

Regent Textile Industries Limited

Annual Report 1998

CONTENTS

Company Information
Notice of Meeting
Directors' Report
Auditors' Report to the Members
Balance Sheet
Profit & Loss Account
Cash Flow Statement
Notes to the Account
Pattern of Share Holding

BOARD OF DIRECTORS

Board of Directors	Mr. Akbar Ali Hashwani	(Chairman)
	Mr. Amin A. Hashwani	(Chief Executive)
	Mrs. Sultana A. Hashwani	
	Mrs. Farieha A. Hashwani	
	Mr. Jahangir Lutfullah	
	Mr. Naimatullah Khan	
	Mr. Abdul Hameed Dagia	

Company Secretary Syed Mohammed Yousuf

Auditors Feroze Sharif Tariq & Co.
Chartered Accountants

Bankers National Bank of Pakistan
Habib Bank Ltd.
Muslim Commercial Bank Ltd.
American Express Bank

Registered Office A-66, Manghopir Road,
S.I.T.E., Karachi.

NOTICE OF MEETING

Notice is hereby given that the Thirty Seventh Annual General Meeting of the Company will be held on 27th March, 1999 at 3.00 P.M. at Regent Textile Industries Ltd. 1st Floor Cotton Exchange Building I. I. Chundrigar Road Karachi to transact the following business:

1. Recitation from Holy Quran.
2. To Confirm the Minutes of the Thirty Sixth Annual General Meeting held on 30th March, 1998.
3. To receive and adopt the audited accounts for the year ended 30th September 1998 together with the Directors and Auditor Reports thereon.
4. To appoint Auditors for the year ending 30th September 1999 and fix their remuneration. The retiring auditors M/s. Feroze Sharif Tariq & Co. Chartered Accountants offer themselves for reappointment.
5. To transact any other business with the permission of chairman.

By Order of the Board

KARACHI 05th March, 1999.

(AMIN A. HASHWANI)
CHIEF EXECUTIVE

NOTES:

1. The Share Transfer Books of the Company will remain closed from 24-3-99 to 2-4-99 (Both days inclusive)
2. A member entitled to attend the Annual General Meeting is entitled to appoint any member as a proxy to attend and vote in his place at the meeting. Proxies in order to be effective must be received at the Registered Office of the company duly stamped, signed and witnessed not later than 48 hours before the meeting.
3. The members are requested to kindly communicate the changes if any, in their address immediately.

DIRECTORS REPORT TO THE SHARE HOLDER

The Directors of your Company are pleased to present before your thirty Seventh annual Report of the Company along with the audited accounts for the financial year ended 30th September, 1998.

Unfortunately the Company could not achieved its set targets due to uncertain factors of unworkable cotton price, declined market trends of yarn prices, which has further aggravated as a result of Economic conditions in East Asia affecting also Pakistan in the Region. The prevailing financial scenario of our Company coupled with this, adverse market condition, being faced by over all textile Spinning sector, Your company achieved sales Revenue of Rs. 145,984,454 against Rs. 136,949,799. Thus, resulting a Gross profit of Rs. 3,271,506 during the period. Due to cost of financial charges and impact of taxation as well as the operating expenses, the Company suffered a net loss of Rs. 19,366,504 during the year as tabulated below:-

Gross Profit	Rs.	3,271,506
other Income	Rs.	704,125
Administrative expenses	Rs.	2,542,195
Selling & Dist. Expenses	Rs.	134,506
Financial Expenses	Rs.	20,665,435
Net loss for the year	Rs.	19,366,504
Add Taxation		
Prior year	Rs.	5,663,282
Current year	Rs.	729,922
Loss for the year	Rs.	25,759,708

The management of your Company did extraneous efforts to cope with the crises being experienced by textile industry owing to unfavourable and unworkable procurement prices of Cotton and selling prices of yam during the corresponding period, which again proved to be a very difficult year for textile Sector especially spinning industries.

Despite the adverse results, the management managed to settle the outstanding liabilities of the Creditors as the substantial amount of Rs. 17,250,000 repaid to PICIC against the principle loan of Rs. 20,000,000/=. Your Company has fully adjusted HBL US Aid generator loan during the year.

