

## Artistic Denim Mills Limited

Annual Report 2001

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### COMPANY INFORMATION

<b>Board of Directors</b>	Muhammed Yaqoob Ahmed Chairman & Chief Executive  Muhammad Iqbal Ahmed Muhammad Yousuf Ahmed Muhammad Javed Ahmed Muhammad Faisal Ahmed Muhammad Ali Ahmed Mrs. Hajra Ahmed
<b>Company Secretary</b>	S.D. Siddiqui
<b>Auditors</b>	Ford, Rhodes, Robson, Morrow
<b>Bankers</b>	Bank AL-Habib Limited Habib Bank AG Zurich Habib Bank Limited Soneri Bank Limited American Express Bank Limited Pakistan Industrial Credit & Investment Corporation Limited
<b>Legal Adviser</b>	Monawwer Ghani (Advocate)
<b>Registered office</b>	39-A, Block 6, R.E.C.H.S., Karachi.
<b>Factory</b>	Plot No. 7,8,9, & 26, Sector 16, Korangi Industrial Area, Karachi.

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to the Members that the 9th Annual General Meeting of ARTISTIC DENIM MILLS LIMITED will be held at the Registered Office of the Company at 39-A, Block-6, P.E.C.H.S., Karachi, on Saturday, December 22, 2001 at 4.30 p.m. to transact the following business:

#### ORDINARY BUSINESS

1. To confirm the minutes of the 8th Annual General Meeting held on December 11, 2000.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2001 together with Reports of the Directors' and Auditors' thereon.
3. To consider and approve payment of 30% Cash Dividend for the year ended June 30, 2001 as recommended by the Board of Directors.
4. To appoint Auditors for the Year 2001-2002 and to fix their remuneration.

5. To transact with permission of the Chair any other business which may be transacted at an Annual General Meeting.

## SPECIAL BUSINESS

6. To approve the remuneration of the Chief Executive & Director.

By Order of the Board

S.D. SIDDIQUI  
Company Secretary

Karachi: November 30, 2001

### NOTES:

1. The Share Transfer Books of the Company will remain closed from December 16, 2001 to December 22, 2001 (both days inclusive). Transfers received in order at the Registered Office of the Company by close of business on December 15, 2001 will be treated in time to determine the entitlement of 30% dividend recommended by the Board of Directors.
2. A Member entitled to attend, speak and vote at the General Meeting is entitled to appoint another Member as his/her proxy to attend, speak and vote on his/her behalf.
3. Instrument appointing proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power or authority must be deposited at the Registered Office of the Company at least 48 hours before at the time of the meeting. Form of Proxy is enclosed.
4. A Corporation, which is a member of the Company, may by resolution of its Board of Directors or Governing Body authorize a person to act as its representative at the meeting.
5. Members are requested to submit declaration for Zakat on the required format and to advise change in address, if any.

### Statement U/s 160 of the Companies Ordinance, 1984.

This statement sets out the material facts concerning Item 6 of the "Special Business" to be transacted at the 9th Annual General Meeting of the Company to be held on December 22, 2001.

6. The approval of remuneration of the Chief Executive and the Director in the draft resolution is set out below.

The Members are accordingly requested to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT the remuneration of the Chief Executive shall not exceed Rs.150,000/= per month exclusive of perquisites benefits and other allowances to which he is entitled under the terms of this appointment with an increment not exceeding 15% per annum."

"FURTHER RESOLVED THAT the remuneration of the Director shall not exceed Rs.100,000/= per month exclusive of perquisites, benefits and other allowances to which he is entitled under the terms of his appointment with an increment not exceeding 15% per annum."

## YEAR WISE STATISTICAL SUMMARY

	2001	2000	1999	1998	1997
-----Rupees in thousands-----					
<b>ASSETS EMPLOYED</b>					
Fixed Assets	519,925	334,471	349,166	379,702	347,638
Capital work-in-progress	3,588	71,866	--	--	--
Long term deposits	1,388	829	965	2,703	4,548
Net Current Assets / (Liabilities)	(34,270)	70,389	120,593	90,804	117,210
<b>Total Assets Employed</b>	<b>490,631</b>	<b>477,555</b>	<b>470,724</b>	<b>473,209</b>	<b>469,396</b>
<b>FINANCED BY</b>					
Shareholders Equity	365,171	321,153	293,758	284,870	271,977
Long Term Loan	105,456	131,211	163,209	180,835	195,981
Deferred Liabilities	20,004	25,191	13,757	7,504	1,438
	<b>490,631</b>	<b>477,555</b>	<b>470,724</b>	<b>473,209</b>	<b>469,396</b>
<b>SALES &amp; PROFITS</b>					
Sales	1,095,819	917,190	937,478	787,037	729,594
Gross Profit	147,280	130,888	101,453	87,571	118,712

Operating Profit	122,341	108,228	87,126	80,570	100,534
Profit before taxation	90,641	79,896	56,395	48,035	69,909
Net Profit after taxation	86,018	55,395	36,888	40,892	66,407
Dividend	42,000	28,000	28,000	28,000	28,000
Unappropriated Profit	120,171	76,153	48,758	39,870	26,977

