

Ravi Rayon Limited

Annual Report 1999

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BOARD OF DIRECTORS

CHAIRMAN

DR. MUHAMMAD AMJAD

CHIEF EXECUTIVE

DR. FAYYAZ A. MIAN

DIRECTORS

MR. NAVEED AHMAD
SYED MUKHTAR HAIDER SHAH
MR. MUHAMMAD SHAFI
MR. NISAR HUSSAIN NAQVI
DR. MASOOD FAIZULLAH
DR. ZAFARULLAH SHEIKH

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 ANNUAL GENERAL MEETING

Notice is hereby given that the 38th Annual General Meeting of the Shareholders of the Company will be held at 130-Allama Iqbal Road, Lahore, on Thursday, December 30, 1999 at 11.30 a.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 26-01-1999.
2. To receive and adopt the accounts of the Company for the year ended June 30, 1999 together with the Auditors' and Directors' report thereon.
3. To appoint Auditors for the year 1999-2000 and to fix their remuneration.

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

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 29-12-1999 to 31-12-1999, (Both days inclusive).

Lahore ·
Dated · 4-12-1999

by Order of the Board

LIAQAT ALI KHAN
Secretary
Corporate Affairs

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 change in their addresses.

CHIEF EXECUTIVE'S REVIEW FOR THE SHAREHOLDERS

I, on behalf of the Board of Directors present the 38th Annual Report together with audited accounts for the year ended 30th June, 1999. During the year under review Company sustained a loss of Rs. 102.844 million. As already informed in last year's Annual Report, production activities of the Company remained suspended. However, as per director from Government of Pakistan through Ministry of Industries & Production, Ravi Rayon Ltd. was asked to produce acetic anhydride to meet critical requirements of Defence. Government released a working capital of Rs. 20 million through supplementary grant and Sui Northern Gas Pipelines Ltd. was asked to restore gas supplies to the Company for a limited period. Subsequent to receiving these directives FCCCL advised unit management to immediately take-up the assignment and produce the desired chemical in shortest possible time.' The management with technical help, guidance and financial assistance from FCCCL, prepared an action plan for this purpose and produced 286.508 M.Tons acetic anhydride within a period of few weeks after which the entire plant was once again closed down.

In February 1999 all the remaining senior executives except the Company Secretary and the Chief Executive, were released under VSS. Necessary funds for this purpose were received from Privatization Commission and FCCCL. However, a team of 28 officers and staff was rehired with approval of the competent authority in order to ensure safety, security and maintenance of valuable machinery of the Company. Entire requirement of funds for fixed overheads such as salaries & wages, utility bills and other expenses, is being met through borrowing from the holding Corporation M/s. Federal Chemical & Ceramics Corporation Limited.

The case filed by remaining 98 workers before the NIRC against their transfer orders to FCCCL was decided in favour of the Company and their subsequent appeal before the Full Bench of NIRC was also rejected. They have now filed a writ petition against the orders of the Full Bench of NIRC before the Honourable Lahore High Court.

M/s. United Bank Limited have also filed a civil suit against the Company for recovery of Rs. 46.814 million before Lahore High Court, which is pending adjudication.

ACKNOWLEDGMENT

We are grateful to Federal Chemical & Ceramics Corporation Limited, Ministry of Industries & Production, and Privatization Commission, for providing necessary support and extending every help in guiding the affairs of the Company. Their valuable guidance and financial help gave us support in dealing with various difficulties.

AUDITORS

The present Auditors M/s. Ford, Rhodes, Robson, Morrow, retire and being eligible offer themselves for re-appointment as Auditors for the year 1999-2000.

PATTERN OF SHARE HOLDING

The pattern of share holding is annexed.

For and on behalf of the Board of Directors

DR. FAYYAZ A. MIAN
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Ravi Rayon Limited as at June ,30, 1999 and the related Profit and Loss Account and Statement of Sources and Application of Funds, together with the notes forming pad 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 purposes 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;

(ii) the expenditure, incurred during the year was for the purpose of 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) (i) There is no concrete evidence available which suggests that the Company would reactivate its operation in the foreseeable future. Consequently, adjustment may be required to the recorded assets amounts and classification of liabilities. The financial statements do not disclose this fact.

