



# ANNUAL REPORT 2014

**ADM**  
ARTISTIC DENIM MILLS

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# Company Information

## ❖ **Board of Directors**

Chief Executive  
Chairperson  
Directors

Mr. Faisal Ahmed  
Mrs. Maliha Faisal  
Mr. Muhammad Yousuf Ahmed  
Mr. Muhammad Ali Ahmed  
Mrs. Hajra Ahmed  
Mr. Muhammad Iqbal-ur-Rahim  
Ms. Sarah Faisal Ahmed

## ❖ **Audit Committee**

Chairman  
Members

Mr. Muhammad Iqbal-ur-Rahim  
Mrs. Maliha Faisal  
Ms. Sarah Faisal Ahmed

## ❖ **Human Resource and Remuneration Committee**

Chairman  
Members

Mr. Muhammad Iqbal-ur-Rahim  
Mr. Muhammad Ali Ahmed  
Ms. Sarah Faisal Ahmed

## ❖ **CFO & Company Secretary**

Mr. Sagheer Ahmed

## ❖ **Chief Internal Auditor**

Mr. Salman Arif

## ❖ **Auditors**

M/s Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

## ❖ **Legal Advisor**

Monawwer Ghani  
Advocate

## ❖ **Share Registrar**

M/s Technology Trade (Pvt.) Ltd.  
Dagia House, 241-C, Block-2, PECHS, Karachi.  
Phone No. 3439 1316-7

## ❖ **Bankers**

Allied Bank Limited  
Bank Al Habib Limited  
Faysal Bank Limited  
Habib Metropolitan Bank Limited  
National Bank of Pakistan  
Standard Chartered Bank (Pakistan) Limited  
United Bank Limited

## ❖ **Registered Office and Factory**

Plot No. 5-9, 23-26, Sector 16,  
Korangi Industrial Area, Karachi.  
UAN: 111 236 236, Fax No. 3505 4652  
www.admdenim.com

## VISION

- ✦ DYNAMIC, QUALITY CONSCIOUS  
AND EVER PROGRESSIVE

## MISSION

ARTISTIC DENIM MILLS LIMITED  
IS COMMITTED TO:

- ✦ Achieve and Retain  
Market Leadership in  
Denim Fabric / Garments  
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

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 22<sup>nd</sup> Annual General Meeting of **Artistic Denim Mills Limited** will be held at MOOSA DE. DESSAI Auditorium of the Institute of Chartered Accountants of Pakistan (ICAP), Chartered Accountants Avenue, Clifton, Karachi, on Saturday, October 25, 2014 at 4:00 p.m. to transact the following business.

**A. Ordinary Business:**

1. To confirm the Minutes of the 21<sup>st</sup> Annual General Meeting held on October 25, 2013.
2. To receive and adopt the Audited Financial Statements for the year ended June 30, 2014, together with the Directors' and Auditors' Reports thereon.
3. To approve the Cash Dividend @ Rs. 1.00 per share (10%) as recommended by the Board of Directors.
4. To appoint the Auditors of the Company for the year 2014-2015 and to fix their remuneration.

**B. Special Business:**

5. To ratify the transactions with Related Parties as disclosed in note No. 38 to the Financial Statements for the year ended June 30, 2014 by passing the following resolutions as an ordinary resolutions:

**"RESOLVED** that the related parties transactions with Casual Sportswear and Artistic Apparels (Private) Limited carried out during the year ended June 30, 2014 be and are hereby approved."

**"FURTHER RESOLVED** that the Company is also authorized to carry out such transactions with the related parties' i.e. Casual Sportswear and Artistic Apparels (Private) Limited in future according to the industry norms and practice."

**C. Any Other Business:**

6. To transact any other business with the permission of the Chair.

For and on behalf of the Board



**SAGHEER AHMED**  
CFO & Company Secretary

Karachi: October 03, 2014.

**NOTES:**

1. The share transfer books of the Company will remain closed from October 17, 2014 to October 25, 2014 (both days inclusive). Transfers received in order at the Company's Share Registrar's Office by the close of the business by October 16, 2014 will be treated in time for the entitlement of 10% cash dividend and to attend and vote at the Meeting.
2. A member entitled to attend and vote at the meeting shall be entitled to appoint another member, as his/her proxy to attend, demand or join in demanding a poll, speak and vote instead of him/her, and a proxy so appointed shall have such rights, with respect to attending, speaking and voting at the meeting as are available to a member. Proxies in order to be effective must be received at the Company's Share Registrar's Office not later than 48 hours before the meeting.
3. Members or their proxies are required to present their original CNIC or Passport along with the Participant's I.D. and Account Number(s) at the time of attending the Annual General Meeting in order to authenticate their identity.
4. Any Individual Beneficial Owner of CDC, entitled to vote at this Meeting, must bring his / her original CNIC to prove identity, and in case of proxy, a copy of shareholder's attested CNIC must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose.

CDC Account Holders will also have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan.

## NOTICE OF ANNUAL GENERAL MEETING

### A. For attending the Meeting:

- i) In case of individuals, the account holder or subaccount holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall authenticate identity by showing his / her original CNIC 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 provided earlier) at the time of Meeting.

### B. For appointing proxies:

- i) In case of individuals, the account holder or subaccount holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall submit the proxy form as per the above requirement.
  - ii) The proxy form shall be witnessed by the person whose name, address and CNIC number shall be mentioned on the form.
  - iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iv) The proxy shall produce his original CNIC or original passport at the time of 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.
5. In pursuance with the amendments made by the government in Section 150 of the Income Tax Ordinance by defining separate tax rate for the Tax Return Filer and Tax return Non-Filer. The rate of withholding tax on Dividend in case of Tax Return Filer has been set at the rate of 10% of the gross dividend while rate of withholding tax on Dividend in case of Tax Return Non-Filer has been set at the rate of 15 %. In order to facilitate FBR has provided the list of Tax Return Filer, which contains CNIC/NTN number, and name of the Tax Return Filer for identification. Since the list contains only CNIC/NTN number, we will be deducting tax @ 10% where CNIC/NTN number matches with the list provided by the FBR and in case of no match tax will be deducted at the rate of 15% as Tax Return Non-Filer.

In this connection, shareholders are hereby requested to provide to our share registrar attested copy of their CNIC/NTN to ascertain and match their CNIC/NTN with the list provided by the FBR for correct tax deduction from the dividend. In case you have already provided your CNIC/NTN please ignore this notice.

