PROFIT BEFORE TAX			135,082
TAXATION			
Current			17,020
Tax on proposed issue of bonus shares		-	
		---------	-
			17,020
		---------	-
			118,062
		==========	==
Unappropriated profit brought forward			
APPROPRIATION			
Transfer to General Reserve			
Final Dividend- Cash- 10% (1995: 20%)			
Reserve for proposed issue of bonus share- Nil (1995: 20%)			
Unappropriated profit carried forward			

Contd.

	Unit I	
SALES- NET		4,265,690
COST OF SALES		3,020,745
	---------	-
GROSS PROFIT		1,244,945
OPERATING EXPENSES		
Administrative & General		48,197

Selling & Distribution		22,885
	---------	-
		71,082
	---------	-
OPERATING PROFIT		1,173,863
OTHER CHARGES		
Financial Charges		202,807
Donation		16,355
Workers' Profit Participation Fund		47,735
	---------	-
		266,897
NET PROFIT BEFORE TAX		906,966
TAXATION		
Current		21,328
Tax on proposed issue of bonus shares	-	
	---------	-
		21,328
		885,638
	==========	==
Unappropriated profit brought forward		
APPROPRIATION		
Transfer to General Reserve		
Final Dividend- Cash- 10% (1995: 20%)		
Reserve for proposed issue of bonus share- Nil (1995: 20%)		
Unappropriated profit carried forward		

CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 1996

Note

CASH FLOW FROM OPERATING ACTIVITIES

Profit before Taxation

Adjustment to reconcile profit to cash generated

in operating activities
Depreciation
Deferred Liability for Gratuity

(Increase) / Decrease in Stores and Spares
(Increase) / Decrease in Stock-in-Trade
(Increase) / Decrease in Stock-in-Transit
(Increase) / Decrease in Trade Debtors
(increase) / Decrease in Advances, Deposits
& Other Receivables

Increase / (Decrease)in Creditors, Accrued
Expenses & Other Liabilities

CASH FLOWS FROM FINANCING ACTIVITIES
Convertible Bonds
Liability against Assets subject to Finance Lease

Payments for:
Redeemable Capital
Long Term Foreign Currency Loan
Liability against Assets subject to Finance Lease
Dividend
Taxes

CASH FLOWS FROM INVESTING ACTIVITIES
Capital Expenditure Incurred
Long term Investment

Net increase/(decrease) in Cash and Cash Equivalents
Cash & Cash Equivalents as on 01 July

Cash & Cash Equivalents as on 30 June	32

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1996

1. STATUS AND NATURE OF BUSINESS
Dewan Salmon Fibre Limited is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984, and is listed on Karachi, Lahore and Islamabad Stock Exchanges. The Principal activity of the Company is manufacturing and sale of polyester staple fibre.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention
These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits
The Company operates an unfunded gratuity scheme, Annual provisions are made in the financial statements to cover obligations under this scheme.

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

The Company accounts for deferred taxation on all material timing differences using the liability method, However, deferred tax is not provided if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

2.4 Tangible Fixed Assets and Depreciation
The Fixed Assets are stated at cost less accumulated depreciation except lease hold land and Capital Work-in-Progress which are stated at cost,

Depreciation, including that on capitalization of exchange difference is provided on reducing balance method at the rates specified in Note 3 and the rates applied are in no case less than the rates prescribed by the Central Board of Revenue,

Full year's depreciation is charged on additions and capitalization of exchange differences in the year of acquisition / capitalization, while no depreciation is charged in the year of disposal.

Major repairs and renewals are capitalized,

Profit or Loss on disposal of Fixed Assets is included in the current year income,

2.5 Stores and Spares

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

2.6 Stock-in-Trade

These are valued at lower of average cost and estimated net realisable value except for waste which is valued at selling price, Cost of raw and packing material is determined by average method except for those in transit, which are valued at cost,

Cost of work-in-process comprises of raw material cost only, Conversion costs are not included as these are not significant,

Cost of finished goods comprises of prime cost and appropriate portion of production overheads.

Net Realizable Value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make the sale.