(ii) Except for the omission of the information included in paragraph (c) (i) above, 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, 1999 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

Lahore :
Date : 2-12-1999

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Notes</i>	<i>1999</i> <i>(Rupees in thousands)</i>	<i>1998</i>
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised			
15,000,000 ordinary shares or Rs. 10 each		150,000	150,000
		=====	=====
	3	93,576	93,576
ACCUMULATED LOSS		(944,682)	(841,838)
		-----	-----
		(851,106)	(748,262)
LONG TERM LOANS	4	144,674	144,674
APPLICATION MONEY FOR PARTICIPATION			

TERM CERTIFICATES	5	23,368	23,368
DEFERRED LIABILITIES	6	12,000	12,000
CURRENT LIABILITIES			
Long Term Loans :-			
Current maturity	4	13,950	13,950
Overdue	4	13,950	13,950
Short term loans and running finances	7	47,290	44,173
Creditors, accruals and other liabilities	8	827,425	704,869
Provision for Sales-tax		29,364	30,504
		-----	-----
		918,029	794,055
CONTINGENCIES AND COMMITMENTS			
	25	--	--
		-----	-----
		246,965	225,835
		=====	=====
FIXED ASSETS- TANGIBLE			
Operating assets	9	81,943	91,019
LONG TERM INVESTMENTS			
LONG TERM LOANS AND ADVANCES	10	465	465
LONG TERM DEPOSITS	11	63,793	63,793
	12	157	157
CURRENT ASSETS			
Stores, spares and loose tools	13	35,661	35,896
Stock-in-trade	14	42,280	11,173
Trade debtors	15	8,599	4,914
Loans and advances	16	1,364	2,081
Deposits and prepayments	17	379	527
Income tax refundable		10,562	10,491
Cash and bank balances	18	1,762	5,319
		-----	-----
		100,607	70,401
		-----	-----
		246,965	225,835
		=====	=====

The attached notes form an integral part of these accounts.
Auditors' Report of even date is attached hereto.

Lahore:
Date : 2-12-1999

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

DR. FAYYAZ A. MIAN
Chief Executive

DR
Dir

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999**

Notes

1999 *1998*
(Rupees in thousands)

NET SALES	19	4,665	74,214
COST OF SALES	20	4,198	161,626
		-----	-----
GROSS PROFIT/(LOSS)		467	(87,412)
OPERATING EXPENSES			
'Administrative, selling and general	21	50,269	30,694
Financial	22	54,286	39,828
		-----	-----
		104,555	70,522
		-----	-----
OPERATING LOSS		(104,088)	(157,934)
OTHER INCOME/CHARGES	23	1,267	(48,931)
		-----	-----
LOSS BEFORE TAXATION		(102,821)	(206,865)
		-----	-----
TAXATION	24	(23)	(371)
		-----	-----
LOSS AFTER TAXATION		(102,844)	(207,236)
ACCUMULATED LOSS BROUGHT FORWARD		(841,838)	(634,602)
		-----	-----
ACCUMULATED LOSS CARRIED FORWARD		(944,682)	(841,838)
		=====	=====
EARNING PER SHARE	29 Rs.	(10.99)	(22.15)
		=====	=====

The attached notes form an integral part of these accounts.

