

ARTISTIC DENIM MILLS LIMITED
Annual Reports 2003

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COMPANY INFORMATION

Board of Directors	Muhammad Yaqoob Ahmed Chairman & Chief Executive Muhammad Iqbal Ahmed Muhammad Yousuf Ahmed Muhammad Javed Ahmed Muhammad Faisal Ahmed Muhammad AN Ahmed Mrs. Hajra Ahmed
Audit Committee	Muhammad Yousuf Ahmed Chairman Muhammad Iqbal Ahmed Member Muhammad Javed Ahmed Member
Company Secretary	S. D. Siddiqui
Chief Financial Officer	Shahzad A. Abbasi
Auditors	Ford Rhodes Sidat Hyder & Co. Chartered Accountants
Legal Advisor	MonawwerGhani Advocate
Bankers	Bank AL Habib Limited Habib Bank AG Zurich Pakistan Industrial Credit & Investment Corporation Limited
Registered Office	39-A, Block 6, P.E.C.H.S., Karachi.
Factory	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 11th Annual General Meeting of ARTISTIC DENI

MILLS LIMITED will be held at the Registered Office of the Company at 39-A, Block-6, RE.C.H.S Karachi, on Saturday, October 18, 2003 at 3:00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 10m Annual General Meeting held on October 28, 2002.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2003 together with Reports of the Directors' and Auditors' thereon.
3. To consider and approve payment of 40% Cash Dividend for the year ended June 30, 2003 as recommended by the Board of Directors.
4. To appoint Auditors for the Year 2003-2004 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.

By Order of the Board

Karachi: September 24, 2003

S. D.1SIDJ3IQUI

Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 17, 2003 to October 23, 2003 (both days inclusive). Transfers received in order at the Registered Office of the Company by close of business on October 16, 2003 will be treated in time to determine the entitlement of 40% cash Dividend as 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 and must be duly stamped, signed, and witnessed. 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. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

For Attending the Meeting:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- ii. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- iii. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished

with the proxy form.

iv. The proxy shall produce his/her original NIC or original passport at the time of the meeting.

v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (Unless it has been provided earlier) along with proxy form to the Company.

6. Members are requested to submit declaration for Zakat on the required format and to advise change in address, if any.

DIRECTORS' REPORT TO THE MEMBERS

The Directors of your Company have the pleasure in presenting the 11th Annual Report along with the Audited Financial Statements for the year ended June 30, 2003.

YEAR UNDER REVIEW

Alhamdolillah, the performance of the Company, in spite of extensive Balancing Modernization and Restructuring (BMR) activity during the year, remained satisfactory. Total sale of the Company has increased to Rs.1.343 billion, which is 1.37% higher than previous year. Gross profit is 19.35% of sales as compared to 24.55% for previous year. Profit before taxation is 13.42% of sales against 16.38% in previous year. Earnings per share is Rs.12.20 against Rs.15.06 in previous year.

Increase in cotton price, higher depreciation charge, lower rate of duty draw back, expenses on acquisition new technical know-how and intensive marketing activity have contributed in reduction of profit margins as compared to previous year.

PRODUCTION

Your Company has imported fifty-four (51) new looms and installation/relocation is under progress. Production of denim fabric has decreased by 1 million meters during the year as compared to previous year. The decreased production is attributed to the production of finer quality value added fabric; reduced speed of old looms during the year and installation/relocation activity during the last quarter. However, your management is confident that the decreased production would be reversed in future by the full utilization/performance -of the new looms and equipment.

SALES AND MARKETING

Your management has been able to off-set the impact of production loss resulting from BMR activity through value addition to the product range. However, we are confident that the capital investment in high tech machinery and improvement of product's quality would have positive impact in future. Diversified sales, strategic marketing and exploration of new international markets would be the corner stone of your Company's policies in the coming period.

In the light of good operating performance of your Company, the Directors are pleased to propose 40% cash dividend for the year under review.

FUTURE OUTLOOK

Textile sector throughout the world is undergoing rapid changes due to implementation of World Trade Organization (WTO) regime. Other cotton growing countries such as China, India and Central Asian Republics are expected to give tough competition. Frequent fluctuation in prices of cotton, increase in power and labour cost are exerting continuous pressure on competitiveness of our product range. However, the management is striving for the value addition to product range by investing in human resources, achieving cost reduction and optimizing capacity utilization.

CORPORATE COMPLIANCE

We are pleased to confirm that in compliance with the listing regulation 37 (xix) of the Karachi Stock Exchange (Guarantee) Limited/ Code of Corporate Governance, the Board of Directors hereby declares that:

- The financial statements have been drawn up in conformity with the requirements of the Companies Ordinance, 1984 and present fairly state of its affairs, operating results, cash flow and changes equity.

- Proper books for accounts have been maintained in the manner required under Companies Ordinance, 1984.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- The sound internal control system has been established and is being effectively implemented and monitored.
- There are no-significant doubts about the Company^ ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance as detailed by the listing regulations.

The Management is pleased to provide you with information as under:

- Key financial and operating data for the last six years in summarized form is annexed.
- Number of Board meetings held during the year ended June 30, 2003 were nine. The attendance of the directors is as under:

Name of Directors	Meetings Attended
Mr. Muhammad Yaqoob Ahmed	9
Mr. Muhammad Iqbal Ahmed	9
Mr. Muhammad Yousuf Ahmed	9
Mr. Muhammad Javed Ahmed	9
Mr. Muhammad Faisal Ahmed	9
Mr. Muhammad AM Ahmed	8
Mrs. Hajra Ahmed	9

Pattern of shareholding is annexed

During the fiscal year from July 1, 2002 to June 30, 2003 the detail of trading in the shares of the Company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is annexed.

AUDITORS

The present auditors M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

The Board Audit Committee has recommended the reappointment of M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as auditors of the Company for the year 2003 - 2004.

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 the continued support of the employees and all concerned, your Company will Inshallah continue to grow and prosper.

