

03.07.2001

.....lk. nr. 13443

Majandusaasta algus: 1.01.2000  
Majandusaasta lõpp: 31.12.2000

*Ärinimi: Aktsiaselts Qualitex*  
*Registreerimisnumber: 10083205*

Asukoht: Pärnu mnt 50, Sindi, Pärnu maakond 86703  
Telefon: 044-26840  
Faks: 044-26886  
Tegevjuht: Kripa Shankar Tripathi  
Põhitegevusala: Tekstiilitoodangu ja lõnga tootmine  
Audiitori nimi: AS PricewaterhouseCoopers  
Audiitori järeldusotsuse tegemise kuupäev: 28.05.2001

## AS Qualitex

### Eessõna

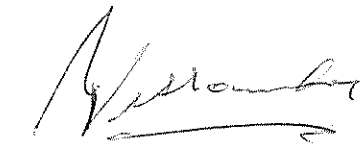
1. juunil 2001.a.

2000.a. tegevusaruande ja raamatupidamise aastaaruande koostas AS-i Qualitex juhatus.

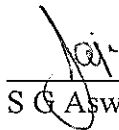
2000.a. majandusaasta aruanne koosneb tegevusaruandest, raamatupidamise aastaaruandest, audiitori järeldusotsusest ja majandusaasta aruande kinnitamise otsusest.

2000.a. majandusaasta aruanne on kinnitatud AS Qualitex aktsionäride üldkoosoleku poolt 1. juunil 2001.a.

(i) AS Qualitex nõukogu liikmete allkirjad:



V T Adnani



S G Aswani



U Reimand

(ii) AS Qualitex juhatuse liikme allkiri:



K S Tripathi

Pärnu Maakohtu registriosakond  
SAADUD

16. 07. 2001

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# AS Qualitex

## Tegevusaruanne

AS Qualitex (endine Lootos 2000 Värvide AS) on Eesti Vabariigi seaduste kohaselt asutatud ja ametlikult tegutsev aktsiaselts. Qualitex'i põhitegevusalaks on tekstiiltoodete (käesoleval hetkel kootud kanga) ja trikotaaži tootmine.

Qualitex'i nõukogu koosneb järgmistest liikmetest:

- Hr Vishamkar Tikamdas Adnani,
- Hr Sajen Ghansamdas Aswani,
- Hr Urmas Reimand.

Juhatuse liikmed on:

- Hr Kriipa Shankar Tripathi,
- Hr Vydas Damalakas.

Qualitex'i kahjumid 2000. aastal tulenesid uue tootmishoone rajamisest. Kudumis-, värvimis-, töötlemis- ja viimistlustsehh anti käiku 2000. aasta III kvartalis. 2000. aastal ostis Qualitex materiaalse põhivara summas EEK 18,750 tuh, mida finantseeriti uute laenudega. Nimetatud investeering oli seotud kudumis-, värvimis- ja töötlemistsehhiga.

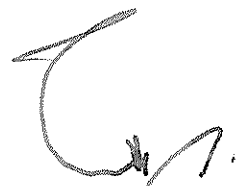
2001. aastal kavatseb Qualitex toota kuni 266 tonni kootud kangaid ja 330 tonni trikotaaži. Jaanuaris 2001 teatas juhatus plaanist sulgeda Qualitex'i ketrusosakond. Plaaniga järgitakse Qualitex'i pikaajalist poliitikat keskenduda kanga ja trikotaaži tootmisele ja müümisele ning jätta kõrvale sellega mitteseotud tegevused. Qualitex kavatseb müüa ketrusosakonna ettevalmistusetapis kasutatud masinad. Ülejäänud ketrusmasinad antakse üle AS'le Baltex 2000, Qualitex'i emettevõttele.

2000. aastal tegi Qualitex arenguväljaminekuid summas EEK 275 tuh, mis kapitaliseeriti. Aastal 2001 on Qualitex'il plaanis teha arenguväljaminekuid ligikaudu summas EEK 1,500 tuh.

Qualitex'i keskmine töötajate arv 2000. aastal oli 214. Palgad kokku (sealhulgas üksikisiku tulumaks) 2000. aastal olid EEK 17,561 tuh.

Tasu (sealhulgas üksikisiku tulumaks) Qualitex'i juhtkonnale 2000. aastal oli EEK 478 tuh, sealhulgas nõukogule - EEK 0 ja juhatusele - EEK 478 tuh.


Alla kirjutatud AS Qualitex juhatuse liikme poolt:



Kriipa Shankar Tripathi  
Juhatuse liige

Pärnu Maakohtu registriosakond  
**SAADUD**

26. 07. 2001

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## BALANCE SHEET

| Statement Date<br>Months Covered<br>Source Currency | Notes | 31 Dec 2000<br>12<br>Th EEK | 31 Dec 1999<br>12<br>Th EEK |
|---|-------|-----------------------------|-----------------------------|
| <b>Cash in hand and at bank</b>                     |       | 211                         | 1,205                       |
| <b>Trade receivables</b>                            | 1     | 5,821                       | 4,639                       |
| Accounts receivable                                 |       | 5,821                       | 4,657                       |
| Provision for doubtful receivables (-)              |       | 0                           | -18                         |
| <b>Other receivables</b>                            |       | 61                          | 3,045                       |
| Receivables from the parent and associates          | 7     | 0                           | 3,031                       |
| Other current receivables                           | 1     | 61                          | 13                          |
| <b>Prepaid expenses</b>                             |       | 3,228                       | 11,529                      |
| Prepaid taxes                                       | 8     | 3,180                       | 10,336                      |
| Other prepaid expenses                              |       | 48                          | 1,193                       |
| <b>Inventories</b>                                  |       | 28,394                      | 9,129                       |
| Raw materials                                       |       | 12,041                      | 3,880                       |
| Work-in-progress                                    |       | 3,585                       | 1,350                       |
| Finished goods                                      | 2     | 12,012                      | 1,413                       |
| Prepayments to suppliers                            |       | 756                         | 2,486                       |
| <b>TOTAL CURRENT ASSETS</b>                         |       | 37,715                      | 29,547                      |
| <b>Long-term financial assets</b>                   | 3     | 177                         | 135                         |
| Shares in associates                                |       | 177                         | 135                         |
| <b>Tangible fixed assets</b>                        | 4, 12 | 231,332                     | 219,447                     |
| Land and buildings                                  |       | 128,533                     | 113,496                     |
| Machinery and equipment                             |       | 119,349                     | 26,895                      |
| Other equipment, factory and office equipment       |       | 1,242                       | 434                         |
| Accumulated depreciation (-)                        |       | -17,955                     | -11,238                     |
| Assets in construction                              |       | 0                           | 67,014                      |
| Prepayments for tangible fixed assets               |       | 163                         | 22,846                      |
| <b>Intangible fixed assets</b>                      | 5     | 1,852                       | 2,122                       |
| Development costs                                   |       | 1,852                       | 2,122                       |
| <b>TOTAL FIXED ASSETS</b>                           |       | 233,361                     | 221,704                     |
| <b>TOTAL ASSETS</b>                                 |       | 271,076                     | 251,251                     |
| <b>Debt obligations</b>                             | 6, 11 | 47,167                      | 18,306                      |
| Unsecured loans (excl. debt from banks)             |       | 500                         | 0                           |
| Current period long-term debt repayment             |       | 8,667                       | 0                           |
| Short-term loans from credit institutions           |       | 38,000                      | 18,306                      |
| <b>Customer prepayments for goods and services</b>  |       | 0                           | 3                           |
| <b>Trade payables</b>                               | 7     | 28,944                      | 5,506                       |
| Accounts payable                                    |       | 28,944                      | 5,506                       |
| <b>Other payables</b>                               | 7     | 3,224                       | 0                           |
| Payables to the parent and associates               |       | 3,224                       | 0                           |
| <b>Tax payables</b>                                 | 8     | 893                         | 99                          |
| <b>Accrued expenses</b>                             |       | 4,458                       | 2,970                       |
| Payables to employees                               |       | 2,104                       | 1,222                       |
| Interest payables                                   |       | 1,935                       | 1,441                       |
| Other accrued expenses                              |       | 419                         | 307                         |
| <b>TOTAL CURRENT LIABILITIES</b>                    |       | 84,686                      | 26,885                      |
| <b>Long-term liabilities</b>                        |       | 95,333                      | 96,000                      |
| Long-term loans from financial institutions         |       | 95,333                      | 96,000                      |
| <b>Other long-term liabilities</b>                  |       | 698                         | 529                         |
| Accounts payable                                    |       | 698                         | 529                         |
| <b>TOTAL LONG-TERM LIABILITIES</b>                  | 6, 11 | 96,031                      | 96,529                      |
| <b>TOTAL LIABILITIES</b>                            |       | 180,717                     | 123,414                     |
| <b>Share capital</b>                                | 9     | 151,100                     | 151,100                     |
| <b>Retained earnings</b>                            |       | -23,262                     | -10,570                     |
| <b>Net loss for the financial year</b>              |       | -37,479                     | -12,692                     |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                   |       | 90,359                      | 127,838                     |
| <b>TOTAL LIABILITIES AND EQUITY</b>                 |       | 271,076                     | 251,251                     |

The accounting policies on pages 5 to 7 and the notes on pages 8 to 15 form an integral part of these financial statements

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 PricewaterhouseCoopers, Tallinn

## Qualitex Ltd

### Financial Statements

| Index                             | Pages  |
|-----------------------------------|--------|
| Balance Sheet                     | 1      |
| Income Statement                  | 2      |
| Cash Flow Statement               | 3      |
| Statement of Changes in Equity    | 4      |
| Accounting Policies               | 5 - 7  |
| Notes to the Financial Statements | 8 - 15 |

The financial statements set on pages 1 to 15 have been approved by the management board and are signed on their behalf on 30 April 2001 by:



Kripa Shankar Tripathi  
Member of the Board

## CASH FLOW STATEMENT

| Statement Date<br>Months Covered<br>Source Currency       | Notes | 31 Dec 2000<br>12<br>Th EEK | 31 Dec 1999<br>12<br>Th EEK |
|---|-------|-----------------------------|-----------------------------|
| <b>Operating activities:</b>                              |       |                             |                             |
| <i>Cash profit, including:</i>                            |       | -30,133                     | -6,730                      |
| Net loss (-) for the financial year                       |       | -37,479                     | -12,692                     |
| Depreciation and amortisation (+)                         | 4, 5  | 7,360                       | 5,135                       |
| Loss (+) / profit (-) from equity participation           | 3     | -43                         | -44                         |
| Loss (+) / profit (-) from sale of fixed assets           |       | 29                          | 871                         |
| <i>Change in working capital, including:</i>              |       | 19,948                      | -45,542                     |
| Increase (-) / decrease (+) in inventories                |       | -19,265                     | -8,667                      |
| Increase (-) / decrease (+) in trade receivables          |       | -1,182                      | -4,343                      |
| Increase (-) / decrease (+) in tax receivables            |       | 7,156                       | -9,559                      |
| Increase (-) / decrease (+) in other receivables          |       | 4,129                       | -4,176                      |
| Increase (+) / decrease (-) in trade payables             |       | 23,607                      | -9,194                      |
| Increase (+) / decrease (-) in tax payables               |       | 794                         | -13                         |
| Increase (+) / decrease (-) in other payables             |       | 4,215                       | -10,339                     |
| Interest paid (-)   |       | -11,131                     | -2,741                      |
| Interest expense (+)                                      |       | 11,625                      | 3,491                       |
| <b>Cash from operating activities</b>                     |       | <b>-10,185</b>              | <b>-52,271</b>              |
| <b>Investing activities:</b>                              |       |                             |                             |
| Shares acquired in associates (-)                         | 3     | 0                           | -85                         |
| Cash from sale of fixed assets (+)                        |       | 22                          | 300                         |
| Purchase of fixed assets (-)                              | 4, 5  | -19,024                     | -96,904                     |
| <b>Cash flow from investing activities</b>                |       | <b>-19,002</b>              | <b>-96,689</b>              |
| <b>Cash flow after operating and investing activities</b> |       | <b>-29,188</b>              | <b>-148,960</b>             |
| <b>Financing activities:</b>                              |       |                             |                             |
| Proceeds from loans (+)                                   |       | 28,194                      | 101,370                     |
| Repaid loans (-)  |       | 0                           | -4,757                      |
| Increase (+) in share capital                             | 9     | 0                           | 53,300                      |
| <b>Cash flow from financing activities</b>                |       | <b>28,194</b>               | <b>149,914</b>              |
| <b>Total cash flow</b>                                    |       | <b>-994</b>                 | <b>954</b>                  |
| <b>Cash and bank at the beginning of the period</b>       |       | <b>1,205</b>                | <b>251</b>                  |
| <b>Cash and bank at the end of the period</b>             |       | <b>211</b>                  | <b>1,205</b>                |
| <b>Increase (+) / decrease (-) in cash and bank</b>       |       | <b>-994</b>                 | <b>954</b>                  |

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## INCOME STATEMENT

| Statement Date  | Notes | 31 Dec 2000 | 31 Dec 1999 |
|-----------------|-------|-------------|-------------|
| Months Covered  |       | 12          | 12          |
| Source Currency |       | Th EEK      | Th EEK      |

|   |      |                |                |
|---|------|----------------|----------------|
| <b>Operating revenues:</b>                                |      |                |                |
| Net sales   | 10   | 92,840         | 25,054         |
| Other operating revenues                                  |      | 1,246          | 4,762          |
| <b>Total operating revenues</b>                           |      | <b>94,086</b>  | <b>32,406</b>  |
| <b>Operating expenses:</b>                                |      |                |                |
| Raw materials, supplies, goods and services               |      | 90,834         | 22,716         |
| Miscellaneous operating expenses                          |      | 14,598         | 4,951          |
| Personnel expenses, including:                            |      | 17,561         | 7,223          |
| Salary expenses (including personal income tax)           |      | 13,362         | 5,417          |
| Social and health care taxes                              |      | 4,199          | 1,805          |
| Depreciation and amortisation                             | 4, 5 | 7,360          | 5,135          |
| Other operating expenses                                  |      | 2,043          | 1,000          |
| Change in work-in-progress and finished goods inventories |      | -12,834        | 2,590          |
| <b>Total operating expenses</b>                           |      | <b>119,562</b> | <b>43,616</b>  |
| <b>Operating loss</b>                                     |      | <b>-25,476</b> | <b>-8,620</b>  |
| <b>Financial income:</b>                                  |      |                |                |
| Profit from equity participation                          | 3    | 43             | 44             |
| Foreign exchange gain                                     |      | 36             | 229            |
| Other interest and similar income                         |      | 14             | 65             |
| <b>Total financial income</b>                             |      | <b>93</b>      | <b>338</b>     |
| <b>Financial expenses:</b>                                |      |                |                |
| Interest expense  |      | 11,625         | 3,256          |
| Foreign exchange loss                                     |      | 368            | 505            |
| Other financial expenses                                  |      | 103            | 650            |
| <b>Total financial expenses</b>                           |      | <b>12,096</b>  | <b>4,411</b>   |
| <b>Net loss for the financial year</b>                    |      | <b>-37,479</b> | <b>-12,692</b> |

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## STATEMENT OF CHANGES IN EQUITY (EEK th)

|                                  | Notes | Share capital  | Retained earnings | Net loss of the period | Total          |
|----------------------------------|-------|----------------|-------------------|------------------------|----------------|
| <b>Balance as on 31 Dec 1998</b> |       | <b>95,100</b>  | <b>-5,021</b>     | <b>-5,549</b>          | <b>84,530</b>  |
| Net loss of 1998                 | 9     | 0              | -5,549            | 5,549                  | 0              |
| Issue of share capital, incl     | 9     | 56,000         | 0                 | 0                      | 56,000         |
| - monetary contribution          |       | 53,300         | 0                 | 0                      | 53,300         |
| - non-monetary contribution      |       | 2,700          | 0                 | 0                      | 2,700          |
| Net loss of 1999                 | 9     | 0              | 0                 | -12,692                | -12,692        |
| <b>Balance as on 31 Dec 1999</b> |       | <b>151,100</b> | <b>-10,570</b>    | <b>-12,692</b>         | <b>127,838</b> |

|                                  | Notes | Share capital  | Retained earnings | Net loss of the period | Total          |
|----------------------------------|-------|----------------|-------------------|------------------------|----------------|
| <b>Balance as on 31 Dec 1999</b> |       | <b>151,100</b> | <b>-10,570</b>    | <b>-12,692</b>         | <b>127,838</b> |
| Net loss of 1999                 | 9     | 0              | -12,692           | 12,692                 | 0              |
| Net loss of 2000                 | 9     | 0              | 0                 | -37,479                | -37,479        |
| <b>Balance as on 31 Dec 2000</b> |       | <b>151,100</b> | <b>-23,262</b>    | <b>-37,479</b>         | <b>90,359</b>  |

The accounting policies on pages 5 to 7 and the notes on pages 8 to 15 form an integral part of these financial statements

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## ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

### 1. Bases of preparation and general information

The financial statements of Qualitex Ltd ("**Qualitex**"), a public limited liability company duly organised and validly existing under the laws of the Republic of Estonia, having its registered address at 50 Pärnu Road, Sindi, the Republic of Estonia, have been prepared in accordance with International Accounting Standards ("**IAS**").

