

**RAVI RAYON  
L I M I T E D**

Annual Report and Accounts for the year ended June 30, 1996

**CONTENTS**

Board of Directors	2
Notice of Meeting	3
Chief Executive's Report	4
Pattern of Holding of Shares	6
Auditors' Report	7
Balance Sheet	8
Profit & Loss Account	10
Statement of Changes in Financial Position (Cash Flow Statement)	11
Notes to the Accounts	12

**BOARD OF DIRECTORS**

**CHAIRMAN**

MR. SAADAT HUSAIN KHAN

**CHIEF EXECUTIVE**

MR. IFTIKHAR MAHMOOD RANDHAWA

**DIRECTORS**

SYED MUKHTAR HALDER SHAH  
MR. SHAHID GHAFAR  
MR. ZAHID AHMAD  
DR: MASOOD FAIZULLAH  
DR. ZAFARULLAH SHEIKH  
MR. NAVEED AHMAD  
HAFIZ NOOR MUHAMMAD KASURI

**SECRETARY**

MR. LIAQAT ALI KHAN

**BANKERS**

UNITED BANK LIMITED  
INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN

**AUDITORS**

FORD, RHODES, ROBSON, MORROW  
Chartered Accountants

**REGISTERED OFFICE & WORKS**

KALA SHAH KAKU  
District Sheikhpura

**NOTICE OF MEETING**

Notice is hereby given that the 35th Annual General Meeting of the Shareholders of the Company will be held at Faletti's Hotel, Lahore, on Monday, December 30, 1996 at 3.00 p.m. under the Chairmanship of the Chief Executive to transact the following business.

1. To confirm the minutes of the last Annual General Meeting held on 18-02-1996.
2. To receive and adopt the accounts of the Company for the year ended June 30, 1996 together with the Auditors' and Directors' report thereon.
3. To appoint Auditors for the year 1996-97 and to fix their remuneration.

M/s. Ford, Rhodes, Robson, Morrow, Chartered Accountants, the retiring Auditors, being eligible offer themselves for re-election.

4. To transact any other business of the Company that may be placed before the meeting with the permission of the Chairman.

The Share Transfer Books of the Company will remain closed from 29th December to 30th December 1996 (Both days inclusive).

by Order of the Board  
LIAQAT ALI KHAN  
Secretary  
Corporate Affairs

Lahore:

Dated : 30 - 11 - 1996

**NOTES**

1. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote instead of him/her. Proxies in order to be

effective must be received by the Company not less than 48 hours before the meeting.

2. Shareholders are requested to promptly notify the Company of any changes in their addresses.

#### **CHIEF EXECUTIVE'S REVIEW FOR SHAREHOLDERS**

I welcome you on behalf of the Board of Directors and present the 35th Annual Report together with audited accounts for the year ended 30th June, 1996. The year under review has been very difficult for the Company, during which it sustained a loss of Rs. 141.170 million. One of the reasons for the loss was the unprecedented rise in the price of basic inputs namely Molasses of which increased from Rs. 1300 per ton during the previous year to well over Rs. 3000 per ton during the year under review. Even at such a high price availability of Molasses was limited much so that the Company's own production of alcohol had to be suspended and the same had to be procured from outside. Such phenomenal rise in the cost of production could not be passed on to the customers due to inherent weakness of Company's principal product namely Acetate Yarn. The competing products are newly developed fibers and yarn which are based upon highly sophisticated modern technologies and are much superior as compared to Acetate Yarn. These are also abundantly available at cheaper prices in the local market. In addition to the increase in the trend in the prices of basic raw material i.e. Molasses and Cotton Linters, increase in the prices of Gas, Electricity, Salaries and wages and cost of imported inputs i.e. Chemicals, Dyes and Pigments and continuous devaluation of Pak Rupee also had significant adverse impact.

Due to stiff competition and market's instability the Company has not been in a position to raise its selling prices corresponding to the increase in cost of production. The economic viability of the Company is mainly dependent upon the sale of its acetate yarn at a fair price. Any factor affecting sales of acetate yarn jeopardizes all the operational parameters of the Company. Despite market competition, some price increase was passed on to the customers but it even resulted in substantial decline of sales in the domestic market by another 287 tons. However, the Export Market considerably improved, but the prices realized from exports are internationally competitive and do not fully cover the high cost of production. Export Sales only help in the capacity utilization of the unit thereby economising on the overall cost of production. Export potential was successfully exploited during the year and volume of exports increased by 18%. Price realisation also improved by over 40%.