**FINANCIAL RATIOS**

	2001	2000
Gross Profit - % of sales	13.44	14.27
Operating Profit - % of sales	11.16	11.8
Profit before taxation - % of sales	8.27	8.71
Net Profit after taxation - % of sales	7.85	6.04
Basic Earning per share - Rupees	6.14	3.96
Dividend - % of Share Capital	30.00	20.00
Increase / (Decrease) in Sale - %	19.48	(2.16)
Raw and Packing Materials - % of sales	68.27	68.22
Labour - % of sales	4.63	4.13
Other Cost of goods manufactured - % of sales	13.36	13.34
Administrative expenses - % of sales	1.32	1.35
Selling expenses - % of sales	0.91	1.00
Financial charges - % of sales	2.89	3.09
Taxation - % of sales	0.42	2.67
Inventory turn over	10.50	8.96
Receivable turn over	13.21	10.58

**SHORT TERM SOLVENCY**

Current Ratio	0.87	1.66
Acid Test Ratio	0.47	0.87

**OVERALL VALUATION AND ASSESSMENT**

Return on capital employed before taxation (average) - %	20	18
RE.Ratio before taxation	2.78	2.80
Book value per share	26.08	22.94
Long term debts: equity	26: 74	33: 67

**DIRECTORS' REPORT TO THE MEMBERS**

The Directors of your Company have the pleasure in presenting the 9th Annual Report along with the Audited Accounts for the year ended June 30, 2001.

**YEAR UNDER REVIEW**

Alhamdulillah performance of the Company remained excellent during the year. Total sales of the Company crossed the milestone of Rs.1 billion and stood at Rs.1.1 billion which is 19.5% higher than the previous year. Gross profit was 13.4% of sales as compared to 14.3% in the previous year. Profit before tax was 8.3% of sales as against 8.7% in the previous year. This lower profit is attributed to depreciation on the new Spinning Unit, Genset, looms and other equipment which has partially been offset by reduction in financial charges which are 2.9% of sales as compared to 3.1% in previous year. Basic earnings per share is Rs.6.14 as against Rs.3.96 in the previous year.

We have the pleasure in proposing 30% cash dividend for the year under review. This has been achieved after meeting all the commitments of repayments of the installments of long term loan along with mark up.

**PRODUCTION**

Production of denim fabric increased to 11.1 million meters from 10.8 million meters in the previous year. In the quarter April-June, 2001 weaving production capacity was enhanced with addition of ten new looms. Spinning unit was installed, operations of which commenced in April 2001. Up to June 2001 production of yarn was 801,489 Kgs, all of which was consumed in the manufacture of denim fabric.

**SALES AND MARKETING**

Due to focus on export sale the domestic sales decreased by 65% as compared to the previous year. However, export sales (direct and indirect) increased by 349% over the previous year. Combined sales volume grew by 19.5% over the previous year. Extensive efforts have been made to improve and maintain quality of the denim fabric. Emphasis is to explore new export market and to focus on selected quality customers.

**FUTURE OUTLOOK**

Irishallah, with operations of the Spinning unit at full capacity in coming years we will see a favourable impact on the unit cost of denim. With the continuously volatile rupee and the escalating local costs

such as electricity and gas, margins will be under pressure. The management of your Company will continue to monitor costs with a view to control these wherever possible.

#### **ARTISTIC DENIM MILLS LTD.**

We see additional opportunities for growth in the Domestic and Export markets and are therefore considering added capacities and capital investments so that opportunities can be availed when these arise. New plot of land has been acquired in September, 2001 adjacent to the existing factory. Expansion of weaving production capacity is planned by acquiring further new looms, thus enabling enhanced production, local and export sales.

#### **AUDITORS**

The present auditors Messrs. Ford, Rhodes, Robson, Morrow, Chartered Accountants, Karachi retire and being eligible, offer themselves for re-appointment.

#### **ACKNOWLEDGEMENT**

We wish to express our sincere thanks to all the financial institutions who have been associated with us for their continued support and co-operation. We also would like to thank all our valued customers and suppliers for rendering their patronage to the Company.

We are confident that with continued support of the employees and all concerned the Company will Inshallah continue to grow and prosper in future.

ON BEHALF OF THE BOARD

**YAQOOB AHMED**  
(CHIEF EXECUTIVE)

Karachi: November 19, 2001

#### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of ARTISTIC DENIM MILLS LIMITED as at June 30, 2001 and the related profit and loss account, cash flow statement and statement of changes in equity 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 the accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, the profit and loss account, cash flows statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2001 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**FORD, RHODES, ROBSON, MORROW**  
**Chartered Accountants**

