

Regent Textile Industries Limited

Annual Report 1999

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BOARD OF DIRECTORS

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

Company Secretary Syed Mohammad 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 Eighth Annual General Meeting of the Company will be held on 30th March, 2000 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 Seventh Annual General Meeting held on 27th March, 1999.
3. To receive and adopt the audited accounts for the year ended 30th September 1999 together with the Directors and Auditor Reports thereon.
4. To appoint Auditors for the year ending 30th September, 2000 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
(AMIN A. HASHWANI)
CHIEF EXECUTIVE

KARACHI 9th March, 2000.

NOTES:

1. The Share Transfer Books of the Company will remain closed from 27-03-2000 to 03-04-2000 (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 SHAREHOLDERS

The Directors of your Company take pleasure in presenting thirty eighth Annual Report with audited accounts for the financial year ended 30th September, 1999 together with Auditors Report.

The management of your Company owing to adverse economic scenario and unworkable market conditions managed to run the spinning unit under contractual arrangement with a firm from Oct. 1998 to 21st, August, 1999 to minimise losses. The contractual arrangement stands terminated and your directors have continued operational activity from 22nd. August, 1999 for only one month and 10 days during the period under Review, thus your directors with their best efforts narrowed down the net loss for the Year at Rs. 10,629,307 due to manufacturing overheads against which depreciation is charged for Rs. 8,039,265 for the period under review. After the prior year's adjustment and other income, the results after taxation come to a little profit of Rs. 2,474,554 thus reducing the accumulated losses to Rs. 150,080,646 against the previous years figure of Rs. 152,555,201.

Clarifying to the remarks WITH OUT QUALIFICATION of the Auditors cited at para (c) of the attached Auditors Report on the accounts under review, the company's current liabilities are reflected to have exceeded by Rs. 58,135,293 as per book value of the current assets. Whereas, the actual value of these current assets if re-assessed and re-valued would be much higher than the current liabilities. This matter was also examined by Our Banker National Bank of Pakistan, which appointed M/S Iqbal A. Nanji, a reputable Surveyor and Valuator to re-access-the value of the current assets which is in progress and would be finalised by them. Therefore, your directors are of the considered opinion that on the basis of revaluation of current assets, the company will have sufficient surplus on revaluation of current assets against its current liabilities. Further explaining on the auditors remarks raising the doubt that the company will be able to continue as a going concern, your company is actively procuring raw cotton and manufacturing yarn as prices of raw cotton are favourable and your company has plans to continue operations to avail positive market trends which we feel to remain intact in future strategy of crop-cultivation of raw cotton.

The Federal Government has also announced to introduce Industrial policy in April, 2000 which we expect to address prosperous future for the Textile Industry.

Your directors were under tremendous pressure from National Bank of Pakistan to satisfy/adjust the liabilities. Your company entered into re-scheduling arrangement with NBP on the credit finances at Rs. 124.335 Million together with mark-up @ 14% per annum for final settlement by 30th October, 2000. The directors of your company are optimistic to satisfy the above Bank liabilities from the resources and the advances in order to minimise the financial charges as per their set targets.

Your Company has taken appropriate measures to ensure Year 2000 compliance to meet Y2K challenges in their accounts automation systems.

The retiring auditors M/S Feroz Sharif Tariq & Co. Chartered Accountants, Karachi have offered themselves being eligible for re-appointment for the financial year ending 30th September, 20.00.

The pattern of share holding as required under Section 234 of the Companies Ordinance, 1984 for the period ended 30th September, 1999 is attached.

Your Directors place on the record the appreciation for the dedicated services rendered by the employees on all levels during the year and thanks to our Bankers especially NBP for their continuous support and co-operation in difficult times.

By order of the Board of Directors

Dated: 8th March, 2000.
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, 1999 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 Company 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. 23 in the financial statement. The Company incurred the net profit of Rs. 2,474,554/- during the year ended 30th September, 1999 and, as of that date, the company's current liabilities exceeded its current assets by

Rs. 58,135,293/- and its total liabilities exceeded its total assets by Rs. 79,257,870/-. These factors alongwith other matters as setforth in Note 23 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, 1999 and of the profit 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.

