

Tritex Cotton Mills Limited

Annual Report 1999

CONTENTS

Company Information
Directors' Report
Notice of Meeting
Auditors' Report to the Members
Profit & Loss Account
Balance Sheet
Statement of Changes in Financial Position (Cash Flow Statement)
Notes to the Accounts
Pattern of Holding of Shares

Company Information

BOARD OF DIRECTORS

IQBALALI LAKHANI	Chairman
ZULFIQARALI LAKHANI	
AMIN MOHAMMED LAKHANI	Chief Executive
TASLEEMUDDIN AHMED BATLAY	
AZIZ EBRAHIM	
RAMZANALI HALANI	
M.K. NAWAZ	

ADVISOR

SULTANALI LAKHANI

COMPANY SECRETARY

RAMZANALI HALANI

AUDITORS

M. YOUSUF ADIL SALEEM & COMPANY
Chartered Accountants

REGISTERED OFFICE AND MILLS

KHASRA NO. 330/502
JUMBER KHURD,
BHAI PHERU, TEHSIL CHUNIAN,
LAHORE - MULTAN ROAD, DISTRICT KASUR,
PUNJAB.

HEAD OFFICE AND CORPORATE OFFICE

LAKSON SQUARE, BUILDING NO. 2
SARWAR SHAHEED ROAD
KARACHI-74200

Directors' Report

The Directors of your Company take pleasure in presenting the 13th Annual Report and audited accounts for the year ended September 30 1999.

1999
(Rupees in '000')

Profit before taxation	3,077
Taxation	(2,143)

Profit after taxation	934
Accumulated losses brought forward	(295,651)

	(294,717)
	=====

OPERATING RESULTS

During the year under review, the Company has earned a Net Profit of Rs. 0.934 Million after

charging depreciation amounting to Rs. 22.543 Million as compared with net loss of Rs. 43.477 Million of last year. Gross sales achieved during the year was Rs. 430 Million as compared to Rs. 278 Million of last year, showing an increase of 55%. The cotton crop during the period under review was inadequate to meet the local requirement. However, good quality cotton was very expensive compared to last year as a result the cost of raw material registered an increase of 14%. The cost of production also escalated due to increase in inflation owing to depreciation of Pak rupee. Imposition of general sales tax also adversely affected the liquidity position. Financial charges dropped from Rs. 27,667 Million to Rs. 17.624 Million, almost a reduction of 36% which provided to some extent the much needed relief. Net earning per share was Rs. 0.08 as compared with a net loss per share of Rs. 3.62 of the preceding year.

FUTURE OUTLOOK

Your Company will seek to consolidate its position in the face of challenges and current difficult economic situation and will strive to further improve its quality, volume and profitability. Effective cost control measures will be continued with increasing emphasis and expansion of sales coverage which will receive full focus in the ensuing year. Your Company will continue to invest to gear itself to meet future challenges and market opportunities.

The 1999 cotton crop is estimated to be adequate to meet industry's requirement and that of the Company. Your Company will be able to procure the required quantity at competitive prices.

ISO-CERTIFICATION

Another encouraging news is that your Company has been awarded the ISO 9002 Certification. It represents the hard work and determination of your management in modifying and improving the Production Processes at the plant to classify Tritex Cotton Mills Limited, as a high quality manufacturer of cotton yarn.

VOTE OF THANKS

The Directors wish to place on record their appreciation of the sincere and dedicated services and contribution rendered by all employees, at all levels, and for the constructive co-operation extended by them in ensuring the high standards of performance and growth that your Company has achieved during the year. The Board of Directors also thank the banks and financial institutions for their continued support and co-operation.

PATTERN OF SHAREHOLDING

A pattern of shareholding in the prescribed form appears at page number 27.

AUDITORS

The Auditors M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants retire and offer themselves for re-appointment.