ON BEHALF OF THE BOARD

Karachi: September 23, 2003

YAQOOB AHMED

(CHIEF EXECUTIVE)

YEAR WISE STATISTICAL SUMMARY

2003	2002	2001	2000	1999	1998
..... (Rupees in thousands)					

ASSETS EMPLOYED

Fixed Assets	723,162	558,337	519,925	334,471	349,166	379,702
Capital work-in-progress	84,160	1,488	3,588	71,866	-	-
Long term loan	180	260	-	-	-	-
Long term deposits	1,595	1,403	1,388	829	965	2,704
Net Current Assets / (Liabilities)	-166,532	4,510	-34,270	70,389	120,593	90,803
Total Assets Employed	642,565	565,998	490,631	477,555	470,724	473,209
FINANCED BY						
Shareholders Equity	592,799	477,997	365,171	321,153	293,758	284,870
Long Term Loan	40,598	75,482	105,456	131,211	163,209	180,835
Deferred Liabilities	9,168	12,519	20,004	25,191	13,757	7,504
	642,565	565,998	490,631	477,555	470,724	473,209
SALES & PROFITS						
Sales	1,342,805	1,324,444	1,095,819	917,190	937,478	787,037
Gross Profit	259,898	325,270	147,280	130,888	101,453	87,572
Operating Profit	192,526	245,987	122,341	108,228	87,127	80,571
Profit before taxation	180,189	217,044	90,641	79,896	56,395	48,035
Net Profit after taxation	170,802	210,826	86,018	55,395	36,888	40,892
Dividend	56,000	98,000	42,000	28,000	28,000	28,000
Unappropriated Profit	347,799	232,997	120,171	76,153	48,758	39,870

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2003

Shareholding

From	To	Number of Shareholders	Number of Shares Held	Percentage
1	100	45	4,500	0.03
101	500	48	24,000	0.17
501	1,000	4	4,000	0.03
1,001	5,000	7	22,000	0.16
5,001	10,000	1	7,143	0.05
15,001	20,000	1	20,000	0.14
30,001	35,000	3	105,000	0.75
170,001	175,000	1	172,100	1.23
290,001	295,000	1	294,500	2.1
1,630,001	1,635,000	1	1,631,214	11.65
11,715,001	11,720,000	1	11,715,543	83.69
Total		113	14,000,000	100

CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2003

Categories of shareholders	Number of Share Holders	Share Held	Percentage
Investment Company	2	3,000	0.02
Insurance Company	1	294,500	2.1
Individual	109	1,986,957	14.19
Other as per CDC	1	11,715,543	83.69
Total	113	14,000,000	100

PATTERN OF SHAREHOLDING
AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE

Categories of Shareholders	Number	Shares held	Percentage
Associated Companies, Undertakings and Related Parties	-	-	-
NIT and ICP	3	4,000	0.029
Directors, CEO & their Spouses and Minor Children			
Mr. Muhammad Yaqoob Ahmed		2,278,600	16.28
Mr. Muhammad Iqbal Ahmed		2,279,100	16.28
Mr. Muhammad Yousuf Ahmed		2,278,600	16.28
Mr. Muhammad Javed Ahmed		2,278,600	16.28
Mr. Muhammad Faisal Ahmed *		3,406,214	24.33
Mr. Muhammad AN Ahmed		7,143	0.05
Mrs. Hajra Ahmed		413,143	2.95
Total	7	12,941,400	92.44

Executives	-	-	-
Public Sector Companies and Corporation	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds			
Pak Kuwait investment Company (Private) Limited		200,000	1.43
Dawood Leasing Company Limited		5,000	0.04
Continental Capital Management (Private) Limited		1,000	0.01
Bawa Securities (Private) Limited		500	0
Arif Habib Securities (Private) Limited		37,400	0.27
Mossani Securities (Private) Limited		9,000	0.06
Eastern Federal Union General insurance Limited		18,500	0.13
State Life Insurance Corporation of Pakistan		294,500	2.1
Taurus Securities Limited		4,100	0.03
Total	9	570,000	4.07
Shareholders holding ten percent or more voting interest in the Company			
Mr. Muhammad Yaqoob Ahmed		2,278,600	16.28
Mr. Muhammad Iqbal Ahmed		2,279,100	16.28
Mr. Muhammad Yousuf Ahmed		2,278,600	16.28
Mr. Muhammad Javed Ahmed		2,278,600	16.28
Mr. Muhammad Faisal Ahmed		3,406,214	24.33

* 1,775,000 Number of shares are deposited with CDC and Balance share are held physically.

Detail of trading by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children.

Name of Director	No. of Shares			Closing Balance
	Opening Balance	Purchased	Sold	
Mr. Muhammad Faisal Ahmed	3,404,214	2,000-		3,406,214

PERFORMANCE AT A GLANCE

FINANCIAL RATIOS

	2003	2002
Gross Profit - % of sales	19.35	24.55
Operating Profit - % of sales	14.34	18.57
Profit before taxation - % of sales	13.41	16.39
Net Profit after taxation - % of sales	12.72	15.91
Basic Earning per share	12.2	15.06
Dividend - % of Share Capital	40	70
Increase / (Decrease) in Sale - %	1.36	20.89
Raw and Packing Materials - % of sales	61.45	56.39
Labour - % of sales	5.8	5.02
Other Cost of goods manufactured - % of sales	13.56	14.39
Administrative expenses - % of sales	1.69	1.3
Selling expenses - % of sales	2.48	1.48
Financial charges - % of sales	1.87	2.56
Taxation - % of sales	0.7	0.47
Inventory turn over	9.24	9.86
Receivable turn over	12.28	14.34

SHORT TERM SOLVENCY

Current Ratio	0.65	1.02
Acid Test Ratio	0.37	0.54

OVERALL VALUATION AND ASSESSMENT

Return on capital employed before taxation (average)	28	40
P. E. Ratio (before Taxation)	6.76	2.26
Book value per share	46.34	34.14
Long term debts : equity	11:89	18:82

VISION

DYNAMIC, QUALITY CONSCIOUS AND EVER PROGRESSIVE

MISSION

ARTISTIC DENIM MILLS LIMITED IS COMMITTED TO:

ACHIEVE AND RETAIN MARKET LEADERSHIP IN DENIM FABRIC MANUFACTURING
PRODUCE TO THE HIGHEST QUALITY STANDARDS
EXCEL THROUGH CONTINUOUS IMPROVEMENT
FULFILL AND EXCEED THE EXPECTATIONS OF OUR CUSTOMERS
BE ETHICAL IN ITS PRACTICES
OPERATE THROUGH TEAM WORK
ENSURE A FAIR RETURN TO STAKE HOLDERS
FULFILL SOCIAL RESPONSIBILITIES

STATEMENT OF COMPLIANCE WITH
THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2003

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange[^] (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes four independent non-executive directors.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DPI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has started the process of orientation for its Directors to apprise them of their duties and responsibilities.
10. During the year there was no new appointment of Chief Financial Officer, Company Secretary and Internal Auditor. However, the board has approved remuneration and terms and conditions of employment of Chief Financial Officer, Company Secretary and Internal Auditor, as determined by the CEO.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises three members, of whom two members are non-executive directors including the Chairman of the Committee.