Dated: 8th March, 2000
Karachi:

FEROZE SHARIF TARIQ & CO.
Chartered Accountants

BALANCE SHEET AS AT 30TH SEPTEMBER 1999

	<i>Note</i>	<i>1999</i> <i>RUPEES</i>	<i>1998</i> <i>RUPEES</i>
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 US 15BB OF I TAX ACT			
		908,177	908,177
ACCUMULATED LOSS			
		(150,080,646)	(52,555,201)
	4	(101,585,839)	(104,060,394)
SURPLUS ON REVALUATION OF FIXED ASSETS			
		22,327,969	22,327,969
LONG TERM LOANS			
	5	108,217,959	100,347,926
CURRENT LIABILITIES			
Current Maturity of Long Term Loans	6	26,275,005	16,593,662
Short Term Borrowings	7	--	18,590,305
Creditors & Accrued Liabilities	8	82,405,540	127,251,328
		108,680,545	162,435,295
CONTINGENCIES AND CAPITAL COMMITMENTS			
	9		
		137,640,634	181,050,796
PROPERTIES & ASSETS			
FIXED ASSETS - At cost less			
Accumulated Depreciation	10	87,095,381	97,355,812
CURRENT ASSETS			
Stock in Trade	11	19,650,719	47,569,643
Stores		1,457,318	1,653,937
Trade Debtors - unsecured		5,227,656	4,244,294
Advances, Deposits, Prepay- ments and Other Receivables	12	10,986,028	17,534,766
Cash & Bank Balances	13	13,223,532	12,692,344
		50,545,253	83,694,984
		137,640,634	181,050,796

The annexed Notes form an integral part of these accounts.

AMIN A. HASHWANI
Chief Executive

AKBAR ALI HASHWANI
Director

Dated: 8th March, 2000
Karachi:

PROFIT & LOSS ACCOUNT
YEAR ENDED 30TH SEPTEMBER, 1999

		<i>1999</i>	<i>1998</i>
		<i>RUPEES</i>	<i>RUPEES</i>
Sales Revenue	14	22,135,566	145,984,454
Cost of Sales	15	(25,850,357)	(142,712,948)
GROSS PROFIT/(LOSS)		(6,714,791)	3,271,506
Administrative Expenses	16	2,064,686	2,542,195
Selling & Distribution Expenses	17	25,542	134,506
Financial Expenses	18	1,824,287	20,665,435
		3,914,516	23,342,135
OPERATING PROFIT/(LOSS)		(10,629,307)	(20,070,629)
Other Income	19	2,554,802	704,125
Prior year Adjustment	20	10,660,059	--
NET PROFIT/(LOSS) BEFORE TAXATION		13,214,861	704,125
		2,585,554	(19,366,505)
TAXATION			
- Prior year		--	(5,663,282)
- Current year		(111,000)	(729,922)
		(111,000)	(6,393,204)
PROFIT/(LOSS) AFTER TAXATION		2,474,554	(25,759,709)
ACCUMULATED LOSS BROUGHT FORWARD		(152,555,201)	(126,795,492)
ACCUMULATED LOSS CARRIED FORWARD		(150,080,646)	(152,555,201)

The annexed Notes form an integral part of these accounts:

NOTE: The current years operating figures except for fixed expenses are for one month and ten days where as last year figures are for the whole year. See note 24.

AMIN A. HASHWANI
Chief Executive

AKBAR ALI HASHWANI
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH SEPTEMBER, 1999

		<i>1999</i>	<i>1998</i>
		<i>RUPEES</i>	<i>RUPEES</i>
Cash flow from operating activities			
Gain/(Loss) before Tax		2,585,554	(19,366,504)
Adjustment of non-fund Items:			
Depreciation		8,039,265	9,179,312
Financial Charges		1,787,555	20,625,948
Loss/(Gain) on disposal of fixed assets		1,696,166	--
Mark-up waived off		(22,668,948)	--
		(11,145,962)	29,805,260
Operating profit/(loss) before working capital changes		(8,560,408)	10,438,756
Working capital changes			
Stores		196,619	(215,124)
Stocks		27,918,924	(18,645,259)
Trade debts		(983,361)	3,706,870
Advances deposits and Prepayments		7,646,495	(4,865,460)
Creditors Accrued & Other Liabilities		(18,064,324)	56,904,405
		16,714,353	36,885,432
Cash generated/(used) from operations		8,153,945	47,324,188
Financial charges paid		2,703,000	5,339,864
Income Tax Paid		1,097,757	919,771