2.7 Foreign Currencies.

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 the exchange rates prevailing on the Balance Sheet date except for those foreign currency balances which are covered under State Bank of Pakistan Exchange Risk Cover Scheme in which case it is translated at the rate fixed under the Exchange Risk Cover Scheme.

During the year, the company revised the policy of capitalization of Exchange differences, As per the revised policy, Exchange difference in respect of foreign currency loans / bonds obtained/issued for acquisition of fixed assets and against which there is no practical means of hedging, are incorporated in the cost of relevant assets up to the date of settlement/redemption of such loans/bonds and depreciation is charged thereon as per policy defined in Note 2.4. Previously, Exchange differences in respect of foreign currency loans/bonds obtained/issued for acquisition of fixed assets are incorporated in the cost of relevant assets up to the commencement of commercial operations. Had the previous accounting policy been applied, the financial expenses for the year would have been higher by Rs, 153.4 million in respect of operations of Unit II.

All other exchange differences are taken to the Profit & Loss Account.

2.8 Revenue Recognition

Revenue from sales is recognized on dispatch of goods to customers.

3. FIXED ASSETS - at cost less accumulated depreciation

		COST
	As at 01 July 1995	Addition/ Transfer during

Particulars			the year
UNIT I			
Leasehold Land		1,135	--
Islamabad Office		10,860	--
Factory Building		165,454	499
Non-Factory Building		140,875	6,499
Tank Terminal		10,761	4,651
Plant & Machinery		2,258,594	--
Vehicles		48,367	4,604
Furniture & Fixtures		9,484	735
Office Equipment		13,827	3,941
	1996	2,659,357	20,929
	1995	2,608,125	51,232
UNIT II			
Leasehold Land		1,134	--
Factory Building		98,612	18,794
Non-Factory Building		13,973	52,298
Plant & Machinery			
-- Owned (Note 3.2)		2,062,850	191,188
-- Leased		614,668	--
Vehicles		--	7,486
Furniture & Fixtures		468	829
Office Equipment		366	6,488
	1996	2,792,071	277,083
	1995	--	2,792,071
	TOTAL- 1996	5,451,428	298,012
	TOTAL-1995	2,608,125	2,843,303

Contd.

	DEPRECIATION		
	As at 01 July 1995	For the year	As at 30 June 1996
UNIT I			
Leasehold Land	-	-	-
Islamabad Office	1,086	977	2,063
Factory Building	49,285	11,667	60,952

Non-Factory Building	73,380	18,498	91,878
Tank Terminal	3,297	1,211	4,508
Plant & Machinery	688,248	157,035	845,283
Vehicles	18,814	6,831	25,645
Furniture & Fixtures	2,428	779	3,207
Office Equipment	2,790	1,498	4,288
1996	839,328	198,496	1,037,824
1995	618,125	221,203	839,328
UNIT II			
Leasehold Land	-	-	-
Factory Building	411	11,700	12,111
Non-Factory Building	146	16,531	16,677
Plant & Machinery			
-- Owned (Note 3.2)	8,595	224,544	233,139
-- Leased	2,561	61,211	63,772
Vehicles	--	1,497	1,497
Furniture & Fixtures	2	130	132
Office Equipment	1	685	686
1996	11,716	316,298	328,014
1995	--	11,716	11,716
TOTAL- 1996	851,044	514,794	1,365,838
TOTAL-1995	618,125	232,919	851,044

3.1 Depreciation has been allocated as follows:

		1996 (Rs. '000)		
	Unit I	Unit II	Total	Unit I
Administrative	992	1,581	2,573	1,106
Cost of Sales	197,504	314,717	512,221	220,097
	198,496	316,298	514,794	221,203

3.2 Additions to Plant & Machinery - Owned include exchange difference of Rs. 153.4 million (1995: Nil) arising on translation of long term loans / bonds as mentioned in

Note 2.7.

4. LONG TERM INVESTMENTS

This represents advance against future issue of share capital of Dewan Farooque Petrochemicals Limited, an associated public Un-quoted company, amounting to Rs.50 million (1995: Rs. Nil).