KARACHI: November 21, 2001

**BALANCE SHEET AS AT JUNE 30, 2001**

	<i>Note</i>	<i>June 30, 2001 Rupees</i>	<i>June 30, 2000 Rupees</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Tangible fixed assets			
Operating fixed assets	3	519,924,845	334,471,518
Capital work-in-progress	4	3,588,300	71,865,505
		-----	-----
		523,513,145	406,337,023
Long term deposits	5	1,388,451	829,250
<b>CURRENT ASSETS</b>			
Stores and spares	6	2,737,831	2,775,483
Stock-in-trade	7	99,508,064	81,112,883
Trade debts	8	86,488,969	79,442,155
Loans and advances	9	9,212,634	1,040,329
Prepayments and other receivables	10	23,793,543	5,102,744
Cash and bank balances	11	1,288,477	7,575,695
		-----	-----
		223,029,518	177,049,289
		-----	-----
<b>TOTAL ASSETS</b>		<b>747,931,114</b>	<b>584,215,562</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Share Capital</b>			
<b>Authorised</b>			
20,000,000 Ordinary shares of Rs.10 each		200,000,000	200,000,000
<b>Issued, subscribed and paid-up</b>			
14,000,000 Ordinary shares of Rs.10 each fully paid in cash		140,000,000	140,000,000
<b>Reserves</b>	12	225,171,136	181,153,049
		-----	-----
		365,171,136	321,153,049
<b>NON CURRENT LIABILITIES</b>			
Long term loan	13	105,456,006	131,211,006
Deferred liabilities	14	20,003,736	25,191,448
<b>CURRENT LIABILITIES</b>			
Current maturity of long term loan		25,755,000	22,130,000
Short term running finances	15	94,062,870	--
Short term loan	16	38,000,000	--
Creditors, accrued and other liabilities	17	57,417,125	48,567,736
Provision for taxation - net		--	7,908,182
Dividends	18	42,065,241	28,054,141
		-----	-----
		257,300,236	106,660,059
		-----	-----
<b>CONTINGENCIES AND COMMITMENTS</b>	19		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>747,931,114</b>	<b>584,215,562</b>

The annexed notes form an integral part of these financial statements.

**YAQOOB AHMED**  
Chief Executive**FAISAL AHMED**  
Director**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
<b>SALES</b>			
Cost of goods sold	20	1,095,818,679	917,189,692
	21	948,538,658	786,301,587
		-----	-----

<b>GROSS PROFIT</b>		147,280,021	130,888,105
<b>OTHER INCOME</b>	22	4,502,381	3,938,943
		-----	-----
		151,782,402	134,827,048
Administrative expenses	23	14,489,494	12,511,190
Selling and distribution expenses	24	9,994,139	9,184,569
Other charges	25	4,957,859	4,903,088
		-----	-----
		29,441,492	26,598,847
		-----	-----
<b>OPERATING PROFIT</b>		122,340,910	108,228,201
Financial charges	26	31,699,603	28,332,376
		-----	-----
<b>PROFIT BEFORE TAXATION</b>		90,641,307	79,895,825
Taxation	27	4,623,220	24,500,352
		-----	-----
<b>NET PROFIT FOR THE YEAR</b>		86,018,087	55,395,473
Unappropriated profit brought forward		76,153,049	48,757,576
		-----	-----
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		162,171,136	104,153,049
<b>APPROPRIATION:</b>			
Proposed final dividend @ Rs.3.00 (2000: Rs.2.00) per Ordinary share of Rs.10 each		42,000,000	28,000,000
		-----	-----
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>		120,171,136	76,153,049
		=====	=====
<b>BASIC EARNINGS PER SHARE</b>	28	6.14	3.96
		=====	=====

The annexed notes form an integral part of these financial statements.

**YAQOUB AHMED**  
Chief Executive

**FAISAL AHMED**  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2001

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	30	141,371,530	187,067,862
Income tax paid		(26,174,425)	(13,150,511)
Gratuity paid		(1,606,232)	(628,537)
Financial charges paid		(28,524,993)	(28,335,675)
Long term deposits		(559,201)	(29,699)
		-----	-----
Net cash generated from operating activities		84,506,679	144,923,440
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(174,303,540)	(93,601,205)
Return on bank deposits received		1,510,918	2,190,224
Sale proceeds of fixed assets		54,755	648,425
		-----	-----
Net cash used in investing activities		(172,737,867)	(90,762,556)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Long term loan paid		(22,130,000)	(19,015,000)
Dividend paid		(27,988,900)	(27,971,054)
		-----	-----
Net cash used in financing activities		(50,118,900)	(46,986,054)
		-----	-----
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		(138,350,088)	7,174,830
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		7,575,695	400,865
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	31	(130,774,393)	7,575,695
		=====	=====

**YAQOOB AHMED**  
Chief Executive

**FAISAL AHMED**  
Director

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2001

	Share Capital	Capital Reserve	Revenue Reserve	
	<i>Issued and paid-up subscribed</i>	<i>Premium on issue of ordinary share</i>	<i>Unappropri- ated profit</i>	<i>Total</i>
	-----Rupees-----			
Balance at June 30, 1999	140,000,000	105,000,000	48,757,576	293,757,576
Net profit for the year	--	--	55,395,473	55,395,473
Final dividend @ 20%	--	--	(28,000,000)	(28,000,000)
	-----	-----	-----	-----
<b>Balance at June 30, 2000</b>	140,000,000	105,000,000	76,153,049	321,153,049
Net profit for the year	--	--	86,018,087	86,018,087
Proposed dividend @ 30%	--	--	(42,000,000)	(42,000,000)
	-----	-----	-----	-----
<b>Balance at June 30, 2001</b>	140,000,000	105,000,000	120,171,136	365,171,136

**YAQOOB AHMED**  
Chief Executive

**FAISAL AHMED**  
Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2001

### 1. THE COMPANY AND ITS OPERATIONS

Artistic Denim Mills Limited was incorporated in Pakistan on May 18, 1992 and is currently listed on the Karachi Stock Exchange. The company's principal activity is to manufacture and sell rope dyed denim fabric, however, during the current year, the company has also installed a spinning unit the final product of which (yarn) is used as a raw material in the production of denim fabric.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

#### 2.2 Accounting convention

These financial statements have been prepared under the historical cost convention.