	3,800,757	6,259,635
Net cash generated/(used) in operating activities	4,353,188	41,064,553
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed assets additions	(75,000)	11,500
Sale Proceed of fixed asset	600,000	--
Net cash used in investing activities	525,000	11,500
	4,878,188	41,053.05
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of Long Term Loan	4,347,000	34,259,183
Payment of Short Term Borrowing	--	6,800,000
	4,347,000	41,059,183
	531,188	(6,130)
Cash and bank at the beginning of the year	12,692,344	12,698,475
Cash and bank at the year end	13,223,532	12,692,345

AMIN A. HASHWANI
Chief Executive

AKBAR ALI HASHWANI
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH SEPTEMBER, 1999

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 Yam under the brand name of "TEXTURE". This Company has under taking of spinning units comprising on 12,960 spindles and was a sick unit. The present management of the Company had with the negotiation of IDBP taken over in 1988 and here managed to run the project for healthy growths for economy and the contribution towards the national economy.

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 Asset

- These are stated at cost less accumulated depreciation except leasehold land and old Building which are stated at revalued amount
- The exchange fluctuation / exchange risk fee are capitalized on relevant assets for which the loans are acquired
- 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 10. No depreciation is charged on disposal during the year.
- 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 despatch 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.

	<i>1999</i> <i>RUPEES</i>	<i>1998</i> <i>RUPEES</i>
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. STATEMENT OF CHANGES IN EQUITY

	<i>SHARE</i> <i>CAPITAL</i>	<i>SPECIAL</i> <i>RESERVE</i> <i>U/S 15 BB</i> <i>I/TAX ACT</i>	<i>ACCUMULATED</i> <i>PROFIT/</i> <i>(LOSS)</i>	<i>TOTAL</i> <i>RUPEES</i>
Balance at 1st Oct 1997	47,586,630	908,177	(126,795,492)	(78,300,685)
Net loss for the year ended 30th Sept. 1998	--	--	(25,759,709)	(25,759,709)

Balance as at 30-9-98	47,586,630	908,177	(152,555,201)	(104,060,394)
Net Loss for the year ended 30th Sept. 1999	--	--	2,474,554	2,474,554

Balance as at 30-9-99	47,586,630	908,177	(150,080,646)	(101,585,839)
=====				

5. LONG TERM LOANS**Local Currency Loans**

I.D.B.P. Finance	(Note 5.1)	4,854,141	4,259,146
N.B.P. Demand Finance	(Note 5.2)	99,468,000	92,192,962
		-----	-----
Custom Debentures	(Note 5.3)	104,322,141	96,452,108
		3,895,818	3,895,818
		-----	-----
		108,217,959	100,347,926
		=====	=====

5.1 I.D.B.P. FINANCE

Principal Amount	7,859,146	9,159,146
Payments	(1,597,000)	(1,300,000)
	-----	-----
	6,262,146	7,859,146
Transferred to Current Maturity	(1,408,005)	(3,600,000)
	-----	-----
	4,854,141	4,259,146
	=====	=====

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 machinery's.

The finance was repayable in 10 years including a grace period of 2 years biannual installment commencing from 28-02-1992. 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 over dues of Rs. 7.418(m) have been rescheduled and the company has paid down payment of Rs. 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. The overdues shall be paid after complete adjustment of PNYD.

5.2 N.B.P DEMAND FINANCE

Principal Amount	124,335,000	102,436,624
Less: Transfer to Current Maturity	(24,867,000)	(10,243,662)
	-----	-----
	99,468,000	92,192,962
	=====	=====

The credit facilities including markup thereon availed from N.B.P have been rescheduled. As per restructuring arrangement the finances inclusive of markup amounting to Rs. 124.335 million vide offer letter dated 14th November, 1999 (Including Demand and Cash Finance Liabilities) has since been rescheduled and final payment to be made by 30th October, 2000, together with markup @ 14% p.a. The Company accepted the offer and made down payment of Rs. 24.867 million by 16th November, 1999. The effect of the same are reflected in the accounts.

The above liability 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, pledge of Raw Cotton Stocks and personal guarantees of Sponsoring Directors and charge on the fixed and current assets of the company. The entire rescheduled arrangement may be reversed if the same is not paid by October 30, 2000.