	1996 (Rs. in '000')
5. STORES & SPARES	
Consumable stores	36,800
Packing material	3,487
Chemicals	4,150
Fuel, Oil & Lubricants	32,067
	76,504
6. STOCK IN TRADE	
Raw Materials	765,445
Work in Process	33,567
Finished Goods	901,038
Waste	6,690
	1,706,740
7. ADVANCES, DEPOSITS, AND OTHER RECEIVABLES	
Advances	111,615
Deposits	3,487
Other Receivables	224,219
	339,321
8. CASH AND BANK BALANCES	
Cash in hand	845
Cash at Bank - Current Account	51,129
- Deposit Account (Foreign Currency)	503,279
	555,253

NOTES TO THE ACCOUNTS

	Note	1996

(Rs. in '000')

9. CURRENT PORTION OF LONG TERM LIABILITIES

Redeemable Capital		18,968
Long Term Foreign Currency Loan		239,113
Liability against Assets subject to Finance Lease		102,445

		360,526
		========

10. SHORT TERM RUNNING FINANCES - Secured

This represents short term finances obtained from various banks against available facilities of Rs. 560 Million (1995: Rs.440) Million) at a mark up rate ranging between 38.36 paisa to 43 paisa per Rs. 1000 per day. These facilities are secured against hypothecation of stocks and book debts and are generally for a period of twelve months renewable at the end of the period.

11. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Creditors for goods		1,560,561
Accrued Expenses		68,950
Accrued Markup on Term Finance Certificates		646
Accrued Interest on Long Term Foreign Currency Loan		13,395
Accrued Interest on Convertible Bonds		10,241
Accrued Profit & Exchange Risk Fee on Lease Facility		16,628
Workers Profit Participation Fund	11.1	10,269
Other Liabilities		5,245

		1,685,935
		========

11. I Workers Profit Participation Fund

Opening balance	47,883
Allocation during the year	10,269

	58,152
Less: Paid during the year	47,883

	10,269
	========

12. DIVIDEND PAYABLE / PROPOSED

Unclaimed Dividend		21,130
Scrip Dividend Payable	12.1	--
Proposed Cash Dividend		121,272

		142,402

12.1 Scrip Dividend was paid as Cash Dividend due to non-receipt of approval from the Corporate Law Authority.

	1996 (Rs. in '000')
13. SHARE CAPITAL	
Authorised	
360,000,000 (1995: 180,000,000) Ordinary Shares of Rs. 10 each	3,600,000
Issued. Subscribed & Paid up Capital	
65,000,000 Ordinary Shares of Rs. 10 each fully paid in cash	650,000
55,056,818 (1995:34,844,791) Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	550,568
1,215,345 Ordinary Shares of Rs. 10 each issued as fully paid shares against conversion of Convertible Bonds	12,153
	1,212,721
14. RESERVES AND SURPLUS	
Share Premium	224,004
General Reserve	
	350,000
	400,000
Closing Balance	750,000
Reserve for proposed issue of bonus shares	-
Unappropriated profit carried forward	126,384
	1,100,388

15. CONVERTIBLE BONDS - unsecured

1996		1995
		(Amounts in '000')
US $	Pak Rs.	US $

Outstanding Principal Amount	37,290	1,316,740	37,290
	========	========	========

This represents unsecured Convertible Bonds in the aggregate principal amount of US S 45,000,000 issued by the company to partly finance its Unit II. These bonds are listed on the Luxembourg Stock Exchange and carry interest at a rate of 5.00% per annum which is payable semi-annually commencing from 05 May 1995.

Each bond is, at the option of the holder, convertible from and including 5th May 1995 up to and including 30 April 2001, into fully paid ordinary shares par value Rs. 10 each, of the company at an initial conversion price of Rs. 195 per share, and with a fixed rate of exchange on conversion of Rs. 30.63 = USS 1.00. The conversion price is subject to adjustment for, amongst, other things, subdivision, consolidation of shares, bonus issues, right issues and other dilutive events as described in the Terms and Conditions of the Bonds and the Trust Deed. The previous conversion price of Rs. 165 per share has been adjusted to Rs. 137 per share subsequent to the approval of 20% Bonus issue in the Sixth Annual General Meeting of the Share Holders of the company held on 31 January 1996.