On account of continuous adverse operating performance, financial position of the Company has been seriously affected. The Company is now virtually operating with negative working capital to which it hardly has the financial capacity to maintain reasonable stocks of basic raw materials available of which are seasonal. As a result of fragile liquidity position it remains in a weak bargaining position with its suppliers and often faces problems in maintaining of the continuous supplies of basic raw materials which eventually affects the production activities. Despite the forementioned difficulties management of your Company continued its strenuous efforts and was able to increase the Company's net sales from Rs. 524.46 million in 1994-95 to Rs. 589.605 million in 1995-96. However, as explained earlier high cost of molasses and energy neutralized the benefit derived from increase in Sales.

#### **OPERATING RESULTS**

Net sales of the Company during the year under review were Rs. 589.605 million as compared last year sales of Rs. 524.459 million. The Company produced 2712 M. Tons of Acetate Yarn against 2575 M. Tons during the preceding year. Sales of Acetate Yarn were 2922 M. Tons as against last year sales of 3053 M. Tons while there was decline of 287 M. Tons in the domestic market, the export increased by 156 M. Tons, from 860 M. Tons of last year to 1016 M. Tons. Similarly sales of Fresh Yeast also registered significant improvement over the last year. Company was able to sell 838 M. Tons of Fresh Yeast during 1995-96 as against 822 M. Tons during last year.

#### FUTURE PROSPECTS

On account of gradual decline in domestic market of acetate yarn over the years, Company continues to pass through extremely difficult economic conditions. Strenuous efforts continued throughout the year for maintaining the share of the local market of acetate yarn which is ever increasing threat from other man-made fibers such as Polyester, Viscose, Acrylic and import of all Deniers of Acetate Yarn. However export market for acetate yarn in overseas has considerably improved.

Fortunately the prices of Molasses and Cotton Linters are now showing a downward trend and expected that supply position will also improve. Even though the local Sales of Acetate Yarn decreased due to impact of recent increase in Sales Tax and occasional market closure due to strikes at various stations it is expected that the acceptance of this increase shall soon be absorbed by the market and local sales of acetate yarn will firm up.

Another significant factor which will adversely affect the sales is the increase in rates of Acetate Yarn from 10% to 18% and withdrawal of exemption of sales tax on certain production processes. Combined effect of these budgetary measures will increase the sales tax liability on Acetate Yarn by more than 200%.

The management of the Company is making all out efforts to get the Company out of present predicament of affairs and to improve its performance by operating this unit at optimum level as long as possible even under the adverse conditions in view of the national importance of the Company towards self reliance.

It is also hoped that the proposed Voluntary Separation Scheme if introduced in due course of time, will provide some relief in terms of reducing monthly salaries and wages bills of the Company, I wish to assure you that management of your Company will leave no stone unturned in steering the Company out of the present difficult situation.

#### **ACKNOWLEDGEMENT**

We are grateful to Federal Chemical and Ceramics Corporation Limited and Ministry of Industry and Production for providing necessary guidances and extending every support in running the affairs of the Company. Their valuable guidance not only gave us moral support to tackle day to day problems but also enabled us to a great extent in dealing with various operational difficulties. The Labour Management Relations remained very cordial during the year. We wish to place on record our appreciations for the work done by the executives, staff and workers. Without the kind sense of involvement and complete devotion to duties displayed by all employees, surviving

current crises would not have been possible.

#### **AUDITORS**

The present auditors M/s. Ford, Rhodes, Robson, Morrow, retire and being eligible offer themselves for re-appointment as auditors for the year 1996-97.

#### **PATTERN OF SHARE HOLDERS**

The pattern of share holding is annexed.

For and on behalf of the Board of Directors

IFTIKHAR MAHMOOD RANDHAWA  
Chief Executive

#### **PATTERN OF SHARE HOLDING AS ON JUNE 30, 1996**

NO. OF SHARE HOLDERS	SHAREHOLDING FROM'	TO	TOTAL SHARES HELD
1,996	1	100	115,111
1,245	101	500	345,938
393	501	1000	333,740
70	1001	5000	171,998
40	5001	10000	361,200
1	10001	15000	14,750
8	15001	20000	141,690
4	25001	30000	114,900
1	35001	40000	39,050
1	70001	75000	73,800
1	130001	135000	135,000
1	200001	205000	201,890
1	230001	235000	231,239
1	425001	430000	427,150
1	945001	950000	948,710
1	1925001	1930000	1,924,500
1	3775001	3780000	3,776,894
-----			-----
3,766			9,357,560
-----			-----

