

RAVI RAYON LIMITED

ANNUAL REPORT 1997

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BOARD OF DIRECTORS

CHAIRMAN

DR. MUHAMMAD AMJAD

CHIEF EXECUTIVE

MR. IFTIKHAR MAHMOOD RANDHAWA

DIRECTORS

MR. NAVEED AHMAD
SYED MUKHTAR HALDER SHAH
MR. SHAHID GHAFAR
MR. ZAHID AHMAD
DR. MASOOD FAIZULLAH
DR. ZAFARULLAH SHEIKH

SECRETARY

MR. LIAQAT ALL KHAN

BANKERS

UNITED BANK LIMITED
INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN

AUDITORS

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

REGISTERED OFFICE & WORKS

KALA SHAH KAKU
District Sheikhupura

NOTICE OF MEETING

Notice is hereby given that the 36th Annual General Meeting of the Shareholders of the Company will be held at Faletti's Hotel, Lahore, on Monday, March 30, 1998 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 Extra Ordinary General Meeting held on 10-03-1997.
2. To receive and adopt the accounts of the Company for the year ended June 30, 1997 together with the Auditors' and Directors' report thereon.
3. To appoint Auditors for the year 1997-98 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 28th March to 30th March, (Both days inclusive).

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 36th Annual Report together with audited accounts for the year ended 30th June, 1997. The year under review has been very difficult for the Company during which it sustained a loss of Rs. 268.489 million.

The main reason for the loss during the year was under capacity operations of the plant due to continuously shrinking market for acetate yarn and shortage of Working Capital. Production remained suspended for over a week in August/September 1996 when flood water caused plant shut down. Despite water entering some of the sensitive electrical installations and machinery, Management was able to restart the entire plant smoothly in a very short period of time.

OPERATING RESULTS

Net sales of the Company during the year under review were Rs. 464.918 million as compared last year sales of Rs. 589.605 million. The Company produced 2175 M.Tons of Acetate Yarn against 2712 M.Tons during the preceding year. Sales of Acetate Yarn were 2248 M.Tons against last year sales of 2922 M.Tons. There was a decline of 674 M.Tons in the domestic production. The Company exported 625 M.Tons of Acetate Yarn during the year as compared to 1016 M.Tons during the corresponding year. The Company was able to sell 710 M.Tons of fresh yeast during the year 1996-97 against 838 M.Tons during the last year. Overall decline in sales was due to low production. Production activities remained low due to non-availability of Working Capital.

FUTURE PROSPECTS

On account of persisting decline in domestic market of Acetate Yarn your Company continued to pass through crisis. Due to general inflationary trend in the economy and intermittent depreciation in the value of Pak Rupee, increase in prices of main inputs is an obvious phenomena which has had a very substantial adverse impact on the operational economics of Ravi Rayon Ltd. specially on account of its inability to proportionately increase prices of its salable products particularly the Acetate Yarn. As a consequence of serious liquidity crisis and non-availability of Working Capital funds it is not more viable to keep the unit running without heavy injection of capital which was not available.

In view of the prevailing circumstances and precarious financial health of the Company your Board of Directors recommended to the Government of Pakistan to privatize the unit as early as possible. As otherwise an application for liquidation may have to be filed with the relevant authorities. Thereafter Privatization Commission initiated the necessary action on priority basis and the tender for sale of Ravi Rayon Limited were called on 21st August, 1997. However, the efforts were not successful and no bidder came forward for purchase of the Company. Subsequently Cabinet Committee on Privatization (CCOP) deliberated upon the matter and decided that the Company should be closed down and all the employees be offered GHS/VSS. The necessary funds for this purpose were released in 1st week of October 1997 and 1411 employees out of 1552 have been relieved under the scheme offered by the Government. Privatization Commission now intends to re-offer the unit for sale without the major burden of heavy overheads and financial charges. Subsequent to disconnection of Sui Gas supplies by Sui Northern Gas Pipelines Ltd. on account of non-payment of bills most of the production activities were suspended in June 1997 and since July 1997 the plant is totally closed down.