On behalf of the Board of Directors

IQBALALI LAKHANI
Chairman

February 23, 2000

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the 13th Annual General Meeting of TRITEX COTTON MILLS LIMITED will be held at Avari Renaissance Towers Hotel, Fatima Jinnah Road, Karachi at 3.30 p.m. on Friday March 24, 2000 to transact the following business;

1. To receive, consider and adopt the audited Balance Sheet and Profit & Loss Account for the year ended September 30, 1999 and the Reports of the Directors and Auditors thereon.
2. To consider to appoint Auditors and to fix their remuneration.
3. To elect seven Directors as fixed by the Board for a term of three years commencing from June 20, 2000 in accordance with the Provisions of the Companies Ordinance, 1984. The retiring Directors namely Messrs Iqbalali Lakhani, Zulfiqarali Lakhani, Amin Mohammed Lakhani, Tasleemuddin A, Batlay, Aziz Ebrahim, Ramzanali Halani and M.K. Nawaz are eligible for re-election.
4. To transact any other business with the permission of the Chair.

By order of the Board

RAMZANALI HALANI
Director/Company Secretary

Karachi: February 24, 2000

NOTES:

1. The share transfer books of the Company will remain closed from March 15, 2000 to March 24, 2000 both days inclusive. Transfers received in order by the Company at its Registered Office at Khara No. 330/502 Jumber Khurd, Bhai Pheru, Tehsil Chunian, Lahore-Multan Road, Distt. Kasur or at its Corporate Department situated at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi upto March 14, 2000 will be treated in time.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend instead of him and such proxy will have the right to attend, speak and vote in place of the member. The proxy must be a member of the Company.
3. Forms of proxy to be valid must be received by the Company not later than 48 hours before the time of the meeting.
4. Form of proxy is enclosed herewith.

Auditors' Report to the Members

We have audited the annexed balance sheet of TRITEX COTTON MILLS LIMITED as at September 30, 1999 and the related profit and loss account and statement of changes in financial position (cash flow statement) together with the notes forming part thereof, for the year ended on that date, the financial statements of the Company as at September 30, 1998, were audited by another firm of auditors whose report dated February 19, 1999, expressed an unqualified opinion on those statements, 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. 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 statement of changes in financial position 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 September 30, 1999 and of the profit and the changes in financial position for the year then ended; and
- d. in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi: February 23, 2000

M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>Rupees in '000'</i>	
Sales	18	428,419	276,387
Cost of goods sold	19	403,393	287,347
Gross profit/(loss)		25,026	(10,960)
Operating expenses			
Administration	20	2,973	3,408
Selling	21	2,574	4,664

		5,547	8,072
Operating profit/(loss)		19,479	(19,032)
Other income	22	1,392	4,604
Other charges		20,871	(14,428)
Financial charges	23	17,824	27,667
Workers' profit participation fund		170	--
		17,794	27,667
Profit/(loss) before taxation		3,077	(42,095)
Taxation - current	25	2,143	1,382
Profit/(loss) after taxation		934	(43,477)
Accumulated loss brought forward		(295,651)	(252,174)
Accumulated loss carried forward		(294,717)	(295,851)
Earning per share	28	0.08	(3.62)

Note: The annexed notes from 1 to 32 form an integral part of these accounts.

AMIN MOHAMMED LAKHANI
Chief Executive

TASLEEMUDDIN A. BATLAY
Director

Balance Sheet as at September 30, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>Rupees in '000'</i>	
SHARE CAPITAL			
AUTHORISED			
12,000,000 Ordinary shares of Rs. 10/- each.		120,000	120,000
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
12,000,000 Ordinary shares of Rs. 10/- each fully paid in cash		120,000	120,000
ACCUMULATED LOSS			
		(294,717)	(295,651)
		(174,717)	(175,651)
SURPLUS ON REVALUATION OF FIXED ASSETS	3	141,146	141,146
DEBENTURES AND LONG TERM LOANS	4	229,367	243,870
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	5	2,598	--
DEFERRED LIABILITY			
Markup payable	6	6,892	9,673
CURRENT LIABILITIES			
Short term bank borrowings	7	94,422	13,888
Current portion of long term liabilities	8	15,913	12,928
Creditors, accrued and other liabilities	9	16,235	22,263
Taxation		8,831	6,688
		135,401	55,767
COMMITMENTS			
	10	340,687	274,805
OPERATING ASSETS			
LONG TERM DEPOSITS	11	212,308	231,257
	12	781	244
CURRENT ASSETS			
Stores, spares and loose tools	13	9,583	6,104

Stock in trade	14	88,786	14,371
Trade debtors	15	11,495	2,351
Loans, advances, prepayments and other receivables	16	18,203	16,387
Cash and bank balances	17	1,531	4,091
		-----	-----
		127,598	43,304
		-----	-----
		340,687	274,805
		=====	=====

Note: The annexed notes from 1 to 32 form an integral part of these accounts.