6. In pursuance with the Securities and Exchange Commission of Pakistan (SECP) Notification No SRO.831 (1)/2012 of July 5th, 2012 in supersession of earlier notification No. SRO 779 (1)/2011 of August 18, 2011, SECP has directed all listed companies to mention CNIC/NTN number of the registered members on the dividend warrant and on every list submitted to the Commission including submission of Form-A (annual list of shareholders).

As per the said Notification of Securities and Exchange Commission of Pakistan (SECP), shareholders (who have not still provided copies of their valid CNICs) are requested to immediately send our share registrar a copy of their Computerized CNIC/Passport (for non-resident only) to our Share Registrar, Technology Trade (Pvt.) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Off Shahrah-e-Quaideen, Karachi.

## NOTICE OF ANNUAL GENERAL MEETING

In case of non-receipt of copy of valid CNIC and non-compliance of the above-mentioned SRO of SECP, the Company may be constrained to withhold dispatch of dividend warrants.

7. Shareholders are requested to immediately notify the change of address, if any to the Company's Share Registrar.

### STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This statement set out the material facts concerning the Business, given in agenda item no. 5 of the Notice to be transacted at the 22nd Annual General Meeting of the Company.

Artistic Denim Mills Limited is engaged in manufacture and sell rope dyed denim fabric, yarn and value added textile products. The Company in the normal course of business carries out transactions with its associated entities i.e. Casual Sportswear and Artistic Apparels (Private) Limited. The following is the summary of transactions carried out during the year with the said entities:

| S. No. | Name of Associated Undertaking | Nature of Transactions | Rupees in Million |
|--------|--------------------------------|------------------------|-------------------|
| 1      | Casual Sportswear              | Sales                  | 310.027           |
| 2      | Artistic Apparels (Pvt) Ltd.   | Sales                  | 9.753             |

Mr. Muhammad Ali Ahmed Director of Artistic Denim Mills Limited is also the sole proprietor of Casual Sportswear and Mr. Muhammad Yousuf Ahmed Director of Artistic Denim Mills Limited is also Director of Artistic Apparels (Private) Limited. Both are brothers of Mr. Faisal Ahmed - CEO of Artistic Denim Mills Limited and sons of Mrs. Hajra Ahmed, another Director of the Company.

All related party transactions, during the year 2014, were reviewed and approved by the Audit Committee and the Board in their respective meetings. The transactions with related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method. The Company has fully complied with best practices on transfer pricing as contained in the listing regulations of Karachi Stock Exchange.

Mr. Muhammad Ali Ahmed and Mr. Muhammad Yousuf Ahmed abstained while the Board approved the above transactions in accordance with the requirement of relevant provision of the Companies Ordinance, 1984.

The above transactions with related parties are an ongoing process and will also be remain continued in future.

None of the Directors other than Mr. Muhammad Ali Ahmed and Mr. Muhammad Yousuf Ahmed have any direct or indirect interest in the Casual Sportswear and Artistic Apparels (Private) Limited and have no interest in the above business, other than shareholders of the Company.



## REPORT OF THE DIRECTORS TO THE MEMBERS

The Directors of your Company take pleasure in presenting their report together with the Company's Annual Audited Financial Statements for the year ended June 30, 2014.

### OPERATING FINANCIAL RESULTS

The performance of the Company for the year ended June 30, 2014 is summarized as follows:

|                     | <b>June 30, 2014</b>  | <b>June 30, 2013</b>                 |
|---------------------|-----------------------|--------------------------------------|
|                     | <b>Rs. in million</b> | <b>(Restated)<br/>Rs. in million</b> |
| Net Sales           | <b>6,468</b>          | 6,137                                |
| Gross profit        | <b>1,149</b>          | 1,146                                |
| Finance costs       | <b>109</b>            | 150                                  |
| Profit before tax   | <b>861</b>            | 788                                  |
| Net Profit          | <b>852</b>            | 758                                  |
| EPS (Rs. per share) | <b>10.15</b>          | 9.02                                 |

In the year under review, net sales of your Company registered an increase of Rs. 331 million as compared to the previous year. The increase in sales was mainly due to higher sales volume of garments and better product/market penetration. Gross profit for the year ended June 30, 2014 has slightly increased by Rs. 3 million in absolute terms. The Company finance costs reduced by 27.35% over similar period last year on account of mark-up rate benefit received from State Bank of Pakistan (SBP) on export performance and better liquidity management. The good operating results have thus helped to an increase of Rs. 94 million in net profit over the last year. According, earnings per share have improved to Rs. 10.15 per share in comparison to Rs. 9.02 per share last year.

### DIVIDEND

The Board of Directors have pleasure in recommending a final cash dividend @ 10% (i.e. Rs. 1.0/= per share) translating into a payout of Rs. 84 million. This will be paid to the shareholders on the Company's Register on October 17, 2014. The dividend is to be approved by the shareholders at the Annual General Meeting on Saturday, October 25, 2014.

### CASH FLOW STATEMENT

The Company has an effective Cash Flow Management in place to project inflows and outflows of cash and develop strategies to meet working capital requirements through cash inflows and short term borrowings. In year 2014 the Company generated Rs. 575.843 (2013: Rs. 939.381) million from operating activities. The inflow was largely a result of higher cash earnings. Cash generated from operating activities was used on capital expenditure, payment of dividend and repayment of long-term finance.

### SALES AND MARKETING

With a track record of over 23 years of experience, ADM prides itself at providing its customers the best possible denim brands. The Company has continued to participate in exhibitions in Europe and US to increase customer base and attract new denim brands.



During the year under report, the Company has developed new products and designs which has enabled the Company to develop new markets and in catering the existing customers. The introduction of new products and designs has helped the Company to add new customers in different geographical regions and segments.

As part of the Company's marketing strategy the management has been constantly engaged in the process of BMR to enhance efficiency and maximize the productivity.

## **FUTURE OUTLOOK**

It is anticipated that textile industry will perform satisfactorily, although the cost pressures will remain on account of energy shortage, adverse law-and-order situation, inflationary pressure and higher employment costs.

Despite the challenging conditions, we expect to remain firmly entrenched in the profitability zone. We believe your Company has the potential to maintain sales growth and the Company's management is continuously focused in taking initiatives for improving business performance as well as overall profitability.