#### **CATEGORIES OF SHAREHOLDERS**

NO. OF

PARTICULARS	SHARE HOLDERS	SHARES HELD	PERCENTAGE
Individuals	3,734	2,642,326	28.24%
Investment Companies	5	250,099	2.67%
Insurance Companies	8	214,100	2.29%
Joint Stock Companies	0	0	0.00%
Financial Institutions	16	2,465,740	26.35%
Foreign Sponsors	0	0	0.00%
* Corporations	1	3,776,894	40.36%
Corporate Law Authority	1	1	0.00%
** Others	1	8,400	0.09%
	-----	-----	-----
	3,766	9,357,560	100.00%
	-----	-----	-----

\* Federal Chemical & Ceramics Corporation Ltd.

\*\* Administrator, Abandoned Properties,  
Government of Pakistan, Rawalpindi.

#### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of Ravi Rayon Limited as at June 30, 1996 and the related Profit and Loss Account and Statement of Sources and Application of Funds, together with the notes forming part thereof, for the year then ended and we state that we have obtained information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

The financial statements have been prepared on a going concern basis. This basis may not be appropriate because the accumulated losses exceed the equity by RS. (thousand) 270,212. Further, the Company is dependent on the financial assistance from the Government of Pakistan to meet the shortfall in day to day running of the Company's operations. These factors indicate that the Company may be unable to continue manufacturing and trading.

Except for the effect of the matters set out in the above paragraph, 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;

(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 Sources and Application of Funds, 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 June 30, 1996 and of the loss and the changes in sources and application of funds for the year then ended; and

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

FORD, RHODES, ROBSON, MORROW  
Chartered Accountants

Lahore ·  
Date · 27-11-1996.

**BALANCE SHEET AS AT JUNE 30, 1996**

	Notes	1996	1995
		(Rupees in thousands)	
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised			
15,000,000 ordinary shares or Rs. 10 each		150,000	150,000
		=====	
Issued, subscribed and paid up	4	93,576	93,576
ACCUMULATED LOSS		(363,788)	(219,670)
		-----	
		(270,212)	(126,094)
LONG TERM LOANS	5	144,674--	
APPLICATION MONEY FOR PARTICIPATION			
Term certificates	6	23,368	23,368
LIABILITIES AGAINST ASSETS SUBJECT			
To finance lease	7	495	430
DEFERRED LIABILITIES	8	12,000	12,000
CURRENT LIABILITIES			

Long Term Loans :-

Current maturity	5	--	--
Overdue	5	13,950	99,256
		-----	-----
		13,950	99,256

Current maturity and overdue of liabilities against

assets subject to finance lease	7	309	250
Short term loans and running finances	9	48,533	44,158
Creditors, accruals and other liabilities	10	427,693	340,415
Provisions for Sales-tax		2,329	5,776
		-----	-----
		492,814	489,855

CONTINGENCIES AND COMMITMENTS

	29	--	--
		-----	-----
		403,139	399,559
		=====	=====

Auditors' Report of even date is attached hereto.

FORD, RHODES, ROBSON, MORROW  
Chartered Accountants

Lahore :  
Date : 27-11-1996

	Notes	1996	1995
		(Rupees in thousands)	
FIXED ASSETS - TANGIBLE			
Operating assets	11	109,903	115,653
LONG TERM INVESTMENTS	12	465	465
LONG TERM LOANS AND ADVANCES	13	63,793	48,515
LONG TERM DEPOSITS	14	10,293	17,816
CURRENT ASSETS			
Stores, spares and loose tools	15	45,330	47,486
Stock-in-trade	16	94,555	102,867
Trade debtors	17	31,861	44,453
Loans and advances	18	20,911	14,456
Deposits and prepayments	19	13,153	4,323
Income tax refundable		5,359	307
Cash and bank balances'	20	7,516	3,218
		-----	-----
		218,685	217,110



-----	403,139	399,559
=====		

The attached notes form an integral part of these accounts.

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 1996**

	Notes	1996 (Rupees in thousands)	1995
NET SALES	21	589,605	524,459
COST OF SALES	22	682,599	577,706
		-----	
GROSS LOSS		(92,994)	(53,247)
		-----	
OPERATING EXPENSES			
Administrative, selling and general	23	46,513	41,060
Financial	24	6,312	36,855
		-----	
		52,825	77,915
		-----	
OPERATING LOSS		(145,819)	(131,162)
OTHER INCOME/CHARGES	25	4,649	4,064
		-----	
LOSS BEFORE TAXATION		(141,170)	(127,098)
TAXATION ,	26	(2,948)	(2,622)
		-----	
LOSS AFTER TAXATION		(144,118)	(129,720)
ACCUMULATED LOSS BROUGHT FORWARD		(219,670)	(89,950)
		-----	
ACCUMULATED LOSS CARRIED FORWARD		(363,788)	(219,670)
		=====	

The attached notes form an integral part of these accounts.