All figures are shown in thousands Estonian Kroons ("**Kroon**" or "**EEK**"), if not otherwise stated. The kroon is pegged to the German Mark ("**DEM**") at a rate of  $EEK\ 8 = DEM\ 1$  and consequently to the European Union's Euro ("**EUR**") at a rate of  $EEK\ 15.6466 = EUR\ 1$ .

The financial year of Qualitex is from 1 January to 31 December. Financial statements are prepared under the historical cost convention. There has been no change in adopted accounting policies in 2000 compared to 1999.

Qualitex's principal areas of business are the production of textile products, yarns and hosiery.

The average number of employees in Qualitex during 2000 was 214 (1999: 114).

### 2. Accounting for associates

Investments in associates are accounted for by using the equity method from the time of acquisition. These are undertakings over which Qualitex has between 20% and 50% of the voting rights, and over which Qualitex exercises significant influence, but which it does not control.

### 3. Foreign currency transactions

Foreign currency transactions in Qualitex are accounted for at the exchange rate fixed by the Bank of Estonia at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at the year-end exchange rates fixed by the Bank of Estonia, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used.

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## 9. Accounting for leases

Leases of plant, property and equipment where lessor did not transfer to the lessee substantially all the risks and rewards incident to ownership of an asset are classified as operating lease. Operating lease payments and income is recognised as an expense or income in the income statement on a straight line basis.

## 10. Development costs

Development costs are capitalised under intangible assets, to the extent that such expenditure is expected to have future revenues, and are amortised using the straight-line method over 5 years. Amortisation charge of development costs is recognised in the income statement under the depreciation and amortisation. Development cost is recognised in the balance sheet at net value.

## 11. Revenue recognition

Net sales represent the amount receivable for goods sold and services provided after deducting volume discounts and value-added tax. The sale of goods and services sold is recognised when significant risks and obligations of ownership are transferred to the buyer, or when the service is performed. Interest income is recognised as it accrues.

## 12. Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash flow statement reports cash flows classified by operating, investing and financing activities. Cash profit means net income or loss for the period plus depreciation and amortisation plus loss (or minus profit) from equity participation plus loss (or minus profit) from sale of fixed assets.

## 13. Income taxes

According to the new Income Tax Law that took effect on 1 January 2000, Qualitex's annual profit is no longer taxed and all temporary differences between the tax bases and net book values of assets and liabilities and tax losses carried forward are ceased to exist. Dividends paid by Qualitex to resident natural persons and non-residents are subject to income tax (26/74 of net dividend paid). Qualitex's potential tax liability related to the distribution of its retained earnings as dividends is not recorded in the balance sheet. The amount of potential tax liability related to the distribution of dividends depends on whether and when Qualitex pays out the dividends, and in which proportion the shares are owned by resident entities, resident natural persons and non-residents. Income tax from the payment of dividends is recorded as the cost at the moment of announcing the dividends.

## 14. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transaction means a transfer of resources or obligations between related parties, regardless of whether a price is charged.

Control means ownership, directly, or indirectly through subsidiaries, of more than one half of the voting power of an enterprise, or a substantial interest in voting power and the power to direct, by statute or agreement, the financial and operating policies of the management of the enterprise. Significant influence means participation in the financial and operating policy decisions of an enterprise, but not control of those policies.

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#### 4. Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade payables, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

#### 5. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

#### 6. Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

#### 7. Inventories

Inventories are stated at the lower of cost or net realisable value. The cost of inventories was assigned by using the weighted average cost formula. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of work-in-progress comprises raw materials, other direct costs and related production overheads, but excludes interest expense. When inventories are sold, the carrying amount of those inventories is expensed in the period in which the related revenue is recognised.

#### 8. Tangible fixed assets

All property, plant and equipment is stated at historical cost less depreciation. Gains or losses arising from the retirement or disposal of property, plant and equipment is determined as the difference between net disposal proceeds and carrying amount of the asset and is recognised as income or expense in the income statement.

According to IAS 16 site preparation costs are capitalised. The capitalisation of borrowing costs is commenced when borrowing costs related to the purchase of the asset are being incurred. These borrowing costs are added to the cost of the asset. Other maintenance, repair, improvement expenditures and borrowing costs are expensed in the period in which the related expense is recognised.

The assets are depreciated by using the straight-line method, calculated over the useful life of the asset. The depreciable amount is allocated on a systematic basis to each accounting period. The useful lives of the assets are assessed as follows:

|                         |                 |
|-------------------------|-----------------|
| Land                    | No depreciation |
| Buildings               | 62.5 years      |
| Constructions           | 33 years        |
| Machinery and equipment | 5-15 years      |
| Means of transport      | 5 years         |
| Other tangible assets   | 5 years         |

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## NOTES TO THE FINANCIAL STATEMENTS

## 1. Trade receivables and other current receivables

Each receivable balance was individually assessed to determine the probability of collection and provision, where payment was considered doubtful, was made accordingly. No trade receivables were considered as doubtful in 2000. In 2000 other current receivables, which were considered as bad debts, were written off in the amount of EEK 18 th (1999: EEK 268 th).