The Directors of your Company is pleased to inform that in order to minimise the administrative expenses and other charges and to remain as Going concern with the running of factory, Your Company has entered into an arrangement of Contract purely on temporary basis with a firm with a view to arrest the liquidity strains due to high inflationary pressures and increase in costs as explained above.

Your Company is also in process of complying with the directives of the Corporate law Authority to make the computerisation systems free from 2000 millennium bug.

The retiring Auditors M/S Feroze Sharif Tariq & Co. Chartered Accountants, being eligible for appointment, have offered themselves for re-appointment for the year ending 30th September, 1999.

The Pattern of shareholding as required under Section 234 of the Companies Ordinance, 1984 as on 30.9.1998 is annexed.

The Management would like to acknowledge and express deep appreciation for the devotion and hard work of the staff members of all levels during the year under review. Thanks are also due to the Banks and financial institutions for their continuous support and our customers for their confidence in your Company

FOR AND ON BEHALF OF THE BOARD

Date: 05th March, 1999
KARACHI:

AMIN A. HASHWANI
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Regent Textile Industries Ltd., as at 30th September, 1998 and the related profit and loss account and cash flow statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 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) Without qualifying our opinion, we draw attention to Note. 21 and 22 in the financial statement. The Company incurred the net loss of Rs. 25,759,708/= during the year ended 30th September 1998 and, as of that date, the company's current liabilities exceeded its current assets by Rs. 78,740,310/= and its total liabilities exceeded its total assets by Rs. 81,732,424/= These factors alongwith other matters as setforth in Note 21 and 22 raise doubt that the Company will be able to continue as going concern.

d) Except for the facts disclosed in foregoing paragraph, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, Profit and loss account and the cash flow statement together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30th September, 1998 and of the loss and the cash flow for the year then ended; and

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

FEROZE SHARIF TARIQ & CO.

Chartered Accountants

Karachi 05th March, 1999

Balance Sheet As at 30th September 1998

	Note	1998 RUPEES	1997 RUPEES
CAPITAL & LIABILITIES			
AUTHORISED CAPITAL			
7,500,000 Ordinary Shares of Rs. 10/- each		75,000,000 =====	75,000,000 =====
ISSUED SUBSCRIBED & PAID UP CAPITAL			
4,758,663 Ordinary Shares of Rs. 10/- each	3	47,586,630	47,586,630
SPECIAL RESERVE U/S 15BB OF I.TAX ACT		908,177	908,177
ACCUMULATED LOSS		(152,555,200)	(126,795,492)
		-----	-----
		(104,060,393)	(78,300,685)
SURPLUS ON REVALUATION OF FIXED ASSETS		22,327,969	22,327,969
LONG TERM LOANS & DEFERRED LIABILITIES	4	100,347,926	131,103,571
CURRENT LIABILITIES			
Current Maturity of Long Term Loans	5	16,593,662	20,097,200
Short Term Borrowings	6	18,590,305	25,390,305
Creditors & Accrued Liabilities	7	127,251,328	49,540,154
		-----	-----
		162,435,295	95,027,659
CONTINGENCIES AND CAPITAL COMMITMENTS	8	-----	-----
		181,050,797	170,158,514
		=====	=====
	Note	1998 RUPEES	1997 RUPEES
PROPERTIES & ASSETS			
FIXED ASSETS - At cost less			
Accumulated Depreciation	9	97,355,812	106,523,624
CURRENT ASSETS			
Stock in Trade	10	47,569,643	28,924,384
Stores		1,653,937	1,438,813
Trade Debtors - unsecured		4,244,294	7,951,164
Advances, Deposits, Prepayments and Other Receivables	11	17,534,766	12,622,054
Cash & Bank Balances	12	12,692,354	12,698,475

-----	-----
83,694,985	63,634,890
-----	-----
181,050,797	170,158,514
=====	=====

The annexed Notes form an integral part of these accounts.