ACKNOWLEDGMENT

We are grateful to Federal Chemical & Ceramics Corporation Ltd., Ministry of Industries & Production and Privatization Commission, for providing necessary support and extending every possible help in guiding 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 difficulties. The Labour Management Relations remained very cordial during the year. We wish to place on record appreciations for the work done by the executives, staff and workers. With the keen sense of involvement and complete devotion to duties displayed by all employees, struggle against the 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 1997-98.

PATTERN OF SHAREHOLDERS

The pattern of share holding is annexed.

PATTERN OF SHARE HOLDING AS ON JUNE 30, 1997

SHAREHOLDING SHARE HOLDERS	FROM	TO	TOTAL SHARES HELD
1,990	1	100	114,793
1,247	101	500	346,278
397	501	1,000	337,030
72	1,001	5,000	176,098
42	5,001	10,000	372,538
1	10,001	15,000	14,750
8	15,001	20,000	141,640
4	25,001	30,000	114,900
1	35,001	40,000	38,900
1	70,001	75,000	73,800
1	130,001	1,35,000	135,000
1	195,001	200,000	198,140
1	230,001	235,000	231,039
1	425,001	430,000	427,050
1	945,001	950,000	948,710
1	1,905,001	1,910,000	1,910,000
1	37,75,001	37,80,000	3,776,894
-----	-----	-----	-----
3,770			9,357,560
=====	=====	=====	=====

CATEGORIES OF SHAREHOLDERS

PARTICULARS	NO. OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
Individuals	3,738	2,657,326	28.40%
Investment Companies	5	249,849	2.67%
Insurance Companies	8	213,950	2.29%
Financial Institutions	16	2,451,140	26.19%
* Corporations (FCCCL)	1	3,776,894	40.36%
Corporate Law Authority	1	1	0.00%
** Others	1	8,400	0.09%
(Abandoned Properties)	-----	-----	-----
	3,770	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, 1997 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 accumulated losses exceed the equity by Rs. (thousands) 541,026, and the company has shut down its manufacturing operations as explained in Note 1 to the financial statements. These factors indicate that there is uncertainty regarding the continuation of the company as a going concern.

Except for the effects 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 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, 1997 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

Lahore: February 26, 1998

Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1997

	Notes	1997 (Rupees in thousands)	199
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised			
15,000,000 ordinary shares or Rs. 10 each		150,000	15
		=====	=====
Issued, subscribed and paid up	4	93,576	9
ACCUMULATED LOSS		(634,602)	(363)
		-----	-----
		(541,026)	(270)
LONG TERM LOANS	5	144,674	14
APPLICATION MONEY FOR PARTICIPATION			
TERM CERTIFICATES	6	23,368	2
LIABILITIES AGAINST ASSETS SUBJECT			
TO FINANCE LEASE	7	198	
DEFERRED LIABILITIES	8	12,000	1
CURRENT LIABILITIES			
Long Term Loans :-			
Current maturity	5	13,950	1
Overdue	5	13,950	1
Current maturity and overdue of liabilities against			
assets subject to finance lease	7	304	
Short term loans and running finances	9	47,519	4
Creditors, accruals and other liabilities	10	630,239	42
Provisions for Sales-tax		31,494	
		-----	-----
		723,506	49
CONTINGENCIES AND COMMITMENTS	29	-	
		-----	-----
		362,720	40
		=====	=====
Auditors' Report of even date is attached hereto.			
FIXED ASSETS - TANGIBLE			
Operating assets	11	101,372	10

LONG TERM INVESTMENTS	12	465	
LONG TERM LOANS AND ADVANCES	13	63,793	6
LONG TERM DEPOSITS	14	282	1
CURRENT ASSETS			
Stores, spares and loose tools	15	36,917	4
Stock-in-trade	16	71,107	9
Trade debtors	17	27,402	3
Loans and advances	18	27,871	2
Deposits and prepayments	19	24,302	1
Income tax refundable		9,896	
Cash and bank balances	20	(687)	
		-----	-----
		196,808	23
		-----	-----
		362,720	40
		=====	=====

The attached notes form an integral part of these accounts.