**STATEMENT OF SOURCES AND APPLICATION OF FUNDS  
(CASH FLOW)  
FOR THE YEAR ENDED JUNE 30, 1996**

	1996	1995
	(Rupees in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net (Loss) after taxation	(144,118)	(129,720)

Adjustment for items not involving movement of funds:-

Depreciation	12,204	12,900
Profit on sale of Fixed Assets	(713)	(180)
Book value of Fixed Assets written off	311	359
	-----	-----
	11,802	13,079
	-----	-----
	(132,316)	(116,641)

(Increase)/Decrease in Current Assets

Stores, Spares & Loose Tools	2,156	(183)
Stock in -trade	8,312	45,224
Trade Debtors	12,592	(2,928)
Loans and Advances	(6,455)	1,255
Deposits and Prepayments	(8,830)	1,123
Income Tax Refundable	(5,052)	343
	-----	-----

Increase/(Decrease) in Current Liabilities

Short Term Loans	4,375	(11,341)
Creditors, Accruals and other Liabilities	87,278	107,146
Provision for Taxes	(3,447)	1,653
	-----	-----
	88,206	97,458

NET CASH FROM OPERATING ACTIVITIES

(41,387) 25,651

CASH FLOW FROM INVESTING ACTIVITIES

Purchase of Fixed Assets	(7,162)	(10,950)
Capital work in progress	-	-
Sale proceeds from disposal of Fixed Assets	1,111	285
Long Term Loans and Advances	(15,278)	(20,986)
Long Term Deposits	7,523	(2,207)
	-----	-----

(13,806) (33,858)

NET CASH FROM INVESTING ACTIVITIES

(55,193) (8,207)

CASH FLOW FROM FINANCING ACTIVITIES

Long term loans	144,674	-
Long term loans - overdue	(85,306)	-
Proceeds from obligation under Finance Lease	379	495
Repayment of obligation under Finance Lease	(256)	(236)
	-----	-----

NET CASH FROM FINANCING ACTIVITIES

59,491 259

NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	4,298	(7,948)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,218	11,166
	-----	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7,516	3,218
	=====	

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

**1. THE COMPANY AND ITS OPERATIONS**

The Company is a public limited company quoted on the stock exchanges. The majority of its share capital is held by the Federal Government through Federal Chemical and Ceramics Corporation Limited (FCCCL) and certain financial institutions owned by the Government.

The Company is engaged in manufacture of Acetate Rayon Yarn. Major by-products are Alcohol, Acetic Acid, Acetone, Acetic Anhydride, Bleached Linters and Yeast.

**2. COMPLIANCE WITH - I A S**

These accounts comply with International Accounting Standards, wherever, applicable in all material aspects.

**3. ACCOUNTING POLICIES**

(i) Revenue recognition-  
Sales are recorded upon delivery of goods to the carrier.

(ii) Fixed assets-

Company owned fixed assets

Fixed assets are stated at historical cost less accumulated depreciation, except freehold land and capital work-in-progress which are stated at cost. Depreciation is calculated at rates mentioned in Note-11 according to the reducing balance method. Acquisitions during the year are depreciated for a full year irrespective of the date of purchase and no depreciation is charged on assets in the year of their disposal.

All repairs and maintenance expenditure is charged to income currently and material betterments are capitalised.

Profits or losses on disposal of fixed assets are recognized as income or expenses respectively in the year of occurrence.

## Leased assets

Leased assets held under finance lease are stated at cost less depreciation at the rates and basis applicable to Company owned assets. The outstanding obligations under the lease less finance charges allocated to future periods are shown as a liability. The financial charges are calculated at the interest rates implicit in the lease and are charged to the profit and loss account.

### (iii) Investments

Investments are stated at cost. Provision for diminution in value of investments is deducted from cost wherever applicable.

### (iv) Stores, spares and stock-in-trade

Stores, tools and engineering stores	-	at moving average cost.
Raw materials	-	at moving average cost.
Work-in-process	-	at annual average cost of manufacture.
Finished goods	-	at annual average cost of manufacture.
Stores and raw material in transit	-	at cost.
Other inventories	-	at moving average cost.

Cost of manufacture denotes factory cost of production without addition of administrative and other overheads.