AMIN A. HASHWANI
Chief Executive

AKBAR ALI HASHWANI
Director

Karachi: 05 March, 1999

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER, 1998**

	Note	1998 RUPEES	1997 RUPEES
Sales Revenue	13	145,984,454	136,949,799
Cost of Sales	14	(142,712,948)	(132,343,620)
		-----	-----
GROSS PROFIT/(LOSS)		3,271,506	4,606,179
Administrative Expenses	15	2,542,195	2,638,302
Selling & Distribution Expenses	16	134,506	80,057
Financial Expenses	17	20,665,435	23,301,641
		-----	-----
		23,342,135	26,020,000
OPERATING PROFIT/(LOSS)		(20,070,629)	(21,413,821)
Other Income	18	704,125	1,037,393
		-----	-----
NET PROFIT/(LOSS) FOR THE YEAR		(19,366,504)	(20,376,428)
TAXATION		(5,663,282)	(1,215,896)
PRIOR YEAR		(729,922)	-
		-----	-----
CURRENT YEAR		(6,393,204)	-
ACCUMULATED LOSS BROUGHT FORWARD		(126,795,492)	(105,203,168)
		-----	-----
ACCUMULATED LOSS CARRIED FORWARD		(152,555,200)	(126,795,492)
		=====	=====

The annexed Notes form an integral part of these accounts:

AMIN A. HASHWANI
Chief Executive

AKBAR ALI HASHWANI
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH SEPTEMBER, 1998**

	1998 RUPEES	1997 RUPEES
NET CASH INFLOW FROM OPERATING ACT.	61,690,503	50,279,411
RETURN ON INVESTMENTS & SERVICING OF FINANCE		
Markup/Interest & Lease rental	(20,625,948)	(23,193,069)
	-----	-----
Net cash outflow from return on Investments & Servicing of Finance	(20,625,948)	(23,193,069)
	=====	=====
INVESTING ACTIVITIES		
Purchase of Fixed Assets (including adj. of Ex. Risk fee)	(11,500)	(945,569)
	-----	-----
Net Cash Outflow before financing	(41,053,055)	26,140,773
FINANCING ACTIVITIES		
Increase/(Decrease) In short term loan	(6,800,000)	22,783,000
Increase/(Decrease) In long term loan	(34,259,183)	26,135
	-----	-----

Net cash inflow from financing activities	(41,059,183)	22,809,135
	-----	-----
Increase/(Decrease) in cash and Cash equivalents	(6,128)	3,331,638
	=====	=====

**RECONCILIATION OF OPERATING PROFIT TO NET
CASH FLOW FROM OPERATING ACTIVITIES**

Net loss for the year	(25,759,708)	(21,592,324)
Adj. for non cash charges & other items		
Depreciation	9,179,312	10,197,958
Markup/Interest & lease rental	20,625,948	23,193,096]
	-----	-----
	29,805,260	33,391,054
Operating profit before working Capital Charges	4,045,552	11,798,730
(Increase) Decrease in Current Assets	(18,645,259)	(4,919,067)
Stock in Trade	(215,124)	(585,946)
Stores	3,706,870	30,615,012
Trade Debtors	(4,912,712)	2,096,920
	-----	-----
Adv. Deposits, Prepayments & Other Rec.	(20,066,225)	27,206,919
Increase/(Decrease) in Current Liabilities		
Creditors & Accrued Liabilities	77,711,174	11,273,762
	-----	-----
	57,644,951	38,480,681
	-----	-----
Net Changes in Working Capital	61,690,503	50,279,411
	=====	=====

ANALYSIS OF CHANGES IN CASH & CASH

EQUIVALENT DURING THE YEAR

Balance at the beginning of the year	12,698,473	9,366,835
Increase/(Decrease) in Cash & Cash equivalent during the year	(6,128)	3,331,638
	-----	-----
Balance at the end of the Year	12,692,345	12,698,473
	=====	=====

