

# TRITEX COTTON MILLS LIMITED

## ANNUAL REPORT 2004

### BOARD OF DIRECTORS

IQBALALI LAKHANI Chairman

ZULFIQARALI LAKHANI

AMIN MOHAMMED LAKHANI Chief Executive

TASLEEMUDDIN AHMED BATLAY

AZIZEBRAHIM

RAMZANALI HALANI

MUHAMMAD FAROOQ SHAKOOR

ADVISOR

SULTANALI LAKHANI

COMPANY SECRETARY

RAMZAN ALI HALANI

AUDIT COMMITTEE

IQBALALI LAKHANI Chairman

ZULFIQARALI LAKHANI

AZIZEBRAHIM

AUDITORS

M.YOUSUF ADILSALEEM & COMPANY

Chartered Accountants

REGISTERED OFFICE AND MILLS

KHASRA NO. 330/502

JUMBERKHURD,

BHAI PHERU.TEHSILCHUNIAN,

LAHORE - MULTAN ROAD, DISTRICT KASUR,

PUNJAB.

HEAD OFFICE AND CORPORATE OFFICE

LAKSON SQUARE, BUILDING NO. 2

SARWAR SHAHEED ROAD

KARACHI-74200

The Directors of your Company take pleasure in presenting 18th Annual Report and review of your

Company's performance for the year ended September 30, 2004.

	2004	2003
	(Rupees in 000')	
Profit before taxation	15,925	35,937
Taxation (Net of deferred tax credits)	-10,550	30,408
Profit after taxation	5,375	66,345
Accumulated loss brought forward	-104,558	-250,940
Appropriations:	-99,183	-184,595
Transferred from surplus on	14,856	80,037
revaluation of fixed assets	-84,327	-104,558

### OPERATING RESULTS

The year under review was a challenging year as the new unit became available to us after its completion at the end of the last year. With greater acceptance and a positive increase in the demand of yarn, we concentrated our efforts to run both units at their highest capacity.

Sales for the year under review rose to Rs. 1,080 million (2003: 529 million) reveals a significant increase of 104% over the last year, but the increase in volume could not be translated in the bottom line. The gross profit for the year is Rs. 57 million (5.3%) as compared to Rs. 42 million (8%) for the last year.

Major reasons for the lower gross profit ratio for the year under review as compared to last year are lowered selling prices, high depreciation charges on account of recent expansion of building, plant and machinery and higher fixed cost on recently installed resources.

Despite the improved manufacturing efficiencies and control on other costs, the profit before tax decreased to Rs. 15.925 million as compared to Rs. 35.937 million of last year.

### FUTURE OUTLOOK

Pakistan is poised for fast track growth in the future. The fundamentals are bullish with increased public sector spending, huge investment in textile sector and higher credit intake are all positive signs of a rising economy.

We are fully geared for the new scenario and are confident to face likely competition by improving quality of our product and services.

Good quality cotton crop of 2004 pushed the prices downwards. The management of your Company is committed to create value by continuous efforts, to improve productivity, cost reduction measures, growth in sales volume and overall achievement to remain competitive in the market.

Due to consistent government policies, economic activities in the country seem to be improving and we are hopeful that such improvements will yield betterment of operating results of the Company in the year

to come.

#### CORPORATE GOVERNANCE

In accordance with the requirements of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan, the Directors hereby confirm that:

- The financial statements, prepared by the management of the Company, presents fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been applied consistently in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards, as applicable in Pakistan, are followed in preparation of all financial statements.
- The Company's system of internal controls is sound in design and has been effectively implemented and continuously reviewed.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data of last six years is annexed to these financial statements.
- Information about taxes and levies is given in the notes to the accounts.
- The values of investments of staff retirement benefits (i.e. the Provident Fund) according to their respective audited accounts are as follows:

#### BOARD OF DIRECTORS

I would like to place on record my appreciation and gratitude to the Board of Directors for guidance and support to the management. There has been no change in the constitution of the Board of Directors since the annual report of 2003.