## **CORPORATE COMPLIANCE**

The Board of Directors have, throughout the year, complied with the "Code of Corporate Governance" contained in the listing requirements of the stock exchange and the "Corporate and Financial Reporting Framework" of the Securities & Exchange Commission of Pakistan. The Directors are pleased to state as follows:

- The financial statements, prepared by the management of the Company, present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- The Company maintains a sound internal control system which gives reasonable assurance against any material misstatement or loss. The internal control system is regularly reviewed.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- Key operating and financial data for the six years in summarized form is annexed to the Audited Financial Statements.
- Outstanding taxes, statutory charges and duties, if any, have been duly disclosed in the Audited Financial Statements.
- During the year under review, four meetings of the Board of Directors were held. The attendance by each Director was as follows:

| Name of Directors           | Meetings Attended | Remarks                                    |
|-----------------------------|-------------------|--|
| Mr. Faisal Ahmed            | 4                 |  |
| Mrs. Maliha Faisal          | 4                 |  |
| Mr. Muhammad Yousuf Ahmed   | 2                 | Leave of absence granted in one meeting    |
| Mr. Muhammad Ali Ahmed      | 2                 | Leave of absence granted in two meetings   |
| Mrs. Hajra Ahmed            | 2                 | Leave of absence granted in two meetings   |
| Mr. Muhammad Iqbal-ur-Rahim | 4                 |  |
| Ms. Sarah Faisal Ahmed      | 1                 | Leave of absence granted in three meetings |

- A statement of the pattern of shareholding is annexed to the Audited Financial Statements.
- During the fiscal year July 1, 2013 to June 30, 2014 the trading in Company's shares by its Directors, CEO, CFO, Company Secretary, Head of Internal Audit, Other Executives and their spouse(s) and minor children is annexed to the Audited Financial Statements.

## BOARD COMMITTEES

An Audit Committee has been in existence since 2002 in compliance to the Code of Corporate Governance. The Committee consists of three members, all of whom are non-executive directors including the chairman of the Committee. The Audit Committee has performed its functions satisfactorily and in accordance with the Code of Corporate Governance. During the year, four meetings of the Audit Committee were held. The attendance record of each director is as follows:

| Name of Directors           | Meetings Attended | Remarks                                 |
|-----------------------------|-------------------|---|
| Mr. Muhammad Iqbal-ur-Rahim | 4                 |   |
| Mrs. Maliha Faisal          | 4                 |   |
| Ms. Sarah Faisal Ahmed      | 3                 | Leave of absence granted in one meeting |

The Board of Directors in compliance to the Code of Corporate Governance has established a Human Resource and Remuneration Committee (HR&RC). The Committee consists of three members, all of whom are non-executive directors including the chairman of the Committee. During the year, one meeting of the (HR&RC) was held. The attendance record of each director is as follows:

| Name of Directors           | Meetings Attended | Remarks |
|-----------------------------|-------------------|---------|
| Mr. Muhammad Iqbal-ur-Rahim | 1                 |         |
| Mr. Muhammad Ali Ahmed      | 1                 |         |
| Ms. Sarah Faisal Ahmed      | 1                 |         |

## RELATED PARTY TRANSACTIONS AND TRANSFER PRICING

All related party transactions, during the year 2014, were placed before the Audit Committee and the Board for their review and approval. These transactions were duly approved by the Audit Committee and the Board in their respective meetings. The transactions with related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method. The Company has fully complied with best practices on transfer pricing as contained in the listing regulations of Karachi Stock Exchange.

## AUDITORS

The present auditors, Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants are retiring at the conclusion of the forthcoming annual general meeting and offer themselves for re-appointment. The Audit Committee has recommended the re-appointment of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as auditors of the Company for the year ending June 30, 2015 and the Board has endorsed this recommendation.

## CORPORATE SOCIAL RESPONSIBILITY

### 1. Energy Conservation

The Company has its own power generation plant. Power plant is captive unit which caters the energy requirements of all its sites to keep running with low cost power at all the divisions like Spinning, Weaving and Garment. The operation and maintenance of the plant is being carried out by the highly qualified and well trained staff.

In line with the Company's declared commitment towards conservation of natural resources, all business units have continued with their efforts to improve energy usage efficiencies. The Company is engaged in the continuous process of energy conservation through improved operational and maintenance practices. The waste heat from the exhaust gases of the engines are being utilized for the production of steams and recovery boilers have been installed for this purpose. This concept utilizes the energy to the fullest, in order to mitigate the power crises being faced by the country.

### 2. Environment, Health & Safety

The ADM has documented system of health, safety and environment to ensure that entire ADM premises and atmosphere is safe and healthy for all its employees, customers, stakeholders, contractors, visitors and suppliers. The Company has made objective based efforts for reducing unsafe and unhealthy work practice/conditions. The Company has taken adequate measures to prevent accidents and injury to health arising out of, associated with or occurring in the course of work. Management Representatives are responsible for health and safety of all personnel and accountable for the implementation of health and safety elements of high standard. Environmental Noise testing activity is also being carried out from the outside commercial laboratory on a periodic basis.

The ADM ensures full commitment to environment, health & safety at all levels of management and conduct regular assessments and reviews to ensure the continuance of improved these conditions and to confirm the effectiveness of the Company's policy, objectives, targets and programs in this regard.

ADM is certified by following certification bodies.

- ISO 14001:2004 EMS (Environmental Management System)
- ISO 9001:2008 QMS (Quality Management System)
- SA 8000:2008 (Social Accountability)
- WRAP (Worldwide Responsible Accreditation Production)
- GOTS (Global Organic Textile Standards)
- OCS (Organic Content Standards)
- OCS Blended (Organic Content Blended Standards)
- Oeko Tex -100

### 3. Security Measures

The management of the Company is fully aware of the importance of safety and security for the smooth running of the operations and incurring substantial cost for protection of employees and assets by deploying security guards and has established a system of surveillance through the installation of CCTV cameras at every location.

### 4. Waste Water Treatment Plant

The Company has waste water treatment facility meeting the National Environment Quality Standards of EPA Pakistan. Since water is becoming a scarce commodity, hence it is imperative to evolve technologies which treat them efficiently so that they can be reused. At the waste water treatment plants waste water is treated before being reused or discharged to main sewer lines in accordance with environmental protection standards.

### 5. Equal Opportunity Employer

Going with the core beliefs of the Company that every human being is equal, ADM has employed people from various ethnicities without any prejudice or bias.

### 6. Hajj tours

A tradition in ADM of sending some employees to pilgrim of holy place of Makkah and Medina through balloting each year.

### 7. Donation to Saylani Welfare International Trust

ADM is committed to act ethically towards the society at large and aims to contribute to the social development in the country. Our Company continuously contributes donation to Saylani Welfare International Trust.