NOTES TO THE ACCOUNT

FOR THE PERIOD ENDED 30TH SEPTEMBER, 1998

1. NATURE AND STATUS OF THE COMPANY

The Company was incorporated in 1961 under the Companies Act 1913 in Pakistan, as a public limited company. The Company is listed on Karachi Stock Exchange. The Company is principally engaged in manufacture and sale of Cotton Yarn under the brand name of

2. ACCOUNTING POLICIES

The significant Accounting Policies are summarized below:

i) Accounting Convention

The Accounts are prepared on the basis of historical cost convention.

ii) Fixed Assets

a) These are stated at cost less accumulated depreciation except leasehold land and old Buildings which are stated at revalued amount.

b) The exchange fluctuation/exchange risk fee are capitalized on relevant assets for which the loans are acquired.

c) Full year's Depreciation is charged on additions, including exchange fluctuation exchange risk fee applying the reducing balance method at the rates specified in Note 9. No depreciation is charged on disposal during the year.

d) Maintenance and normal repairs are charged to income. Gains And Losses on disposal of assets are taken to Profit and Loss account.

iii) Stores & Stock in trade

Basis of valuation are as follows:

Stores	- at average cost
Raw Material	- at average cost

Packing Material	- at average cost
Work in Process	- at average cost
Finished Goods	- at average cost

iv) Revenue Recognition

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

v) Foreign Currency Translation

Foreign Currency Loans have been converted at the Exchange rate underwritten by the Govt. of Pakistan prevailing on the date of exercising the option for booking of exchange rate.

	1998 RUPEES	1997 RUPEES
3. ISSUED, SUBSCRIBED & PAID UP CAPITAL		
264,373 Ordinary Shares of Rs. 10/-each issued for cash	2,643,730	2,643,730
4,494,290 Ordinary Shares of Rs. 10/-each issued as Right Shares for cash	44,942,900	44,942,900
-----	-----	-----
4,758,663	47,586,630	47,586,630
=====	=====	=====

4. LONG TERM LOANS & DEFERRED LIABILITIES**Local Currency Loans**

I.D.B.P. Finance	(Note 4.1)	4,259,146	4,771,129
P.I.C.I.C. Finance	(Note 4.2)	0	20,000,000
N.B.P. Demand Finance	(Note 4.3)	92,192,962	102,436,624
		-----	-----
		96,452,108	127,207,753

Custom Debentures

	(Note 4.4)	3,895,818	3,895,818
		-----	-----
		100,347,926	131,103,571
		=====	=====

4.1 I.D.B.P. FINANCE

Principle Amount		7,859,146	6,925,131
Transferred to Current Maturity		(3,600,000)	(2,154,002)
		-----	-----
		4,259,146	4,771,129
		=====	=====

This represents local currency finance obtained from Industrial Development Bank of Pakistan for Rs. 11.936(m) under State Bank's L.M.M. Finance scheme for purchase of locally manufactured machineries. The finance was repayable in 10 years including a grace period of 2 years biannual installment commencing from 30-02-1992. The rate of markup is gross 22% and rebated 6% in case payment is made on or before due date the amount of markup shall stand reduced to Rs. 3.886(m) on total loan.

The above loan is secured against mortgage/hypothecation of all present and future fixed assets of the company ranking Pari passu with other creditors and personal guarantee of Sponsoring Directors and associated undertakings. The bank has been approached for restructuring/rescheduling of overdue portion of liability amount. The proposal is being processed at their Head Office level for final approval. Finally the Management has reached an agreement with the Bank for restructuring and Rescheduling of the above mentioned finance facility.

Accordingly the overdues of Rs. 7.418 (m) have been Re-Scheduled & the company has paid down payment of 1.000 (m) towards adjustments of overdues. Balance overdue Rs. 6.418 (m) and Principal Not Yet Due (PNYD) Rs. 6.259 (M) shall be paid through equal monthly installments of Rs. 0.300 (M) Commencing from September 1998. The Principal overdues Rs. 2.879 (M) will carry mark-up @ 16% p.a whereas P.N.Y.D. will carry mark-up at usual rebated rate. Cut of date has been fixed as 31-03-98 as such the company will also pay mark-up Rs. 0.812 (M) being grace period mark-up apart from above Re-Scheduled amount.