During the year, the Board of Directors held five meetings to cover its complete cycle of activities. The attendance record of Directors is as follows:

Name of Directors	No. of Meetings attended
Mr. Iqbal AN Lakhani	4
Mr. Zulfiqar AN Lakhani	3
Mr. Amin Mohammed Lakhani	4
Mr. Tasleemuddin Ahmed Batlay	4
Mr. Aziz Ebrahim	4
Mr. Ramzan AN Halani	5
Mr. Muhammad Farooq Shakoor	5

**AUDIT COMMITTEE** The Audit Committee operates according to the Terms of Reference agreed by the Board of Directors of the Company. The Terms of Reference clearly set out the role and responsibilities in accordance with the requirements of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan.

The Audit Committee is comprised of three members, all of them are non-executive directors. The Audit Committee held four meetings during the year.

The Terms of Reference also provide guidelines for establishing, maintaining and reviewing internal controls in the Company. The Committee periodically reviews the financials of the Company and their compliance with the statutory and regulatory requirements. The Committee also reviews related public announcements before being approved by the Board. The Audit Committee is also responsible for selecting and recommending external auditors to the Board and reviews procedures for ensuring that the selected auditors are independent with regard to the services performed by them.

#### PATTERN OF SHAREHOLDING

The pattern of shareholding as on September 30, 2004 is enclosed in the prescribed form as required under Code of Corporate Governance. The Directors, Chief Executive Officers, Chief Financial Officers, Company Secretary, their spouses and minor children did not carry out any transaction in the shares of the Company during the year, except for one Director who purchased 14,000 shares in his own name.

#### AUDITORS

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

#### ACKNOWLEDGEMENTS

Your Directors place on record their recognition and appreciation for the valuable contribution made by all employees in the progress and development of the Company. We are also thankful to our suppliers, shareholders, banks and financial institutions for their continued support and confidence in our enterprise

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. However, at present the Board includes no independent non-executive directors representing minority

shareholders.

2.The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3.All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DPI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4.No casual vacancy occurred in the Board during the current year.

5.The Company has prepared a'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6.The Board has developed a vision and a mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.

7.All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8.The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9.The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.

10.The Chief Financial Officer and the Company Secretary were appointed prior to the implementation of the Code of Corporate Governance. Remuneration, terms and conditions in case of future appointments on these positions will be approved by the Board. However, the appointment of head of internal audit and terms and conditions of his employment have been approved by the Board.

The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

The Company has complied with all the corporate and financial reporting requirements of the Code.

The Board has formed an audit committee. It comprises three members, all of them are non-executive directors.

The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

The Board has set-up an effective internal audit function and personnel involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

We confirm that all other material principles contained in the Code have been complied with.

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of TRITEX COTTON MILLS LIMITED to comply with the relevant Listing Regulation of all the Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the

accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2004.

We have audited the annexed balance sheet of TRITEX COTTON MILLS LIMITED as at September 30, 2004 and the related profit and loss account, statement of changes in equity 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.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, 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, except for the change stated to in note 2.5 with which we concur;

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;

	Note	2004 (Rupees in '000')	2003
<b>SHARE CAPITAL AUTHORISED</b>			
24,000,000 Ordinary shares of Rs. 10/- each		240,000	240,000
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>			
12,000,000 Ordinary shares of Rs. 10/- each fully paid in cash		120,000	120,000
Accumulated loss		-84,327	-104,558
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT</b>	3	93,251	102,907
<b>NON CURRENT LIABILITIES</b>			
Long term loans	4	369,419	469,419
Liabilities against assets subject to finance lease	5	88,951	51,916
Deferred liabilities	6	24,720	21,891
<b>CURRENT LIABILITIES</b>			
Short term bank borrowings	7	328,048	167,039
Current portion of long term liabilities	8	128,793	40,570
Trade and other payables	9	60,664	30,781
Mark-up payable	10	5,160	5,079
Taxation		8,115	5,077
		530,780	248,546
<b>CONTINGENCY AND COMMITMENTS</b>	11	1,142,794	910,121
<b>TANGIBLE FIXED ASSETS</b>			
Property, plant & equipment	12	712,840	259,597
Capital work in progress	13	98,587	450,202
		811,427	709,799
<b>LONGTERM DEPOSITS</b>	14	13,399	8,435
<b>CURRENT ASSETS</b>			
Stores and spare parts	15	12,835	11,793
Stock in trade	16	275,565	150,392
Trade debtors		-	127
Advances, deposits, prepayments and other receivables	17	28,414	27,310
Cash and bank balances	18	1,154	2,265
		317,968	191,887
		1,142,794	910,121
<b>FORTHEYEAR ENDED SEPTEMBER 30, 2004</b>	Note		2003