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1997**

	Notes	1997 (Rupees in thousands)	199
NET SALES	21	464,918	58
COST OF SALES	22	636,313	68
		-----	-----
GROSS LOSS		(171,395)	(92)
OPERATING EXPENSES			
Administrative, selling and general	23	41,166	4
Financial	24	42,496	
		-----	-----
		83,662	5
		-----	-----
OPERATING LOSS		(255,057)	(143)
OTHER INCOME/CHARGES	25	(13,432)	
		-----	-----
LOSS BEFORE TAXATION		(268,489)	(143)
TAXATION	26	(2,325)	(2)
		-----	-----
LOSS AFTER TAXATION		(270,814)	(144)

ACCUMULATED LOSS BROUGHT FORWARD	(363,788)	(219,814)
	-----	-----
ACCUMULATED LOSS CARRIED FORWARD	(634,602)	(363,788)
	=====	=====

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, 1997**

	1997	1996
	(Rupees in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net (Loss) after taxation	(270,814)	(14,814)
Adjustment for:		
Depreciation	11,164	1,164
Profit on sale of Fixed Assets	(99)	-
Book value of Fixed Assets written off	-	-
Provision against Spares in Transit	10,783	10,783
Provision against Raw Material in Transit	4,892	4,892
	-----	-----
	26,740	1,164
	-----	-----
(Increase)/Decrease in Current Assets	(244,074)	(13,650)
Stores, Spares & Loose Tools	(2,370)	-
Stock in Trade	18,556	18,556
Trade Debtors	4,459	4,459
Loans and Advances	(6,960)	(6,960)
Deposits and Prepayments	515	515
Income Tax Refundable	(4,537)	(4,537)
	-----	-----
	9,663	9,663
Increase/(Decrease) in Current Liabilities		
Short Term Loans	(1,014)	-
Creditors, Accruals and other Liabilities	202,546	202,546
Provision for Taxes	29,165	29,165
	-----	-----
	230,697	230,697
	-----	-----
NET CASH FROM OPERATING ACTIVITIES	(3,714)	(4,490)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(3,166)	(3,166)

Sale proceeds from disposal of Fixed Assets	632	
Long Term Loans and Advances	-	(13)
Long Term Deposits	(1,653)	
	-----	-----
NET CASH FROM INVESTING ACTIVITIES	(4,187)	(13)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans	-	14
Long term loans - overdue	-	(85)
Proceeds from obligation under Finance Lease	-	
Repayment of obligation under Finance Lease	(302)	
	-----	-----
NET CASH FROM FINANCING ACTIVITIES	(302)	5
NET INCREASE/(DECREASE) IN CASH	-----	-----
AND BANK BALANCE	(8,203)	
CASH AND BANK BALANCES		
AT THE BEGINNING OF THE YEAR	7,516	
	-----	-----
CASH AND BANK BALANCE		
AT THE END OF THE YEAR	(687)	
	=====	=====

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1997

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. Due to the heavy losses the management of the Company has shut down its manufacturing operations subsequent to the year end. The management has announced a Golden Hand Shake Scheme after the year end for all of its employees on the instructions of the Government of Pakistan who will provide the necessary funds for this purpose.

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.

	1997	1996
	(Rupees in thousands)	
4. SHARE CAPITAL		
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 (1996: 3,776,894) ordinary shares of Rs. 10 each as at June 30, 1997.

5. LONG TERM LOANS

United Bank Limited	(Note: 5.1)	13,950	13,950
Government of Pakistan	(Note: 5.2)	144,674	144,674
		-----	-----
		158,624	158,624
Less: Overdue		13,950	13,950
		-----	-----
		144,674	144,674
		=====	=====

5.1 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 were repayable in 10 years ending in July, 1994.