## 2. Inventories

Finished spinning production of EEK 4,002 th (1999: EEK 1,222 th), knitting production of EEK 2,094 th (1999: EEK 0 th), finished fabric production of EEK 4,247 th (1999: EEK 0 th) and sewing production of EEK 1,669 th (1999: EEK 0 th) are carried at their net realisable values, because it is lower than their respective costs.

## 3. Long-term investments in associates

The only associated company of Qualitex is Sindi Water Ltd. Sindi Water is a limited liability company duly organised and validly existing under the laws of the Republic of Estonia, whose principal areas of business are the supply of drinking water and wastewater treatment. Qualitex acquired 50% of the shares of Sindi Water on 17 November 1997 by payment of EEK 50 th to Sindi Water's share capital. In 1999 Qualitex acquired further 85 ordinary shares of Sindi Water by payment of EEK 85 th. In 2000 share capital of Sindi Water was increased to EEK 450 th that is divided into 450 registered ordinary shares with par value EEK 1,000 each. In 2000 Qualitex acquired 15 shares by a fund issue. In 2000 the profit from equity participation in the amount of EEK 42 th was recognised (1999: profit EEK 44 th). The cost of acquisition of Sindi Water was EEK 135 th at end of 2000.

| Acquired shares of associates         | Sindi Water Ltd | Share %   |
|---------------------------------------|-----------------|-----------|
| <i>No of shares as on 31 Dec 1999</i> | <i>135</i>      | <i>33</i> |
| No of shares acquired in the period   | 15              |           |
| <i>No of shares as on 31 Dec 2000</i> | <i>150</i>      | <i>33</i> |

| Investment in associates<br>EEK th    | Sindi Water Ltd<br>2000 | 1999       |
|---------------------------------------|-------------------------|------------|
| <i>Beginning of the period</i>        | <i>135</i>              | <i>6</i>   |
| Shares acquired at cost               | 0                       | 85         |
| Profit/loss from equity participation | 42                      | 44         |
| <i>End of the period</i>              | <i>177</i>              | <i>135</i> |

| Shareholders' equity of associates<br>EEK th | Sindi Water Ltd<br>2000 | 1999       |
|--|-------------------------|------------|
| Share capital                                | 450                     | 405        |
| Retained earnings                            | 2                       | -88        |
| Reserve capital                              | 7                       | 0          |
| Net profit of the period                     | 73                      | 132        |
| <i>Total as on the end of period</i>         | <i>532</i>              | <i>449</i> |
| Qualitex's share in shareholders' equity     | 177                     | 135        |

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 Kuupäev/date 11. 05. 2001  
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#### 4. Tangible fixed assets

By the end of 2000 Qualitex had entered into lease commitments as described in note 12.

Loan sureties and pledges over assets are disclosed in note 6.

Management has reassessed the recoverable amount of the land and buildings and believes that their value in use exceeds their carrying amount in the balance sheet. The assessment is based on forecasts of future net cash flows and projections of future events that have been prepared giving careful consideration to all relevant factors and available information at the time that such forecasts were prepared.

| EEK th                                    | Land and buildings | Machinery and equipment | Other tangible assets | Assets in construction | Prepayments | Total   |
|---|--------------------|-------------------------|-----------------------|------------------------|-------------|---------|
| <i>Acquisition cost as on 31 Dec 1999</i> | 113,496            | 26,895                  | 434                   | 67,014                 | 22,846      | 230,685 |
| <i>Accumulated depreciation (-)</i>       | -9,245             | -1,928                  | -65                   | 0                      | 0           | -11,238 |
| <i>Carrying amount as on 31 Dec 1999</i>  | 104,251            | 24,967                  | 369                   | 67,014                 | 22,846      | 219,447 |
| Purchase                                  | 15,036             | 92,588                  | 823                   | -67,014                | -22,683     | 18,750  |
| Sold                                      | 0                  | -75                     | -11                   | 0                      | 0           | -86     |
| Disposal                                  | 0                  | -58                     | -5                    | 0                      | 0           | -63     |
| Depreciation for current period           | -3,192             | -3,440                  | -184                  | 0                      | 0           | -6,815  |
| Write-off of accumulated depreciation     | 0                  | 93                      | 6                     | 0                      | 0           | 98      |
| <i>Acquisition cost as on 31 Dec 2000</i> | 128,533            | 119,349                 | 1,242                 | 0                      | 163         | 249,287 |
| <i>Accumulated depreciation (-)</i>       | -12,437            | -5,275                  | -243                  | 0                      | 0           | -17,955 |
| <i>Carrying amount as on 31 Dec 2000</i>  | 116,096            | 114,074                 | 999                   | 0                      | 163         | 231,332 |

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| Payables to other related parties |              |          |
|-----------------------------------|--------------|----------|
| EEK th                            | 2000         | 1999     |
| La Pupa Trading Pte Ltd           | 1,632        | 0        |
| Narinder K G Aswani               | 500          | 0        |
| <i>Total</i>                      | <i>2,132</i> | <i>0</i> |

There were no other related party receivables as on 31 December 2000.