DR. FAYYAZ A. MIAN
Chief Executive

DR. ZAFARULLAH SHEIKH
Director

**STATEMENT OF SOURCES AND APPLICATION OF FUNDS
(CASH FLOW)
FOR THE YEAR ENDED JUNE 30, 1999**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousands)</i>	
CASH FLOW FROM OPERATING ACTIVITIES		
Net (Loss) after taxation	(102,844)	(207,236)
Adjustment for'		
Depreciation	8,907	9,941
Profit on sale of Fixed Assets	(332)	(248)
Provision against expired work-in-process	--	2,623
Provision against Spares in Transit	--	280
Provision against Raw Material in Transit	--	689
	-----	-----
	8,575	13,285
	-----	-----

(Increase)/Decrease in Current Assets	(94,269)	(193,951)
Stores Spares & Loose Tools	235	741
Stock in Trade	(31,107)	56,622
Trade Debtors	(3,685)	22,488
Loans and Advances	717	25,790
Deposits and Prepayments	148	2,186
Income Tax Refundable	(71)	(595)
	-----	-----
	(33,763)	107,232
Increase/(Decrease) in Current Liabilities		
Short Term Loans	2,558	(2,787)
Creditors, Accruals and other Liabilities	122,557	74,630
Provision for Taxes	(1,140)	(990)
	-----	-----
	123,975	70,853
	-----	-----
NET CASH FROM OPERATING ACTIVITIES	(4,057)	(15,866)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	--	(18)
Sale proceeds from disposal of Fixed Assets	500	678
Long Term Loans and Advances	--	--
Long Term Deposits	--	21,714
	-----	-----
NET CASH FROM INVESTING ACTIVITIES	500	22,374
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of obligation under Finance Lease	--	(502)
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCE	(3,557)	6,006
CASH AND BANK BALANCES		
AT THE BEGINNING OF THE YEAR	5,319	(687)
CASH AND BANK BALANCE	-----	-----
AT THE END OF THE YEAR	1,762	5,319
	=====	=====

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999

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 intermediate

products are Alcohol, Acetic Acid, Acetone, Acetic Arthydride, Bleached Linters and Yeast. Due to heavy losses the management of the company, on the instructions of Government of Pakistan, had shut down its manufacturing operations in July 1997. During the year, the Company manufactured intermediate product, namely Acetic Arthydrate, in limited quantity on the instruction of Govt. of Pakistan to meet critical requirement of the Ministry of Defence. A Golden Handshake Scheme fully funded by Government of Pakistan, was announced to all the employees who opted and were paid except 98 workers and 2 officers of the Company.

2. 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

These are valued at lower of cost and net realizable value. The cost is determined as follows:

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.

3. SHARE CAPITAL

Authorised -

15,000,000 ordinary shares of Rs. 10/- each

Issued, subscribed and paid up -

8,408,850 ordinary shares of Rs. 10/- each

issued for cash

948,710 ordinary shares of Rs. 10/- each

issued for consideration other than cash

	1999	1998
	<i>(Rupees in thousands)</i>	
	150,000	150,000
	=====	=====
	84,089	84,089
	9,487	9,487
	-----	-----
	93,576	93,576
	=====	=====

3.1 Federal Chemical & Ceramics Corporation Ltd. FCCCL held 3,776,894 (1998: 3,776,894) ordinary shares of Rs. 10/- each as at June 30, 1999.

	1999	1998
	<i>(Rupees in thousands)</i>	

4. LONG TERM LOANS

United Bank Limited	(Note: 4.1)	13,950	13,950
Government of Pakistan	(Note: 4.2)	144,674	144,674
		-----	-----
		158,624	158,624
Less: Overdue		13,950	13,950
		-----	-----
		144,674	144,674
		=====	=====

4.1 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.

4.2 The Government of Pakistan had issued bonds of Rs. (thousands) 144,674 to Industrial Development Bank of Pakistan during the year 1995-96 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.

5. 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 been 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.
- (iv) 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 following amounts due, as decided by the Government, have been transferred to Application Money for Participation Term Certificates Accounts.

National Development Finance Corporation		3,720	3,720
United Bank Limited		19,648	19,648
		-----	-----
		23,368	23,368
		=====	=====
6. DEFERRED LIABILITIES			
Deferred tax		12,000	12,000
		=====	=====

7. SHORT TERM LOANS AND RUNNING FINANCES

United Bank Limited (Note: 7.1)	46,816	44,332
National Development Finance Corporation (Note: 7.2)	474	400
	-----	-----
	47,290	44,732
	=====	=====

7.1 The cash finance limit of Rs. (thousands) 57,500 (1998: 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. 0.60 per thousand per day. The mark-up and the re-purchase price are repayable within a period of six months,

7.2 The working capital finance limit of Rs. (thousands) 10,000 (1998: Rs. (thousand) 10,000 is secured by pledge of stocks and carries mark-up at the rate of Rs. 0.87 per thousand per day. The mark-up and the re-purchase price are repayable within a period of one year.