#### 2.3 Tangible fixed assets

These are stated at cost less accumulated depreciation except for capital work-in-progress which is stated at cost.

Leasehold land is amortized over the period of lease. Depreciation is charged to income applying the reducing balance method whereby the cost of an asset is written off over its estimated useful life. The rates used are stated in note 3 to the financial statements. Full year's depreciation is charged in the year of addition while no depreciation is charged in the year of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets are included in income currently.

#### 2.4 Stores and spares

These are valued at cost determined on first-in-first-out method except for those in transit which are stated at cost accumulated to the balance sheet date.

#### 2.5 Stock-in-trade

Raw and packing materials are valued at cost on first-in-first-out basis except for those in transit which are stated at invoice price plus other charges paid thereon upto the balance sheet date.

Finished goods and work-in-process are valued at lower of cost and net realisable value. Cost is determined on weighted average basis.

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

### 2.6 Staff retirement benefit

The company operates an unfunded gratuity scheme for all of its employees. Provision is made annually to cover the period of service completed by the employees (note 14.1).

### 2.7 Taxation

Provision for tax on income from local sales and other income is based on taxable income at current rates after considering the rebates and tax credits available, if any. The company falls under the presumptive tax regime under Section 80CC of the Income Tax Ordinance, 1979, to the extent of export sales, and provision is made in the accounts accordingly. The tax charge as calculated above is compared with turnover tax under Section 80D of the Income Tax Ordinance, 1979, and whichever is higher is provided in the financial statements.

The company accounts for deferred taxation on all timing differences, using the liability method.

### 2.8 Revenue recognition

Sales are recognised when goods are despatched to customers.  
Interest / return on bank deposits are recognized on accrual basis.  
Scrap sales are recognised on receipt basis.

### 2.9 Foreign currency translation

Transactions in foreign currencies are translated into rupees at the rates of exchange ruling on the date of the transactions. Assets and liabilities expressed in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing at the balance sheet date except where forward exchange contracts have been entered into in which case the contract rates are applied.

Exchange differences are included in income currently.

## 3. OPERATING FIXED ASSETS

	COST			Period / Rate %	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE		
	As at July 01, 2000	Additions	As at (Disposal)		As at July 01, 2000	For the Year	(On Disposal)	As at June 30, 2001	As at June 30, 2001	
	Rupees				Rupees					
Leasehold land	24,183,100	--	--	24,183,100	78 yrs	1,782,730	310,040	--	2,092,770	22,090,330
Building on leasehold land (note 3.1)	42,820,947	43,105,27	--	85,926,221	10	18,718,042	6,720,718	--	25,439,760	60,486,461
Plant and machinery (note 3.1)	446,939,513	188,617,374	--	635,556,867	10	181,414,544	45,414,234	--	226,828,778	408,728,109
Factory equipment	20,950,965	6,753,533	--	27,704,498	10	6,421,450	2,128,305	--	8,549,755	19,154,743
Furniture and fixtures	1,302,115	448,977	--	1,751,092	10	495,060	125,603	--	620,663	1,130,43
Office equipment	3,622,276	413,587	--	4,035,863	33	2,087,640	642,914	--	2,730,554	1,305,309
Vehicles	10,489,259	3,242,000	(134,653)	13,596,606	20	4,916,191	1,757,366	(106,415)	6,567,142	7,029,464
June 30, 2001	550,308,175	242,580,745	(134,653)	792,754,267		215,836,657	57,099,180	(106,415)	272,829,422	519,924,845
June 30, 2000	529,373,597	22,090,578	(1,165,000)	550,308,175		180,207,56	36,344,000	(714,900)	215,836,657	334,471,518

3.1 Additions to fixed assets include the following amounts transferred from capital work-in-progress during the current year:

	Note	June 30, 2001 Rupees	June 30, 2000 Rupees
Building on leasehold land	4	43,105,274	--
Plant and machinery	4	188,617,374	--
		231,722,648	--

3.2 Depreciation for the year has been allocated as follows:

Cost of goods manufactured	21.1	53,067,992	33,569,596
Administrative expenses	22	3,935,391	2,711,960
Selling and distribution expenses	23	95,797	62,444
		57,099,180	36,344,000

3.3 The following fixed asset was disposed of during the year:



Description	Cost	Accumulated depreciation	Sale proceed	Mode of disposal	Particulars of buyer
..... Rupees .....					
Vehicle	134,653	106,415	28,238	54,755 Negotiation	Mr. Abdul Qadir (Suzuki pick-up) F- Sector 38/8, Manzoor Colony, Karachi)

**ARTISTIC, DENIM MILLS LTD.**

	June 30, 2001 Rupees	Additions/ (Transfers) Rupees	June 30, 2000 Rupees
<b>CAPITAL WORK-IN-PROGRESS</b>			
Advances in respect of:			
leasehold land		1,000,000	1,000,000
factory equipment		2,588,300	2,588,300
		2,588,300	1,000,000
Civil works		24,357,844 (43,105,274)	18,747,430 3,588,300
Plant and machinery		136,499,299 (188,617,374)	52,118,075 3,588,300
		163,445,443 (231,722,648)	71,865,505