5.2 The Government of Pakistan has 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.

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

	1997	1998
	(Rupees in thousands)	
National Development Finance Corporation	3,720	1,648
United Bank Limited	19,648	23,368
	-----	-----
	23,368	25,016
	=====	=====
7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	223	223
	=====	=====

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,		
1997	-	-
1998 (Note: 7.2)	366	366
1999	218	218
	-----	-----
	584	584
Less: Financial charges	82	82
	-----	-----
	502	502
Less: Current and overdue portion shown under current liabilities	304	304
	-----	-----

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

7.2 This includes overdue lease rentals of Rs. (thousands) 47 pertaining to 1997.

8. DEFERRED LIABILITIES

1997 1998
(Rupees in thousands)

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

9. SHORT TERM LOANS AND RUNNING FINANCES

United Bank Limited (Note: 9.1)	47,056	
National Development Finance Corporation (Note: 9.2)	463	
	-----	-----
	47,519	
	=====	=====

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. 0.60 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. (thousands) 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.

10. CREDITORS, ACCRUALS AND OTHER CURRENT LIABILITIES

1997 1998
(Rupees in thousands)

Amount payable to employees under Voluntary Separation Scheme (Note 10.1)	6,184	
Creditors	379,574	24
Accrued expenses	68,550	6
Deposits payable on demand	2,273	
Advance payments	1,408	
Interest accrued on secured loans	25,317	1
Unclaimed dividends	652	
Due to Gratuity Fund (Note 10.2)	103,533	9
Loan from Provident Fund Trust (Note 10.3)	42,748	
	-----	-----

630,239	42
=====	=====

10.1 Amount payable to employees under Voluntary Separation Scheme:

Balance at the beginning of the year	6,078	
Add: Funds received from the Govt. of Pakistan during the year (Note: 10.1.1)	119,002	
	-----	-----
	125,080	
Less: Amount paid to employees during the. year	118,896	
	-----	-----
Balance at the end of the year	6,184	
	=====	=====

10.1.1 The Voluntary Separation Scheme (VSS - 1996) was offered during the year under which 217 employees opted for this. This scheme was fully funded by the Government of Pakistan.

10.2 Due to gratuity fund

Gratuity fund	74,707	9
Government of Pakistan	28,826	
	-----	-----
	103,533	9
	=====	=====

10.3 The loan has been obtained from the Provident Fund Trust to meet the working capital requirements which is an interest free loan. Subsequent to year end this loan has been repaid by the Government of Pakistan.

11. OPERATING ASSETS

	C O S T			
	To July 01, 1996	Additions/ Adjustments	Disposals/ Adjustments	To Ju 30, 1
Freehold land (Note 11.1)	683	-	-	
Roads	759	-	-	
Freehold Building				
- Factory	26,398	-	-	2
- Office	8,489	-	-	
Plant & machinery	305,659	3,085	-	30
Tools and equipment	2,004	-	-	
Furniture & Fixture	3,113	81	176	

Office equipment	2,709	-	-	
Vehicles	6,651	-	1,446	
	-----	-----	-----	-----
	356,465	3,166	1,622	35
ASSETS SUBJECT TO FINANCE LEASE				
Vehicles	1,305	-	292	
	-----	-----	-----	-----
	357,770	3,166	1,914	35
	=====	=====	=====	=====
1996	358,950	7,162	8,342	35
	=====	=====	=====	=====

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

	1996	199
	(Rupees in thousands)	
Manufacturing expenses (Note: 22)	10,895	1
Administrative, selling and general expenses (Note: 23)	269	
	-----	-----
	11,164	1
	=====	=====

12. LONG TERM INVESTMENT

Unlisted, at average cost

National Bank of Pakistan

President: Mr. Muhammad Ahmed

Mian Sumroo

46,750 shares of Rs. 10 each

465	=====
-----	-------

13. LONG TERM LOANS AND ADVANCES

Ravi Engineering Ltd.

Advance account

48,970	4
--------	---

Cash account

23,863	2
--------	---

-----	-----
72,833	7

Provision for doubtful loans and advances

Advance account

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

Cash account

436	
-----	--

-----	-----
-------	-------

	9,040	-----
	63,793	-----
	=====	=====
Outstanding for more than three years	45,489	-----
Others	27,344	-----
	72,833	-----
	=====	=====
Maximum balance due at the end of any month during the year	72,833	-----
	=====	=====

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.