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

17. The Board has set-up an effective internal audit function.

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

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

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

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of ARTISTIC DENIM MILLS LIMITED to comply with the Listing Regulation No. 37 (Chapter XI) of Karachi Stock Exchange where the Company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2003.

Karachi -

September 23, 2003

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ARTISTIC DENIM MILLS LIMITED as at June 30, 2003 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 accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion :

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company.

(c) in our opinion, to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow 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,

(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.

BALANCE SHEET AS AT JUNE 30, 2003

	Note	2003 Rupees	2002 Rupees
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets			
Operating fixed assets	3	723,161,839	558,336,551
Capital work-in-progress	4	84,159,506	1,487,599
		807,321,345	559,824,150
Long term loans	5	180,000	260,000
Long term deposits	6	1,595,451	1,403,451
CURRENT ASSETS			
Stores and spares	7	5,818,550	3,718,506
Stock-in-trade	8	131,300,026	103,180,585
Trade debts	9	120,497,238	98,204,116
Loans and advances	10	2,009,455	2,513,210
Deposit, prepayments and other receivables	11	39,408,079	8,289,529
Taxation	12	10,932,907	11,132,878
Cash and bank balances	13	2,926,719	1,758,414
		312,892,974	228,797,238
TOTAL ASSETS		1,121,989,770	790,284,839
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
20,000,000 (2002:20,000,000)			
Ordinary shares of Rs.10 each		200,000,000	200,000,000
Issued, subscribed and paid-up			
14,000,000 (2002:14,000,000)			
Ordinary shares of Rs. 10 each	14	140,000,000	140,000,000
Reserves	15	452,799,012	337,996,903
		592,799,012	477,996,903
NON-CURRENT LIABILITIES			

Long term loan	16	40,598,006	75,482,006
Deferred liabilities	17	9,168,005	12,518,864
CURRENT LIABILITIES			
Current maturity of long term loan		34,884,000	29,974,000
Short term running finances	18	58,943,792	8,390,839
Short term loans	19	208,925,507	2,955,032
Provision for fuel and power	20	26,282,123	26,282,123
Creditors, accrued and other liabilities	21	94,248,659	58,544,456
Dividends	22	" 5fiA4CL66fi	QR .140,616
		479,424,747	224,287,066
CONTINGENCIES AND COMMITMENTS	23		
TOTAL EQUITY AND LIABILITIES		1,121,989,770	790,284,839

The annexed accounting policies and explanatory notes form an integral part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2003

	Note	2003 Rupees	2002 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33	233,359,930	334,217,157
Income tax paid		-13,575,025	-15,673,961
Gratuity paid		-689,107	-1,532,913
Financial charges paid		-22,825,238	-36,516,233
Long term deposits		-192,000	-15,000
Net cash generated from operating activities		196,078,560	280,479,050
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		-326,096,554	-94,753,628
Long term loans		80,000	-260,000
. Return on bank deposits received		1,056,821	3,401,139
Sale proceed of fixed asset		1,500,000	-
Net cash used in investing activities		-323,459,733	-91,612,489
CASH FLOW FROM FINANCING ACTIVITIES			
Long term loan paid		-29,974,000	-25,755,000
Dividend paid		-97,999,950	(41 ,924,625)
Net cash used in financing activities		-127,973,950	-67,679,625
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		-255,355,123	121,186,936
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		-9,587,457	-130,774,393
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	34	-264,942,580	-9,587,457

The annexed accounting policies and explanatory notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

1. THE COMPANY AND ITS OPERATIONS

Artistic Denim Mills Limited was incorporated in Pakistan on May 18, 1992 under the Companies Ordinance, 1984 and is currently listed on the Karachi Stock Exchange. The principal activity of the company is to manufacture and sell rope dyed denim fabric and yarn.

The registered office of the company is located at 39-A, Block 6, RE.C.H.S, Karachi.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

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

2.3 Operating fixed assets

These are stated at cost less accumulated depreciation and impairment, if any. Leasehold land is amortised over the period of lease. Depreciation is charged to profit and loss account 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. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Maintenance and normal repairs are charged to profit and loss account 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 taken to profit and loss account currently.

2A Capital work-in-progress

Capital work-in-progress is stated at cost. It consists of expenditure incurred in respect of fixed assets in the course of their construction and installation.

2.5 Stores and spares

Stores and spares are valued at lower of cost, determined on a first-in-first-out (FIFO) basis, and net realisable value, except for those in transit which are stated at cost accumulated to the balance sheet date.

2.6 Stock-in-trade

Raw and packing materials are valued at the lower of cost and net realisable value. Cost is determined using first-in-first-out (FIFO) 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 the lower of cost and net realisable value. Cost is determined on FIFO basis.

Net realisable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.7 Trade debts

Trade debts are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written-off as incurred.

2.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits in banks net of short term running finances and short term loans. The cash and cash equivalents are subject to insignificant risk of changes in value.

2.9 Creditors, accrued and other liabilities

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

2.10 Staff retirement benefit Defined benefit plan

Unfunded

The company operates an unfunded gratuity plan for all its permanent employees. Provision is made annually, to cover obligations under the plan, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation. The latest valuation was carried out as at June 30, 2003. Actuarial gain / loss is recognised on the basis of actuarial recommendation. Projected Unit Credit Method, using following assumptions, is used for valuation of the scheme:

- Expected rate of increase in salaries at 5.9% per annum.
- Expected discount rate at 8% per annum.

2.11 Compensated absences

The company accounts for compensated absences on the basis of unavailed earned leave balance of each employee at the end of the year.

2.12 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic

benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.13 Taxation

(a) Current

The company falls under the final tax regime under Sections 1 54 and 1 69 of the Income Tax Ordinance, 2001 , to the extent of direct and indirect export sales. Provision for tax on local sales and other income is based on taxable income at the rates applicable for the current tax -year, after considering the rebates and tax credits available, if any. The tax charge as calculated above is compared with turnover tax under Section 1 1 3 of the Income Tax Ordinance, 2001 , and whichever is higher is provided in the financial statements.

(b) Deferred

Deferred tax is recognised, proportionate to local sales, using the liability method, on all major temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

2.14 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Specific revenue recognition criteria is as follows:

(a) Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and revenue can be reliably measured.

(b) Return on bank deposits

Return on bank deposits is recognised on accrual basis.