### (v) Employees severance benefits-

All the employees of the Company are members of the contributory provident fund. The Company also maintains a funded gratuity scheme approved by tax authorities for all its employees based on length of service.

### (vi) Taxation-

The charge for taxation is based on income as adjusted for tax purposes and after taking into account all tax credits and rebates.

The Company accounts for deferred taxes arising on all major timing differences according to the liability method.

### (vii) Overall valuation policy-

The accounts are stated at historical cost without any effect for the changes in purchasing power of money.

### (viii) Associated companies -

Companies under the common control of Federal Chemical and Ceramics Corporation Limited have been treated as associated companies.

### (ix) Development expenditure-

Development expenditure on new products or processes is deferred and amortized

over the period of expected benefit.

Other accounting policies are disclosed wherever relevant in the following notes.

	1996	1995
	(Rupees in thousands)	
<b>4. SHARE CAPITAL</b>		
Authorised -		
15,000,000 ordinary shares of Rs. 10 each	150,000	150,000
	=====	
Issued, subscribed and paid up -		
8,408,850 ordinary shares of Rs. 10/- each issued for cash	84,089	84,089
948,710 ordinary shares of Rs. 10 each issued for consideration other than cash	9,487	9,487
	-----	
	93,576	93,576
	=====	
4.1 Federal Chemical & Ceramics Corporation Ltd. FCCCL held 3,776,894 (1995: 3,776,894) ordinary shares of Rs. 10/- each as at June 30, 1996.		
<b>5. LONG TERM LOANS</b>		
Industrial Development Bank of Pakistan	(Note: 5.1)	--
United Bank Limited	(Note: 5.2)	13,950
Government of Pakistan	(Note: 5.3)	144,674--
	-----	
	158,624	99,256
Less: Currentmaturity Overdue	--	--
	13,950	99,256
	-----	
	13,950	99,256
	-----	
	144,674	--
	=====	

5.1 The loan from I.D.B.P was secured through an agreement to create first charge on fixed assets of the Company, it carried interest at the rate of 11.5% per annum, and was repayable in monthly installments in 12 years ended in July, 1994. Druring the year the Government of Pakistan issued bonds to IDBP to settle this liability.

5.2 There is an agreement to create a second charge on the fixed assets of the Company to secure loans from U.B.L. which carry interest at rates from 10% to 12% and are repayable in 10 years ending in July, 1994.

5.3 The Government of Pakistan has issued bonds of Rs. (thousands) 144,674 to IDBP in order to settle the company's loan and the amount of interest outstanding in pursuance of the guarantee issued in 1963. This loan is free of interest.

**6. APPLICATION MONEY FOR PARTICIPATION TERM CERTIFICATES**

In a financial restructuring ordered by the Government of Pakistan the loan of National Development Finance Corporation and part of the loan from United Bank Limited, would be converted into Participation Term Certificates. The PTCs would be issued on the following terms :-

(i) they will not share in profit until after senior loan creditors, i.e. IDBP and UBL have repaid in full.

(ii) their share in profits when eligible, will be a maximum of 15% after setting aside 15% dividend to the existing stock holders.

(iii) they will share in losses and be extinguished proportionately immediately after issue they will be repaid in 10 to 12 annual installments after repayment of the principal creditors.

The P.T.Cs will be issued after completion of necessary formalities. In the meanwhile full amounts due, as decided by the Government, have been transferred to Application Money for Participation Term Certificates Accounts.

	1996	1995
	(Rupees in thousands)	
National Development Finance Corporation	3,720	3,720
United Bank Limited	19,648	19,648
	-----	-----
	23,368	23,368
	=====	

**7. LIABILITIES AGAINST ASSETS SUBJECT TO**

FINANCE LEASE	495	430
	=====	

The rate of interest used as the discounting factor (i.e. implicit in the lease) 25% per annum. The amount of future payments and the periods during which they will fall due are .

Year ending June 30,

1996	--	377
1997	451	322
1998	319	190
1999	218	--
	-----	
	988	889
Less: Financial charges	184	209
	-----	
	804	680
Less: Current and overdue portion shown under current liabilities	309	250
	-----	
	495	430
	=====	

Lease agreement carry options of renewal and purchase at the end of the lease period. There are no financial restrictions in the lease agreement.