The shares issued upon conversion of bonds will be entitled to receive dividends declared after the date of conversion of such bonds once the person receiving such shares are registered as shareholders of the company. Hence, all the bonds converted into shares of the company up to the date of commencement of Members Book Closure to determine the entitlement of dividends, are entitled to receive dividends declared for the year and any subsequent dividend declarations.

Up to the date of Balance Sheet, bonds valuing USS 7,710,000 have been converted into 1,215,345 shares of the company. The amount in excess of par have been transferred to share premium account.

Unless previously redeemed or converted, these bonds will be redeemed at their principal amount on 05 May 2001. However, subject to certain conditions, the bonds may be redeemed at the option of the company at any time on or after 05 May 1998.

(Rs. in '000')

	Note	1996
16. REDEEMABLE CAPITAL -		
Secured (Non Participatory)		
Term Finance Certificates		
Series 1		59,640
Series 2		60,000
	----------	-
		119,640
Less: Payments made to date		53,187
Current Maturity		18,968
	----------	-
		72,155

----------	--
47,485	
==========	==

16.1 The company has entered into "SALE-CUM4NVESTMENT" agreement with Bankers Equity Limited (BEL) and agreed to sell the investment property to BEL for Rs. 59,640,000 and repurchase the same for Rs. 106,402,117 for which the 1-erm Finance Certificates (TFCs) have been issued to BEL. The difference of sale and re-purchase price amounting to Rs. 46,762,117 with a rebate of Rs. 6,862,685 for timely repayment is considered as financial cost and spread over the tenure of the TFCs.

16.2 The company has entered into "SALE-CUM-INVES1-MENT" agreement with Bankers Equity Limited (BEL) and agreed to sell the investment property to BEL for Rs. 60,000,000 and re-purchase the same for Rs. 113,335,509 for which the Term Finance Certificates (TFCs) have been issued to BEL. The difference of sale and re-purchase price amounting to Rs. 53,335,509 with a rebate of Rs. 6,904,110 for timely repayment is considered as financial cost and spread over the tenure of the TFCs.

16.3 The TFCs. (1 & 2) are redeemable in 14 equal bi-annual installments commencing from 01 October 1992.

16.4 The TFCs (1 & 2) are secured against first mortgage / charge of all present and future movable and immovable properties and assets of the company ranking pari-passu with other first charge holders.

17. LONG TERM FOREIGN CURRENCY LOAN - Secured

(

	Japanese Yen	Pak Rs.	
Opening balance	7,924,378	1,195,563	
Less: Payment	1,584,876	239,113	
Current maturity	1,584,876	239,113	
	----------	-----------	--
	3,169,752	478,226	
	----------	-----------	--
	4,754,626	717,337	
	==========	==========	==

This represents foreign currency loan amounting to Japanese Yen 8,997,250,000 from Mitsubishi Corporation, Japan for the import of Plant and Machinery and other capital expenditure.

The loan carries interest at the rate of 7.1% per annum. The interest during grace period has been added to loan amount.

The loan and interest thereon is repayable in fourteen half yearly installments commencing from 19 October 1993. The loan and interest thereon is secured against Bank Guarantee given by Habib Bank Limited which is counter guaranteed by Bankers Equity Limited led Syndicate.

The company has obtained the exchange risk cover against the currency fluctuation of the balance loan and interest amount. The exchange rate applicable is Japanese Yen 1.00 = Re. 0.150872 and exchange risk fee is payable @ 5% per annum on the outstanding liability.

	1996
	(Rs. in '000')
18. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE	
Principal Amount	614,668
Less: Payment	102,445
Current Maturity	102,445

	204,890

	409,778
	==========

This represents lease facility of US $ 20,000,000 provided by AI-Tawfeek Company for Investment Funds for Unit-II of the company. The financing is repayable in 12 equal semi annual installments commencing from 20 October 1996 along with profit payment rate for 6 months London inter Bank Offering Rate (LIBOR)+ 2.5% or 7.5% per annum, whichever is higher. The facility is secured by way of first charge on movable and immovable assets of the company ranking pari-passu with existing first charge holders and personal guarantees of the directors.