8. CREDITORS, ACCRUALS AND OTHER CURRENT LIABILITIES

Amount payable to employees under Voluntary Separation Scheme (Note 8.1)	7,209	7,251
Creditors	240,782	240,091
Amount payable to FCCCL (Note 8.2)	333,381	211,763
Accrued expenses	8,080	11,644
Deposits payable on demand	102	133
Advance payments	454	519
Interest accrued on secured loans	39,519	31,850
Interest accrued on short term running finance	7,447	--
Unclaimed dividends	652	652
Due to Gratuity Fund	1,812	11,818
Due to Provident Fund Trust (Note 8.3)	2,549	3,710
Due to Govt. of Pakistan (Note 8.4)	185,438	185,438
	-----	-----
	827,425	704,869
	=====	=====

8.1 Amount payable to employees under Voluntary Separation Scheme:

Balance at the beginning of the year	7,251	6,184
Add: Funds received from the Govt. of Pakistan during the year (Note: 8.1.1)	23,492	315,858
	-----	-----
	30,743	322,042
Less: Amount paid to employees during the year	23,534	313,927
Bank charges/Reconciliatory items	--	864
	-----	-----
Balance at the end of the year	7,209	7,251
	=====	=====

8.1.1 The Golden Handshake Scheme (GHS - 1997) was offered during the year under which 38 employees opted. This scheme was fully funded by the Government of Pakistan.

8.2 Amount payable to FCCCL

Current Account (Note 8.2.1)	290,036	177,430
Service & consultancy charges (Note 8.2.2)	43,345	34,333
	-----	-----
	333,381	211,763
	=====	=====

8.2.1 The interest @ 18% (1998: 18%) per annum is payable to Federal Chemical and Ceramics Corporation Limited on the outstanding balance.

8.2.2 Service charges Rs. (thousands) 9,013 (1998: Rs. (thousands) 9,013 are payable annually for providing consultancy and experts advisory services.

8.3 This represents the amount payable for the year to the Provident Fund Trust for those employees who have not received GHS,

8.4 This represents the amounts paid by the Government of Pakistan against the company's liabilities for provident fund Rs. (thousand) 42,748 for gratuity Rs. (thousands) 101,105 and for retirement/terminal benefits Rs. (thousands) 41,585 in relation for those employees who opted for Goldenhand Shake Scheme.

9. OPERATING ASSETS

	<i>COST</i>			<i>Accumulated</i>	
	<i>To July</i>	<i>Additional</i>	<i>Disposals/</i>	<i>To, June</i>	<i>Depreciation</i>
	<i>01, 1999</i>	<i>Adjustments</i>	<i>Adjustments</i>	<i>30, 1999</i>	<i>to June 30,1999</i>
Freehold land (Note 9.1)	683	--	--	683	--
Roads	759	--	--	759	629
Freehold Building					
-- Factory	26,398	--	--	26,398	23,043
-- Office	8,488	--	--	8,488	5,634
Plant & machinery	308,746	--	--	3,208,746	236,008
Tools and equipment	2,003	--	--	2,003	1,929
Furniture & Fixture	3,036	--	25	3,011	2,111
Office equipment	2,707	--	--	2,707	1,885
Vehicles	5,233	--	678	4,555	4,168
	-----	-----	-----	-----	-----
1999	358,053	--	703	357,350	275,407
	=====	=====	=====	=====	=====

1998	359,022	18	987	358,053	267,034
	=====	=====	=====	=====	=====

9.1 It represents other than the factory land at Kale Shah Kaku. The ownership and value of factory land has not yet been determined and booked in these accounts. The previous management had estimated the value of such land not to exceed Rs. (thousand) 500.