	1998 RUPEES	1997 RUPEES
4.2 P.I.C.I.C. FINANCE		
Principle Amount	20,000,000	20,000,000
Less Payment during the Year	(17,250,000)	0
	2,750,000	20,000,000
	(2,750,000)	0
	-----	-----
Transfer to Current Maturity	0	20,000,000

=====

The above finance has been obtained from Pakistan Industrial Credit & Investment Corporation (PICIC). The finance is secured against the Personal Guarantees and Personal Securities of Sponsoring Directors. The rate of mark up is 45 paisas per day per thousand. During the year the management has successfully negotiated with the bank for full & final Settlement of entire Liability against payment of Rs. 21.000 (M) Plus fee & other charges of Rs. 0.100 (M) under the agreement with the company. The company has already paid down payment of Rs. 4.20 (M), Installments of Rs. 10.8 (M) and Rs. 2.250 (M) as per agreement with the bank, and remaining amount of Rs. 2.750 (M) will be paid during the next financial year. The effect of above negotiation is reflected in the balance confirmation by PICIC. However the formal agreement is yet to be signed.

4.3 N.B.P DEMAND FINANCE

Principle Amount	102,436,624	102,436,624
Less: Transfers to current maturity	(10,243,662)	0
	-----	-----
	92,192,962	102,436,624
	=====	=====

The credit facilities including markup thereon availed from N.B.P have been restructured and a new Demand Finance account has been created for the same. As per restructuring arrangement the finance is secured against equitable mortgage of the entire present and future fixed assets of the company, hypothecation of all the movable assets of the company and personal guarantees of Sponsoring Directors and change on the fixed and current assets of the company. The rate of markup is 45 paisa per day per thousand. The finance is repayable in bi-annual installment to be adjusted within a period of 5 years with effect from 01-07-1997, with a grace period of 2 years. The first installment to fall due on 01-07-1999. The formal agreement is yet to be signed.

4.4 CUSTOM DEBENTURES

	1998 RUPEES	1997 RUPEES
	3,895,818	3,895,818
	=====	=====

These have been issued to the Central Excise and Land Customs Department against the deferred custom duty & surcharge on imported plant and machinery. These are redeemable in six half yearly installments of Rs2 147,530 and Rs. 368,716 each. These are secured against bank guarantees issued by the Habib Bank Ltd. and American Express Bank Ltd., and carry surcharge @ 11% per annum.

5. CURRENT MATURITY OF LONG TERM LOANS

	1998 RUPEES	1997 RUPEES
HBL US Aid Generator Loan	0	15,709,183
I.D.B.P. LMM Finance	3,600,000	2,154,002
I.D.B.P. LMM Finance - Overdues	0	2,234,015
P.I.C.I.C. Finance	2,750,000	0
N.B.P. Demand Finance	10,243,662	-
	-----	-----
	16,593,662	20,097,200
	=====	=====

6. SHORT TERM BORROWINGS

National Bank of Pakistan A/C # 6089	(NOTE 6.1)	18,590,305	25,390,305
		-----	-----
		18,590,305	25,390,305
		=====	=====

6.1 The National Bank of Pakistan has sanctioned a Cash finance facility of Rs. 75 millions against the pledge of stock of raw cotton, personal guarantees of sponsoring directors of the company, First Charge on the current assets together with First Charge by way of equitable mortgage on the company's fixed assets. The rate of markup is 45 paisas per day per thousand. The finance has been sanctioned for working capital requirement and the same to be adjusted by 30-10-96. The company applied under debt incentive scheme announced by SBP in June, 1997 for settlement of the outstanding amount. The down payment of settlement amount was also paid as stipulated in the scheme.