The company has obtained the exchange risk cover against the currency fluctuation of the balance facility and profit amount. The exchange rate applicable is USS 1.00 = Rs. 30.7334 and exchange risk fee is payable @ 8.17% per annum.

	1996
	(Rs. in '000')
19. CONTINGENCIES AND COMMITMENTS	
Bank Guarantees	49,310
	==========

20. SALES

			1996 (Rs. in '000)	
	Unit II	Unit I	Total	Unit I
Fibre	3,566,093	3,056,317	6,622,410	4,295,511
Waste	9,900	10,010	19,910	4,755
	3,575,993	3,066,327	6,642,320	4,300,266
Less: Excise Duty	160,209	145,539	305,748	298
Commission	23,461	21,355	44,816	34,278
	183,670	166,894	350,564	34,576
	3,392,323	2,899,433	6,291,756	4,265,690

21. COST OF SALES

Raw Material Consumption				
Opening Stock	361,044	140,171	501,215	272,006
Purchases of Raw Materials	2,432,855	3,076,989	5,509,844	2,648,786
Less: Closing Stock	(296,157)	(469,288)	(765,445)	(361,044)
	2,497,742	2,747,872	5,245,614	2,559,748
Salaries, Wages & Other Benefits	79,555	40,511	120,066	100,201
Electricity, Fuel & Power	87,201	90,143	177,344	1,714
Packing Material Consumed	23,940	26,468	50,408	30,092
Stores & Spares Consumed	53,303	12,477	65,780	62,686
Insurance	11,926	13,186	25,112	11,141
Depreciation	197,504	314,717	512,221	220,097
Repairs & Maintenance	1,520	865	2,385	3,001

Vehicle running expenses	3,812	1,678	5,490	4,099	
Travelling & Conveyance	2,396	2,649	5,045	2,227	
Chemicals	4,945	5,466	10,411	3,699	
Miscellaneous	291	321	612	948	
	2,964,135	3,256,353	6,220,488	3,079,653	
Work-in-process (Opening)	1,700	27,665	29,365	7,999	
Work-in-process (Closing)	(20,725)	(12,842)	(33,567)	(1,700)	(
Cost of Goods Manufactured	2,945,110	3,271,176	6,216,286	3,085,952	
Finished Goods (Opening)	189,925	127,139	317.06	124,718	
Finished Goods (Closing)	(130,760)	(776,968)	(907,728)	(189,925)	(
	3,004,275	2,621,347	5,625.62	3,020,745	

22. ADMINISTRATIVE & GENERAL EXPENSES

Note			1996 (Rs. in '000)
	Unit I	Unit II	Total
Salaries, Wages & Other Benefits {including Directors' Remuneration amounting to Rs, 1,8 Million (1995: Rs, 1,8 Million)}	9,155	8,174	17,329
Entertainment	1,648	1,471	3,119
Communication	4,526	4,040	8,566
Depreciation	992	1,581	2,573
Vehicle Running Expense	1,210	974	2,184
Legal & Professional	3,387	1,770	5,157
Printing & Stationery	2,831	2,527	5.36
Electricity, Fuel & Power	1,133	1,012	2,145

Repair & Maintenance	1,181	210	1,391
Insurance	1,829	1,633	3,462
Travelling & Conveyance	4,267	1,557	5,824
Auditors' Remuneration	130	--	130
Miscellaneous	783	826	1,609
	33,072	25,775	58,847

23. SELLING & DISTRIBUTION

Advertisement	1,549	1,383	2,932
Cartage, Freight & Octroi	27,583	14,293	41,876
Miscellaneous	3,347	2,988	6,335
	32,479	18,664	51,143

24. FINANCIAL EXPENSES

Interest on Long Term Foreign Currency Loan	77513	--	77,513
Mark-up on Term Finance Certificates	11,481	--	11,481
Mark-up & Excise Duty on Running Finance	9,426	--	9,426
Guarantee Commission	14,889	--	14,889
Interest on Convertible Bonds	--	63,320	63,320
Profit on Lease Facility	--	55,791	55,791
Exchange Risk Fee	42,114	46,869	88,983
Bank Charges	2,449	1,719	4,168
	157,872	167,699	325,571

25. DONATION

25.1 This includes Rs,20.00 Million (1995: Rs, 12.00 Million) donated to Society for the Welfare of Patients of Urology & Transplantation for construction of Dewan Farooq Medical Complex at Civil Hospital Karachi and Rs.2,40 Million (1995:Rs,3,00 Million) donated to Ministry of Haj & Religious Affairs.