(c) Export rebate

2.15 Foreign currency translation

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in profit and loss account. '

2.16 Financial Instruments

All the financial assets and financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognised at the time when the company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently.

2.17 Offsetting of financial assets and financial liabilities

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

3. OPERATING FIXED ASSETS

Note	COST			As at June 30, 2003	Period/ Rate%	ACCUMULATED DEPRECIATION			As at June 30, 2003	WRITTEN DOWN VALUE As at June 30, 2003
	As at July 01, 2002	Additions Rupees --	(Disposal)			As at July 01, 2002	For the Year	(On Disposal) Rupees		
Leasehold land	53,581,990	-	-	53,581,990	72&65 yrs	2,855,100	1,072,365	-	3,927,465	49,654,525
Building on leasen id	88,781,526	-	-	88,781,526	10	31,773,937	5,700,759	-	37,474,696	51,306,830
Plant and machine 3.1	689,382,414	226,076,167	-1,450,000	914,008,581	10	273,084,142	64,168,091	-756,468	336,495,765	577,512,816
Factory equipment	37,594,669	8,771,790	-	46,366,459	10	11,454,246	3,491,221	-	14,945,467	31,420,992
Furniture and fixtures •	1,991,487	2,516,841	-	4,508,328	10	757,745	375,058	-	1,132,803	3,375,525
Office equipment, including computers	4,679,904	2,543,449	-	7,223,353	33	3,373,840	1,270,339	-	4,644,179	2,579,174
Vehicles	13,596,606	3,516,400	-	17,113,006	20	7,973,035	1,827,994	-	9,801,029	7,311,977
June 30, 2003	889,608,596	243,424,647	-1,450,000	1,131,583,243		331,272,045	77,905,827	-756,468	408,421,404	723,161,839
June 30, 2002	792,754,267	96,854,329		889,608,596		272,829,422	58,442,623		331,272,045	558,336,551

3.1 During the current year, the following amounts have been transferred from capital work-in-progress to:

	Note	2003 Rupees	2002 Rupees
Leasehold land	4	-	29,398,890
Building on leasehold land	4	-	2,855,305
Plant and machinery	4	226,076,167	53,825,527
Factory equipment	4	-	9,890,171 ;
		226,076,167	95,969,893 -

3.2 Depreciation charge for the year has been allocated as follows:

	Note	2003 Rupees	2002 Rupees
Cost of goods manufactured	25.1	71,907,078	53,942,541
Administrative expenses	26	5,842,937	4,383,197
Selling and distribution expenses	27	155,812	116,885
		77,905,827	58,442,623

4. CAPITAL WORK-IN-PROGRESS

	Civil works	Plant & machinery	Factory equipment	Advances to suppliers (Considered good)	Total
As at July 01, 2002	-	1,487,599	-	-	1,487,599
Additions during the year	36,920,094	266,877,209	3,963,271	987,500	308,748,074
Transferred to operating fixed assets	-	-226,076,167	-	-	-226,076,167
As at June 30, 2003	36,920,094	42,288,641	3,963,271	987,500	84,159,506
As at June 30, 2002	-	1,487,599	-	-	1,487,599

	Note	2003 Rupees	2002 Rupees
5. LONG TERM LOANS			
Considered good			
Secured			
Executives		434,512	593,000
Employees		28,000	57,000
		462,512	650,000
Less : Recoverable within one year shown under current assets			
Executives	10	266,512	337,000
Employees	10	16,000	53,000
		282,512	390,000
	180,000		260,000
Outstanding for a period exceeding three years	s	-	-
Others		180,000	260,000
		180,000	260,000

The above loans are granted to executives and employees in accordance with the terms of their employment and are recoverable in monthly installments over a period ranging between 1 and 4 (2002:1 and 4) years.

The maximum aggregate amount due from executives at the end of any month during the year was Rs.0.623 (2002: Rs.0.724) million.

A sum of Rs.0.260 million, previously classified under loans and advances, has been reclassified under long term loans in the financial statements of the current year as the reclassification made is considered more appropriate for the purposes of presentation.

	2003 Rupees	2002 Rupees
6. LONG TERM DEPOSITS		
Security deposits		
Utilities	1,337,451	1,337,451
Others	258,000	66,000
	1,595,451	1,403,451
7. STORES AND SPARES		
Stores	2,043,900	1,950,211
Spares		
in hand	2,386,100	1,768,295
in transit	1,388,550	-
	3,774,650	1,768,295
	5,818,550	3,718,506
8. STOCK-IN-TRADE		
Raw and packing materials		
in hand	70,702,013	69,360,645
in transit	10,514,261	36,158
	81,216,274	69,396,803
Work-in-process	37,239,623	23,208,080
Finished goods	12,844,129	10,575,702
	131,300,026	103,180,585
	Note	
	2003 Rupees	2002 Rupees

9. TRADE DEBTS

Considered good		
Secured - against letters of credit		
Due from associated undertakings:		
Casual Sports Wear	24,534,113	15,088,590
Petra Apparel	-	6,607,391
	24,534,113	21,695,981
Others	43,952,327	53,011,088
	68,486,440	74,707,069
Unsecured		
Due from associated undertakings:		
Artistic Garment Industries (Private) Limited	557,410	-
Artistic Milliners	-	53,210
	557,410	53,210
Others	51,453,388	23,443,837
	52,010,798	23,497,047
	120,497,238	98,204,116

The maximum aggregate amount due from associated undertakings in respect of trade debts at the end of any month during the year was Rs.40.062 (2002-- Rs.84.046) million.

10. LOANS AND ADVANCES

Loans - considered good		
Secured		
Short term loans		
Executives	12,500	27,000
Employees	59,000	81,850
	71,500	108,850
Current portion of long term loans		
Executives	5	266,512
Employees	5	16,000
		282,512
		390,000
Advances - considered good		
Suppliers	1,125,443	2,014,360
Contractors	530,000	-
	1,655,443	2,014,360
	2,009,455	2,513,210

The maximum aggregate amount due from executive at the end of month during the year was Rs. 0.623 (2002: Rs. 0.724) million.