7. CREDITORS AND ACCRUED LIABILITIES

Creditors for goods	31,651,978	12,230,442
Creditors for Services & Accrued Expenses	3,082,293	2,271,720
Accrued Interest and Charges	40,744,155	25,458,071
Other Liabilities	2,688,789	2,657,518
Due to Associated Undertaking	38,276,155	(496,389)
Advance from Directors	767,950	767,950
Security Deposit	2,609,358	0
Sales Tax Payable	1,909,966	6,650,842

Provision for I. Tax	5,520,685	0
	-----	-----
	127,251,328	49,540,154
	=====	=====

8. CONTINGENCIES AND CAPITAL COMMITMENTS**CONTINGENCIES**

Banks Guarantees & Indemnities Bonds	2,000,000	2,000,000
	=====	=====

9. FIXED ASSETS

ASSET	AS ON 01/10/97	COST ADD.	AS ON 30/09/98	RATE %	AS ON 01/10/97	DEPRECIATION FOR THE YEAR	AS ON 30/09/98	W.D.V. AS ON 30/09/98
Lease hold Land	14,742,000	0	14,742,000		0	0	0	14,742,000
Factory Building Mill	19,834,426	0	19,834,426	10	10,517,289	931,714	11,449,003	8,385,423
Factory Labour Colony	4,531,630	0	4,531,630	10	2,358,632	217,300	2,575,932	1,955,698
Plant & Machinery	122,900,616	0	122,900,616	10	63,734,903	5,916,571	69,651,474	53,249,142
Laboratory Equipment	8,082,434	0	8,082,434	10	4,218,652	386,378	4,605,030	3,477,404
A/equipment	3,065,050	0	3,065,050	10	1,623,876	144,117	1,767,993	1,297,057
Power House Machinery	31,349,761	0	31,349,761	10	16,591,013	1,475,875	18,066,888	13,282,873
Work Shop Equipments	210,802	0	210,802	10	110,232	10,057	120,289	90,513
Fire Fighting Equipments	24,625	0	24,625	10	12,912	1,171	14,083	10,542
Sales & Measuring Equip	216,750	0	216,750	10	115,238	10,151	125,389	91,361
Office Equipments	123,513	0	123,513	10	66,902	5,661	72,563	50,950
Electric & Gas Equip.	42,952	0	42,952	10	18,900	2,405	21,305	21,647
Furniture & Fixtures	699,113	0	699,113	10	335,523	36,359	371,882	327,231
Gas Installation	251,691	0	251,691	10	133,815	11,788	145,603	106,088
Computer Equipments	232,400	11,500	243,900	10	105,939	13,796	119,735	124,165
Fans & Airconditioners	171,525	0	171,525	10	72,630	9,890	82,520	89,006
Telephone Installation	113,360	0	113,360	10	52,568	6,079	58,647	54,713
	-----	-----	-----		-----	-----	-----	-----
1998	206,592,648	11,500	206,604,148		100,069,024	9,179,312	109,248,336	97,355,812
	=====	=====	=====		=====	=====	=====	=====
1997	205,647,079	945,569	206,592,648		89,871,066	10,197,958	100,069,024	106,523,624
	=====	=====	=====		=====	=====	=====	=====

NOTE: THE FIXED ASSETS WERE REVALUED IN THE YEAR 1986 WHICH ARE AS FOLLOWS:

ASSET	COST	REVALUATION	REVALUATION SURPLUS
LAND	255,010	14,742,000	14,486,990
BUILDING	1,424,408	9,265,387	7,840,979

			22,327,969
			=====
			1998
			RUPEES
			1997
			RUPEES

10. STOCK IN TRADE

Raw Cotton Stock	15,045,101	27,807,208
Packing Materials Stock	45,000	70,560
Stock of Waste	0	6,455
Work in Process Stock	0	1,040,161
Finished Goods Stock in Transit	32,479,542	0
	-----	-----
	47,569,643	28,924,384
	=====	=====

11. ADVANCES, DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES**ADVANCES**

Advance to Suppliers	13,571,310	4,842,344
Advance Income Tax	1,475,563	1,428,311
Advance to Staff	494,214	329,266
Other Advances	789,672	796,116
	-----	-----