5.3 CUSTOM DEBENTURES	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 Rs. 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.

6. CURRENT MATURITY OF LONG TERM LOANS

I.D.B.P. LMM Finance	1,408,005	3,600,000
P.I.C.I.C Finance	--	2,750,000
N.B.P. Demand Finance	24,867,000	10,243,662
	-----	-----
	26,275,005	16,593,662
	=====	=====

7. SHORT TERM BORROWINGS

National Bank of Pakistan A/C # 6089 (Note 5.2)	--	18,590,305
	=====	=====

Cash finance facility had been initially arranged to the extent of value of Raw Cotton pledged. Under rescheduling arrangement with bank the balance of account amounting to Rs. 18.590 million has been transferred to Demand Finance-Rescheduled as describe in note # 5.2.

8. CREDITORS AND ACCRUED LIABILITIES

Creditors for goods	8,021,151	31,651,977
Creditors for Services & Accrued Expenses	3,967,099	3,082,293
Accrued Interest and Charges	13,851,691	40,744,155
Other Liabilities	1,641,226	2,688,789
Advance from Directors	11,450	767,950
Due to Associated Undertaking	46,565,378	38,276,155
Security Deposit	2,642,358	2,609,358
Sales Tax - Payable	73,502	1,909,966
Provision for I. TAX	5,631,685	5,520,685
	-----	-----
	82,405,540	127,251,328
	=====	=====

9. CONTINGENCIES AND CAPITAL COMMITMENTS

CONTINGENCIES

- Bank Guarantees & Indemnity Bonds	2,000,000	2,000,000
- In case of non timely payment as describe in note # 5.2	134,000,000	--
	-----	-----
	136,000,000	2,000,000
	=====	=====

10. FIXED ASSETS

PARTICULARS	COST				RATE %	DEPRECIATION			AS ON 30/09/99	W.D.V. AS ON 30/09/99
	AS ON 01/10/98	ADDITION	DELETE	AS ON 30/09/99		AS ON 01/10/98	DELETE FOR THE YEAR	FOR THE YEAR		
Lease hold Land	14,742,000	0	0	14,742,000	--	0	0	--	0	14,742,000
Factory Building Mill	19,834,426	0	0	19,834,426	10	11,449,003	0	838,542	12,287,545	7,546,881
Factory Labour Colony	4,531,630	0	0	4,531,630	10	2,575,932	0	195,570	2,771,502	1,760,128
Plant & Machinery	122,900,616	0	0	122,900,616	10	69,651,474	0	5,324,914	74,976,389	47,924,228
Laboratory Equipment	8,082,434	0	0	8,082,434	10	4,605,030	0	347,740	4,952,771	3,129,663
A/c Equipment	3,065,050	0	0	3,065,050	10	1,767,993	0	129,706	1,897,699	1,167,351
Power House Machinery	31,349,761	75,000	5,926,805	25,497,956	10	18,066,888	3,630,639	1,106,171	15,542,420	9,955,537
Work Shop Equipments	210,802	0	0	210,802	10	120,289	0	9,051	129,340	81,462
Fire Fighting Equipments	24,625	0	0	24,625	10	14,083	0	1,054	15,137	9,488
Sales & Measuring Equip.	216,750	0	0	216,750	10	125,389	0	9,136	134,525	82,225
Office Equipments	123,513	0	0	123,513	10	72,563	0	5,095	77,658	45,855

Electric & Gas Equip.	42,952	0	0	42,952	10	21,305	0	2,165	23,470	19,482
Furniture & Fixtures	699,113	0	0	699,113	10	371,882	0	32,723	404,605	294,508
Gas Installation	251,691	0	0	251,691	10	145,603	0	10,609	156,211	95,480
Computer Equipments	243,900	0	0	243,900	10	119,735	0	12,416	132,152	111,748
Fans & Airconditioners	171,525	0	0	171,525	10	82,520	0	8,901	91,420	80,105
Telephone Installation	113,360	0	0	113,360	10	58,647	0	5,471	64,118	49,242
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
1999	206,604,148	75,000	5,926,805	200,752,343		109,248,336	3,630,639	8,039,265	113,656,962	87,095,381
	=====	=====	=====	=====		=====	=====	=====	=====	=====
1998	206,592,648	11,500	0	206,604,148		100,069,024	0	9,179,312	109,248,336	97,355,812
	=====	=====	=====	=====		=====	=====	=====	=====	=====