	Note	2003 Rupees	2002 Rupees
11. DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES			
Deposit			
Refundable deposit for export quota		1,154,174	
Prepayments			
Insurance		612,931	367,065
Export quota		3,457,297	576,076
Others		72,261	293,750
		4,142,489	1,236,891
Other receivables			
Due from associated undertakings:			
Artistic Milliners		2,392,572	-
Artistic Garment Industries (Private) Limited		15,000	-
		2,407,572	"
Duty draw back on export sales		4,018,190	6,827,216
Sales tax - net	11.1	18,890,525	-
Refund of custom duty	11.2	8,433,646	;
Miscellaneous		361,483	225,422
		34,111,416	7,052,638
		39,408,079	8,289,529

11.1 This represents excess of input tax over output tax and is adjustable.

11.2 This represent accrual in respect of custom duty refund determined during the current year, pertaining to the year ended June 30, 2001.

11.3 The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs.2.408 million (2002: Rs.Nil).

12. TAXATION

Advance income tax - net	656,420	3,300,102
Income tax refundable	10,276,487	7,832,776
	10,932,907	11,132,878

12.1 Sums of Rs.3.300 million and Rs.7.833 million, previously classified under advances and other receivables, respectively, have been reclassified as taxation in the financial statements of the current year as the reclassification made is considered more appropriate for the purposes of presentation.

13. CASH AND BANK BALANCES

In hand	300,802	705,486
At banks in		
- current accounts	2,150,849	487,386
- deposit accounts	475,068	565,542
	2,625,917	1,052,928
	2,926,719	1,758,414

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

June 30, 2003	June 30, 2002		2003 Rupees	2002 Rupees
14,000,000	14,000,000	Ordinary shares of Rs. 1 0/- each fully paid in cash	140,000,000	140,000,000

Refer note 16 in respect of (a) an option to convert long term loan into the Ordinary shares of the company and (b) declaration of dividend.

15. RESERVES

Capital reserve		
Premium on issue of Ordinary shares	105,000,000	105,000,000
Revenue reserve		
Unappropriated profit	347,799,012	232,996,903
	452,799,012	337,996,903

16. LONG TERM LOAN

Secured		
Foreign currency loan	16.1	75,482,006
Less: Current maturity shown under current liabilities		105,456,006
		34,884,000
		40,598,006
		29,974,000
		75,482,006

16.1 This represents a loan equivalent to U.S \$ 8.467 million obtained by the company from a financial institution during the year ended June 30, 1 993 for acquiring plant and machinery. The original total drawdown in Pak Rupees had amounted to Rs. 225. 162 million.

The loan is secured against the registered 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, demand promissory note provided by the company in favour of the financial institution and against an equitable mortgage over the fixed assets of the company.

The loan is being repaid in Pak Rupees in twenty half-yearly installments, commencing January, 1996 and ending in July, 2005. It carries markup @ 15.61% per annum and is being

time to time. Pursuant to the terms and conditions of the underlying loan agreement, the financial institution has an option to convert 20% of its loan amount into the Ordinary shares of the company (note 14).

In the event of default in payment, the financial institution is entitled to charge additional interest @ 5% per annum on the unpaid amount. Further, the company cannot declare any dividend without the prior written consent of the financial institution during the period in which the dues are in arrears (note 14).

Note	2003	2002
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		Rupees	Rupees
17. DEFERRED LIABILITIES			
Staff gratuity	17.1	5,521,643	4,484,750
Deferred taxation	17.2	3,646,362	8,034,114
		9,168,005	12,518,864
17.1 Staff gratuity			
Opening balance		4,484,750	5,807,663
Charge for the year	17.1.1	1,726,000	210,000
		6,210,750	6,017,663
Less: Paid during the year		689,107	1,532,913
		5,521,643	4,484,750
17.1.1 Charge for the year			
Current service cost		1,219,000	1,098,000
Interest cost		467,000	422,000
Transition cost		40,000	41,000
Expense chargeable		1,726,000	1,561,000
Adjustment for prior years (1 999-2000 and 2000-2001) as a result of actuarial valuation carried out during the year ended June 30, 2002		-	-1,351,000
		1,726,000	210,000
Reconciliation			
Present value of defined benefit obligation		8,466,643	4,565,750
Unrecognised transitional liability	17.1.2	-41,000	-81,000
Unrecognised net loss	17.1.3	-2,904,000	-
		5,521,643	4,484,750

17.1.2 Unrecognised transitional liability is being amortised over five years upto June 30, 2004.

17.1.3 Unrecognised gains and losses are being amortised over the expected remaining service of current employees.

17.2 Deferred taxation

Deferred tax credit arising on:			
Differences between written down values and tax bases of fixed assets		3,722,159	8,220,589
Deferred tax debit arising from:			
Provision for staff gratuity		-75,797	-186,475
		3,646,362	8,034,114

Note	2003	2002
	Rupees	Rupees

18. SHORT TERM RUNNING FINANCES

From banks			
Under markup arrangements - secured	18.1	58,943,792	8,390,839

18.1 The company has arranged facilities for short term running finances from various commercial banks, amounting to Rs.175.000 (2002: Rs.120.000) million. The unavailed credit facility in respect of short term running finances amounted to Rs.116.056 (2002: Rs.111.609) million at the end of the current year.

These finances are secured against pari passu charge over fixed assets, registered charge over stock-in-trade, book debts and demand promissory note provided by the company in favour of the bank.

The rate of markup ranges between 7.0% and 12.5% (2002:12.5% and 13%) per annum, payable quarterly. The purchase prices are repayable on various dates, latest by September 30, 2003.

Note	2003	2002
	Rupees	Rupees

19. SHORT TERM LOANS

From a bank			
Secured			
Term finance	19.1	50,000,000	-
Export refinance	19.2	150,000,000	-

Dollar based export finance	193	8,925,507	2,955,032
		208,925,507	2,955,032

19.1 The facility for term finance arranged during the current year amounted to Rs.50.000 (2002: Rs.Nil) million.

The said facility is secured against the registered charge over stock-in-trade, book debts and demand promissory note provided by the company in favour of the bank. The rate of mark-up is 4.25% (2002: Nil) per annum, payable quarterly. The purchase price is repayable on August 31, 2003. The unavailed credit facility in respect of term finance amounted to Rs.Nil (2002: Rs.Nil) at the end of the year.

19.2 The facility for export refinance was enhanced during the current year to Rs. 150.000 (2002: Rs.97.000) million. The unavailed credit facility in respect of the export refinance amounted to Rs.Nil (2002: Rs.97.000) million at the end of the year.

The facility is secured against the registered charge over stock-in-trade, book debts and demand promissory note provided by the company in favour of the bank. The rate of mark-up is 2.50% (2002: 7.25% to 12.25%) per annum, payable quarterly.