AMIN MOHAMMED LAKHANI
Chief Executive

TASLEEMUDDIN A. BATLAY
Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT)
FOR THE YEAR ENDED SEPTEMBER 30, 1999**

	<i>1999</i>	<i>1998</i>
	<i>Rupees in '000'</i>	
A. CASH FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	3,077	(42,095)
Adjustment for:		
Depreciation	22,543	24,640
Gain on disposal of fixed assets	(310)	(900)
Realized on revaluation surplus of fixed assets disposed	--	(2,308)
Financial charges	17,624	27,667
	-----	-----
Operating profit before working capital changes	42,934	7,004
	-----	-----
Changes in working capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(3,479)	611
Stock in trade	(74,415)	4,408
Trade debtors	(9,144)	4,824
Loans, advances, prepayments and other receivables	505	2,784
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	2,584	(7,454)
	-----	-----
	(83,949)	5,173
	-----	-----
Cash (used in)/generated from operations	(41,015)	12,177
Financial charges paid	(24,949)	(24,600)
Taxes paid	(321)	(776)
	-----	-----
Net cash used in operating activities	(66,285)	(13,199)
	-----	-----
B. CASH FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(3,718)	(1,127)
Sale proceeds of fixed assets	434	4,649
Long term deposits	(537)	307
	-----	-----
Net cash (used in) / from investing activities	(3,821)	3,829
	-----	-----
C. CASH FROM FINANCING ACTIVITIES		
Repayment of long term loans	(8,907)	(13,716)
Repayment of loan to associated undertaking	(24,166)	--
Loan from associated undertaking	--	31,092
Loan from sponsors and others	19,000	--
Repayment of custom debentures	(530)	(530)
Lease finance obtained	3,555	--
Repayment of lease liability	(349)	--
Repayment of deferred liabilities	(1,591)	--
	-----	-----
Net cash (used in) / from financing activities	(12,988)	16,846

Net (decrease)/increase in cash and cash equivalent (A+B+C)	(83,094)	7,476
Cash and cash equivalent at the beginning of the year	(9,797)	(17,273)
Cash and cash equivalent at the end of the year	(92,891)	(9,797)
Cash and cash equivalent		
Cash and bank balances	1,531	4,091
Short term bank borrowings	(94,422)	(13,888)
	(92,891)	(9,797)
	=====	=====

AMIN MOHAMMED LAKHANI
Chief Executive

TASLEEMUDDIN A. BATLAY
Director

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

1. NATURE AND STATUS OF BUSINESS

1.1 The Company was incorporated in Pakistan on April 06, 1987 as a Public Limited Company under the Companies Ordinance, 1984 and is listed on the Stock Exchanges in Pakistan. The principal business of the Company is production and sale of yarn.

1.2 Equity is showing a net debit balance of Rs. 174,716,631/-. However, the Company has full support from sponsors, group companies, banks, and financial institutions which are being reflect in the accounts in the current as well as previous years. As such there is no doubt in the going concern ability of the Company.

2. ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared in accordance with the 'historical cost convention' modified by revaluation of certain fixed assets.

2.2 Taxation

Current

Provision for current taxation is based on taxable income at the current tax rates after taking into account tax rebates and tax credits available, if any.

Deferred

The Company accounts for deferred taxation on all major timing differences using the liability method, except for those timing differences which are not likely to reverse in the foreseeable future.

2.3 Staff retirement benefits

The Company operates a funded contributory Provident Fund Scheme of its employees.

2.4 Tangible fixed assets and depreciation

These are stated at cost or revaluation with subsequent additions stated at cost less accumulated depreciation. Capital work in progress is stated at cost.

Depreciation is charged to write off the cost or amount of revaluation of operating fixed assets using the reducing balance method at the rates specified in the fixed assets note. Full year's depreciation is charged on additions, while no depreciation is charged on fixed assets deleted during the year.

Normal repairs and maintenance are charged to the income as and when incurred. Major renewals and improvements are capitalized.

Profit and loss on disposal of fixed assets are taken to income currently.