14. LONG TERM DEPOSITS

United Bank Limited (UBL)		
15 years certificates of deposit (Note: 14.1)	3,612	
Accrued interest on above certificates	17,977	
Leasing company	125	
Utility companies	157	
	-----	-----
Less: Current maturity - UBL	21,871	
15 years certificates of deposits		
Principal	3,612	
Interest	17,977	
	-----	-----
	21,589	-----
	-----	-----
	282	-----
	=====	=====

14.1 These deposits are under lien of United Bank Limited (UBL) against guarantee issued by them to Sui Northern Gas Pipelines Limited. In November 1997 UBL encashed the part of deposits amounting to Rs (thousands) 1,612 alongwith the interest accrued thereon to Sui Northern Gas Pipelines Limited against part of their guarantee issued to them.

15. STORES, SPARES AND LOOSE TOOLS

Stores	4,946	
Spares	31,775	
	-----	-----
Spares in transit	10,783	
Less: Provision for deterioration in value (Note: 25)	(10,783)	

	-----	-----
	-	
Loose tools	196	
	-----	-----
	36,917	4
	=====	=====
16. STOCK IN TRADE		
Raw material	9,478	2
Finished goods	58,943	4
Work in process	2,663	2
	-----	-----
Raw material in transit	4,892	
Less: Provision for expired stocks (Note : 25)	(4,892)	
	-----	-----
	-	
Fair price shop	23	
	-----	-----
	71,107	9
	=====	=====
17. DEBTORS		
Trade - unsecured		
Considered good	27,402	3
	-----	-----
Considered doubtful	955	
Less: Provision for doubtful debts	(955)	
	-----	-----
Others	-	
Sales of investment in REL (Note : 17.1)	16,000	1
Provision	(16,000)	(16
	-----	-----
	27,402	3
	=====	=====
17.1 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 there against has been made.		
18. LOANS AND ADVANCES		
Considered good -		
Employees -		
Executives (Note: 18.1)	187	
Others	13,714	
	-----	-----
	13,901	
Suppliers	13,970	1
	-----	-----

	27,871	2
	=====	=====
18.1 Maximum balance due at the end of any month during the year	2,202	
	=====	=====

19. DEPOSITS AND PREPAYMENTS **1997** **199**
(Rupees in thousands)

Current portion of deposits with UBL	21,589	
Excise duty deposits	75	
Prepayments	2,638	
	-----	-----
	24,302	1
	=====	=====

20. CASH AND BANK BALANCES

In hand	154	
At banks		
On current accounts (Note - 20.1)	(867)	6
On PLS accounts	26	
	-----	-----
	(841)	
	-----	-----
	(687)	
	=====	=====

20.1 This represents book overdraft for cheques issued in excess of the outstanding balance

21. NET SALES

Acetate Rayon yarn	430,814	50
Intermediate products	98,543	11
	-----	-----
Gross sales	529,357	62
Sales tax	58,460	2
Commission paid to distributors	5,979	
	-----	-----
	64,439	3
	-----	-----
	464,918	58
	=====	=====

22. COST OF SALES

Raw material consumed	170,793	23
Salaries, wages and benefits	202,353	20
Stores and spares consumed	9,433	
Maintenance expenses	8,269	

Travelling and conveyance	11,966	1
Research and development	2,643	
Postage, telecommunication, printing and stationery	4,231	
Insurance	800	
Gas, power and water	206,846	16
Excise duty on alcohol	4,495	
Other manufacturing expenses	374	
Depreciation	10,895	1
	-----	-----
	633,098	60
Add: Opening work-in-process	20,149	1
	-----	-----
	653,247	61
Less: Closing work-in-process	2,663	2
	-----	-----
Cost of goods manufactured	650,584	63
Add: Opening stock of finished goods	44,672	6
	-----	-----
	695,256	72
Less: Closing stock of finished goods	58,943	4
	-----	-----
Cost of goods sold	636,313	68
	=====	=====

1997 **199**
(Rupees in thousands)

23. ADMINISTRATIVE, SELLING AND GENERAL EXPENSES

Salaries, wages and benefits	15,802	1
Travelling and conveyance	807	
Postage, telecommunication, printing and stationery	1,782	
Motor running	1,189	
Auditors remuneration (Note 23.1)	87	
Legal and professional charges	1,144	
Service charges-holding corporation	7,200	
Rent, rates and taxes	650	
Publicity, research and experiments	631	
Freight and insurance	10,263	1
Provision for doubtful trade debtors	651	
Depreciation	269	
Others	691	
	-----	-----
	41,166	4
	=====	=====