		(Rupees in '000')	
Sales	19	1,079,987	529,095
Cost of goods sold	20	-1,022,820	-486,554
Gross profit		57,167	42,541
Operating expenses			
Administration	21	2,605	1,433
Selling	22	6,537	4,860
		-9,142	-6,293
Operating profit		48,025	36,248
Other income			
Gain on disposal of property, plant & equipment		119	192
Other		1,101	1,232
		1,220	1,424
		49,245	37,672
Other charges			
Financial	23	32,480	10,363
Workers' profit participation fund		840	1,366
		-33,320	-11,729
Profit before taxation		15,925	25,943
Difference on settlement of long term loan		-	9,994
Taxation	24	15,925	35,937
Current		-5,430	-2,682
Prior years		130	-626
Deferred		-5,250	33,716
		-10,550	30,408
Net profit for the year		5,375	66,345

		(Rupees)	
Earnings per share	25	0.45	5.53

FOR THE YEAR ENDED SEPTEMBER 30, 2004

	2004	2003
	(Rupees in '000')	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	15,925	35,937
Adjustments for:		
Depreciation	61,234	17,201
Gain on disposal of fixed assets	-119	-192
Provision of gratuity Financial charges Difference on settlement of long term	32,480	1,800
Operating cash flow before changes in working capital	113,220	55,115
Changes in working capital		
(Increase)/decrease in current assets		
Stores and spares	-1,042	-257
Stock in trade	(125,173)	127
Trade debtors		(42,775)
Advances, deposits, prepayments and other receivables	653	-6,955
Long term deposits	-4,783	-7,455
Increase/(decrease) in current liabilities		
Trade and other payables	29,883	11,936
	-100,335	-43,858
Cash generated from operations	12,885	11,257
Financial charges	(30,731)	(4,201)
paid Taxes paid		(24,633)
Gratuity paid	-921	(3,787)
Net cash used in operating activities	-22,968	-18,021
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	-92,311	-349,115
Sale proceeds of property, plant and equipment	281	764
Net cash used in investing activities	-92,030	-348,351
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term loans - net	-25,000	309,420
Repayment of lease liability	-22,121	-12,271
Repayment of deferred liabilities	—	-1,590
Short term bank borrowings	161,008	70,189
Net cash from financing activities	113,887	365,748
Net decrease in cash and cash equivalent (A+B+C)	-1,111	-624
Cash and bank balances at the beginning of the year	2,265	2,889
Cash and bank balances at the end of the year	1,154	2,265

FORTHEYEAR ENDED SEPTEMBER 30, 2004

Issued,

	subscribed and paid up capital	Accumulated loss	Total
	(Rupees in '000')		
	-----	-----	-----
Balance at October 01 , 2002	120,000	-250,940	-130,940
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation			
Prior years'	—	73,310	73,310
Current	—	6,727	6,727
Profit for the year ended September 30, 2003	—	66,345	66,345
Balance at September 30, 2003	120,000	-104,558	15,442
Profit for the year ended September 30, 2004	—	5,375	5,375
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation		14,856	14,856
Balance at September 30, 2004	120,000	-84,327	35,673

#### FORTHEYEAR ENDED SEPTEMBER 30, 2004

#### STATUS AND NATURE OF BUSINESS

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

The Company has applied for voluntary de-listing of its shares from Karachi and Lahore Stock Exchanges through buy back of shares by majority shareholders and will stand de-listed from Karachi and Lahore Stock Exchanges with effect from January 03, 2005.

#### ACCOUNTING POLICIES

##### 2.1 Accounting convention

These financial statements have been prepared in accordance with the 'historical cost convention' modified by the revaluation of certain property, plant and equipment.

##### 2.2 Basis of preparation

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

##### 2.3 Taxation

###### Current

Provision for current taxation is the higher of the amount computed on taxable income at the current tax rates and minimum tax computed at the prescribed rate on sales net of sales tax.

###### Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the amounts for financial reporting purpose and amounts used for taxation purposes. As deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized. Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### Staff retirement benefits

The Company operates approved contributory Provident Fund Scheme for its management staff and unfunded Gratuity Scheme for the remaining employees. Charge for the provision of gratuity is based on actuarial valuation. The latest valuation has been carried out as at September 30, 2004 using the project unit credit method assuming a discount rate of 8% per annum and expected rate of increase in salaries at 7% per annum.