2.5 Accounting for leases

The Company accounts for the assets acquired under finance lease by recording the assets and related liability. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Assets held under finance leases are stated at cost less depreciation. Depreciation is charged at the rates as specified in the related note to write off the assets over estimated useful life in view of the certainty of the ownership of the assets at the end of the lease period.

2.6 Stores, spares and loose tools

These are valued at moving average cost. Items in transit are valued at cost comprising of invoice value plus other charges paid thereon.

2.7 Stock in trade

These are valued at lower of cost and net realizable value applying the following basis:

Raw material	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realizable value

Cost signifies in relation to finished goods the annual average cost consisting prime cost and appropriate manufacturing overheads.

Net realizable value signifies the estimated selling price in ordinary course of business less expenses necessary to be incurred in order to make sale.

2.8 Trade debts

Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

2.9 Foreign currency translation

Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rate prevailing on the balance sheet date except for those covered by forward exchange contracts or where exchange risk cover has been obtained. Exchange differences on translation during the year are recognized to income currently.

2.10 Revenue recognition

Revenue from sales is recognized on despatch of goods to customers.

	<i>1999</i>	<i>1998</i>
	<i>Rupees in '000'</i>	
3. SURPLUS ON REVALUATION OF FIXED ASSETS		
Opening balance	141,146	143,454
Realized gain on disposal transferred to profit and loss account	--	2,308
	-----	-----
	141,146	141,146
	=====	=====

3.1 Revaluation of freehold land, buildings and plant and machinery as at September 30, 1995 produced a revaluation surplus of Rs. 143,453,830/- which was credited to surplus on revaluation of fixed assets account. Revaluation has been carried out by independent valuers M/s. Iqbal A. Nanjee & Company, Surveyors and Valuation Consultants.

4. DEBENTURES AND LONG TERM LOANS

Secured		
Debentures (4.1)	529	1,059
Long term loans (4.2)	228,838	242,811
	-----	-----
	229,367	243,870
	=====	=====

4.1 Custom debentures

Opening balance	1,589	2,119
Repaid during the year	(530)	(530)
	-----	-----
	1,059	1,589
Payable within one year shown under current liabilities	(530)	(530)
	-----	-----
	(529)	1,059
	=====	=====

The debentures are secured by bank guarantees which are counter secured against first equitable mortgage on the properties of the Company ranking pari-passu with the charges created in respect of long term loans from IDBP and PICIC.

4.2 Long term loans**FINANCIAL INSTITUTIONS**

	<i>IDBP I</i>	<i>IDBP II</i>	<i>PICIC Loan</i>	<i>Associated undertakings Rupees in '000'</i>	<i>Sponsors and others</i>	<i>1999</i>	<i>1998</i>
Opening balance	100,893	453	6,900	135,563	11,400	255,209	247,506
Grace period markup capitalized	--	--	356	--	--	356	--
Obtained during the year	--	--	--	--	19,000	19,000	57,500
	-----	-----	-----	-----	-----	-----	-----
Repaid during the year	100,893 (5,045)	453 (453)	7,256 (3,409)	135,563 (22,766)	30,400 (1,400)	274,565 (33,073)	305,006 (49,797)
	-----	-----	-----	-----	-----	-----	-----
Payable within one year shown under current liabilities	95,848 (10,089)	--	3,847 (2,565)	112,797	29,000	241,492 (12,654)	255,209 (12,398)
	-----	-----	-----	-----	-----	-----	-----
	=====	=====	=====	=====	=====	=====	=====

No. of equal installments	20		4			
Payment rest	half yearly		half yearly			
Amount of installment	5,044,650		1,282,560			
Date of first installment	Sept. 1999		June 1999			
Interest rate	14%	14%	16%	Interest free	Interest free	
Secured/unsecured	Secured	--	Secured	Unsecured	Unsecured	
Sub note	4.2.1		4.2.2			

4.2.1 Under revised arrangements finalized by Industrial Development Bank of Pakistan vide their letter No. SAMD/HO/534 dated January 22, 1999 the Bank has fixed the principal amount of restructured loan at Rs. 1 00.893 million and repayment will be made as per new arrangement mentioned above.

The loan is secured against an equitable mortgage of factory land and first charge on all present and future movable and immovable properties and assets of the Company ranking pari passu with the charge created to secure foreign currency loan from PICIC (Note No. 4.2.2). The liabilities of foreign currency loan have been fixed in Pak Rupees.