ASSETS

	<i>COST</i>	<i>REVALUATION</i>	<i>REVALUATION</i>
			<i>SURPLUS</i>

LAND	255,010	14,742,000	14,486,990
BUILDING	1,424,408	9,265,387	7,840,979
	-----	-----	-----
	1,679,418	24,007,387	22,327,969
	=====	=====	=====

10.1 Details of disposal of operating assets during the year:

	<i>COST</i>	<i>ACC. DEP</i>	<i>NET BOOK</i>	<i>SALE</i>	<i>GAIN/(LOSS)</i>
			<i>VALUE</i>	<i>PROCEED</i>	
Generator	5,926,805	3,630,639	2,296,166	600,000	(1,696,166)

MODE OF DISPOSAL

Negotiations

BUYER PARTICULARS

Mr. Atta Mohd, Qammer Bld, E-33/2, Shershah, Karachi.

11. STOCK IN TRADE

Raw Cotton Stock	15,046,790	15,045,101
Packing Materials Stock	37,248	45,000
Work in Process Stock	1,713,653	--
Finished Goods Stock in Transit	--	32,479,542
Finished Goods Stock	2,853,028	--
	-----	-----
	19,650,719	47,569,643
	=====	=====

12. ADVANCES, DEPOSITS, PREPAYMENTS & - OTHER RECEIVABLES

ADVANCES

Advance to Suppliers	6,879,066	13,571,310
Advance Income Tax	2,573,320	1,475,563
Advances to Staff	442,664	494,214
Other Advances	307,000	789,672
	-----	-----
	10,202,050	16,330,759
	=====	=====

DEPOSITS & MARGINS

Bank Guarantee Margin	49,584,611	495,846
	-----	-----
	495,846	495,846
	=====	=====

OTHER RECEIVABLES

	288,132	708,162
	-----	-----
	10,986,028	17,534,766
	=====	=====

13. CASH & BANK BALANCES

Cash at Bank with Current Accounts	515,476	70,766
Cash at Bank with Escrow Accounts	12,558,224	12,559,67
Cash in Hand	149,832	61,906
	-----	-----
	13,223,532	12,692,344
	=====	=====

14. SALES

Yarn-Local	17,175,670	140,445,939
	-----	-----
	17,175,670	140,445,939
	=====	=====

Waste	78,921	813,276
Raw Cotton	4,880,975	4,725,239
	-----	-----
	4,959,895	5,538,515
	-----	-----
NET SALES	22,135,566	145,984,454
	=====	=====

15. COST OF GOODS SOLD RAW COTTON CONSUMED

Opening Stock	15,045,101	27,807,208
Purchases - Cotton	20,007,135	81,512,278
- Waste	--	17,305,098
	-----	-----
	35,052,236	126,624,584

Less: Closing Stock	(15,046,790)	(15,045,101)
Cost of Raw Cotton consumed	20,005,446	111,579,483
	-----	-----

PACKING MATERIALS CONSUMED	142,499	1,270,720
	=====	=====

MANUFACTURING OVERHEADS

Salaries, Wages & Other Benefits	2,083,769	10,466,444
Stores & Spares Consumed	539,744	2,644,404
Cotton Incidental Charges	82,900	891,464
Fuel, Power & Water	1,747,966	4,616,625
Other Expenses	241,971	487,498
Printing & Stationery	19,604	14,551
Repairs & Maintenance	385,990	322,330
Depreciation	8,039,265	9,179,313
Telephone Expenses	74,175	28,709
Vehicle Running & Maintenance	34,517	90,258
Travelling & Conveyance	19,192	80,988
	-----	-----

TOTAL MANUFACTURING OVERHEADS	13,269,093	28,822,584
	-----	-----

TOTAL MANUFACTURING COST	33,417,038	141,672,787
	-----	-----

Work in process Stock - Opening	--	1,040,161
- Closing	(1,713,653)	--
	-----	-----
	(1,713,653)	1,040,161

COST OF GOODS MANUFACTURED	31,703,385	142,712,948
-----------------------------------	------------	-------------

Finished Goods Stock - Opening	--	--
- Closing	(2,853,028)	--
	-----	-----
	(2,853,028)	--