## 8. Prepaid taxes and tax payables

Prepaid taxes and tax payables as on the end of the period included the following items.

| Prepaid taxes              |              |               |
|----------------------------|--------------|---------------|
| EEK th                     | 2000         | 1999          |
| Value-added tax            | 3,180        | 10,336        |
| <i>Total prepaid taxes</i> | <i>3,180</i> | <i>10,336</i> |

| Tax payables              |            |           |
|---------------------------|------------|-----------|
| EEK th                    | 2000       | 1999      |
| Personal income tax       | 363        | 41        |
| Social tax                | 530        | 58        |
| <i>Total tax payables</i> | <i>893</i> | <i>99</i> |

## 9. Share capital

All issued shares are ordinary registered shares at par value EEK 100 each. The maximum authorised share capital without changing the Articles of Association is EEK 380,402 th, consisting of 3,804,020 ordinary registered shares at par value EEK 100 each. As on 31 December 2000 the sole owner of Qualitex was Baltex 2000 Ltd. The ultimate parent of Qualitex is Asean Interests Ltd, Hong Kong.

|  | Shares outstanding |                  |
|--|--------------------|------------------|
| <i>Balance of number of shares as on 31 Dec 1998</i> |                    | <i>951,004</i>   |
| Issue of new shares on 15 March 1999                 | 27,000             | 978,004          |
| Issue of new shares on 5 April 1999                  | 533,000            | 1,511,004        |
| <i>Balance of number of shares as on 31 Dec 1999</i> |                    | <i>1,511,004</i> |

|  | Shares issued | Shares outstanding |
|--|---------------|--------------------|
| <i>Balance of number of shares as on 31 Dec 1999</i> |               | <i>1,511,004</i>   |
| <i>Balance of number of shares as on 31 Dec 2000</i> |               | <i>1,511,004</i>   |

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## 5. Intangible fixed assets

| EEK th                                     | Development costs |
|--|-------------------|
| <i>Acquisition value as on 31 Dec 1999</i> | 2,635             |
| <i>Accumulated amortisation (-)</i>        | -513              |
| <i>Carrying amount as on 31 Dec 1999</i>   | 2,122             |
| Additions                                  | 275               |
| Amortisation for current period            | -545              |
| <i>Acquisition value as on 31 Dec 2000</i> | 2,910             |
| <i>Accumulated amortisation (-)</i>        | -1,058            |
| <i>Carrying amount as on 31 Dec 2000</i>   | 1,852             |

Development costs were made in connection with the start-up of knitting production. It is anticipated that development costs will be recovered through future commercial activity.

## 6. Loan sureties and pledged assets

As surety for bank borrowings, a commercial pledge is established over trade receivables, inventories and tangible fixed assets (except land, buildings and constructions) of Qualitex in the amount of EEK 216,600 th (1999: EEK 216,000 th).

An additional pledge over the land, buildings and constructions of Qualitex is established, to secure the bank borrowings in the amount of EEK 174,000 th (1999: EEK 166,000 th) and the county government loan for land privatisation in the amount of EEK 819 th (1999: EEK 0 th).

Therefore all trade receivables, inventories and tangible fixed assets of Qualitex have been pledged to secure the borrowings listed in note 11.

## 7. Related party transactions and balances

Under the terms of the technical-management services agreement between Qualitex and La Pupa Trading Pte Ltd, Singapore, a fee of EEK 4,274 th was charged in 2000 (1999: EEK 1,391 th).

All related party transactions were made at the ordinary commercial price, on ordinary commercial terms and on the basis of arm's length arrangement.

The following related party receivables and payables are presented in the balance sheet as on the end of period.

| Receivables from the parent and associates |          |              |
|--|----------|--------------|
| EEK th                                     | 2000     | 1999         |
| Baltex 2000                                | 0        | 3,026        |
| Sindi Water                                | 0        | 5            |
| <i>Total</i>                               | <i>0</i> | <i>3,031</i> |

| Payables to the parent and associates |              |          |
|---------------------------------------|--------------|----------|
| EEK th                                | 2000         | 1999     |
| Baltex 2000                           | 2,922        | 0        |
| Sindi Water                           | 302          | 0        |
| <i>Total</i>                          | <i>3,224</i> | <i>0</i> |

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 Kuupäev/date 11. 05. 2001  
 PricewaterhouseCoopers, Tallinn

Management believes the short-term borrowings from Estonian Union Bank will be extended.

Current period repayment of the land privatisation loan from the Pärnu County Government in the amount of EEK 82 th as on the end of 2000 and suppliers' credit from Gerber Technology in the amount of EEK 525 th as on the end of 1999 is accounted under trade payables.

The liabilities listed hereunder are not subordinated to each other.

| Creditor          | Type of credit    | Amount as per agreement | Security         | Term        | Annual interest rate | Balance as on 31 Dec 1999<br>in EEK th      in orig currency | Current period<br>repaym in EEK th | Long-term 1<x<=5y<br>portion in EEK th | Long-term x>5y<br>portion in EEK th |
|-------------------|-------------------|-------------------------|------------------|-------------|----------------------|--|------------------------------------|--|-------------------------------------|
| Hansabank         | Loan              | 4,500,000 DEM           | Secured (note 6) | 4 Jan 2007  | *8.06%               | 36,000      4,500,000 DEM                                    | 0                                  | 27,000                                 | 9,000                               |
| Hansabank         | Loan              | 3,750,000 DEM           | Secured (note 6) | 25 May 2000 | *8.60%               | 18,306      2,288,000 DEM                                    | 18,306                             | 0                                      | 0                                   |
| Hansabank         | Overdraft         | 500,000 DEM             | Secured (note 6) | 25 May 2000 | 8.60%                | 0      0 DEM   | 0                                  | 0                                      | 0                                   |
| EBRD              | Loan              | 8,500,000 DEM           | Secured (note 6) | 4 Jan 2007  | *7.06%               | 60,000      7,500,000 DEM                                    | 0                                  | 45,000                                 | 15,000                              |
| Gerber Technology | Suppliers' credit | 755,000 SEK             | Unsecured        | Dec 2001    | 0.00%                | 1,054      601,000 SEK                                       | 525                                | 529                                    | 0                                   |
| <i>Total</i>      |                   |                         |                  |             |                      | <i>115,360</i>   | <i>18,831</i>                      | <i>72,529</i>                          | <i>24,000</i>                       |