	16,330,759	7,396,037
DEPOSITS & MARGINS		
Bank Guarantee Margin	495,846	495,846
Other Deposits	0	413,563
	-----	-----
	495,846	909,409
OTHER RECEIVABLES	708,162	4,316,608
	-----	-----
	17,534,766	12,622,054
	=====	=====
12. CASH & BANK BALANCES		
Cash at Bank with Current Accounts	70,766	66,613
Cash at Bank with Escrow Accounts	12,559,672	12,559,672
Cash in Hand	61,906	72,190
	-----	-----
	12,692,345	12,698,475
	=====	=====
13. SALES		
Yarn-Local	140,445,939	135,977,019
	-----	-----
	140,445,939	135,977,019
	=====	=====
Waste	813,276	972,780
Raw Cotton	4,725,239	0
	-----	-----
	5,538,515	972,780
	-----	-----
NET SALES	145,984,454	136,949,799
	=====	=====
	1998	1997
	RUPEES	RUPEES
14. COST OF GOODS SOLD		
RAW COTTON CONSUMED		
Opening Stock	278,072,081	21,820,183
Purchases - Cotton	815,122,781	103,659,220
- Waste	17,305,098	333,497
	-----	-----
	126,624,584	125,812,900
Less: Closing Stock	(15,045,101)	(27,807,208)
	-----	-----
Cost of Raw Cotton consumed	111,579,483	98,005,692
	-----	-----
PACKING MATERIALS CONSUMED	1,270,720	1,086,419
MANUFACTURING OVERHEADS		
Salaries, Wages & Other Benefits	10,466,444	11,643,015
Stores & Spares Consumed	2,644,404	3,431,840
Cotton Incidental Charges	891,464	1,696,667
Fuel, Power & Water	4,616,625	4,682,650
Other Expenses	487,498	21,023
Printing & Stationery	14,551	6,539
Repairs & Maintenance	322,330	349,909
Depreciation	9,179,313	10,197,958
Telephone Expenses	28,709	16,497
Vehicle Running & Maintenance	90,258	187,085
Traveling & Conveyance	80,988	62,783
Rent, Rates & Taxes	0	52,290
	-----	-----
TOTAL MANUFACTURING OVERHEADS	28,822,584	32,348,256
	-----	-----
TOTAL MANUFACTURING COST	141,672,787	131,440,367
	-----	-----
Work in process Stock - Opening	1,040,161	1,716,757
- Closing	0	(1,040,161)
	-----	-----
	1,040,161	676,596
	-----	-----

COST OF GOODS MANUFACTURED	142,712,948	132,116,963
Finished Goods Stock-Opening	0	226,657
Cotton Yam Purchase	32,479,542	0
- Closing	(32,479,542)	0
	-----	-----
	0	226,657
	-----	-----
COST OF GOODS SOLD	142,712,948	132,343,620
	=====	=====

		1998	1997
		RUPEES	RUPEES
15. ADMINISTRATIVE EXPENSES			
Directors Remuneration	(Note 15.1)	240,000	240,000
Staff Salaries & Allowances		1,149,490	944,863
Vehicle Running & Maintenance		242,683	317,441
Telephone & Telegram		31,236	164,470
Legal & Professional Charges		22,500	5,650
Entertainment		30,390	28,317
Fees & Subscriptions		38,675	46,200
Auditor's Remuneration	(Note 15.2)	25,000	25,000
Printing & Stationeries		52,380	66,474
Miscellaneous Expenses		572,107	672,119
Traveling & Conveyance		110,354	115,063
Computer Running & Maintenance		27,380	12,705
		-----	-----
		2,542,195	2,638,302
		=====	=====

15.1 CHIEF EXECUTIVE'S REMUNERATION:

The aggregate amount charged in the Accounts for remuneration of Chief Executive/Director of the Company is as follows:

Managerial Remuneration	160,000	160,000
Housing/Utility	80,000	80,000
	-----	-----
	240,000	240,000
	=====	=====
Number	1	1

15.2 AUDITOR'S REMUNERATION:

Auditor's Remuneration represents the Audit fee for the year

16. SELLING & DISTRIBUTION EXPENSES

Advertisements	33,706	7,003
Loading & Unloading charges-Yarn	100,800	73,054
	-----	-----
	134,506	80,057
	=====	=====