The IDBP will have the right to subscribe for and receive preferential allotment of shares at par value upto 20% of loan during the subsistence of the loan.

4.2.2 The loan is secured by equitable mortgage on all present and future movable and immovable properties and assets of the Company ranging pari-passu with the charge created to secure IDBP foreign currency loan (Note No. 4.2.1).

The loan has been rescheduled by PICIC vide their letter No. SAM-SI/ZAT-2/99 dated May 28, 1999 and the balance amount is now repayable in four half yearly installments of Rs. 1,282,560/- from June 1999.

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Acquired during the year		3,555	--
Paid during the year		(349)	--
		-----	-----
Payable within one year shown under current liabilities		3,206	--
		(608)	--
		-----	-----
		2,598	--
		=====	=====

These represents plant and machinery acquired on lease from First Habib Modaraba. Purchase option is available to the Company on payment of all installments and on surrender of deposit.

Other terms and conditions are as under:-

<i>Principal Rupees</i>	<i>Financial charges</i>	<i>Deposit amount</i>	<i>Quarterly Rental Installment</i>	<i>No. of Quarterly Installments</i>	<i>Commencing from</i>	<i>Applicable rate of finance %</i>
1,850	640	185	144		16 April 30, 1999	19.00%

1,705	582	170	132	16 September 20, 1999	18.75%
-------	-----	-----	-----	--------------------------	--------

The future minimum lease payments to which the Company is committed at September 30, 1999 are as under:

<i>Year ending September 30,</i>	<i>Rupees in '000'</i>
2000	1,105
2001	1,105
2002	1,105
2003	909

	4,224
Financial charges allocated to future period	(1,018)

	3,206
	=====

6. DEFERRED LIABILITY

Markup payable - Secured

Opening balance	9,673	--
Markup transferred on rescheduling	--	9,673
Grace period markup	931	--
	-----	-----
	10,604	9,673
Paid during the year	(1,591)	--
	-----	-----
	9,013	9,673
Payable within one year shown under current liabilities	(2,121)	--
	-----	-----
	6,892	9,673
	=====	=====

This represents markup payable to Industrial Development Bank of Pakistan in 20 quarterly installment of Rs. 530,172/- each from March 31, 1999 as per revised rescheduling vide IDBP letter No. SAM/HO/906 dated March 04, 1999. It is interest free. The liability is secured against the same securities as mentioned in Note No. 4.2.1.

7. SHORT-TERM BANK BORROWINGS

Secured - under markup arrangements

Running finance	84,862	13,888
Export refinance	9,560	--
	-----	-----
	94,422	13,888
	=====	=====

7.1 The above finances have been arranged with commercial banks. These facilities are secured against the pledge and hypothecation of stock in trade, second charge on the fixed assets of the Company, lien on export documents and personal guarantees of sponsoring directors. The rates of markup on running finances range from 52 to 60 paisa per Rs. 1,000/- per diem net of the prompt payment rebate and export refinances are subject to markup @ 8% per annum. The total credit facilities available to the Company amount to Rs. 160 million (1998 - Rs. 130 million).

8. CURRENT PORTION OF LONG TERM LIABILITIES

Custom debentures	530	590
Long term loans	12,654	12,398
Finance lease liability	608	--
Deferred liability	2,121	--
	-----	-----
	15,913	12,928
	=====	=====

9. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	1,795	3,515
Accrued expenses (9.1)	6,734	5,952
Interest accrued on secured Debentures	134	201

Long term loans	154	8,521
Short term bank borrowings	3,708	3,886
Sales tax	3,375	--
Withholding income tax	31	40
Workers' profit participation fund (9.2)	170	--
Other	134	148
	-----	-----
	16,235	22,263
	=====	=====

9.1 This include Rs. 3,895,873/- (1998 - 3,733,652/-) payable to an associated undertaking against power bills.

9.2 Full provision has been made to the fund.

10. COMMITMENTS

The Company under operating lease arrangements is committed to pay the following amounts as rentals for vehicles:-