### 8. Contribution to national exchequer

During the financial year, the Company contributed Rs. 8.48 million to the government exchequer in the shape of direct and indirect taxes.

## ACKNOWLEDGEMENTS

The Board of Directors would like to thank our valued customers for the confidence they continue to place in us, the management team for their sincere efforts and all stakeholders for their excellent support and co-operation and look forward to their continued support in future.

On Behalf of the Board



**Faisal Ahmed**  
Chief Executive

Karachi: September 25, 2014

## KEY OPERATING AND FINANCIAL DATA

|                                  | 2014                       | 2013      | 2012      | 2011      | 2010      | 2009      |
|----------------------------------|----------------------------|-----------|-----------|-----------|-----------|-----------|
|                                  | .....(Rupees in '000)..... |           |           |           |           |           |
| <b>ASSETS EMPLOYED</b>           |                            |           |           |           |           |           |
| Operating fixed assets           | <b>3,655,456</b>           | 3,305,415 | 3,112,798 | 3,250,504 | 3,393,330 | 3,341,198 |
| Capital work-in-progress         | <b>698,979</b>             | 209,681   | 316,900   | 16,008    | 26,960    | 84,401    |
| Long term loans                  | <b>8,471</b>               | 5,314     | 4,695     | 4,592     | 4,467     | 4,997     |
| Long term deposits               | <b>956</b>                 | 853       | 833       | 777       | 777       | 979       |
| Net current assets/(liabilities) | <b>564,693</b>             | 754,011   | 332,469   | 25,676    | (204,701) | (259,182) |
| <b>Total Assets Employed</b>     | <b>4,928,555</b>           | 4,275,274 | 3,767,695 | 3,297,557 | 3,220,833 | 3,172,393 |
| <b>FINANCED BY</b>               |                            |           |           |           |           |           |
| Shareholders equity              | <b>4,802,782</b>           | 4,042,451 | 3,379,011 | 3,031,237 | 2,847,793 | 2,681,257 |
| Long term financing              | <b>39,985</b>              | 168,489   | 344,206   | 235,319   | 348,293   | 471,430   |
| Deferred liability               | <b>85,788</b>              | 64,334    | 44,478    | 31,001    | 24,747    | 19,706    |
|                                  | <b>4,928,555</b>           | 4,275,274 | 3,767,695 | 3,297,557 | 3,220,833 | 3,172,393 |
| <b>SALES &amp; PROFITS</b>       |                            |           |           |           |           |           |
| Net sales                        | <b>6,467,591</b>           | 6,136,793 | 5,451,844 | 4,869,120 | 3,671,610 | 3,125,384 |
| Gross profit                     | <b>1,149,130</b>           | 1,145,604 | 851,259   | 743,095   | 766,715   | 697,984   |
| Profit before taxation           | <b>860,978</b>             | 787,677   | 496,438   | 395,273   | 370,925   | 410,338   |
| Net profit after taxation        | <b>852,497</b>             | 758,031   | 440,092   | 351,444   | 334,536   | 376,421   |
| Proposed Bonus/Dividend %        | <b>10</b>                  | 10        | 10        | 10        | 20        | 20        |
| Un-appropriated profit           | <b>3,962,782</b>           | 3,202,451 | 2,539,011 | 2,191,237 | 2,007,793 | 1,841,257 |

## PATTERN OF SHAREHOLDING

| Number of Shareholders | Shareholdings |          | Total Number of Shares Held |
|------------------------|---------------|----------|-----------------------------|
|                        | From          | To       |                             |
| 178                    | 1             | 100      | 6,000                       |
| 195                    | 101           | 500      | 79,432                      |
| 158                    | 501           | 1000     | 139,882                     |
| 237                    | 1001          | 5000     | 613,987                     |
| 42                     | 5001          | 10000    | 324,142                     |
| 27                     | 10001         | 100000   | 639,204                     |
| 3                      | 100001        | 1000000  | 1,819,000                   |
| 2                      | 1000001       | 2000000  | 3,585,700                   |
| 1                      | 5000001       | 6000000  | 5,601,833                   |
| 1                      | 8000001       | 9000000  | 8,727,400                   |
| 1                      | 62000001      | 63000000 | 62,463,420                  |
| <b>845</b>             |               |          | <b>84,000,000</b>           |

## PATTERN OF SHAREHOLDING

| Categories of Shareholders   | Shares Held       | Percentage   |
|--|-------------------|--------------|
| <b>INSURANCE COMPANIES</b>   |                   |              |
| STATE LIFE INSURANCE CORP. OF PAKISTAN   | 1,767,000         |              |
| <b>Sub-Total:</b>  | <b>1,767,000</b>  | <b>2.10</b>  |
| <b>DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN</b> |                   |              |
| HAJRA AHMED  | 500               |              |
| MALIHA FAISAL  | 500               |              |
| SARAH FAISAL AHMED   | 5,601,833         |              |
| MUHAMMAD YOUSUF AHMED  | 99,000            |              |
| IQBAL UR RAHIM   | 600               |              |
| MUHAMMAD FAISAL AHMED  | 62,463,420        |              |
| MUHAMMAD ALI AHMED   | 858               |              |
| <b>Sub-Total:</b>  | <b>68,166,711</b> | <b>81.15</b> |
| <b>ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.</b>                  |                   |              |
| ARTISTIC PROPERTIES (PVT) LIMITED  | 1,819,700         |              |
| <b>Sub-Total:</b>  | <b>1,819,700</b>  | <b>2.17</b>  |
| <b>MODARABAS AND MUTUAL FUNDS.</b>   |                   |              |
| CDC - TRUSTEE ALFALAH GHP ALPHA FUND   | 33,500            |              |
| CDC - TRUSTEE IGI STOCK FUND   | 32,500            |              |
| <b>Sub-Total:</b>  | <b>66,000</b>     | <b>0.08</b>  |
| <b>NIT AND ICP</b>   |                   |              |
| INVESTMENT CORP, OF PAKISTAN   | 500               |              |
| IDBL (ICP UNIT)  | 500               |              |
| <b>Sub-Total:</b>  | <b>1,000</b>      | <b>0.00</b>  |
| <b>FOREIGN INVESTORS</b>   |                   |              |
| HABIB BANK AG ZURICH, DEIRA DUBAI  | 15,000            |              |
| AFC UMBRELLA FUND  | 44,000            |              |
| <b>Sub-Total:</b>  | <b>59,000</b>     | <b>0.07</b>  |