| Creditor          | Type of credit | Amount as per agreement | Security         | Term         | Annual interest rate | Balance as on 31 Dec 2000 |                  | Current period   | Long-term 1<x<=5y | Long-term x>5y    |
|-------------------|----------------|-------------------------|------------------|--------------|----------------------|---------------------------|------------------|------------------|-------------------|-------------------|
|                   |                |                         |                  |              |                      | in EEK th                 | in orig currency | repaym in EEK th | portion in EEK th | portion in EEK th |
| Union Bank        | Loan           | 4,500,000 DEM           | Secured (note 6) | 4 Jan 2007   | *9.29%               | 36,000                    | 4,500,000 DEM    | 3,000            | 27,000            | 6,000             |
| Union Bank        | Loan           | 1,917,355 EUR           | Secured (note 6) | 11 Sept 2001 | *9.29%               | 30,000                    | 1,917,355 EUR    | 30,000           | 0                 | 0                 |
| Union Bank        | Overdraft      | 511,300 EUR             | Secured (note 6) | 11 June 2001 | 9.50%                | 8,000                     | 511,300 EUR      | 8,000            | 0                 | 0                 |
| EBRD              | Loan           | 8,500,000 DEM           | Secured (note 6) | 4 Jan 2007   | *8.79%               | 68,000                    | 8,500,000 DEM    | 5,667            | 45,000            | 17,333            |
| County Government | Loan           | 818,624 EEK             | Secured (note 6) | 2 Dec 2009   | 10.00%               | 780                       | 780,000 EEK      | 82               | 328               | 370               |
| <i>Total</i>      |                |                         |                  |              |                      | <i>142,780</i>            |                  | <i>46,749</i>    | <i>72,328</i>     | <i>23,703</i>     |

Note: Annual interest rates remarked with "\*" are floating rates based on DEM/EUR 6-months LIBOR.

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## 10. Net sales

| Sale by countries        | Share         |               | Share         |               |
|--------------------------|---------------|---------------|---------------|---------------|
| EEK th                   | 2000          |               | 1999          |               |
| Estonia                  | 31,898        | 34.4%         | 5,954         | 23.8%         |
| Great Britain            | 15,131        | 16.3%         | 382           | 1.5%          |
| Sweden                   | 15,017        | 16.2%         | 2,399         | 9.6%          |
| Portugal                 | 8,051         | 8.7%          | 5,253         | 21.0%         |
| Italy                    | 5,119         | 5.5%          | 295           | 1.2%          |
| Austria                  | 4,077         | 4.4%          | 0             | 0.0%          |
| Denmark                  | 2,742         | 3.0%          | 0             | 0.0%          |
| Finland                  | 2,503         | 2.7%          | 474           | 1.9%          |
| Germany                  | 2,359         | 2.5%          | 0             | 0.0%          |
| Spain                    | 2,096         | 2.3%          | 1,190         | 4.8%          |
| Belgium                  | 1,689         | 1.8%          | 8,134         | 32.5%         |
| Czech Republic           | 1,218         | 1.3%          | 0             | 0.0%          |
| Switzerland              | 0             | 0.0%          | 871           | 3.5%          |
| Other countries          | 940           | 1.0%          | 102           | 0.4%          |
| <i>Total sales</i>       | <i>92,840</i> | <i>100.0%</i> | <i>25,054</i> | <i>100.0%</i> |
| Exports from total sales | 65.6%         |               | 76.2%         |               |

| Sale by type             | Share         |               | Share         |               |
|--------------------------|---------------|---------------|---------------|---------------|
| EEK th                   | 2000          |               | 1999          |               |
| Grey yarn                | 52,402        | 56.4%         | 19,959        | 79.7%         |
| Garments and sewing      | 25,405        | 27.4%         | 3,246         | 13.0%         |
| Fabric                   | 9,807         | 10.6%         | 0             | 0.0%          |
| Other goods and services | 5,226         | 5.6%          | 1,849         | 7.4%          |
| <i>Total sales</i>       | <i>92,840</i> | <i>100.0%</i> | <i>25,054</i> | <i>100.0%</i> |

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 Kuupäev/date 11. 05. 2001  
 PricewaterhouseCoopers, Tallinn

## iii) Interest rate risk

Interest rate exposures are not hedged because the risk that a change in interest rates would have a negative impact on Qualitex's financial performance is not significant.

## iv) Fair values

In opinion of the management, the carrying amounts of financial assets and financial liabilities approximate to their fair value.

**14. Capital and other commitments**

Qualitex has not contracted for any capital or any other commitments, other than disclosed in this report, as on 31 December 2000.

**15. Post balance sheet events**

On 31 January 2001, the management board announced a plan to close Qualitex's spinning division. The disposal is consistent with the company's long-term policy to concentrate its activities in the areas of fabric and hosiery manufacturing and sales, and divest unrelated activities. Qualitex is actively seeking buyers for machinery of spinning division and hopes to complete the sale during a year of 2001.

According to this plan, about 50 workers and employees will be laid-off after closing the spinning division at Qualitex.

As on 31 December 2000, carrying amount of the assets of spinning division was EEK 60,125 th and liabilities linked to it were EEK 41,299 th. During 2000 spinning division earned revenue of EEK 52,680 th, incurred expenses of EEK 60,000 th, and incurred a pre-tax operating loss of EEK 7,320 th. During 2000, spinning division cash inflow from operating activities was EEK 3,341 th, cash outflow from investing activities was EEK 1,503 th, and cash inflow from financing activities was EEK 5,921 th.