1996                      1995  
(Rupees in thousands)

#### 8. DEFERRED LIABILITIES

Deferred tax	12,000	12,000
	=====	

#### 9. SHORT TERM LOANS AND RUNNING FINANCES

United Bank Limited (Note: 9.1)	46,925	40,185
National Development Finance Corporation (Note: 9.2)	1,608	3,892
National Bank of Pakistan	-	81
	-----	
	48,533	44,158
	=====	

9.1 The cash finance limit of Rs. (thousands) 57,500 is secured by floating charge on assets and hypothecation of stock and stores and carries mark-up at the rate of Rs. 0.52 per thousand per day. The mark-up and the re-purchase price are repayable within a period of six months.

9.2 The working capital finance limit of Rs. (thousand) 10,000 is secured by pledge of stocks and carries mark-up at the rate of Rs. 0.60 per thousand per day. The mark-up and the re-purchase price are repayable within a period of one year.

1996                      1995  
(Rupees in thousands)

#### 10. CREDITORS, ACCRUALS AND OTHER CURRENT LIABILITIES

Amount payable to employees under Golden Hand Shake Scheme	6,078	6,078
Creditors	242,623	104,790
Accrued expenses	60,579	58,416
Deposits payable on demand	1,298	368
Advance payments	673	572
Interest accrued on secured loans	19,691	83,268
Unclaimed dividends	652	653
Due to Gratuity Fund	95,132	85,354
Due to Provident Fund Trust	967	916
	-----	-----
	427,693	340,415
	=====	=====

### 11. OPERATING ASSETS

(Rupees in thousand)

	C O S T				Accumulated Depreciation to July 30, 1996
	To July 01, 1995	Additions/ Adjustments	Disposals/ Adjustments	To, June 30, 1996	
Freehold land (Note 11.1 )	683	--	--	683	
Roads	759	--	--	759	
Freehold Building					
- Factory	26,398	--	--	26,398	
- Office	8,489	--	--	8,489	
Plant & machinery	305,659	6,598	6,598	305,659	
Tools and equipment	2,004	--	--	2,004	
Furniture & Fixture	2,962	185	34	3,113	
Office equipment	2,709	--	--	2,709	
Vehicles	8,361	--	1,710	6,651	
	-----	-----	-----	-----	
	358,024	6,783	8,342	356,465	
ASSETS SUBJECT TO FINANCE LEASE					
VEHICLES (NOTE 11.2)	926	379--		1,305	
	-----	-----	-----	-----	
	358,950	7,162	8,342	357,770	
	=====	=====	=====	=====	
1995	355,391	11,503	7,944	358,950	
	=====	=====	=====	=====	

11.1 The ownership and the value of factory land at Kala Shah Kaku has not yet been determined and booked in these accounts. The previous management had estimated the value of such land not to exceed Rs. 0.5 million.



11.2 The Company contributed Rs. 501,690 towards the purchase of leased assets. On completion of lease payments the assets are adjusted to the owned assets. Accordingly the assets of Rs. Nil (1995 Rs. 553,000) were adjusted during the year.

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

	1996 (Rupees in thousands)	1995
Manufacturing expenses (Note: 22)	11,423	12,624
Administrative, selling and general expenses (Note: 23)	78.10	276
	-----	-----
	12,204	12,900
	=====	=====

## 12. LONG TERM INVESTMENT

Subsidiary - company - unlisted

Ravi Engineering Ltd.

999,981 Ordinary Shares of Rs.10 each at cost (Note:12.1) - 10,000

Less: Provision for diminution in value - (10,000)

	-----	-----
	-	-
	=====	=====

Value of investment based on audited accounts as of :-

June 30, 1995 Rs. (thousands) negative (86,764)

June 30, 1994 Rs. (thousands) negative (55,515)

Percentage of equity held 99.9981% (1994: 99.9981%)

Unlisted company other than subsidiary

National Bank of Pakistan.

Managing Director M.B. Abbasi 46,750 shares of

Rs.10 each.

	465	465
	=====	=====

12.1 Ravi Engineering Limited was Privatized. for Rs. (thousands) 16,000 during the year. The provision of 100% for diminution in value of these shares, which was made in the previous years, has been reversed for the year.

## 13. LONG TERM LOANS AND ADVANCES

Subsidiary company::

Ravi Engineering Ltd.

Advance Account 47,371 30,518

Cash account 23,863 23,261

Accrued mark-up on cash account 1,599 3,776

	72,833	57,555
Provision for doubtful loans and advances		
Advance account	6,446	6,446
Cash account	436	436
Accrued mark-up on cash account	2,158	2,158
	9,040	9,040
	63,793	48,515
Outstanding for more than three years	36,569	26,919
Others	36,264	30,636
	72,833	57,555
Maximum balance due at the end of any month during the year	72,833	57,555

The above advances are unsecured and are expected to be repaid by the Government of Pakistan as Ravi Engineering Limited has been Privatized during the year.