## PATTERN OF SHAREHOLDING

| Categories of Shareholders               | Shares Held    | Percentage  |
|--|----------------|-------------|
| <b>OTHERS</b>                            |                |             |
| HSZ SECURITIES (PVT.) LTD.               | 80             |             |
| FIRST NATIONAL EQUITIES LIMITED          | 7,000          |             |
| ZIA KHATRI & CO.                         | 5,500          |             |
| AZEE SECURITIES (PRIVATE) LIMITED        | 300            |             |
| ACE SECURITIES (PVT.) LIMITED            | 2,000          |             |
| EFU LIFE INSURANCE LTD                   | 219,000        |             |
| HH MISBAH SECURITIES (PRIVATE) LIMITED   | 7,000          |             |
| Y.S. SECURITIES & SERVICES (PVT) LTD.    | 80             |             |
| MOOSANI SECURITIES (PVT) LTD.            | 3,736          |             |
| ELIXIR SECURITIES PAKISTAN (PVT.) LTD.   | 5,000          |             |
| FIKREE'S (SMC-PVT) LTD.                  | 2,300          |             |
| TRUSTEES D.G.KHAN CEMENT CO. LTD. EMPLOY | 4,000          |             |
| SEVEN STAR SECURITIES (PVT.) LTD.        | 22,504         |             |
| <b>Sub-Total:</b>                        | <b>278,500</b> | <b>0.33</b> |

### Individual

|                     |                   |               |
|---------------------|-------------------|---------------|
| Local - Individuals | 11,842,089        |               |
| <b>Sub-Total:</b>   | <b>11,842,089</b> | <b>14.10</b>  |
| <b>G-Total:</b>     | <b>84,000,000</b> | <b>100.00</b> |

### Shareholders Holding five percent or more Voting Rights in the Listed Company

| Name of Shareholders | Shares Held       | Percentage   |
|----------------------|-------------------|--------------|
| Faisal Ahmed         | 62,463,420        |              |
| Sadia Zain           | 8,727,400         |              |
| Sarah Faisal Ahmed   | 5,601,833         |              |
| <b>Total:</b>        | <b>76,792,653</b> | <b>91.42</b> |

## PERFORMANCE AT A GLANCE

|   | 2014         | 2013  |
|---|--------------|-------|
| <b>FINANCIAL RATIOS</b>                           |              |       |
| Gross profit - % of net sales                     | <b>17.77</b> | 18.67 |
| Profit before taxation - % of net sales           | <b>13.31</b> | 12.84 |
| Net Profit after taxation - % of net sales        | <b>13.18</b> | 12.35 |
| Earnings per share - basic & diluted              | <b>10.15</b> | 9.02  |
| Increase / (decrease) in net sales - %            | <b>5.39</b>  | 12.56 |
| Raw and packing materials - % of net sales        | <b>49.74</b> | 51.52 |
| Labour - % of net sales                           | <b>17.61</b> | 13.77 |
| Other cost of goods manufactured - % of net sales | <b>16.55</b> | 16.77 |
| Distribution costs - % of net sales               | <b>3.14</b>  | 3.05  |
| Administrative expenses - % of net sales          | <b>1.12</b>  | 1.02  |
| Finance costs - % of net sales                    | <b>1.68</b>  | 2.44  |
| Taxation - % of net sales                         | <b>0.13</b>  | 0.48  |
| Inventory turnover days                           | <b>60</b>    | 49    |
| Receivable turnover days                          | <b>83</b>    | 84    |
| <b>SHORT TERM SOLVENCY</b>                        |              |       |
| Current ratio                                     | <b>1.21</b>  | 1.44  |
| Acid test ratio                                   | <b>0.75</b>  | 1.00  |
| <b>OVERALL VALUATION AND ASSESSMENT</b>           |              |       |
| Return on equity (average)                        | <b>19.28</b> | 20.34 |
| P.E. ratio  | <b>8.48</b>  | 4.41  |
| Book value per share                              | <b>57.18</b> | 48.12 |
| Long term debts : equity                          | <b>01:99</b> | 04:96 |

### DETAIL OF TRADING BY THE DIRECTORS, CHIEF EXECUTIVE, CHIEF FINANCIAL OFFICER COMPANY SECRETARY, THEIR SPOUSES AND MINOR CHILDREN

| Name of Directors         | No. of Shares   |                 |             |                 |
|---------------------------|-----------------|-----------------|-------------|-----------------|
|                           | Opening Balance | Purchase / Gift | Sold / Gift | Closing Balance |
| Mr. Faisal Ahmed          | 41,380,654      | *21,082,766     | -           | 62,463,420      |
| Mrs. Maliha Faisal        | 15,299,200      | -               | *15,298,700 | 500             |
| Mr. Muhammad Yousuf Ahmed | 100,000         | -               | *1,000      | 99,000          |
| Mr. Muhammad Ali Ahmed    | 42,858          | -               | 42,000      | 858             |

\* Represents shares gifted by / gifted to a family member

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

Name of Company: **Artistic Denim Mills limited**  
Year Ended: **June 30, 2014**

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 35 of 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:


- The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors (the Board). At present the Board includes:

| Name of Director            | Category of Director |                    |                |
|-----------------------------|----------------------|--------------------|----------------|
|                             | Independent (01)     | Non-Executive (05) | Executive (01) |
| Mr. Faisal Ahmed            |                      |                    | ✓              |
| Mrs. Maliha Faisal          |                      | ✓                  |                |
| Mr. Muhammad Yousuf Ahmed   |                      | ✓                  |                |
| Mr. Muhammad Ali Ahmed      |                      | ✓                  |                |
| Mrs. Hajra Ahmed            |                      | ✓                  |                |
| Mr. Muhammad Iqbal-ur-Rahim | ✓                    | ✓                  |                |
| Ms. Sarah Faisal Ahmed      |                      | ✓                  |                |

The independent director meets the criteria of independence under clause i (b) of the Code.