Contribution to Provident Fund are charged as an expense as they fall due.

#### Tangible fixed assets and depreciation

##### Property, plant and equipment

They are stated at cost less accumulated depreciation, except capital work-in-progress which are stated at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in property, plant and equipment note.

Maintenance and normal repairs are charged to income as and when incurred.

Major renewals and improvement are capitalized.

Gains and losses on disposal of assets, if any, are included in current income.

As per the guidelines issued by the Institute of Chartered Accountants of Pakistan vide circular no: 10/2002 dated November 11, 2002, during the year the Company reviewed the accounting method of charging depreciation on its depreciable assets and now, depreciation

is charged on assets from the month of use/purchase during the year while depreciation is charged on assets disposed off upto the month prior to month of disposal. Previously full year's depreciation was charged on additions and no depreciation was charged on disposal. Had the Company not changed the method of charging depreciation, net profit for the year after tax would have decreased by Rs.1 0.366 million.

#### Capital work in progress

Capital work in progress is stated at cost. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use as allowed by IAS-23 "Borrowing Cost".

#### Accounting for leases

The Company accounts for plant and machinery and equipment acquired under financial leases by recording the assets and related liability. The amounts are determined on the basis of discounted value of total minimum lease payments are residual value of the assets at the end of the lease period to be paid by the Company.

Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation is charged at rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of the assets at the end of the lease term.

Income arising from sale and lease back transactions, if any, is deferred and amortized equally over the lease period.

Lease rentals payable on assets held under operating leases are charged to income in arriving at operating profits.

#### 2.7 Stores, spare parts 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.

#### 2.8 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined on the following basis:

Raw material in hand	Weighted average cost
Raw material in transit	Cost comprising invoice value and other charges
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realizable value

Average manufacturing cost signifies in relation to work in process and finished goods the annual average cost consist of 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.

#### 2.9 Trade debts

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

#### Foreign currencies

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date except for those covered by forward contracts, which are stated at contracted rates. Foreign currency transactions are translated into Pak Rupees at the rates of exchange prevailing at the date of transaction except for those covered by forward contracts, which are translated at contracted rates.

#### Impairment

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order

to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Trade and other payable

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

#### Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

#### Revenue recognition

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

#### Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made to the amount of obligation.

#### Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on net basis or to realize the asset and settle the liability simultaneously.

#### Related party transactions

The related parties comprise of entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors and key management employees. The Company has a policy whereby all transactions with related parties are entered into at arm's length prices using the "Comparable Uncontrollable Price" method.

	2004	2003
	(Rupees in '000')	
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		
Opening balance	155,468	140,987
Fresh revaluation	-----	94,518
	155,468	235,505
Less : Surplus relating to incremental depreciation charged on related assets in prior years transferred to retained earnings	-----	73,310
Transferred to retained earnings in respect of incremental depreciation charged during the year	14,856	6,727
	-14,856	-80,037
	140,612	155,468
Less: Related deferred tax liability	-47,361	-52,561
	93,251	102,907
<b>LONGTERM LOANS</b>		
From commercial bank - secured	300,000	300,000
From directors, sponsors, associated undertakings and others - unsecured (	169,419	194,419
	469,419	494,419
Payable within one year shown under current liabilities	-100,000	-25,000
	369,419	469,419

#### LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Future minimum lease payments under finance lease are determined on the basis of the present value of the net minimum lease payments are as follows:

	2004		2003	
	..... (Rupees in '000) .....			
	Minimum lease payments	Present value	Minimum lease payments	Present value
Within one year	35,200	28,793	20,910	15,743
After one year but not more than five years	98,121	88,951	58,320	51,743
Total minimum lease payments	133,321	117,744	79,230	67,486
Less : Amount representing finance charges	-15,577	—	-11,744	—
Present value of minimum lease payments	117,744	117,744	67,486	67,486
Less : Payable within one year shown under current liabilities (note. 8)	-28,793	-28,793	-15,570	-15,570
	88,951	88,951	51,916	51,916

	2004	2003
	(Rupees in '000')	
<b>DEFERRED LIABILITIES</b>		
Deferred taxation	18,895	18,845
Staff gratuity	5,825	3,046
	24,720	21,891