9.2 The total charge for the year for depreciation has been allocated as follows .

	(Rupees in thousands)	
Manufacturing expenses (Note . 22)	331	9,727
Administrative, selling and general expenses (Note . 23)	8,577	214

9.3 Profit on disposal of fixed assets .

	<i>Cost</i>	<i>Book Value</i>	<i>Sale Price</i>	<i>Profit / (Loss)</i>	<i>Mode of Disposal</i>	(Rupees in thousands)
Airconditioner	25	18	18	--	Negotiation	Mr. Ex-
Vehicle	379	129	129	--	Negotiation	Mr. Ex-
Vehicle	299	21	353	332	Tender	Mr. Ex-
	-----	-----	-----	-----		
	703	168	500	332		
	=====	=====	=====	=====		

1999 **1998**
(Rupees in thousands)

10. LONG TERM INVESTMENT

Unlisted, at average cost

National Bank of Pakistan

Chief Executive Mr. Muhammad Ahmed

Mian Sumroo

46,750 shares of Rs. 10/- each

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

11. LONG TERM LOANS AND ADVANCES

Ravi Engineering Ltd.

Advance account

Cash account

48,970	48,970
23,863	23,863
-----	-----
72,833	72,833

Provision for doubtful loans and advances

Advance account

Cash account

8,604	8,604
436	436
-----	-----

	9,040	9,040
	-----	-----
	63,793	63,793
Outstanding for more than three years	=====	=====
	723,833	723,833
	-----	-----
	723,833	723,833
	=====	=====
Maximum balance due at the end of any month during the year	723,833	723,833
	=====	=====

The above advances are unsecured and are expected to be repaid by the Government of Pakistan as Ravi Engineering Limited was Privatized in January 1996.

12. LONG TERM DEPOSITS

Utility companies	157	157
	-----	-----

13. STORES, SPARES AND LOOSE TOOLS

Stores	4,862	4,901
Spares	30,603	30,800
Spares in transit (Note · 13.1)	11,063	11,063
Less: Provision for deterioration in value	(11,063)	(11,063)
	-----	-----
Loose tools	196	195
	-----	-----
	35,661	35,896
	=====	=====

13.1 These represent spare parts imported but not released due to non-payment of custom dues.

14. STOCK IN TRADE

Raw material	5,790	5,963
Finished goods	35,927	2,924
Less: Provision against expired work-in-process	(2,435)	(2,623)
	563	2,286
	-----	-----
Raw material in transit	5,581	5,581
Less · Provision for expired stocks (Note · 25)	(5,681)	(5,581)
	-----	-----
	--	--
	-----	-----
	42,280	11,173
	=====	=====

15. DEBTORS

Trade - unsecured		
Considered good	8,599	4,914
Considered doubtful	4,734	4,734
Less · Provision for doubtful debts	(4,734)	(4,734)
	-----	-----
Others	--	--
Sale of investment in REL (Note ' 15.1)	16,000	16,000
Provision	(16,000)	(16,000)
	-----	-----
	--	--
	-----	-----
	8,599	4,914
	=====	=====

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

16. LOANS AND ADVANCES

Considered good -		
Employees -		
Executives (Note: 16.1)	266	216
Others	198	781
Suppliers	900	1,084
	-----	-----
	1,364	2,081
	=====	=====

Considered doubtful		
Employees	764	887
Suppliers	3,841	3,842
	4,605	4,729
Less: Provision for doubtful debts	(4,605)	(4,729)
	-----	-----
	--	--
	-----	-----
	1,364	2,081
	=====	=====

16.1 Maximum balance due at the end of any month during the year	--	619
	=====	=====

17. DEPOSITS AND PREPAYMENTS

Excise duty deposits	64	64
Prepayments	315	463
	-----	-----
	379	527
	=====	=====

18. CASH AND BANK BALANCES

In hand	2	63
At banks		
On current accounts	1,030	1,228
On PLS accounts	30	28
On deposit accounts	700	4,000
	-----	-----
	1,760	5,256
	-----	-----
	1,762	5,319
	=====	=====