COST OF GOODS SOLD	28,850,357	142,712,948
	=====	=====

16. ADMINISTRATIVE EXPENSES

Directors Remuneration	(Note 16.1)	240,000	240,000
Staff Salaries & Allowances		946,505	1,149,490
Vehicle Running & Maintenance		80,767	242,683
Telephone & Telegram		6,671	31,236
Legal & Professional Charges		32,800	22,500
Entertainment		4,685	30,390
Fees & Subscriptions		65,800	38,675
Auditor's Remuneration	(Note 16.2)	25,000	25,000
Printing & Stationery		4,547	52,380
Insurance		238,072	248,258
Miscellaneous Expenses		350,693	323,849
Travelling & Conveyance		67,146	110,354
Computer Running & Maintenance		2,000	27,380
		-----	-----
		2,064,686	2,542,195
		=====	=====

16.1 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

16.2 AUDITOR'S REMUNERATION:

Auditor's Remuneration represents the Audit fee for the year.

17. SELLING & DISTRIBUTION EXPENSES

Advertisements	10,200	33,706
Loading & Unloading charges - Yarn	15,342	100,800
	-----	-----
	25,542	134,506
	=====	=====

18. FINANCIAL EXPENSES

Bank Charges including Excise Duty	36,733	39,487
Interest on Long Term Loans	1,787,555	20,625,948
Lease Rentals	-----	-----
	1,824,287	20,665,435
	=====	=====

19. OTHER INCOME/(LOSS)

Miscellaneous Income	--	345,325
Scrap Sale	--	358,800
Other Income	480,000	--
Service Charges	3,770,968	--
Loss on sale of Fixed Assets	(1,696,166)	--
	-----	-----
	2,554,802	704,125
	=====	=====

20. PRIOR YEARS ADJUSTMENT

This mainly represents the reversal of the markup availed by the company by accepting the offer of National Bank of Pakistan. see Note 5.2.

21. TAXATION

Provision for Turnover Tax amounting to Rs.6.51 million (1998 Rs. 6.40 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 reverse in the foreseeable future in view of its initial Capitalization.

1999 **1998**

22. PLANT CAPACITY & ACTUAL PRODUCTION

a) Total number of spindles installed	12,960	12,960
b) Total number of spindles worked (1, month 10 days)-(In 98-12 Month)	8160	7,928
c) Plant Capacity of Yarn converted into 20/s Kgs (1 month 10 days)	410,224	3,743,291
d) Actual production of Yarn converted in 20/s Kgs (1 month 10 days)	228,516	1,415,368
e) Production of Yarn average count	21.25	19.27
f) Number of shifts worked per day	3	3

Due to unworkable cotton prices, unfavourable market trends and declining yarn prices the management was entered into an agreement in consideration of service fee, therefore, in the year 1998-99 the company operated for 1 month & 10 days only, whereas in 1997-98 for whole year.

23. GOING CONCERN

The company incurred a net profit of Rs.2,474,554/- during the year ended 30th September 1999 and as that date the Company's current liabilities exceeded its current assets by Rs.58,135,293/-and its total liabilities exceeded its total assets by Rs.79,257,870/- However the management feels that the Company is going concern. Furthermore, the management feels that year 2000, will be good due to expected good crop and favourable prices of raw material.

24. PRODUCTION ACTIVITY DURING THE YEAR

During the year the management entered into an arrangement in consideration of service fee to utilize certain facilities of the company. Therefore all the production activities of the company were temporary suspended. However, the arrangement was expired on August 21, 1999, and the company again started its production activities.

25. GENERAL

- The current year's operating figures except for fixed expenses are for one month and ten days whereas last years figures are for the whole year. See note 24.

-Comparative figures has been rearranged and regrouped, where ever 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, 1999**

<i>NOS. OF SHARE HOLDERS</i>		<i>SHARE HOLDINGS</i>		<i>NOS. OF SHARES HELD</i>	
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
=====				=====	

<i>CATEGORIES OF SHAREHOLDERS</i>	<i>NOS. OF SHARE HOLDERS</i>	<i>NOS. OF SHARES HELD</i>	<i>PERCENTAGE OF SHARES HELD</i>
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%
=====			