19.3 The facility of dollar based export finance amounted to US \$ 1.700 million, equivalent to Pak Rs.98.464 (2002: Rs.102.340) million. The unavailed credit facility in respect of Dollar based export finance amounted TO Rs.89.538 (2002: Rs.99.385) million at the end of the year.

The facility is recovered against the registered charge over stock-in-trade, book debts and demand promissory note provided by the company in favour of the banks. The rate of markup is 2.35% (2002:4.15%) per annum, payable quarterly.

	2003	2002
	Rupees	Rupees
20. PROVISION FOR FUEL AND POWER	26,282,123	26,282,123

This represents a provision recorded by the company during the year ended June 30, 2002 as a result of arrears billed by the Karachi Electric Supply Corporation (K.E.S.C) on account of electricity charges pertaining to various previous periods. The company filed a Constitutional petition in the Honourable High Court of Sindh, during the above-referred year, challenging the disputed demand made by the KESC. The Division Bench of the said Court directed the company to take up the dispute before the Electric Inspector, appointed under Section 36 of the Electricity Act 1910, as the matter involved in the Constitutional petition fell within his jurisdiction. The company, pursuant to the above-referred direction of the Division Bench, referred the dispute to the Electric Inspector, which is currently pending with him. However, to be prudent, the company accrued the total amount billed by the KESC in the financial statements for the year ended June 30, 2002.

	Note	2003 Rupees	2002 Rupees
21. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors			
Trade creditors		76,987,682	35,936,976
Bills payable	21.1	1,611,000	-
		78,598,682	35,936,976
Accrued liabilities			
Mark-up accrued on secured:			
short term running finances		1,226,792	-
short term loans		1,527,483	511,735
Accrued expenses	21.1	567,629	521,189
		3,321,904	1,032,924
Other liabilities			
Retention money		36,688	36,688
Advances from customers		2,572,728	2,676,761
Sales tax - net	11	-	2,490,986
Workers' Profit Participation Fund	21.2	9,465,467	15,762,370
Workers' Welfare Fund		97,004	486,983
Tax deducted at source		156,186	120,768
		12,328,073	21,574,556
-----		94,248,659	58,544,456

21.1 Sums of Rs.7.729 million and Rs.9.038 million, previously classified under bills payable and

accrued expenses, respectively, have been reclassified as Creditors in the financial statements of the current year as the reclassification made is considered more appropriate for the purposes of presentation.

	Note	2003 Rupees	2002 Rupees
21.2 Workers' Profits Participation Fund			
Balance at the beginning of the year		15,762,370	11,014,781
Add: Allocation for the year	28	8,696,468	1 1 ,578,090
Interest on funds utilised in the company's business	30	-	2,306,996
		24,458,838	24,899,867
Less: Payments made during the current year		14,993,371	9,137,497
		9,465,467	15,762,370
22. DIVIDENDS			
Unclaimed		140,666	140,616
Proposed		56,000,000	98,000,000
		56,140,666	98,140,616

23. CONTINGENCIES AND COMMITMENTS

Contingencies

23.1 Claim in respect of sales tax refund		23.1.1	1,002,853
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23.1.1 During the year, the company received a show cause notice from the Collectorate of Customs, Sales tax and Central Excise in respect of sales tax refund, amounting to Rs. 1.003 million, received by the company during the year ended June 30, 1996. According to the concerned Authority, the above refund was claimed twice by the company. The company has responded to the above notice and is confident that as a result of its reply to the Collectorate, the decision will be given in its favour and, hence, pending a final decision in this matter, no provision has been made by the company in the financial statements of the current year.

23.2 Inland bills discounted		1,565,770	25,031 ,044
23.3 Counter guarantees given to a bank		16,609,000	12,850,000

Commitments

23.4 Commitments in respect of building on leasehold land and factory equipment at the end of the current year amounted to Rs.2.309 million (2002: Rs.Nil).

23.5 Outstanding letters of credit at the end of the year amounted to Rs.2.022 (2002: Rs.91.125) million.

	Note	2003 Rupees	2002 Rupees
24. SALES			
Local		50,678,293	157,397,346
Exports	24.1	1,294,167,049	1,158,056,050
Duty draw back on export sales		6,091,955	12,692,953
		1 ,350,937,297	1,328,146,349
Less: Returns		517,563	-
Commission		7,615,041	3,371,702
		1 ,342,804,693	1,324,774,647

24.1 Included herein is a sum of Rs.744.180 (2002: Rs.750.083) million, representing indirect exports made by the company during the current year, either by arranging inland letters of credit or standardised purchase orders from certain direct exporters in favour of the company, pursuant to the Banking Policy and Regulation Department (BPRD) Circulars No.24 and 31 dated June 28, 1999 and August 13, 1999 respectively, issued by the State Bank of Pakistan.

25. COST OF GOODS SOLD

Opening stock - finished goods		10,575,702	5,899,022
Cost of good manufactured	25.1	1,085,175,592	1,004,181,109
		1,095,751,294	1,010,080,131
Less: Closing stock -finished goods		12,844,129	10,575,702

		1,082,907,165	999,504,429
25.1 Cost of goods manufactured			
Raw and packing materials consumed	25.2	825,257,982	747,083,591
Stores and spares consumed	25.3	43,373,106	48,409,290
Salaries, wages and other benefits	25.4	77,880,983	66,551,297
Fuel and power		50,666,603	45,690,150
Weaving and sarning charges		1,161,491	10,448,274
Repairs and maintenance		6,550,664	7,615,360
Professional charges	25.5	5,702,304	-
Printing and stationery		685,066	489,805
Postage and photocopy		174,111	172,357
Telephone and telex		845,297	629,556
Conveyance		11,246	11,610
Insurance		2,985,187	2,280,175
Rent, rates and taxes		1,659,684	390,689
Water charges		8,281,701	7,366,850
Transportation		197,467	189,919
Depreciation	3.2	71,907,078	53,942,541
Security charges		585,600	516,012
Training		-	732,110
Travelling and lodging		667,278	290,628
Miscellaneous		614,287	358,146
		1,099,207,135	993,168,360
Add: Opening work-in-process		23,208,080	34,220,829
Less: Closing work-in-process		37,239,623	23,208,080
		1,085,175,592	1,004,181,109
	Note	2003	2002
		Rupees	Rupees
25.2 Raw and packing materials consumed			
Opening stock		69,360,645	55,070,922
Add: Purchases		826,599,350	761,373,314
		895,959,995	816,444,236
Less: Closing stock		70,702,013	69,360,645
		825,257,982	747,083,591
25.3 Stores and spares consumed			
Opening stock		3,718,506	2,737,831
Add: Purchases		44,084,600	49,389,965
		47,803,106	52,127,796
Less: Closing stock		4,430,000	3,718,506
		43,373,106	48,409,290
25.4	Included herein is a sum of Rs. 1.187 (2002: Rs.0.187) million in respect of staff retirement benefits.		
25.5	This represents professional charges incurred to facilitate the export of denim fabric and utilise the technical expertise in the manufacturing of denim fabric.		
26. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	26.1	11,300,187	8,444,955
Rent, rates and taxes		266,225	112,700
Depreciation	3.2	5,842,937	4,383,197
Legal and professional charges		714,041	1,022,996
Auditors' remuneration	26.2	395,138	692,691
Vehicle running expenses		557,609	394,005
Travelling and lodging		54,314	229,772
Printing and stationery		242,890	169,142
Insurance		158,229	139,250
Advertisement and publicity		211,534	98,110
Conveyance		47,243	43,001
Repairs and maintenance		514,003	216,984
Telephone and telex		878,092	482,527
Electricity charges		259,080	224,600
Postage and telegrams		185,785	106,125
Fees and subscriptions		681,233	119,045
Donations	26.3	153,900	298,350
Miscellaneous		198,985	120,255
		22,661,425	17,297,705