Deferred Taxation



This is composed of the following:

Taxable temporary differences:	47,361	52,561
Surplus on revaluation of fixed assets	15,520	12,816
Tax depreciation allowance and finance lease	62,881	65,377
Deductible temporary difference:	2,039	1,066
Provision for post retirement benefits		
Carry forward tax losses on the basis of latest assessment order	41,947	45,466
	-43,986	-46,532
	18,895	18,845

	2004	2003
	(Rupees in '000')	
Staff gratuity		
Net liability at the beginning of the year	3,046	2,104
Charge for the year	3,700	1,800
Benefit paid during the year	-921	-858
Net liability at the end of the year	5,825	3,046
Present value of defined benefit obligation		
Unrecognized actuarial gains/(losses)	-622	-324
Net liability/(asset) at the end of the year	5,825	3,046

#### SHORTTERM BANK BORROWINGS

Secured - under markup arrangements		
Demand finance	100,000	130,000
Cash finance	200,000	—
Running finances	25,451	37,039
Bank over draft	2,597	—
	328,048	167,039

#### CURRENT PORTION OF LONGTERM LIABILITIES

Long term loans	100,000	25,000
Liability against assets subject to finance lease	28,793	15,570
	128,793	40,570

#### TRADE AND OTHER PAYABLES

Creditors	23,991	14,174
Accrued expenses	20,252	11,114
Contractors retention money	—	2,238
Advance from customers	5,425	170
Sales tax	9,794	1,661
Withholding tax	288	29
Workers' profit participation fund	840	1,366
Unclaimed dividend	7	7
Other	67	22
	60,664	30,781

	2004	2003
	(Rupees in '000')	
2 Workers' profit participation fund		
Opening balance	1,366	—
Interest paid on the fund utilised in the company's business	43	—
	1,409	—
Allocation for the year	840	1,366
	2,249	1,366
Paid to workers on behalf of the fund	-1,409	—
	840	1,366

#### MARK UP PAYABLE

Long term loans (10.1)	3,320	4,770
Short term bank borrowings	1,589	309
Lease liabilities	251	—
	5,160	5,079

Cost	Accumulated depreciation	Written down value
------	--------------------------	--------------------

Land	6,618	—	6,618
Buildings Mills	79,737	23,722	56,015
Others	83,027	10,656	72,371
Plant and machinery	431,365	181,370	249,995
Electric installations	107,470	16,259	91,211
	708,217	232,007	476,210

2004                      2003  
(Rupees in '000')

#### CAPITALWORK IN PROGRESS

Land			2,612
Civil work		200	105,295
Plant and machinery		95,834	318,631
Electric installations		2,553	23,664
		98,587	450,202

#### LONGTERM DEPOSITS

Security deposits		2,007	460
Lease deposits		11,521	8,285
Current portion transferred to current assets		-129	-310
		11,392	7,975
		13,399	8,435

#### STORES AND SPARE PARTS

Stores		2,453	2,347
In hand		851	140
In transit		9,531	9,306
Spare parts		12,835	11,793

2004                      2003  
(Rupees in '000')

#### STOCK IN TRADE

Raw material			
in hand		237,285	126,323
in transit		1,392	701
Work in process		23,976	7,498
Finished goods		12,756	15,652
Waste		156	218
		275,565	150,392

#### ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Considered good		507	295
Advances		6,747	4,400
Employees		8,045	6,879
Suppliers / expenses		—	5,124
Income tax		15,299	16,698
Sales tax		129 12	310 12
Deposits		141	322
Current portion of lease deposit Security deposit		1,764	1,160
Prepayments		8,947	8,174
Other receivables		1,582	920
Income tax refundable		681	36
Sales tax refundable		11,210	9,130
Other		28,414	27,310

#### CASH AND BANK BALANCES

Cash in hand		130	93
Cash at banks		717	1,865
In current accounts		307	307
Term deposit		1,154	2,265

SALES		1,077,654	527,371
Yarn		—	2,237
Local		8,380	3,339
Export		1,086,034	532,947
Waste - local		-6,047	-3,852
		1,079,987	529,095