#### 14. LONG TERM DEPOSITS

United Bank Limited (UBL)		
15 years certificates of deposit (Note: 14.1)	3,612	3,612
Accrued interest on above certificates	16,295	13,978
Leasing company	154	54
Utility companies	157	172
Less: Current maturity - UBL	20,218	17,816
15 years certificates of deposits		
Principal	1,612	--
Interest	8,313	--
	9,925	--
	10,293	17,816

14.1 These deposits are under lien of United Bank Limited against guarantee issued by them to Sui Northern Gas Pipelines Limited. Part of these deposits amounting to Rs (thousand) 1,612 and the balance of Rs. (thousand) 2,000 will mature in October,

	1996	1995
	(Rupees in thousands)	
<b>15. STORES, SPARES AND LOOSE TOOLS</b>		
Stores	5,915	6,352
Spares	30,499	32,745
Spares in transit	8,702	8,182
Loose tools	214	207
	-----	-----
	45,330	47,486
	=====	
<b>16. STOCK IN TRADE</b>		
Raw material	24,778	15,161
Finished goods	44,672	67,911
Work in process	20,149	15,614
Raw material in transit	4,741	3,935
Fair price shop	215	246
	-----	-----
	94,555	102,867
	=====	
<b>17. DEBTORS</b>		
Trade		
Unsecured-		
Considered good		
Associated undertaking (Note:17.1)	-	-
Others	31,861	44,453
	-----	-----
	31,861	44,453
	-----	
Considered doubtful	305	335
Less: Provision	(305)	(335)
	-----	-----
	--	--
	-----	
Sale of investment in REL (Note · 17.2)	16,000	--
Provision	(16,000)	--
	-----	-----
	--	--
	-----	
	31,861	44,453
	=====	

17.1 Maximum balance due at the end of  
any month during the year

- 5

=====

17.2 The company is in process of obtaining the sales proceeds of its shares in REL from Government of Pakistan. Pending confirmation of this, the provision of 100% has been made.

**18. LOANS AND ADVANCES**

Considered good -

Employees -

Executives (Note: 18.1 )

137 695

Others

8,099 8,081

-----

8,236 8,776

Suppliers

12,675 5,680

-----

20,911 14,456

=====

18.1 Maximum balance due at the end of  
any month during the year

695 1,253

=====

1996 1995

(Rupees in thousands)

**19. DEPOSITS AND PREPAYMENTS**

9,925 -

Current portion of deposits with UBL

87 131

Excise duty deposits

3,141 4,192

Prepayments

-----

13,153 4,323

=====

**20. CASH AND BANK BALANCES**

In hand

1,275 175

At banks

- -

On current accounts

6,211 3,014

On PLS accounts

30 29

-----

6,241 3,043

-----

7,516 3,218

=====

**21. NET SALES**

Acetate rayon yarn

503,242 424,167

Intermediate products

	118,142	135,574
	-----	-----
Gross sales	621,384	559,741
Sales tax	24,733	29,081
Commission paid to distributors	7,046	6,201
	-----	-----
	31,779	35,282
	-----	-----
	589,605	524,459
	=====	=====

## 22. COST OF SALES

Raw material consumed	239,300	162,658
Salaries, wages and benefits	207,384	197,633
Stores and spares consumed	8,653	8,649
Maintenance expenses	6,003	3,996
Travelling and conveyance	17,871	16,241
Research and development	1,476	1,743
Postage, telecommunication, printing and stationery	3,796	3,562
Insurance	952	907
Gas, power and water	162,533	117,580
Excise duty on alcohol	3,907	4,172
Other manufacturing expenses	598	646
Depreciation	11,423	12,624
	-----	-----
	663,896	530,411
Add: Opening work-in-process	15,613	12,231
	-----	-----
	679,509	542,642
Less: Closing work-in-process	20,149	15,613
	-----	-----
Cost of goods manufactured	659,360	527,029
Add: Opening stock of finished goods	67,911	118,588
	-----	-----
	727,271	645,617
Less: Closing stock of finished goods	44,672	67,911
	-----	-----
Cost of goods sold	682,599	577,706
	=====	=====

## 23. ADMINISTRATIVE, SELLING AND GENERAL EXPENSES

Salaries, wages and benefits	19,252	18,263
Travelling and conveyance	1,041	1,282
Postage, telecommunication, printing and stationery	1,660	1,662
Motor running	1,285	1,321