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
- 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 Development Finance Institution (DFI) or a Non-Banking Finance Institution (NBFI) or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- No casual vacancy occurred on the Board during the year ended June 30, 2014.
- The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- 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.
- 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 and non-executive directors, have been taken by the Board/Shareholders.
- The meetings of the Board were presided over by the Chairman/Chairperson 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 arranges orientation course for its directors as and when needed to apprise them of their duties and responsibilities. Three directors of the Company have completed Directors' Training Program conducted by the Pakistan Institute of Corporate Governance (PICG). Whereas one director is exempted from such course on account of the experience and qualification and rest of the Directors will be trained within the time specified in the Code.
10. The Board approves the appointment, remuneration and terms and conditions of employment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, as determined by the Chief Executive (CEO). During the year, the Board has approved the appointment of Head of Internal Audit, including his remuneration and terms and conditions of employment.
11. The Directors' report for the year ended June 30, 2014 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 all are non-executive directors including the Chairman of the Committee and the Chairman of the Committee is an independent director.
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 formed an HR and Remuneration Committee. It comprises three members, of whom all are non-executive directors including the Chairman of the Committee and the Chairman of the Committee is an independent director. During the year, one meeting of the HR & Remuneration Committee was held.
18. The Board has set-up an effective internal audit function and the internal auditors of the Company are fully conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), 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 the ICAP.
20. 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 auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "closed period" prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and Stock Exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchange.
23. The related party transactions have been placed before the Audit Committee and approved by the Board along with pricing methods.
24. As stated above, we confirm that all other material principles enshrined in the Code have been complied with except that the position of CFO and Company Secretary is held by the same person. The said decision has been taken by the Board keeping in view the size of the Company.



**FAISAL AHMED**  
Chief Executive

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

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of **Artistic Denim Mills Limited** (the Company) for the year ended **30 June 2014** to comply with the requirements of Listing Regulation No. 35 Chapter XI of Karachi Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's 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 are not required to consider whether the Board's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for its review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended **30 June 2014**.

Further, we draw your attention to Clause 24 of the Statement which explains that the same person holds the position of Chief Financial Officer and Company Secretary. Our conclusion is not qualified in respect of this matter.

*Ernst & Young Ford Rhodes Sidat Hyder*

**Chartered Accountants**

**Date: 25 September 2014**

**Karachi**



Building a better  
working world

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

Tel: + 9221 3565 0007-11  
Fax: + 9221 3568 1965  
eyfrsh.khi@pk.ey.com  
ey.com/pk

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ARTISTIC DENIM MILLS LIMITED** (the Company) as at **30 June 2014** and the related profit and loss account, statement of comprehensive income, 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 accounting policies consistently applied, except for the changes as stated in note 2.2, with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

: -2- :

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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 **30 June 2014** and of the profit, its comprehensive income, 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.

*Ernst & Young Ford Rhodes Sidat Hyder*

**Chartered Accountants**

**Audit Engagement Partner's Name:** Riaz A. Rehman Chamdia

**Date:** 25 September 2014

**Place:** Karachi



## BALANCE SHEET

As at June 30, 2014

|   | Note | June 30,<br>2014 | June 30,<br>2013<br>(Restated) | July 01,<br>2012<br>(Restated) |
|---|------|------------------|--------------------------------|--------------------------------|
| ..... Rupees in '000 .....              |      |                  |                                |                                |
| <b>ASSETS</b>                           |      |                  |                                |                                |
| <b>NON-CURRENT ASSETS</b>               |      |                  |                                |                                |
| Property, plant and equipment           | 5    | 4,354,435        | 3,515,096                      | 3,429,698                      |
| Long-term loans                         | 6    | 8,471            | 5,314                          | 4,695                          |
| Long-term deposits                      | 7    | 956              | 853                            | 833                            |
|   |      | <b>4,363,862</b> | <b>3,521,263</b>               | <b>3,435,226</b>               |
| <b>CURRENT ASSETS</b>                   |      |                  |                                |                                |
| Stores and spares                       | 8    | 144,637          | 114,718                        | 104,314                        |
| Stock-in-trade                          | 9    | 1,096,838        | 640,068                        | 703,403                        |
| Trade debts                             | 10   | 1,538,993        | 1,385,388                      | 1,437,610                      |
| Loans and advances                      | 11   | 79,359           | 51,712                         | 52,844                         |
| Trade deposits and prepayments          | 12   | 6,636            | 1,985                          | 7,993                          |
| Other receivables                       | 13   | 71,040           | 45,563                         | 47,882                         |
| Sales tax refundable                    |      | 147,508          | 94,582                         | 55,751                         |
| Short-term investments                  |      | -                | 14,849                         | 13,654                         |
| Taxation - net                          | 14   | 167,292          | 87,687                         | 39,828                         |
| Cash and bank balances                  | 15   | 7,739            | 18,653                         | 13,729                         |
|   |      | <b>3,260,042</b> | <b>2,455,205</b>               | <b>2,477,008</b>               |
| <b>TOTAL ASSETS</b>                     |      | <b>7,623,904</b> | <b>5,976,468</b>               | <b>5,912,234</b>               |
| <b>EQUITY AND LIABILITIES</b>           |      |                  |                                |                                |
| <b>SHARE CAPITAL AND RESERVE</b>        |      |                  |                                |                                |
| Share capital                           | 16   | 840,000          | 840,000                        | 840,000                        |
| Reserves                                | 17   | 3,962,782        | 3,202,451                      | 2,539,011                      |
|   |      | <b>4,802,782</b> | <b>4,042,451</b>               | <b>3,379,011</b>               |
| <b>NON-CURRENT LIABILITIES</b>          |      |                  |                                |                                |
| Long-term financing                     | 18   | 39,985           | 168,489                        | 344,206                        |
| Deferred liability                      | 19   | 85,788           | 64,334                         | 44,478                         |
|   |      | <b>125,773</b>   | <b>232,823</b>                 | <b>388,684</b>                 |
| <b>CURRENT LIABILITIES</b>              |      |                  |                                |                                |
| Trade and other payables                | 20   | 802,444          | 527,158                        | 617,840                        |
| Accrued mark-up                         | 21   | 24,347           | 32,663                         | 36,331                         |
| Short-term borrowings                   | 22   | 1,740,054        | 986,804                        | 1,366,812                      |
| Current maturity of long-term financing |      | 128,504          | 154,569                        | 123,556                        |
|   |      | <b>2,695,349</b> | <b>1,701,194</b>               | <b>2,144,539</b>               |
| <b>CONTINGENCIES AND COMMITMENTS</b>    | 23   |                  |                                |                                |
| <b>TOTAL EQUITY AND LIABILITIES</b>     |      | <b>7,623,904</b> | <b>5,976,468</b>               | <b>5,912,234</b>               |

The annexed notes 1 to 43 form an integral part of these financial statements.