17. FINANCIAL EXPENSES

Bank Charges including Excise Duty	39,487	108,572
Interest on Long Term Loans	20,625,948	22,335,635
Lease Rentals	0	857,434
	-----	-----
	20,665,435	23,301,641
	=====	=====

18. OTHER INCOME

Miscellaneous Income	345,325	152,000
Scrap Sale	358,800	885,393
	-----	-----
	704,125	1,037,393
	=====	=====

19. TAXATION

Provision for Turnover Tax amounting to Rs. 6.54 million (1997 Rs. 5.81 million) has been made in the accounts but the applicability of the same is being contested.

Deferred Tax liability has not been provided for in the accounts as the company considers that the timing differences are not likely to fevers in the foreseeable future in view of its initial Capitalization.

	1998	1997
	RUPEES	RUPEES

20. PLANT CAPACITY & ACTUAL PRODUCTION

a) Total Number of spindles installed	12,960	12,960
b) Total number of spindles worked	7,928	8,760
c) Plant Capacity of Yam converted into 20/s Kgs.	3,743,291	3,743,291
d) Actual production of Yam converted in 20/s Kgs.	1,415,368	1,492,243
e) Production of Yam average count Kgs. (1997 19.55)	19.27	19.55
f) Number of shifts worked per day	3	3

Due to unworkable cotton prices, unfavourable market trends and declining yarn prices the installed capacity was not fully utilized.

21. GOING CONCERN

The Company incurred a net loss of Rs. 25,759,708/= during the year ended 30th September 1998 and as that date the Company's current liabilities exceeded its current assets by Rs. 78,740,310/= and its total liabilities exceeded its total assets by Rs. 81,732,424/= However the management feels that the Company is going concern. The management entered into an arrangement purely on temporary basis with a firm in order to arrest the liquidity strains. However the management feels that year 2000 will be good as the trend will go upward

22. POST BALANCE SHEET EVENT

Subsequent to Balance Sheet date the management entered into an arrangement in consideration of service fee to utilize the certain facilities of the company. Therefore Subsequent to Balance Sheet date all the production activities of the company are temporarily suspended.

23. GENERAL

- Comparative figures has been rearranged and regrouped, wherever necessary for the purpose of comparison.

- Figures have been rounded off to the nearest rupee.

AMIN A. HASHWANI
Chief Executive

AKBAR ALI HASHWANI
Director

**PATTERN OF SHARE HOLDING
AS AT 30TH SEPTEMBER, 1998**

NOS. OF SHARE HOLDERS		SHAREHOLDINGS		NOS. OF SHARES HELD	
166	FROM	1	TO	100	12,223
46	FROM	101	TO	500	13,430
11	FROM	501	TO	1000	8,900
27	FROM	1001	TO	5000	68,565
4	FROM	5001	TO	10000	27,672
3	FROM	10001	TO	15000	32,136
2	FROM	40001	TO	45000	89,500
1	FROM	75001	TO	80000	80,000
1	FROM	125001	TO	130000	127,480
1	FROM	215001	TO	220000	220,000
1	FROM	225001	TO	230000	230,000
1	FROM	230001	TO	235000	232,200
1	FROM	320001	TO	325000	325,000
1	FROM	470001	TO	475000	475,000
4	FROM	700001	TO	705000	2,816,557
-----				-----	
270		TOTAL		4,758,663	
=====				=====	

CATEGORIES OF SHARE HOLDERS	NOS. OF SHARE HOLDERS	NOS. OF SHARES HELD	PERCENTAGE OF SHARES HELD
INDIVIDUAL	256	3926788	82.52%
INVESTMENTS COMPANIES	4	330259	6.94%
INSURANCE COMPANIES	3	13300	0.28%
JOINT STOCK COMPANIES	3	3900	0.08%
FINANCIAL INSTITUTIONS	3	484415	10.18%
MODARABA	0	0	0%
OTHER	1	1	0%

TOTAL	-----	-----	-----
	270	4758663	100.00%
	=====	=====	=====