Auditors remuneration (Note 23.1 )	72	62
Legal and professional charges	592	513
Service charges-holding corporation	7,200	7,200
Rent, rates and taxes	68	185
Publicity, research and experiments	327	561
Freight and insurance	13,249	9,047
Provision for doubtful debtors	305	-
Depreciation	781	276
Others	681	688
	-----	-----
	46,513	41,060
	=====	=====

23.1 Auditors remuneration comprises of'

Audit fee	65	55
Stock check fee	5	5
Expenses reimbursed	2	2
	-----	-----
	72	62
	=====	=====

**24. FINANCIAL EXPENSES**

Interest, mark-up and charges on-		
Secured long term loans	4,806	23,045
Short term borrowing	137	12,733
Bank charges	933	601
Central excise duty on loans	436	476
	-----	-----
	6,312	36,855
	=====	=====

**25. OTHER INCOME/CHARGES**

Income-		
Interest receivable		
Ravi Engineering Ltd.	1,599	1,618
Profit on bank deposits	2,624	2,603
Profit on sale of investment in REL	6,000	-
	-----	-----
	10,233	4,221
Miscellaneous income	24	22
Profit on sale of fixed assets	713	180
Provision on long term investment	10,000	-
	-----	-----
	20,960	4,423
Charges-		
Fixed assets written of	(311 )	(359)
Provision doubtful receivables on REL shares	(16,000)	-

4,649	4,064
-------	-------

**26. TAXATION**

For the year - Current

2,948	2,622
-------	-------

26.1 Current taxation represents minimum tax under section 80D of the Income Tax Ordinance 1979.

26.2 Tax losses at year end, subject to finalization of pending assessments and appeal effects by the tax department, are estimated at Rs. 182 Million (1995: Rs. 182 million).

**27. PROFIT ON DISPOSAL OF FIXED ASSETS**

Cost	Book Value	Sale Price	(Rupees in thousands)		Mode of Disposal	Purchase
			Profit (Loss)			
Vehicle	145	2	175		173Negotiation	M. Sa
Vehicle	464	78	218		140-do-	Wajid
Vehicle	125	7	112		105-do-	Iftik
Vehicle	453	95	315		220-do-	-do-
Vehicle	17	2	4		2-do-	M. Pe
Vehicle	208	44	44	--	-do-	Gujra
Vehicle	298	152	225		73Claim	Natio
Refrigerator	13	7	7	--	Negotiation	Dr. F
Airconditioner	21	11	11	--	Negotiation	-do-
	1,744	398	1,111		713	

**28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

(Rupees in thousands)

	DIRECTORS		CHIEF EXECUTIVE	
	1996	1995	1996	1995
	Number	9	9	1

Meeting fee	5	7	--	--
Salary	--	--	283	224
Company's Contribution to provident fund	--	--	23	19
Housing	--	--	161	161
Medical	--	--	28	23
Transportation	--	--	220	183
Other benefits	--	--	169	141
	5	7	884	751

## 29. CONTINGENCIES AND COMMITMENTS

1996  
(Rupees in thou)

### I) Contingencies:-

- a) Letters of credit outstanding 13,468
- b) Counter guarantees issued to UBL  
on guarantees in favour of  
third parties 16,303
- c) In relation to employees unclaimed salaries, the Company has a policy to write back those to income which are unclaimed for more than three financial years. During the year Rs. 24 thousands . (1995 Rs' 22 thousands) were written back to income. However, as per rules, the Company is committed to repay the amount, if claimed, irrespective of the time limitation.
- d) Litigation 450  
The company has received show-cause notices aggregating to Rs. (thousands) 26,386 in respect of alleged sales tax on intermediate products. The company does not accept this liability and is contesting the show cause notices.
- ii) Capital commitments -

## 30. AGGREGATE TRANSACTIONS WITH ASSOCIATED UNDER TAKINGS



Purchases-	
Ittehad Chemicals Ltd.	--
Ravi Engineering Ltd.	--
Interest	
Ravi Engineering Ltd. (Cash account)	1,599

### 31. PLANT CAPACITY AND ACTUAL PRODUCTION

Acetate rayon yarn-		(Metric ton)
Capacity	3,300	
Production	2,712	

Capacity is based on 3 shifts for 330 working days in a year at the rate of 10 metric ton production per day. Short fall in production is due to decline in domestic demand.

### 32. FIGURES

--in these accounts have been rounded off to the nearest thousand of rupees.  
 --of the previous year have been re-arranged wherever necessary for the purposes of comparison.

IFTIKHAR MAHMOOD RANDHAWA  
 Chief Executive

NAVEED AHMAD  
 Director