Years	Rupees in '000'
1999-2000	270
2000-2001	160

	430
	=====

11. OPERATING ASSETS

Particulars	Cost/ Valuation at October 1, 1998	Addition/ (Deletion) during the year	Cost / Valuation at September 30, 1999	Accumulated Depreciation at October 01, 1998	Depreciation/ (Adjustment) for the year	Accumulated Depreciation at September 30, 1999	Written down value at September 30, 1999	Dep. Rate %
(Rupees in '000')								
Company Owned								
Freehold land	4,300	--	4,300	--	--	--	4,300	--
Factory building on freehold land	37,076	--	37,076	17,315	1,976	19,291	17,785	10
Other building on freehold land	15,204	--	15,204	4,606	530	5,136	10,068	5
Plant & machinery	337,490	--	337,490	151,104	18,639	169,743	167,747	10
Electric installations	14,533	--	14,533	6,161	837	6,998	7,535	10
Office & electric equipment	1,568	163	1,731	712	102	814	917	10
Electronic scales	160	--	160	91	7	98	62	10
Refrigerators and airconditioners	326	--	326	168	16	184	142	10
Furniture and fixtures	925	--	925	473	45	518	407	10
Vehicles	526	(215)	311	221	36	166	145	20
					(91)			
	412,108	163 (215)	412,056	180,851	22,188 (91)	202,948	209,108	
Leased								
Plant and machinery	--	3,555	3,555	--	355	355	3,200	10
Total 1999	412,108	3,718 (215)	415,611	180,851	22,543 (91)	203,303	212,308	
Total 1998	417,787	1,127 (6,806)	412,108	159,297	24,640 (3,086)	180,851	213,257	
1999 1998								
Rupees in '000'								

11.1 Depreciation for the year has been allocated as under

Manufacturing	22,498	24,590
Administration	45	50
	-----	-----
	22,543	24,640
	=====	=====

11.2 Had there been no revaluation the related figures of land, buildings, plant and machinery and electric installation as at September 30, 1999 would have been as follows:

	<i>Cost</i>	<i>Accumulated depreciation Rupees '000'</i>	<i>Written down value</i>
Land	4,206	--	4,206
Building			
Mills	24,402	13,880	10,522
Others	14,318	4,480	9,838
Plant and machinery	215,628	116,014	99,614
Electric installation	8,904	4,635	4,269
	-----	-----	-----
	267,458	139,009	128,449
	=====	=====	=====

11.3 Detail of disposal of fixed assets

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Written down value</i>	<i>Sale proceed</i>	<i>Name and addresses of buyer</i>
	<i>(Rupees in '000')</i>				
Vehicle*	19	9	10		250 Mr. Mohammad Tufail R/o. Jaggo Head, Post Office Chibban, Tehseel Kharian, District, Gujrat.
Motorcycle	31	23	8		40 Century Insurance Co. Limited Lakson Square, Saddar, Karachi.
Motorcycle	56	27	29		52 Century Insurance Co. Limited Lakson Square, Saddar, Karachi.
Motorcycle	62	22	40		46 SIZA Foods (Private) Limited, Lakson Square, Saddar, Karachi.
Motorcycle	47	10	37		46 SIZA Foods (Private) Limited, Lakson Square, Saddar, Karachi.
	-----	-----	-----	-----	
	215	91	124	434	
	=====	=====	=====	=====	
1998	6,806	3,086	3,720	4,620	
	=====	=====	=====	=====	

* Vehicle under operating lease, was recorded in books at residual value on completion of terms of lease.

1999 *1998*
Rupees in '000'

12. LONG TERM DEPOSITS

Security deposits	171	244
Lease deposits	610	--
	-----	-----
	781	244
	=====	=====

13. STORES, SPARES AND LOOSE TOOLS

Stores		
In hand	4,881	942
In transit	387	461
Spares	4,315	4,674
Loose tools	--	27
	-----	-----
	9,583	6,104
	=====	=====

14. STOCK IN TRADE

Raw material	74,280	135
Work in process	2,585	853
Finished goods	11,217	13,174
Waste	704	209
	-----	-----

	88,786	14,371
	=====	=====

15. TRADE DEBTORS

Export - secured	11,424	--
Local - unsecured - considered good	71	2,351
	-----	-----
	11,495	2,351
	=====	=====

16. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Considered good

Advances		
Employees (16.1)	676	678
Suppliers / expenses	1,544	2,057
Tax deduction at source	7,526	7,205
Sales tax	481	607
	-----	-----
	10,227	10,547

Deposits		
Guarantee margin deposit	401	401
Security deposit	--	6
	-----	-----
	401	407

Prepayments	159	60
Other receivables		
Income tax refundable	5,005	5,005
Others	323	265
	-----	-----
	5,328	5,270

Due from associated undertakings (16.2)	88	103
	-----	-----
	16,203	16,387
	=====	=====

16.1 There is no loan outstanding for the period exceeding three years.

16.2 The maximum aggregate amount due from associated undertakings at any month end during the year was Rs. 88,268/- (1998 - Rs. 102,730/-).