25.2 None of the directors or their spouse have any interest in the donee fund,

26. CHIEF EXECUTIVE & DIRECTORS' REMUNERATION

Particulars	1996 (Rs. in '000) Chief Executive	Director	Total	Chief Executive
Managerial Remuneration	792	396	1,188	792
House Rent Allowance	348	174	522	348
Utilities	60	30	90	60
Meeting Fees	--	--	--	--
Total	1,200	600	1,800	1,200
Number of Persons	1	1	2	1

27. AUDITORS' REMUNERATION

	1996 (Rs. in '000')
Feroze Sharif Tariq & Co.	
Audit Fees	40
Other Services	--
	40
Faruq Ali & Company	
Audit Fees	40
Other Services	50
	90
	130

28. TAXATION

The Unit I of the company enjoys Income Tax exemption for eight years from the date of commencement of commercial production i.e., 01 January 1992 in accordance with the clause 118 (C) of IInd Schedule of Income Tax Ordinance, 1979. Further the Unit II of the company also enjoys Income Tax Exemption for eight years from the date of commencement of commercial production i.e., 15 June 1995 in accordance with the clause 118 (H) of the IInd Schedule of Income Tax Ordinance, 1979. The Unit II has also been certified by the Regional Commissioner of Income Tax for the purpose of above mentioned clause. However, with the inception of section 80 (d) of Income Tax Ordinance, 1979, minimum tax liability @ 0.5% of turnover has been imposed on the company. The company has filed a writ petition against this provision of Income Tax Ordinance, 1979, with Peshawar High Court and paid the same under protest. Full provision of this liability has also been made in these accounts.

	1996 (Rs, in '000')

29. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	1996 (Rs, in '000')
Sales to Associated Undertakings	108,826
Maximum amount due from Associated Undertakings at the end of any month during the year	35,070

30. PLANT CAPACITY & PRODUCTION

	1996 (Tones)			
	Unit I	Unit II	Total	Unit I
Plant Capacity - Installed (Based on 350 working days-3 shifts a day)	52,500	56,000	108,500	52,500
Actual Production	40,274	44,324	84,598	52,264

3.1 The short fall in production is due to slump in demand of locally produced fibre as imported fibre was available at much cheaper prices due to inadequate tariff protection and dumping by international fibre producers,

31. ALLOCATION OF INCOME AND EXPENSES BETWEEN UNIT I AND NEW UNIT II

In terms of approval obtained from the Central Board of Revenue for treating the new unit as "Establishment of a Separate Unit under the same company considering it as an Expansion of Industrial Undertaking" to avail Tax Holiday Status under clause 118 (H) of Part 1 of the Second Schedule to the Income Tax Ordinance, 1979, the transactions of the new unit have been recorded in the separate books of account of the company. However, in case where expenses incurred in relation to the company as an entity, these were apportioned primarily on the basis of actual sales/production relating to goods manufactured in the new and existing unit respectively.

32. CASH AND CASH EQUIVALENTS

	1996 (Rs. in '000')
Cash & Bank Balances	555,253
Short Term Running Finances	(313,311)
	241,942

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33. GENERAL

33.1 Figures have been rounded off to nearest thousand rupees.

33.2 Previous year's figures have been re-arranged, wherever necessary to facilitate the comparison.

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

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

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

IAS	**UK GAAP**
Inventories are valued at lower of cost and net realisable value,	Inventories are valued at lower of cost and net realisable value,
Earnings per share not disclosed.	Earnings per share data for before extraordinary items and net income are required to be disclosed.
No disclosures made for particulars of staff.	Average number of persons employed by the company analysed by categor and aggregate payroll costs ore required to be disclosed,
Total amount of directors remuneration disclosed.	Aggregate amount of directors' emoluments including money value of benefits in kind and the number directors whose aggregate emoluments fall within various ban are required to be disclosed,
Repayment terms for term loans disclosed.	Amounts falling due after more tha five years are required to be disc separately,
Maximum amount due from companies affiliated to the company's shareholders at the end of any month during the year and sales to affiliates during the year disclosed,	No UK standard on related party transactions,

Proposed dividends for the year, though proposed after the year end, are reflected in the related financial statements.