26.1 included herein is a sum of Rs.0.468 (2002: Rs.0.021) million in respect of staff retirement benefits.

26.2 Auditors' remuneration

Audit fee	200,000	175,000
Fee for half yearly review	80,000	-
Special certification and advisory services	35,000	450,000
Tax services	50,000	47,691
Out-of-pocket expenses	30,138	20,000
	395,138	692,691

26.3 Donations do not include any donee in whom any director or his spouse has any interest.

	Note	2003 Rupees	2002 Rupees
27. SELLING AND DISTRIBUTION EXPENSES			
Salaries, allowances and other benefits	27.1	1,669,868	984,853
Insurance		940,043	291,104
Freight and transportation		13,137,581	10,488,862
Export development surcharge and clearing charges		3,149,212	2,178,673
Postage and stamps		2,919,631	1,954,943
Advertisement publicity and exhibitions		2,587,302	7,000
Export quota		5,758,375	3,238,577
Depreciation	3.2	155,812	116,885
Travelling and lodging		1,940,489	175,826
Bad debts		816,000	21,855
Telephone and telex		105,915	64,565
Miscellaneous		146,775	131,243
		33,327,003	19,654,386

27.1 Included herein is a sum of Rs.0.071 (2002: Rs.0.002) million in respect of staff retirement benefits.

28. OTHER CHARGES

Exchange loss -net		2,263,047	3,838,49
Workers' Profits Participation Fund	28.1	8,696,468	11,578,090
Workers' Welfare Fund	28.2	423,946	632,909
		11,383,461	16,049,492
28.1 Workers' Profits Participation Fund			
Current		9,465,467	11,578,090
Prior		-768,999	-
	21.2	8,696,468	11,578,090
28.2 Workers' Welfare Fund			
Current		97,004	498,212
Prior		326,942	134,697
		423,946	632,909

29. OTHER INCOME

Scrap sales		1,373,890	1,383,483
Sales tax refund		1,060,667	-
Refund of custom duty		8,433,646	-
Return on bank deposits		1,056,821	3,401,139
Gain on sale of fixed asset		806,468	-
Miscellaneous		-	126,211
		12,731,492	4,910,833

30. FINANCIAL CHARGES

Mark-up on secured long term loan			
short term running finances		15,336,280	19,515,077
short term loans		3,634,593	2,204,802
		2,616,866	5,466,081
		21,587,739	27,185,960
Bills discounting charges		270,045	2,891,722
Interest on Workers' Profits Participation Fund		-	2,306,996
Bank charges		3,209,994	1,468,680
		25,067,778	33,853,358

2003 Rupees	2002 Rupees
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31. TAXATION

Current	13,732,531	12,401,868
Prior	42,465	(21,689)
Deferred	-4,387,752	-6,161,959
	9,387,244	6,218,220
31 .1 Relationship between income tax expense and accounting profit		
Profit before taxation	180,189,353	217,043,987
Tax at the applicable tax rate of 35% (2002: 35%)	63,066,273	75,965,395
Tax effect of expenses that are admissible / inadmissible in determining taxable profit	-13,274,132	-2,600,490
Tax effect of tax credits carried forward from previous years	-4,553,661	-8,544,332
Effect of tax on exports under Final Tax Regime	-31,505,949	-52,418,705
	13,732,531	12,401,868
Effect of change in prior years'	42,465	(21,689)
Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes	-4,387,752	-6,161,959
	9,387,244	6,218,220

The income tax assessments of the company have been finalised upto and including the assessment year 2002-2003, corresponding to the income year ended June 30, 2002.

32. BASIC AND DILUTED 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.

	2003	2002
	Rupees	Rupees
Profit after tax for the year	170,802,109	210,825,767
Number of Ordinary shares	14,000,000	14,000,000
Basic earnings per share	12.2	15.06
Diluted earnings per share	-	-

Diluted earnings per share has not been disclosed as the effect of conversion of long term loan into equity, as discussed in note 16, results in an anti-dilutive earnings per share.

36. FINANCIAL INSTRUMENTS

36.1 Interest/mark-up rate risk management

Interest / mark-up rate risk arise from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, the following table indicate their effective interest/ mark-up rates at the balance sheet date and the periods in which they will re-price or mature:

	Effective yield mark-up rate %	Interest/Mark-up Bearing		Sub-total ----- RU	Non- Interest/Mark-up Bearing		Sub-total	Total June 30, 2003
		Maturity upto one year	Maturity after one year		Maturity upto one year pees -----	Maturity after one year		
June 30. 2003								
FINANCIAL ASSETS								
Loans		-	-	-	354,012	180,000	534,012	534,012
Deposits		.	-	.	1,154,174	1,595,451	2,749,625	2,749,625
Trade debts		.	-	-	120,497,238	-	120,497,238	120,497,238
Other receivables		-	-	-	2,769,055	-	2,769,055	2,769,055
Cash and bank balances	1.5-3.0	475,068	-	475,068	2,451,651	-	2,451,651	2,926,719
		475,068	-	475,068	127,226,130	1,775,451	129,001,581	129,476,549
FINANCIAL LIABILITIES								
Long term loan	15.61	34,884,000	40,598,006	75,482,006	-	-	"	75,482,006