## 12. Lease commitments

### i) Finance lease

As on 31 December 2000 Qualitex had no finance lease commitments.

### ii) Operating lease

Qualitex has leased 13 automobiles and lease payments of EEK 368 th were made in 2000 (1999: EEK 262 th).

### iii) The following property is leased to other parties under conditions of operating lease at the end of period.

| Year 2000<br>Description                   | Depr.<br>rate % | Acquisition<br>cost | Accumulated<br>depreciation | Depreciation<br>per annum | Leased<br>space % | % of yearly<br>depreciation |
|--|-----------------|---------------------|-----------------------------|---------------------------|-------------------|-----------------------------|
| Gate building                              | 3               | 554                 | 70                          | 17                        | 17%               | 3                           |
| Warehouse building                         | 3               | 1,191               | 150                         | 36                        | 33%               | 12                          |
| Production buildings                       | 3               | 4,779               | 600                         | 143                       | 100%              | 143                         |
| Production building                        | 3               | 1,202               | 151                         | 36                        | 2%                | 1                           |
| Workshop                                   | 3               | 1,390               | 174                         | 42                        | 25%               | 10                          |
| <b>Total</b>                               |                 | <b>9,116</b>        | <b>1,144</b>                | <b>273</b>                |                   | <b>169</b>                  |
| <i>Income from operating lease in 2000</i> |                 |                     |                             |                           |                   | <b>347</b>                  |

| Year 1999<br>Description                   | Depr.<br>rate % | Acquisition<br>cost | Accumulated<br>depreciation | Depreciation<br>per annum | Leased<br>space % | % of yearly<br>depreciation |
|--|-----------------|---------------------|-----------------------------|---------------------------|-------------------|-----------------------------|
| Gate building                              | 3               | 554                 | 53                          | 17                        | 17%               | 3                           |
| Warehouse building                         | 3               | 1,191               | 114                         | 36                        | 33%               | 12                          |
| Production buildings                       | 3               | 4,779               | 456                         | 143                       | 100%              | 143                         |
| Production building                        | 3               | 1,202               | 115                         | 36                        | 2%                | 1                           |
| <b>Total</b>                               |                 | <b>7,727</b>        | <b>738</b>                  | <b>232</b>                |                   | <b>159</b>                  |
| <i>Income from operating lease in 1999</i> |                 |                     |                             |                           |                   | <b>213</b>                  |

## 13. Financial instruments

### i) Foreign exchange risk

Foreign exchange risk is defined as transaction risk, i.e. Qualitex's commercial cash flows being adversely affected by a change in exchange rates for foreign currencies against EEK and balance sheet risk, i.e. the risk of net monetary assets in foreign currencies acquiring a lower value when translated EEK as a result of currency movements.

There has been no hedging made in order to manage foreign exchange risks, because the adverse effect of net foreign exchange loss is considered to be insignificant.

### ii) Credit risk

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. Qualitex did not have significant exposure to any individual customer or counterparty on 31 December 2000. Cash is placed with reputable financial institutions.

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## AUDITOR'S REPORT

To the shareholders of AS Qualitex

We have audited the financial statements of AS Qualitex (the Company) for the year ended 31 December 2000 as set out on pages 1 to 15. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at 31 December 2000 and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Without qualifying our opinion we draw attention to Note 4 of the financial statements where management's reassessment of the net book value of the land and buildings is discussed.



Urmas Kaarlep  
AS PricewaterhouseCoopers

11 May 2001

**Aktsiaseltsi Qualitex (registrikood: 10083205; asukoht: Pärnu mnt 50, Sindi, Pärnu maakond) aktsiaraamat**

| AKTSIONÄR                      |  |                         | AKTSIA |                     |                        |               |                |                  | MÄRKUSED                         |
|--------------------------------|--|-------------------------|--------|---------------------|------------------------|---------------|----------------|------------------|----------------------------------|
| Nimi                           | Asukoht  | Isiku- või registrikood | Liik   | Nimiväärtus EEK-des | Järjekorranumber       | Märkimise aeg | Omandamise aeg | Võõrandamise aeg | Sissekande või muudatuse sisu    |
| <b>Asean Interests Limited</b> | Room 1304, Loon Kee Building, 267-275, Des Voeux Road, Central Hong Kong | 51164                   | liht   | 100                 | 1 kuni 951 004         | 27.08.96.a.   | 27.08.96.a.    | 27.02.97.a.      |                                  |
| <b>Aktsiaselts Baltex 2000</b> | Kopli 35 Tallinn EE0090 Eesti Vabariik                                   | 10094195                | liht   | 100                 | 1 kuni 951 004         |               | 27.02.97.a.    |                  |                                  |
| <b>Aktsiaselts Baltex 2000</b> | Kopli 35 Tallinn 10502 Eesti Vabariik                                    |                         |        |                     |                        |               |                |                  | Asukoha muutus alates 1.07.98.a. |
| <b>Aktsiaselts Baltex 2000</b> | Kopli 35 Tallinn 10502 Eesti Vabariik                                    | 10094195                | liht   | 100                 | 951 005 kuni 978 004   | 15.03.99.a.   | 21.09.99.a.    |                  |                                  |
| <b>Aktsiaselts Baltex 2000</b> | Kopli 35 Tallinn 10502 Eesti Vabariik                                    | 10094195                | liht   | 100                 | 978 005 kuni 1 511 004 | 5.04.99.a.    | 21.09.99.a.    |                  |                                  |

Väljavõtte õige:

Aktsiaseltsi Qualitex üheleheküljelise aktsiaraamatu väljavõtte lehekülg 1

SAADUD  
26.07.2001