Commission

	2004	2003
	(Rupees in '000')	
<b>COST OF GOODS SOLD</b>		
Opening stock - finished goods	15,870	10,063
Cost of goods manufactured (20.1)	1,019,862	492,361
	1,035,732	502,424
Closing stock - finished goods	-12,912	-15,870
	1,022,820	486,554
<b>20.1 Cost of goods manufactured</b>		
Raw material (20.1.1)	823,422	368,682
Wages, salaries and benefits (20.1 .2)	58,618	37,688
Fuel and power	72,014	57,070
Packing material	8,564	4,798
Repairs, maintenance and stores	13,223	6,296
Insurance	1,099	755
Vehicles running and maintenance	1,638	1,842
Depreciation	54,781	17,096
Other manufacturing expenses	2,981	2,086
	1,036,340	496,313
<b>Work in process</b>		
Opening stock	7,498	3,546
Closing stock	-23,976	-7,498
	-16,478	-3,952
Cost of goods manufactured	1,019,862	492,361
<b>20.1.1 Raw material consumed</b>		
Opening stock	126,323	94,008
Purchases and purchase expenses (20.1.3)	934,384	400,997
	1,060,707	495,005
Closing stock	-237,285	-126,323
	823,422	368,682

	2004	2003
	(Rupees in '000')	
<b>ADMINISTRATION EXPENSES</b>		
Salaries and benefits (21.1)	949	437
Travelling and conveyance	49	120
Entertainment	18	11
Vehicles running and maintenance	397	29
Printing and stationery	44	64
Auditors' remuneration (21.2)	180	158
Repairs and maintenance	1	1
Postage, telephone and fax	166	125
Advertisement	96	43
Fees and subscription	421	153
Legal and professional	58	106
Depreciation	131	105
Other	95	81
	2,605	1,433

<b>Auditors' remuneration</b>		
Annual audit fee	125	75
Half yearly review fee Other certification	40	3042
Out of pocket expenses	15	11
	180	158

<b>SELLING EXPENSES</b>		
Salaries and benefits	957	876
Local freight and handling	5,321	3,565
Freight and octroi	—	83
Export expenses	—	55
Other	259	281
	6,537	4,860

<b>FINANCIAL CHARGES</b>		
Interest /markup on	15,945	2,241
Long term loans	11,936	6,977
Short term bank borrowings	4,002	537
Finance lease charges	43	—
Interest on workers' profit participation fund	554	608
Bank charges and commission	32,480	10,363

## REMUNERATION TO EXECUTIVES

Remuneration	1,262	1,930
House rent	568	764
Bonus	196	330
Provident fund	—	28
Vehicles running	109	211
Utilities	126	145
Others	2,303	952
	4,564	4,360
Number of person	1	4
Tax depreciation allowance and finance lease	-2,704	-12,816
Provision for post retirement benefits	973	1,066
Carry forward tax losses on the basis of latest assessment order	-3,519	45,466
	-5,250	33,716

## PLANT CAPACITY AND ACTUAL PRODUCTION

Number of spindles installed	25,920	16,320
Number of spindles worked	25,920	16,320
Installed capacity after conversion into 20/s count -Kgs	7,936,135	4,996,780
Actual production after conversion into 20/s count - Kgs	10,114,670	5,110,419

## TRANSACTIONS WITH RELATED PARTIES

2004 2003

(Rupees in '000')

Transactions with related parties other than remuneration and benefits to key management personnel under the term of their employment as disclosed in note 26, are as follows:

Purchase of power	410	41,587
Insurance premium and other charges paid	4,369	2,651
Purchase of property, plant and equipment	17	64
Sale of vehicle	222	—
Markup on loan from associated undertaking	544	2,115
Services to associated undertaking	296	144
Loan received	240,000	120,000
Loan repaid	235,000	45,940

## 29.3 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's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits company exposure of credit risk through monitoring of clients credit exposure review and conservative estimates of provision for doubtful receivable. The management is of the view that it is not exposed to significant concentration of credit risk.

## 29.4 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company's management closely monitors the liquidity and cash flow position.

## 29.5 Foreign exchange risk

Foreign exchange risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. The Company is not materially exposed to foreign currency risk on assets and liabilities.

## NUMBER OF EMPLOYEES

The number of permanent employees as at September 30, 2004 were 1,206 (2003 - 532).

## DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 04, 2005 by the Board of Directors of the Company.

## GENERAL

Figures have been rounded off nearest rupees in thousand.