17. CASH AND BANK BALANCES

Cash in hand	243	104
Cash at banks		
In current accounts	881	3,680
Term deposits	407	307
	-----	-----
	1,531	4,091
	=====	=====

18. SALES

Yarn		
Local	412,150	256,775
Export	14,526	17,774
Waste	3,283	3,530
	-----	-----
	429,959	278,079
Commission (18.1)	(1,540)	(1,692)
	-----	-----
	428,419	276,387
	=====	=====

18.1 It is net off Rs. 558,767/- being reversal of excess provision of previous years.

19. COST OF GOODS SOLD

Opening stock - finished goods	13,383	15,287
Cost of goods manufactured (19.1)	401,931	285,443
	-----	-----
	415,314	300,730
Closing stock - finished goods	(11,921)	(13,383)
	-----	-----

	403,393	287,347
	=====	=====

19.1 Cost of goods manufactured

Raw material consumed (19.1.1)	310,142	193,538
Wages, salaries and benefits (19.1.2)	19,095	15,503
Fuel and power	39,977	37,479
Packing material	3,593	3,895
Repairs, maintenance and stores consumed	5,515	5,351
Insurance	945	1,715
Vehicles running and maintenance	466	171
Other manufacturing expenses	1,432	1,742
Depreciation	22,498	24,590
	-----	-----
Work in process	403,663	283,984
Opening stock	853	2,312
Closing stock	(2,585)	(853)
	-----	-----
	(1,732)	1,459
	-----	-----
Cost of goods manufactured	401,931	285,443
	=====	=====

19.1.1 Raw material consumed

Opening stock	135	1,179
Purchases and purchase expenses	384,287	192,494
	-----	-----
	384,422	193,673
Closing stock	(74,280)	(135)
	-----	-----
	310,142	193,538
	=====	=====

9.1.2 Salaries, wages and benefits include Rs. 703,550/- (1998-Rs. 526,436/-) in respect of staff retirement benefits.

20. ADMINISTRATION EXPENSES

Salaries, allowances and other benefits (20.1)	1,462	1,504
Traveling and conveyance	162	134
Entertainment	45	18
Vehicle running and maintenance	347	345
Printing and stationery	78	87
Auditor's remuneration (20.2)	40	37
Repairs and maintenance	31	41
Car rental	270	--
Postage, telephone and fax	252	232
Advertisement	51	--
Fees and subscription	93	149
Legal and professional	28	4
Depreciation	45	50
General expenses	69	807
	-----	-----
	2,973	3,408
	=====	=====

20.1 Salaries, allowances and other benefits include Rs. 64,853/- (1998- 68,426/-) in respect of staff retirement benefits.

20.2 Auditor's remuneration

Audit fee	35	35
Out of pocket expenses	5	2
	-----	-----
	40	37
	=====	=====

21. SELLING EXPENSES

Salaries, allowances and other benefits (21.1)	367	661
Local freight and handling (21.2)	712	476
Freight and octroi	518	735
Other export expenses	155	1,959

Packing charges	213	145
Other expenses	609	688
	-----	-----
	2,574	4,664
	=====	=====

21.1 Salaries allowances and other benefits include Rs. 11,595/- (1998- Rs. 40,714/-) in respect of staff retirement benefits.

21.2 It is net off Rs. 1,059,499/- being reversal of excess provision of prior years.

22. OTHER INCOME

Gain on disposal of fixed assets	310	900
Realization of revaluation surplus	--	2,308
Insurance claim	832	211
Packing material rebate	--	4
Others	250	1,181
	-----	-----
	1,392	4,604
	=====	=====

23. FINANCIAL AND OTHER CHARGES

Interest/markup on		
Custom debentures	155	220
Long term loans (23.1)	2,523	19,269
Short term bank borrowings	14,644	7,847
Finance lease charges	48	--
Bank charges and commission	254	331
	-----	-----
	17,624	27,667
	=====	=====

23.1 Net off Rs. 3,531,254/- excess provision of markup on rescheduling of IDBP foreign currency loan (Refer Note No. 4.2.1).