**Faisal Ahmed**  
Chief Executive



**Muhammad Iqbal-ur-Rahim**  
Director

## PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2014

|   | Note | June 30,<br>2014 | June 30,<br>2013<br>(Restated) |
|---|------|------------------|--------------------------------|
| ..... Rupees in '000 .....                                    |      |                  |                                |
| <b>NET SALES</b>  | 24   | <b>6,467,591</b> | 6,136,793                      |
| Cost of sales   | 25   | (5,318,461)      | (4,991,189)                    |
| <b>GROSS PROFIT</b>   |      | <b>1,149,130</b> | 1,145,604                      |
| Distribution costs  | 26   | (203,398)        | (187,068)                      |
| Administrative expenses                                       | 27   | (72,612)         | (62,889)                       |
| Other operating expenses                                      | 28   | (67,009)         | (63,229)                       |
| Other income  | 29   | 163,629          | 104,972                        |
|   |      | (179,390)        | (208,214)                      |
| <b>OPERATING PROFIT</b>                                       |      | <b>969,740</b>   | 937,390                        |
| Finance costs   | 30   | (108,762)        | (149,713)                      |
| <b>PROFIT BEFORE TAXATION</b>                                 |      | <b>860,978</b>   | 787,677                        |
| Taxation  | 31   | (8,481)          | (29,646)                       |
| <b>NET PROFIT FOR THE YEAR</b>                                |      | <b>852,497</b>   | 758,031                        |
| <b>EARNINGS PER SHARE - BASIC AND DILUTED (Rs. per share)</b> | 32   | <b>10.15</b>     | 9.02                           |

The annexed notes 1 to 43 form an integral part of these financial statements.



**Faisal Ahmed**  
Chief Executive



**Muhammad Iqbal-ur-Rahim**  
Director

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2014

|   | June 30,<br>2014           | June 30,<br>2013<br>(Restated) |
|---|----------------------------|--------------------------------|
|   | ..... Rupees in '000 ..... |                                |
| <b>Net profit for the year</b>  | <b>852,497</b>             | 758,031                        |
| <b>Other comprehensive income</b>   |                            |                                |
| <b>Items that may not be reclassified subsequently to profit and loss account</b> |                            |                                |
| Actuarial loss on defined benefit plan  | (8,166)                    | (10,591)                       |
| <b>Total comprehensive income for the year</b>                                    | <b>844,331</b>             | <b>747,440</b>                 |

The annexed notes 1 to 43 form an integral part of these financial statements.



**Faisal Ahmed**  
Chief Executive



**Muhammad Iqbal-ur-Rahim**  
Director

**CASH FLOW STATEMENT**

For the year ended June 30, 2014

|   | Note | June 30,<br>2014   | June 30,<br>2013<br>(Restated) |
|---|------|--------------------|--------------------------------|
| ..... Rupees in '000 .....                                      |      |                    |                                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |      |                    |                                |
| Cash generated from operations                                  | 33   | 787,163            | 1,174,300                      |
| Taxes paid  |      | (88,086)           | (77,505)                       |
| Gratuity paid   |      | (6,053)            | (4,013)                        |
| Finance costs paid  |      | (117,078)          | (153,381)                      |
| Long-term deposits  |      | (103)              | (20)                           |
| <b>Net cash generated from operating activities</b>             |      | <b>575,843</b>     | <b>939,381</b>                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |      |                    |                                |
| Capital expenditure   |      | (1,100,022)        | (342,947)                      |
| Long-term loans   |      | (3,157)            | (619)                          |
| Sale proceeds of operating fixed assets                         |      | 921                | 15,613                         |
| Dividend received   |      | 712                | 2,166                          |
| <b>Net cash used in investing activities</b>                    |      | <b>(1,101,546)</b> | <b>(325,787)</b>               |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |      |                    |                                |
| Long-term financing acquired                                    |      | -                  | 164,889                        |
| Long-term financing repaid                                      |      | (154,569)          | (309,593)                      |
| Short-term borrowings acquired / (repaid)                       |      | 611,651            | (350,622)                      |
| Dividend paid   |      | (83,892)           | (83,958)                       |
| <b>Net cash generated from / (used in) financing activities</b> |      | <b>373,190</b>     | <b>(579,284)</b>               |
| <b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>   |      | <b>(152,513)</b>   | <b>34,310</b>                  |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>   |      | <b>(18,151)</b>    | <b>(52,461)</b>                |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>         | 34   | <b>(170,664)</b>   | <b>(18,151)</b>                |

The annexed notes 1 to 43 form an integral part of these financial statements.



**Faisal Ahmed**  
Chief Executive



**Muhammad Iqbal-ur-Rahim**  
Director

## STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2014

|   | Issued,<br>subscribed<br>and paid-up<br>capital | Revenue Reserves              |  | Total            | Total            |
|---|---|-------------------------------|--|------------------|------------------|
|   |   | Unappro-<br>Priated<br>Profit | Actuarial<br>loss on<br>Defined<br>benefit<br>plan |                  |                  |
| ..... Rupees in '000 .....  |   |                               |  |                  |                  |
| <b>Balance as at July 01, 2012 -<br/>(as previously reported)</b>                         | 840,000   | 2,547,329                     | -  | 2,547,329        | 3,387,329        |
| Effect of change in accounting policy<br>as disclosed in note 4.11                        | -   | -                             | (8,318)  | (8,318)          | (8,318)          |
| <b>Balance as at July 01, 2012 - (restated)</b>   | 840,000   | 2,547,329                     | (8,318)  | 2,539,011        | 3,379,011        |
| Net profit for the year - as restated   | -   | 758,031                       | -  | 758,031          | 758,031          |
| Other comprehensive income  | -   | -                             | (10,591)   | (10,591)         | (10,591)         |
| Total comprehensive income<br>for the year - as restated                                  | -   | 758,031                       | (10,591)   | 747,440          | 747,440          |
| Cash dividend @ Re.1 per Ordinary share<br>of Rs.10 each for the year ended June 30, 2012 | -   | (84,000)                      | -  | (84,000)         | (84,000)         |
| <b>Balance as at June 30, 2013 - (restated)</b>   | 840,000   | 3,221,360                     | (18,909)   | 3,202,451        | 4,042,451        |
| Net profit for the year   | -   | 852,497                       | -  | 852,497          | 852,497          |
| Other comprehensive income  | -   | -                             | (8,166)  | (8,166)          | (8,166)          |
| Total comprehensive income for the year   | -   | 852,497                       | (8,166)  | 844,331          | 844,331          |
| Cash dividend @ Re.1 per Ordinary share<br>of Rs.10 each for the year ended June 30, 2013 | -   | (84,000)                      | -  | (84,000)         | (84,000)         |
| <b>Balance as at June 30, 2014</b>  | <b>840,000</b>                                  | <b>3,989,857</b>              | <b>(27,075)</b>                                    | <b>3,962,782</b> | <b>4,802,782</b> |

The annexed notes 1 to 43 form an integral part of these financial statements.