	Note	June 30, 2001 Rupees	June 30, 2000 Rupees
<b>5. LONG TERM DEPOSITS</b>			

Utility	1,337,451	670,950
Others	51,000	158,300
	1,388,451	829,250

**STORES AND SPARES**

Stores	1,743,954	2,106,619
Spares	993,877	668,864
	2,737,831	2,775,483

**7. STOCK-IN-TRADE**

Raw and packing materials

in hand	55,070,922	45,661,353
in transit	4,317,291	1,968,273
	59,388,213	47,629,626
Work-in-process	34,220,829	24,878,005
Finished goods	5,899,022	8,607,52
	99,508,064	81,112,883

**ARTISTIC DEHIM MILLS LTD.**

Note	June 30, 2001 Rupees	June 30, 2000 Rupees
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**8. TRADE DEBTS- Considered good**

Secured	8.10	8,781,609	1,018,647
Unsecured			

Due from associated undertakings	54,403,102	53,492,049
Others	23,304,258	24,931,459
	77,707,360	78,423,508
	86,488,969	79,442,155

**8.1 These are secured against letters of credit.**

**8.20** The maximum aggregate amount due from associated undertakings in respect of trade debts at the end of any month during the year was Rs.76.540 ( 2000: Rs.82.249) million.

**9. LOANS AND ADVANCES****Considered good  
Loans****Unsecured**

Employees	66,400	112,900
	345,400	391,900
<b>Advances</b>		
Suppliers and contractors	1,028,138	648,429
	7,839,096	
	9,212,634	1,040,329

**9.10** The maximum aggregate amount due from executives at the end of any month during the year was Rs.0.416 (2000: Rs.0.672) million.

**10. PREPAYMENTS AND OTHER RECEIVABLES****Prepayments**

Insurance	1,017,533	773,787
Export quota	2,662,500	165,102
	3,680,033	938,889

**Other receivables**

Sales tax - net	17	10,775,198	
Custom rebates		8,995,900	3,776,247
Accrued profit on bank accounts			17,925
Miscellaneous		342,412	369,683
		20,113,510	4,163,855
		23,793,543	5,102,744

**ARTISTIC DENIM MILLS LTD.**

Note	June 30, 2001 Rupees	June 30, 2000 Rupees
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**11. CASH AND BANK BALANCES**

In hand	315,704	1,206,729
<b>At banks in</b>		
current accounts	385,303	5,781,994
deposit accounts	587,470	586,972
	972,773	6,368,966

1,288,477 7,575,695

**12. RESERVES****Capital reserve**

Premium on issue of Ordinary shares	105,000,000	105,000,000
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**Revenue reserve**

Unappropriated profit	120,171,136	76,153,049
	225,171,136	181,153,049

**13. LONG TERM LOAN**

**Secured**

Pakistan Industrial Credit and Investment Corporation Limited (PICIC)	13.10	131,211,006	153,341,006
Less: Current maturity shown under current liabilities		25,755,000	22,130,000
		105,456,006	131,211,006

**13.10** This represents a loan equivalent to U.S \$ 8,467,000 extended by PICIC in January, 1993 to the company for acquiring plant and machinery. The original total draw down in Pak Rupees had amounted to Rs.225,162,005.

The loan is secured against mortgage of immovable properties, first charge by way of hypothecation of machinery and floating charge on all other present and future assets of the company.

The loan is repayable in twenty half-yearly installments in Pak Rupees, commencing from January, 1996 and ending in July, 2005. It carries markup @ 15.76% per annum. The markup is payable semi-annually on the principal sum of the loan and other dues, if any, outstanding from time to time.

In the event of default in payment, PICIC is entitled to charge additional interest @ 5% per annum on unpaid amount.

**ARTISTIC DENIM MILLS LTD.**

Note	June 30, 2001 Rupees	June30, 2000 Rupees
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**14. DEFERRED LIABILITIES**

Staff Gratuity	14.10	5,191,448
Deferred Taxation	14.20	20,000,000
		25,191,448

**14.1 Staff Gratuity**

Opening Balance	5,191,448	3,877,742
Provision made during the year	2,222,447	1,942,243
	7,413,895	5,819,985
Paid during the year	1,606,232	628,537

	5,807,663	5,191,448
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**14.2 Deferred Taxation**

Credit / (debit) balance arising due to:		
accelerated tax depreciation		20,420,896
provision for gratuity		(420,896)
		20,000,000

**15. SHORT TERM RUNNING FINANCES**

From banks		
Under markup arrangements - secured	15.10	94,062,870

**15.10** The company during the current year arranged facilities for short term running finances from commercial banks amounting to Rs. 120.00 (2000: Rs.90.00) million. These finances are secured against pari passu charge over fixed assets and registered charge over stocks and book debts of the company.

The rates of markup range between 13% to 18% (2000: 13.5% to 16.5%) per annum, payable quarterly. The purchase prices are repayable on various dates, latest by September 30, 2001.

**16. SHORT TERM LOAN**

From a bank	16.10	38,000,000
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**16.10** The facility for export refinance arranged during the current year amounted to Rs.38.00 million (2000: Rs. Nil).

The facility is secured against registered charge over stocks, book debts and demand promissory

note provided by the company in favour of the bank. The rate of mark-up is 9.75% (2000:Nil) per annum, payable semi annually. The loan is repayable by August 26, 2001.