Deferred liabilities	-	-	-	-	5,521,643	5,521,643	5,521,643
Short term running finance:	7.0-12.5	58,943,792	-	58,943,792	-	-	58,943,792
Short term loans	2.35-4.25	208,925,507	-	208,925,507	-	-	208,925,507
Creditors, accrued and other liabilities	2	-	-	-	81,957,274	81,957,274	81,957,274
Dividends	-	-	-	-	56,140,666	56,140,666	56,140,666
		302,753,299	40,598,006	343,351,305	138,097,940	5,521,643	143,619,583
		Interest/Mark-up	Bearing		Non-Interest/Mark-up	Bearing	Total
	Effective	Maturity	Maturity		Maturity	Maturity	
	yield	upto	after		upto	after	
	mark-up	one year	one year	Sub-total	one year	one year	Sub-total
	rate			-----	pees		-----
	%			RU			June 30,
							2003
June 30, 2002							
FINANCIAL ASSETS							
Loans		-	-	-	498,850	260,000	758,850
Deposits		-	-	-	-	1,403,451	1,403,451
Trade debts		-	-	-	98,204,116	-	98,204,116
Other receivables		-	-	-	225,422	-	225,422
Cash and bank balances	7	565,542	-	565,542	1,192,872	-	1,192,872
		565,542	-	565,542	100,121,260	1,663,451	101,784,711
FINANCIAL LIABILITIES							
Long term loan	15.61	29,974,000	75,482,006	105,456,006	-	-	105,456,006
Deferred liabilities		-	-	-	-	4,484,750	4,484,750
Short term running finance;	5 12.5-13	8,390,839	-	8,390,839	-	-	8,390,839
Short term loans	4.15-12.25	2,955,032	-	2,955,032	-	-	2,955,032
Creditors, accrued and other liabilities		-	-	-	37,006,588	-	37,006,588
Dividends		-	-	-	98,140,616	-	98,140,616
		41,319,871	75,482,006	116,801,877	135,147,204	4,484,750	139,631,954
				2003	2002		
				Rupees	Rupees		

33. CASH GENERATED FROM OPERATIONS

Net profit before tax				180,189,353	217,043,987
Adjustments for non-cash charges and other items:					
Depreciation				77,905,827	58,442,623
Provision for gratuity				1,726,000	210,000
Financial charges				25,067,778	33,853,358
Return on bank deposits				-1,056,821	-3,401,139
Gain on disposal of fixed asset				-806,468	-
Provision for fuel and power				-	26,282,123
				102,836,316	115,386,965
Profit before working capital changes				283,025,669	332,430,952
(Increase) / Decrease in current assets					
Stores and spares				-2,100,044	-980,675
Stock-in-trade				-28,119,441	-3,672,521
Trade debts				-22,293,122	(11,707,647)
Loans and advances				503,755	-1,139,672
Deposit, prepayments and other receivables				-31,118,550	15,496,514
				-83,127,402	-2,004,001
Increase in current liabilities				33,461,663	3,790,206
Cash generated from operations				233,359,930	334,217,157
34. CASH AND CASH EQUIVALENTS					
Cash and bank balances				2,926,719	1,758,414
Short term running finances				-58,943,792	-8,390,839
Short term loans				-208,925,507	-2,955,032
				-264,942,580	-9,587,457

35. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2003			2002		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
Managerial remuneration	1,809,300	1,209,300	9,921,967	1,636,992	1,091,532	8,140,184
Bonus	233,275	155,775	1,084,757	300,000	200,000	2,142,685

House rent	810,000	540,000	2,284,858	-	-	2,326,396
Conveyance	-	-	-	-	-	253,888
Utilities	180,000	120,000	963,387	163,008	108,468	750,261
Retirement benefits	154,653	103,274	727,614	17,640	11,670	112,413
	3,187,228	2,128,349	14,982,583	2,117,640	1,411,670	13,725,827
Number of persons	1	1	31	1	1	30

35.1 A Director and some Executives are provided with the free use of company maintained cars.

36.2 Credit risk and concentration of credit risk

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. 129.477 (2002: Rs. 102.350) million, the financial assets which are subject to credit risk amounted to Rs. 126.550 (2002: Rs. 100.592) million. The Company manages credit risk in trade receivables by limiting significant exposure to any individual customers, by obtaining advance against sales.

The company is exposed to credit risk on loans, advances, deposits, trade debts, investments and other receivables. The company seeks to minimise the credit risk exposure through dealing with customers considered credit worthy and obtaining securities where applicable.

36.3 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.

36.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. However, the company is not exposed to any significant foreign currency risk. As at June 30, 2003, the total foreign currency risk exposure was Rs.68.486 (2002: Rs.73.489) million in respect of trade debts and Rs.8.926 million (2002: Rs.2.955) in respect of short term loans.

36.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

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

	2003 Rupees	2002 Rupees
37. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS		
Aggregate amounts in respect of:		
Sales, including sale of quota amounting to Rs. 2.367 million	233,414,468	355,229,803
Purchases, including purchase of quota amounting to Rs. 1.070 million	11,181,175	-
Services received	10,500	9,125,766
Services rendered	137,100	4,963,000
		i
Rent, telephone and utilities	1,084,579	705,439

Transactions with associated undertakings are in the ordinary course of business and executed at arms length price.

38. RELATED PARTY RELATIONSHIPS

The company has related party relationships with the following undertakings:

Artistic Garment Industries (Private) Limited	Common directorship, management and control
Artistic Milliners	Common ownership and control
Artistic Textile Mills (Private) Limited	Common directorship and control

Artistic Apparel (Private) Limited
Casual Sports Wear
Fascom Network Services Limited

Common directorship and control
Common ownership and control
Common directorship and control

	2003	2002
39. NUMBER OF EMPLOYEES		
Number of employees at the end of year	175	154
40. PLANT CAPACITY AND PRODUCTION		
Spinning		
Number of rotors installed	864	864
Capacity after conversion into 7 count (Kgs.)	6,092,715	5,894,040
Actual production of yarn after conversion into 7 count (Kgs.)	5,391,202	3,437,988
Under utilisation of available capacity was due to quality change down time, machine maintenance and power break down		
Weaving		
Number of looms installed	114	70
Capacity after conversion into 39.50 picks (meters)	14,193,000	13,551,790
Actual production of yarn after conversion into 39.50 picks (meters)	11,301,192	12,206,606
Under utilisation of available capacity was due to quality change down time, machine maintenance power break down and installation of new machinery towards the end of the year		

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on September 23, 2003 by the Board of Directors of the company.