19. NET SALES

Acetate Rayon Yarn	--	56,794
Intermediate Products	5,365	27,530
	-----	-----
Gross sales	5,365	84,324
	700	8,981
Commission paid to distributors	--	1,129
	-----	-----
	700	10,110
	4,665	74,214

20. COST OF SALES

Raw material consumed	11,810	6,415
Salaries, wages and benefits	9,971	59,572
Stores and spares consumed	108	363
Maintenance expenses	5,112	5,057
Travelling and conveyance	503	6,039
Research and development	--	1,006
Postage, telecommunication, printing and stationery	298	1,666
Insurance	279	2,915
Gas, power and water	8,649	13,793
Excise duty on alcohol	--	76
Other manufacturing expenses	333	1,224
Depreciation	331	9,727
	-----	-----
	37,394	107,853
Add: Opening work-in-process	962	2,663
	-----	-----
	38,356	110,516
Less : Closing work-in-process	932	4,909
	-----	-----
Cost of goods manufactured	37,424	105,607
Add : Opening stock of finished goods	--	58,943
	-----	-----
	37,424	164,550
Less: Closing stock of finished goods	33,226	2,924

Cost of goods sold	----- 4,198 =====	----- 161,626 =====
--------------------	-------------------------	---------------------------

21. ADMINISTRATIVE, SELLING AND GENERAL EXPENSES

Salaries, wages and benefits	18,710	4,630
Travelling and conveyance	1,655	487
Postage, telecommunication, printing and stationery	1,029	985
Electricity, water and gas charges	5,689	--
Motor running	323	602
Auditors remuneration (Note 21.1)	129	283
Legal and professional charges	703	1,651
Service & consultancy charges-holding corporation (Note 8.2.2)	9,013	9,013
Rent, rates and taxes	477	52
Freight and insurance	555	3,361
Provision for doubtful trade debtors	48	8,508
Depreciation	8,577	214
Others	1,257	908
Loss due to expired stocks	2,104	--
	----- 50,269 =====	----- 30,694 =====

21.1 Auditors remuneration comprises of:

Audit fee	75	75
Special audit fee	25	185
Stock check fee	13	10
Expenses reimbursed	16	13
	----- 129 =====	----- 283 =====

22. FINANCIAL EXPENSES

Interest, mark-up and charges on-		
Secured long term loans	7,669	15,623
Short term borrowing	9,834	274
Bank charges	126	142
Central excise duty on loans	--	38
Interest payable on current account with FCCCL (Note 8.2.1)	36,657	23,751
	----- 54,286 =====	----- 39,828 =====

23. OTHER INCOME/CHARGES

Income-		
Profit on bank deposits	147	6
Miscellaneous income	788	92
Profit on sale of fixed assets	332	248
Gain on foreign exchange	--	920

	-----	-----
Charges-	1,267	1,266
Retirement benefits	--	(46,605)
Provision against spares in transit	--	(280)
Provision against raw material in transit	--	(689)
Provision against expired work-in-process	--	(2,623)
	-----	-----
	1,267	(48,931)
	=====	=====

1999 **1998**
(Rupees in thousands)

24. TAXATION

For the year - Current

23	371
=====	=====

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

25. CONTINGENCIES AND COMMITMENTS

I) Contingencies:-

a) Letters of credit outstanding

-- 16,657

b) Litigation

10,147 220

i) Contractors' claim amounting to Rs. (thousands) 8,400 (1998: Rs. Nil) against the Company not acknowledge as debt.

ii) The Company received a notice from EOBI, demanding the payment of Rs. (thousands) 26,230 being the less payment of contribution. The Company filed petition against the said notice in the Lahore High Court and the Court ordered a stay in the favour of the Company with the condition of furnishing a bank guarantee of Rs. (thousands) 1,747.

c) The Company has received show-cause notices aggregating to Rs. (thousands) 22,705 in respect of alleged sales tax on Acetate Rayon Yarn and Rs. (thousands) 26,386 on Intermediate products. The Company does not accept this liability and is contesting the show-cause notices.