#### ARTISTIC DENIM MILLS LTD.

Note	June 30, 2001 Rupees	June 30, 2000 Rupees
<b>17. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
<b>Creditors</b>		
Trade creditors	23,822,550	20,887,669
<b>Accrued liabilities</b>		
Markup on secured: short term running finances	2,408,364	
short term loan	766,246	
Accrued expenses	17,201,690	11,462,407
	20,376,300	11,462,407
<b>Other liabilities</b>		
Retention money	668,098	532,605
Advances from customers	1,163,056	1,150,486
Sales tax - net	10	741,875
Workers' Profits Participation Fund	17.10 11,014,781	12,515,222
Workers' Welfare Fund	29,295	1,114,005
Tax deducted at source	343,045	163,467
	13,218,275	16,217,660
	57,417,125	48,567,736

#### 17.10 Workers' Profits Participation Fund

Balance at the beginning of the year	12,515,222	10,854,698
Add: Allocation for the year	25 4,873,823	4,263,675
Interest on funds utilised in the company's business	26 1,877,283	1,628,205
	19,266,328	16,746,578
Less: Payments during the year	8,251,547	4,231,356
	11,014,781	12,515,222

#### 18. DIVIDENDS

Unclaimed	65,241	54,141
Proposed	42,000,000	28,000,000
	42,065,241	28,054,141

#### ARTISTIC DENIM MILLS LTD.

Note	June 30, 2001 Rupees	June 30, 2000 Rupees
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#### 19. CONTINGENCIES AND COMMITMENTS

##### Contingencies

19.10 Inland bills discounted	2,164,320	4,169,507
19.20 Foreign bills discounted	9,376,637	25,465,859
19.30 Counter guarantee given to a bank	11,788,000	2,561,000

##### Commitments

19.40 Commitments in respect of leasehold land and plant and equipment at the end of the current year amounted to Rs.40.143 (2000:Rs.188.617) million.

19.5 Outstanding letters of credit at the end of the year amounted to Rs.30.677 (2000: Rs.20.233) million.

**19.60** Demand promissory notes, given to banks against various credit facilities available therefrom, amounted to Rs.263 (2000: Rs.225) million.

## 20. SALES

Local		253,376,152	725,328,056
Exports	20.10	834,585,329	185,927,716
Rebate on exports		10,838,709	9,142,526
		1,098,800,190	920,398,298
Less: Commission		(2,981,511)	(3,208,606)
		1,095,818,679	917,189,692

**20.10** Included herein is a sum of Rs.606.290 million (2000:Nil), representing indirect exports made by the company during the current year, either by arranging the inland letters of credit or the standardized purchase orders from certain direct exporters in favour of the company, pursuant to BPRD circulars No. 24 and 31 dated June 28,1999 and August 13, 1999 respectively, issued by the State Bank of Pakistan.

## 21. COST OF GOODS SOLD

Opening stock -finished goods		8,607,252	17,052,703
Cost of goods manufactured	21.10	945,830,428	777,856,136
		954,437,680	794,908,839
Less: Closing stock - finished goods		5,899,022	8,607,252
		948,538,658	786,301,587

## ARTISTIC DENIM MILLS LTD.

	Note	June 30, 2001 Rupees	June 30, 2000 Rupees
<b>21.10 Cost of goods manufactured</b>			
Raw and packing materials consumed	21.20	748,619,877	625,728,283
Stores and spares consumed	21.30	52,495,774	22,253,373
Salaries, wages and related benefits	21.40	50,763,534	37,909,624
Fuel and power		32,586,075	26,447,511
Repairs and maintenance		4,954,755	7,788,558
Printing and stationery		427,510	378,762
Postage and photocopy		125,134	103,852
Telephone and telex		490,044	388,173
Conveyance		11,842	4,748
Rent, rates and taxes		933,204	200,054
Insurance		2,216,510	2,096,307
Water charges		6,820,309	4,607,378
Transportation		188,402	163,665
Depreciation	3.20	53,067,992	33,569,596
Security charges		292,800	292,800
Miscellaneous		1,181,490	1,057,472
		955,175,252	762,990,156
Add: Opening work-in-process	39,741,985		
Less: Closing work-in-process	24,876,005		
		945,830,428	777,856,136
<b>21.2 Raw and packing materials consumed</b>			
Opening stock		45,661,353	34,447,386
Add: Purchases		758,029,446	636,942,250
		803,690,799	671,389,636
Less: Closing stock		55,070,922	45,661,353

	748,619,877	625,728,283
<b>21.30 Stores and spares consumed</b>		
Opening stock	2,775,483	2,632,345
Add: Purchases	52,458,122	22,396,511
	55,233,605	25,028,856
Less: Closing stock	2,737,831	2,775,483
	52,495,774	22,253,377

**21.40** Included herein is a sum of Rs.1.643 (2000: Rs.1.248) million in respect of staff retirement benefits.

## ARTISTIC DENIM MILLS LTD.

	Note	June 30, 2001 Rupees	June 30, 2000 Rupees
<b>22. OTHER INCOME</b>			
Scrap sale		711,692	
Exchange gain - net		1,077,485	
Gain on sale of fixed assets		198,325	
Return on bank deposits		1,951,441	
Miscellaneous		-	
		4,502,381	3,938,943