23.1 Auditors remuneration comprises of:

Audit fee	75
-----------	----

Stock check fee	10	
Expenses reimbursed	2	
	-----	-----
	87	
	=====	=====

24. FINANCIAL EXPENSES

Interest, mark-up and charges on-		
Secured long term loans	40,878	
Short term borrowing	103	
Bank charges	1,084	
Central excise duty on loans	431	
	-----	-----
	42,496	
	=====	=====

25. OTHER INCOME/CHARGES

Income-		
Interest receivable		
Ravi Engineering Ltd.	-	
Profit on bank deposits	2,133	
Profit on sale of investment in REL	-	
	-----	-----
	2,133	

Miscellaneous income	11	
Profit on sale of fixed assets	99	
Provision on long term investment	-	
	-----	-----
	2,243	

Charges-		
Fixed assets written of	-	
Provision for doubtful receivables on REL shares	-	(10,783)
Provision against spares in transit (Note: 15)	(10,783)	
Provision against raw material in transit (Note: 16)	(4,892)	
	-----	-----
	(13,432)	
	=====	=====

26. TAXATION

For the year - Current	2,325	
	=====	=====

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. 141.170 million (199,6 · Rs. 127.980

million).

26.3 The tax department has levied Additional Tax of Rs. (thousands) 1,736 for the assessment years 1991-92 to 1994-95 for which the Company has filed an appeal with the Income Tax Appellate Tribunal. Pending the outcome of the appeal, no provision has been made there against.

27. PROFIT ON DISPOSAL OF FIXED ASSETS

	Cost	Book Value	Sale Price	Profit (Loss)	Mode Dispo
Vehicle	162	22	121	99	Tend
Vehicle	220	37	37	-	Negotia
Vehicle	208	35	35	-	-do
Vehicle	651	171	171	-	-do
Vehicle	205	18	18	-	-do
Vehicle	292	150	150	-	-do
Refrigerator	19	8	8	-	-do
Refrigerator	13	6	6	-	-do
Refrigerator	21	14	14	-	-do
Refrigerator	21	17	17	-	-do
Refrigerator	10	3	3	-	-do
Airconditioner	17	7	7	-	-do
Airconditioner	21	10	10	-	-do
Airconditioner	21	14	14	-	-do
Airconditioner	21	17	17	-	-do
Airconditioner	12	4	4	-	-do
	-----	-----	-----	-----	-----
	1,914	533	632	99	
	=====	=====	=====	=====	=====

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	DIRECTORS		CHIEF EXECUTIVE		EXECUTIVES
	1997	1996	1997	1996	1996
Number	8	8	1	1	1
	(Rupees in thousands)				
Meeting fee	7	5	-	-	-
Salary	-	-	295	283	-
Company's Contribution to provident fund	-	-	23	23	-
Housing	-	-	161	161	-
Medical	-	-	26	28	-

Transportation	-	-	197	220
Other benefits	-	-	179	169
	-----	-----	-----	-----
	7	5	881	884
	=====	=====	=====	=====

29. CONTINGENCIES AND COMMITMENTS **1997**
(Rupees in thousands) **199**

I) Contingencies:-

a) Letters of credit outstanding	15,688
b) Counter guarantees issued to UBL on guarantees infavour 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. 11 thousands (1996 Rs: 24 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
---------------	-----

e) 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	-
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30. AGGREGATE TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Interest-received	
Ravi Engineering Ltd. (Cash account)	-

31. PLANT CAPACITY AND ACTUAL PRODUCTION

Acetate rayon yarn-	(Metric Tonnes)
Capacity	3,300
Production	2,175

Capacity is based on 3 shifts for 330 wo year at the rate of 10 metric tonnes

production per day. Short fall in production is due to decline in domestic demand and shut down of its manufacturing operations except the Yeast plant, before the year end.

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.