II) Capital commitments

-- --

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

26.1 Concentration of credit risk and credit exposure of the financial instruments

The Company does not believe in its exposure to major concentration of credit risk. However to manage any possible exposure to credit risk, the Company applies approved credit limits to its customers.

26.2 Fair value of the financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximates their fair value.

27. MOVEMENT IN OWNER'S EQUITY

Movement in owner's equity during the year are indicated and adequately disclosed in the financial statement.

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	<i>DIRECTORS</i>		<i>CHIEF EXECUTIVE</i>		<i>EXECUTIVES</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>
Number	8	8	1	1	9
			(Rupees in thousands)		
Meeting fee	7	5	--	--	--
Salary	--	--	295	295	1,030
Company's contribution to provident fund	--	--	23	23	86
Housing	--	--	161	161	322
Medical	--	--	25	28	140
Other benefits	--	--	198	172	265
	-----	-----	-----	-----	-----
	7	5	702	679	1,843
	=====	=====	=====	=====	=====

The Chief Executive and 3 Executives are provided with free use of company owned and maintained cars having fuel ceiling. In addition, the above are also provided with residential telephones.

29. BASIC EARNING PER SHARE

Loss after taxation attributable to ordinary shareholders

1999 *1998*
(Rupees in thousands)

(102,844) (207,236)

No. of ordinary shares issued and subscribed

at the end of the year	9,358	9,358
Earning per share	Rs. (10.99)	Rs. '(22.15)

30. AGGREGATE TRANSACTIONS WITH ASSOCIATED UNDER TAKINGS

FCCCL- Holding Corporation		
- Interest charges	36,657	23,751
- Service & consultancy charges	9,013	9,013

31. PLANT CAPACITY AND ACTUAL PRODUCTION

Acetate Rayon Yarn-	<i>(Metric Tonnes)</i>	
Capacity	3,300	3,300
Production	--	7

capacity is based on 3 shifts for 330 working days in a year at the rate of 10 metric tonnes production per day.

32. GENERAL

32.1 Previous year's figures have been rearranged wherever necessary for the purposes of comparison.

32.2 Figures have been rounded off to the nearest rupee.

DR. FAYYAZ A. MIAN
Chief Executive

DR. ZAFARULLAH SHEIKH
Director

PATTERN OF SHARE HOLDING AS ON JUNE 30, 1999

<i>NO. OF SHARE HOLDERS</i>	<i>SHAREHOLDING</i>		<i>TOTAL SHARES HELD</i>
	<i>FROM</i>	<i>TO</i>	
1,990	1	100	115,163
1,236	101	500	342,816
395	501	1,000	334,560
72	1,001	5,000	173,598
41	5,001	10,000	362,650
1	10,001	15,000	14,750
8	15,001	20,000	141,040
2	25,001	30,000	114,200
4	35,001	40,000	38,900
1	70,001	75,000	73,800
1	130,001	135,000	135,000
1	195,001	200,000	218,490
1	230,001	235,000	230,289
1	425,001	430,000	426,600

	1	945,001	950,000	948,710
	1	1,905,001	19,101,000	11,910,100
	1	3,775,001	3,780,000	37,767,894
		-----	-----	-----
		3757		9,357,560
		=====		=====

CATEGORIES OF SHAREHOLDERS

PARTICULARS	NO. OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
Individuals	3,725	2,692,826	28.78%
Investment Companies	5	245,499	2.62%
Insurance Companies	8	211,950	2.27%
Financial Institutions	16	2,421,990	25.88%
* Corporations (FCCCL)	1	3,776,894	40.36%
Securities & Exchange Commission of Pakistan	1	1	0.00%
** Others (Abandoned Properties)	1	8,400	0.09%
	-----	-----	-----
	3,757	9,357,560	100.00%
	=====	=====	=====

* Federal Chemical & Ceramics Corporation Ltd.

** Administrator, Abandoned Properties,
Government of Pakistan, Islamabad.