Proposed dividends for the year, though proposed after the year end, are reflected in the related financial statements,

Contd.

U.S. GAAP

Inventories are valued at cost or market whichever is lower, The term market means current replacement cost (by purchase or by production, as the case may be), except that:

-- Market shall not exceed the net realisable value (i.e., estimated selling price in the ordinary course of business less reasonably predictable costs of completion and disposal); and

-- Market shall not be less than net realisable value reduced by an allowance for approximately normal profit margin,

Earnings per shore data for income before extraordinary items and net income are required to be disclosed,

No disclosures required.

No disclosures required,

Repayment terms for term loans disclosed,

Disclosures regarding related party transactions shall also include:

-- The nature of the relationship;

-- A description of the transaction, including transactions to which no amounts or nominal amounts are ascribed;

-- The terms and manner of settlement,

Dividends are not required to be associated with a particular period's earnings and dividends proposed after the year end are generally not reflected in that year's financial statement,

PATTERN OF SHARE HOLDINGS AT 30 JUNE 1996

NUMBER OF SHARE HOLDERS	SHARE HOLDINGS			TOTAL SHARES HELD
409	1	-	100	18,044
476	101	-	500	120,154
527	501	-	1000	401,524
579	1001	-	5000	1,215,397
133	5001	-	10000	945,131
37	10001	-	15000	455,840
28	15001	-	20000	506,229
12	20001	-	25000	271,784
12	25001	-	30000	331,864
5	30001	-	35000	162,178
5	35001	-	40000	182,360
4	40001	-	45000	165,500
5	45001	-	50000	237,125
4	50001	-	55000	209,832
2	55001	-	60000	115,200
1	60001	-	65000	63,598
3	65001	-	70000	202,478
6	70001	-	75000	439,576
1	85001	-	90000	86,478
6	90001	-	95000	554,142
2	95001	-	100000	193,769
2	105001	-	110000	215,166
1	110001	-	115000	111,700
1	115001	-	120000	120,000
1	125001	-	130000	128,798
1	130001	-	135000	130,998
2	140001	-	145000	285,196
2	150001	-	155000	303,414
1	160011	-	165,000	162,686
6	180001	-	185000	1,103,988
1	225001	-	230000	225,600
1	245001	-	250000	246,000
1	305001	-	310000	306,200
1	335001	-	340000	338,300
1	340001	-	345000	342,500

1	385001	-	390000		387,090
1	535,001	-	540000		535,616
1	555001	-	560000		557,973
1	590001	-	595000		594,195
1	595001	-	600000		598,797
1	615001	-	620000		615,618
1	710001	-	715000		710,014
1	765001	-	770000		769,906
1	770001	-	775000		771,012
1	775,001	-	780000		778,371
1	835001	-	840000		839,397
1	965001	-	970000		969126
1	1605001	-	1,610,000		1,605,520
1	2025001	-	2030000		2,029,536
1	3005001	-	3010000		3,008,982
1	7355001	-	7360000		7,359,998
1	7740001	-	7745000		7,742,268
1	11955001	-	11960000		11,959,998
2	14945001	-	14950000		29,899,996
1	38635001	-	38,640,000		38,640,000
2,300	TOTAL				121,272,162

CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD
INDIVIDUALS	2,187	13,993,927
INVESTMENT COMPANIES	5	639,803
INSURANCE COMPANIES	3	1,012,248
JOINT STOCK COMPANIES	29	61,153,519
FINANCIAL INSTITUTIONS	15	8,724,175
MODARABA	11	66,008
FOREIGN INVESTORS	49	35,678,504
CHARITABLE TRUSTS	--	--
OTHERS	1	3,678
TOTALS	2,300	121,272,162