24. REMUNERATION TO DIRECTORS AND EXECUTIVES

	1999		(Rupees in '000')		1998	
	Chief Executive	Director	Executive	Chief Executive	Director	Executive
Fees	--	--	--	--	--	--
Remuneration	--	--	1,828	--	--	1,336
House rent	--	--	807	--	--	579
Bonus	--	--	105	--	--	158
Provident fund	--	--	53	--	--	117
Motor vehicles	--	--	211	--	--	180
Utility	--	--	128	--	--	66
	-----	-----	-----	-----	-----	-----
	--	--	3,132	--	--	2,436
	=====	=====	=====	=====	=====	=====
No. of person	--	--	7	--	--	8

The directors have waived their meeting fees for the year.

All the executives have been provided with company maintained cars.

25. TAXATION

Current

Provision for current taxation is made under section 80D of the Income Tax Ordinance, 1979 for the minimum tax liability at the rate of 0.5 percent on the turnover due to carry forward tax losses.

Deferred

No provision is required for deferred taxation in view of huge tax losses available to be carried forward.

26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchase of power	40,748	41,916
Insurance and other charges paid	1,965	586

27. PLANT CAPACITY AND ACTUAL PRODUCTION

Number of spindles installed	15,360	15,360
Number of spindles worked	15,360	15,360
Installed capacity after conversion into 20/s count -Kgs	4,768,212	4,768,212
Actual production after conversion into 20/s count - Kgs	4,513,694	3,941,003

Shortfall in production was mainly due to market constraints.

28. EARNING PER SHARE

There is no effect of dilution on the earning per share of the Company which is based on:-

Profit/(loss) after taxation	934	(43,477)
Weighted average number of ordinary shares	12,000,000	12,000,000
Earning per share	0.08	(3.62)

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company applies credit limits to its customers and does not have significant exposure to any individual customer.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The Company is not exposed to any interest rate risk.

Fair values of financial instruments

The carrying value of all the financial instruments reported in the financial statements approximate their fair value.

30. OWNER'S EQUITY

Movements in owner's equity during the year are identified and adequately disclosed in the financial statements.

31. NUMBER OF EMPLOYEES

Total number of employees as at September 30,1999 were 480 (1998 - 507).

32. GENERAL

Figures have been rounded off nearest to Rupee.

Corresponding figures have been rearranged and regrouped wherever necessary for the purpose of comparison.

AMIN MOHAMMED LAKHANI
Chief Executive

TASLEEMUDDIN A. BATLAY
Director

PATTERN OF HOLDING OF SHARES

HELD BY THE SHAREHOLDERS OF TRITEX COTTON MILLS LTD.

AS AT SEPTEMBER 30, 1999

<i>No. of shareholders</i>	<i>From</i>	<i>Shareholding</i>	<i>To</i>	<i>Total shares held</i>
4	1	100	Shares	400
674	101	500	Shares	334,000
14	501	1,000	Shares	11,700
8	1,001	5,000	Shares	20,000
2	5,001	10,000	Shares	15,800
1	25,001	30,000	Shares	30,000
1	40,001	45,000	Shares	42,600
1	70,001	75,000	Shares	71,250
2	115,001	120,000	Shares	233,200
1	365,001	370,000	Shares	370,000
1	735,001	740,000	Shares	740,000
1	995,001	1,000,000	Shares	1,000,000
1	1,430,001	1,435,000	Shares	1,433,650
1	2,805,001	2,810,000	Shares	2,807,250
1	4,890,001	4,895,000	Shares	4,890,150

713				12,000,000

<i>Categories of shareholders</i>	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	704	635,950	5.30
Investment company	1	116,200	0.97
Insurance company	1	370,000	3.08
Joint stock companies	5	10,136,850	84.47
Financial institution	1	1,000	0.01
Foreign company	1	740,000	6.17
	713	12,000,000	100.00

AMIN MOHAMMED LAKHANI
Chief Executive

TASLEEMUDDIN A. BATLAY
Director