## 23. ADMINISTRATIVE EXPENSES

Salaries, allowances and other benefits	23.10	7,488,866	4,758,239
Rent, rates and taxes		126,735	143,100
Depreciation	3.20	3,935,391	2,711,960
Legal and professional charges		286,750	263,550
Auditors' remuneration	23.20	507,705	437,896
Vehicle running expenses		408,025	490,858
Travelling		54,727	1,292,398
Printing and stationery		158,651	160,171
Insurance		162,694	126,720
Advertisement and publicity		157,875	121,855
Conveyance		31,701	21,410
Repairs and maintenance		134,779	132,153
Telephone and telex		343,833	488,129
Electricity charges		213,788	378,668
Postage and telegrams		57,781	41,033
Fees and subscriptions		143,921	494,413
Donations	23.30	156,750	155,985
Miscellaneous		119,522	292,652
		14,489,494	12,511,190

23.1 Included herein is a sum of Rs.0.538 (2000: Rs.0.585) million in respect of staff retirement benefits.

### 23.20 Auditors' remuneration

Audit fee	150,000	150,000
Special certifications and advisory services	40,000	30,000
Tax services	297,705	240,319
Out-of-pocket expenses	20,000	17,577
	507,705	437,896

23.30 Donations were not made to any donee in whom a director or his spouse had any interest at any time during the year.

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**ARTISTIC DENIM MILLS LTD.**

	Note	June 30, 2001 Rupees	June 30, 2000 Rupees
<b>24. SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries, allowances and other benefits	24.10	1,128,720	733,967
Insurance		55,554	31,352
Freight and transportation		5,653,557	4,996,000
Depreciation	3.20	95,797	62,444
Postage and stamps		1,495,342	1,234,293
Clearing charges in respect of export sales		907,436	1,441,684
Bad debts			448,820
Travelling			5,764
Advertisement and publicity		300,869	6,000
Telephone & telex		70,650	53,398
Export quota		165,102	
Miscellaneous		121,112	170,847
		9,994,139	9,184,569

24.10 Included herein is a sum of Rs.0.041 (2000: Rs.0.109) million in respect of staff retirement benefits.

**25. OTHER CHARGES**

Workers' Profit Participation Fund	17.10	4,873,823	4,263,675
Workers' Welfare Fund		84,036	639,413
		4,957,859	4,903,088

**26. FINANCIAL CHARGES**

Markup on secured long term loan		23,105,611	26,190,849
short term running finances		5,672,085	60,507
		28,777,696	26,251,356
Interest on Workers' Profit Participation Fund	17.10	1,877,283	1,628,205
Bank charges		1,044,624	452,815
		31,699,603	28,332,376

**27. TAXATION**

Current		9,101,927	20,495,633
Prior		1,325,220	(5,995,281)
Deferred		(5,803,927)	10,000,000
		4,623,220	24,500,352

The Income tax assessments of the company have been finalised upto and including the assessment year 2000-2001, corresponding to the income year ended June 30, 2000.

**ARTISTIC DENIM MILLS LTD.****28. BASIC EARNINGS PER SHARE**

Basic earnings per share has been computed by dividing the net profit for the year after taxation with the number of ordinary shares issued by the company.

Note	June 30, 2001 Rupees	June 30, 2000 Rupees
<b>29. UNAVAILED CREDIT FACILITIES</b>		
Short term running finances under markup arrangement - secured	25,937,130	90,000,000
Letters of credit	30,000,000	42,712,200

**30. CASH GENERATED FROM OPERATIONS**

Net profit before tax	90,641,307	79,895,825
<b>Adjustments for non cash charges and other items:</b>		

Depreciation	57,099,180	36,344,000
Provision for gratuity	2,222,447	1,942,243
Financial charges	31,699,603	28,332,376
Return on term deposit	(1,492,993)	(1,951,441)
Gain on disposal of fixed assets	(26,517)	(198,325)
	89,501,720	64,468,853
<b>Profit before working capital changes</b>	<b>180,143,027</b>	<b>144,364,678</b>
<b>Working capital changes</b>		
<b>(Increase) / Decrease in current assets</b>		
Sto res and spa res	37,652	(143,138)
Stock-in-trade	(18,395,181 )	13,193,914
Trade debts	(7,046,814)	14,485,622
Loans and advances	(333,209)	(23,626)
Prepayments and other receivables	(18,708,724)	1,860,742
	(44,446,276)	29,373,514
<b>Increase in current liabilities</b>	<b>5,674,779</b>	<b>13,329,670</b>
Cash generated from operations	141,371,530	187,067,862

**31. CASH AND CASH EQUIVALENTS**

Cash and bank balances	1,288,477	7,575,695
Short term running finances - secured	94,062,870)	
Short term loan	38,000,000)	
	30,774,393)	7,575,695

**ARTISTIC DENIM MILLS LTD.****32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	2001	2000				
Chief	Chief					
Executive Dir	Director	Executives				
..... Rupees .....						
Managerial remuneration	774,324	387,228	6,008,016	774,940	386,897	4,711,352
<b>Other prerequisites and benefits:</b>						
House rent	345,336	171,144	2,625,496	347,777	174,529	2,096,481
Conveyance	3,600	3,600	304,059		1 27,550	79,200
Utilities	76,740	38,028	580,389	77,283	38,574	465,886
Retirement benefits	100,000	50,000	649,346	100,000	50,000	1,057,980
Bonus	150,000	75,000	2,056,931	100,000	50,000	574,732
	675,676	337,772	6,216,221	625,060	440,653	4,274,279
	1,450,000	725,000	12,224,237	1,400,000	827,550	8,985,631
Number of persons	1	1	28	1	1	25