HELD BY THE SHAREHOLDERS OF TRITEX COTTON MILLS LIMITED  
AS AT SEPTEMBER 30, 2004

No. of shareholders	Shareholding		Total shares held
	From	To	
6	1	100 Shares	600
33	101	500 Shares	15,600
7	501	1,000 Shares	5,500
5	1,001	5,000 Shares	12,000
1	10,001	15,000 Shares	11,800
1	40,001	45,000 Shares	42,600
1	70,001	75,000 Shares	71,250
1	130,001	135,000 Shares	131,000

1	475,001	480,000 Shares	478,100
1	735,001	740,000 Shares	740,000
1	995,001	1,000,000 Shares	1,000,000
1	1,620,001	1,625,000 Shares	1,623,650
1	2,975,001	2,980,000 Shares	2,977,750
1	4,890,001	4,895,000 Shares	4,890,150
61			12,000,000

## CATEGORIES OF SHAREHOLDERS

	SHARES HELD	PERCENTAGE
- Directors, Chief Executive Officer and their Spouse and minor children	250,600	2.09
Associated Companies, Undertakings and related parties	10,503,350	87.53
- NITandICP	1,000	0.01
- Banks, Development Financial institutions and Non Banking Financial institutions	200	—
- Shareholders holding 10% and above	9,491,550	79.1
- General public		
(a) Local	504,850	4.21
(b) Foreign	740,000	6.17

## DETAILS OF PATTERN OF SHAREHOLDING AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

## CATEGORIES OF SHAREHOLDERS

ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	NO. OF SHARES HELD
Siza (Private) Limited	4,890,150
Siza Services (Pvt) Limited	2,977,750
Accuray Surgicals Limited	1,000,000
Siza Commodities (Pvt) Limited	1,623,650
Premier Fashions (Pvt) Limited	11,800
	10,503,350

## DIRECTORS, CEO AND THEIR SPOUSE AND MINOR CHILDREN

Mr. Iqbal Ali Lakhani	Director	750
Mr. Zulfiqar Ali Lakhani	Director	131,000
Mr. Amin Mohammed Lakhani	Director/CEO	42,600
Mr. Tasleemuddin A. Batlay	Director	750
Mr. A. Aziz Ebrahim	Director	750
Mr. Ramzan Ali Halani	Director/Co. Secre	750
Mr. Muhammed Farooq Shakoor	Director	500
Mrs. Ronak Iqbal w/o Mr. Iqbal Ali Lakhani		71,250
Mrs. Fatima Zulfiqar w/o Mr. Zulfiqar Ali Lakhani		2,250
		250,600

## FINANCIAL HIGHLIGHTS FOR THE SIX YEARS

(Rs. in thousand except last three items)

	SEPTEMBER 30, 2004	SEPTEMBER 30, 2003	SEPTEMBER 30, 2002	SEPTEMBER 30, 2001	SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
Share capital	120,000	120,000	120,000	120,000	120,000	120,000
Reserves & surplus	8,924	-1,651	-109,953	-110,646	-134,267	-153,571
Share holders' equity	128,924	118,349	10,047	9,354	-14,267	-33,571
Debentures, long-term loans and liabilities against assets subject to finance lease	587,163	561,905	205,846	210,146	225,952	247,878
Deferred liabilities	24,720	21,891	2,633	4,499	5,947	6,892
TOTAL CAPITAL EMPLOYED	740,807	702,145	218,526	223,999	217,632	221,199
Fixed assets- NET	811,427	709,799	195,522	185,097	197,075	212,308
Long-term deposits & prepayments	13,399	8,435	935	826	723	781
Working capital	-84,019	-16,089	22,069	38,076	19,834	8,110
TOTAL ASSETS	740,807	702,145	218,526	223,999	217,632	221,199
Turnover	1,079,987	529,095	455,057	546,006	472,452	428,419
Profit/(loss) before taxation	15,925	35,937	-307	27,586	24,631	3,077
Profit/(loss) after tax & adjustment Divi	5,375	66,345	693	23,780	20,451	1,147
Break-up value of shares	10.74	9.86	0.84	0.78	-1.19	-2.8

Dividend (Rupee per share)	—	—	—	—	1	—
Net Earnings per share	0.45	5.53	0.06	1.98	1.7	0.08