**32.10** In addition a Director and some Executives are provided with the free use of company maintained cars.

**33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES****33.1 Financial assets and liabilities**

	Interest ! Markup bearing	Non-Interest / Markup bearing	Total			
Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year	June 30, 2 0 0 1	June 30, 2 0 0 0	
..... Rupees .....						
<b>FINANCIAL ASSETS</b>						
Long term deposits				1,388,451	1,388,451	829,250
Trade debts			86,488,969	86,488,969	86,488,969	79,442,155
Loans and advances			1,373,538 -	1,373,54	1,373,538	1,040,329
Other receivables			342,412	342,412	342,412	369,683
Cash and bank balances	587,470	587.47	701,007	701,007	1.288,477	7,575,695
June 30, 2001	587,470	587,470	88,905,926	1,388,451	90,294,377	90,881,847
June 30, 2000	586,972	586,972	87,940,890	829,250	88,670.14	69,257,112

**FINANCIAL LIABILITIES**



Longtermloan	25,755,000	105,456,006	131,211,006	131,211,006	153,341,006		
Deferred liabilities	5,807.66	5,807,663	5,807,663	5,191,448			
Short term running finances	94,062,870	94,062,870	94,062,870				
Short term loan	38,000,000	38,000,000	38,000,000				
Creditors, accrued and other liabilities	46,030,004	46,030,004	46,030,004	34,033,167			
Dividends	42,065,241	42,065,241	42,065,241	28,054,141			
30-Jun-01	157,817,870	105,456,006	263,273,876	88,095,245	5,807,663	93,902,908	357,176,784
June 30, 2000	22,130,000	131,211,006	153,341.01	62,087,308	5,191,448	67,278,756	220,619,762

**ARTISTIC DENIM MILLS LTD.****33.20 Credit risk exposure**

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs.90,881,847, the financial assets which are subject to credit risk amounted to Rs.89,593,370. The company believes that it is not exposed to major concentration of credit risk. To reduce exposure to credit risk, the company applies credit limit to its customers and in case of new customers, goods are supplied on the basis of advance received or secured through letters of credit.

**33.30 Liquidity risk**

Liquidity risk reflects the company's inability in raising funds to meet commitments. Management closely monitors the company's liquidity and cashflow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the over all funding mix and avoidance of undue reliance on large individual customer and liquidity contingency plan.

**33.4 Foreign exchange risk management**

Foreign currency risk arises mainly when receivables and payables exist due to sale and purchase transactions with foreign undertakings. The company minimises foreign currency risk by taking forward cover for import commitments. As at June 30, 2001, the total foreign currency risk exposure was Rs.8,781,609 (2000:Rs.1,018,047) in respect of trade debts.

**33.50 Fair values of financial assets and liabilities**

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

	<b>June 30, 2001 Rupees</b>	<b>June 30, 2000 Rupees</b>
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**34. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS****Aggregate amounts in respect of:**

Sales	256,944,590	270,098,167
Materials purchased	-	7,647,960
Expenses incurred by associated undertakings on behalf of the company	2,231,002	866,797

**June 30, 2001**      **June 30, 2000**

35. NUMBER      136      110

**ARTISTIC DENIM MILLS LTD.**

June 30, 2001      June 30, 2000

**36. PLANT CAPACITY AND PRODUCTION****Spinning plant (installed during the year)**

Capacity after 3,742,740

Actual production of yarn after conversion  
into 7 count (Kgs.) 801,489-

**Weaving**

Capacity after conversion into 50 picks (meters) 12,000,000 9,000,000

Actual production of fabric after conversion  
into 50 picks (meters) 11,116,898 10,817,365

Under utilization of available capacity was due to the following reasons:

**Spinning:**

Plant started operations from April 2001.

**Weaving:**

Quality change down time and machine maintenance.

**37. GENERAL**

37.1 Figures of the previous year have been rearranged, wherever necessary, for the purpose of comparison.

37.2 Figures have been rounded off to the nearest rupee.

Y~MED FAISAL AHMED  
Chief Exe~cutDirector

**ARTISTIC DENIM MILLS LTD.****PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 2001**

Share of Hold From	Number of Shareholders	Number of R Shares Held	Percentage	
1	100	5	500	0.00
101	500	75	37,500	0.27
501	1,000	2	2,000	0.01
1,001	5,000	4	17,000	0.12
5,001	10,000	10	79,743	0.57
15,001	20,000	3	59,000	0.42
20,001	25,000	2	42,500	0.30
25,001	30,000	1	28,500	0.20
30,001	35,000	9	297,000	2.12
35,001	40,000	1	40,000	0.27
55,001	100,000	1	100,000	0.71
100,001	200,000	2	305,000	2.18
200,001	250,000	1	250,000	1.79
250,001	300,000	3	846,400	6.05
300,001	500,000	1	413,143	2.95
2,000,001	2,825,000	5	11,481,714	82.01
Total		125	14,000,000	100.00

Particulars	Number of Shareholders	Number of R Shares Held	Percentage
Individuals	117	12,742,000	91.01
Investment Companies	3	520,000	3.71
Insurance Companies	2	334,500	2.39
Joint Stock Companies	1	7,100	0.05
Financial Institutions	2	396,400	2.83
Total	125	14,000,000	100.00