**Faisal Ahmed**  
Chief Executive



**Muhammad Iqbal-ur-Rahim**  
Director

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2014

## 1. THE COMPANY AND ITS OPERATIONS

Artistic Denim Mills Limited (the Company) 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, yarn and value added textile products.

The registered office of the Company is situated at Plot No. 5 - 9, 23 - 26, Sector 16, Korangi Industrial Area, Karachi.

## 2. STATEMENT OF COMPLIANCE

**2.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 (the Ordinance) and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

### 2.2 New and amended standards

The accounting policies adopted in the preparation of these financial statement are consistent with those of the previous financial year except that the Company has adopted the following amendments to IFRSs which became effective for the current year:

IAS - 19 - Employee Benefits - (Revised)

IFRS - 7 - Financial Instruments : Disclosures - (Amendments)  
- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC - 20 - Stripping Costs in the Production Phase of a Surface Mine

#### Improvement to Accounting Standards issued by the IASB

IAS - 1 - Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS - 16 - Property, Plant and Equipment - Classification of Servicing Equipment

IAS - 32 - Financial Instruments: Presentation - Tax effects of Distribution to Holders of Equity Equipment

IAS - 34 - Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any material effect on the financial statements, except for IAS-19 (revised) which has resulted in a change in accounting policy as described in note 4.11 to the financial statements.

### 2.3 Standards and amendments to approved accounting standards that are not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| <b>Standard or Interpretation</b>   | <b>Effective date<br/>(annual periods<br/>Beginning<br/>on or after)</b> |
|---|--|
| IFRS 10 - Consolidated Financial Statements   | January 01, 2015   |
| IFRS 11 - Joint Arrangements  | January 01, 2015   |
| IFRS 12 - Disclosure of Interests in Other Entities                                 | January 01, 2015   |
| IFRS 13 - Fair Value Measurement  | January 01, 2015   |
| IAS 16 & 38 - Clarification of Acceptable Method of Depreciation and Amortization   | January 01, 2016   |
| IAS 16 & 41 - Agriculture: Bearer Plants  | January 01, 2016   |
| IAS 19 - Employee Contributions   | July 01, 2014  |
| IAS 32 - Offsetting Financial Assets and Financial Liabilities - (Amendment)        | January 01, 2014   |
| IAS 36 - Recoverable Amount for Non-Financial Assets - (Amendment)                  | January 01, 2014   |
| IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting - (Amendment) | January 01, 2014   |
| IFRIC 21 - Levies   | January 01, 2014   |

The Company is currently evaluating the impact of the above standards and interpretation of the standards in the period of initial application.

In addition to the above standards and interpretation, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

| <b>Standards</b>   | <b>IASB Effective date<br/>(annual periods<br/>Beginning<br/>on or after)</b> |
|--|---|
| IFRS 9 - Financial Instruments: Classification and Measurement | January 01, 2018  |
| IFRS 14 - Regulatory Deferral Accounts                         | January 01, 2016  |
| IFRS 15 - Revenue from Contracts with Customers                | January 01, 2017  |

### 3. BASIS OF MEASUREMENT

**3.1** These financial statements have been prepared under the historical cost convention, except for investments and derivative financial instrument, which are carried at fair value.

**3.2** These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.



## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Property, plant and equipment

#### 4.1.1 Operating fixed assets

These are stated at cost less accumulated depreciation and impairment, if any. Depreciation on all operating fixed assets except leasehold land, is charged to income, applying the reducing balance method whereby the cost of an asset, less there residual value, is written off over its estimated useful life. Leasehold land is amortised using the straight line method whereby the cost of the leasehold land is written off over its lease term. The rates used are stated in note 5.1 to the financial statements.

In respect of additions and deletions of assets during the year, depreciation is charged from the month of acquisition and up to the month preceding the deletion, respectively.

The carrying values of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. 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. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that respective future economic benefits will flow to the Company.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property, plant and equipment are taken to the profit and loss account.

#### 4.1.2 Capital work-in-progress

Capital work-in-progress is stated at cost. It consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their construction, installation and acquisition. These are transferred to specific assets as and when these are available for use.

### 4.2 Investments

Investments at fair value through profit or loss include investments held for trading and investments designated upon initial recognition as at fair value through profit or loss.

Investments are classified as held for trading if they are acquired for the purpose of selling in the near term.

These investments are initially recognized at cost, being the fair value of the consideration given and transaction costs are charged to income when incurred. After initial recognition, these are remeasured at fair values with gains or losses are recognized directly in the profit and loss account.

### 4.3 Stores and spares

Stores and spares are valued cost, determined on a first-in-first-out (FIFO) basis. Provision is made for any slow moving and obsolete items.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon up to the balance sheet date.

### 4.4 Stock-in-trade

Stock-in-trade are valued at the lower of cost and net realisable value.

Cost of raw and packing materials is determined using FIFO basis except for those in transit which are stated at invoice price plus other charges incurred thereon upto the balance sheet date.

Finished goods and work-in-process consist of cost of direct materials and labour and a proportion of manufacturing overheads based on normal capacity. 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.

#### **4.5 Trade debts**

Trade debts are recognised and carried at original invoice amount less provision for doubtful debts. When the recovery of the amount is considered uncertain by the management, a provision is made for the same. Bad debts are written-off when identified.

#### **4.6 Loans, advances and other receivables**

These are stated at cost less provision for any doubtful receivables.

#### **4.7 Cash and cash equivalents**

These are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand net of outstanding balance of running finance facilities availed by the Company, if any.

#### **4.8 Interest / mark-up bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

Loans and borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction cost) and the redemption value recognised in the profit and loss account over the period of the borrowing using the effective interest method.

Gains and losses are recognised in profit and loss account when the liabilities are derecognised as well as through amortisation process.

#### **4.9 Trade and other payables**

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.

#### **4.10 Foreign currency translation**

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### **4.11 Staff retirement benefit**

The Company operates an unfunded gratuity plan (defined benefit scheme) 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.

During the year, the Company has changed its accounting policy in respect of recognition of actuarial gains and losses. With effect from current year, the Company has recognised actuarial gains and losses as they occur in other comprehensive income, instead of past policy, where actuarial gains and losses were recognised as income or expense when the cumulative unrecognised actuarial gains and losses for the plan at the end of previous reporting period exceeded 10% of the defined benefit obligation, and such gains or losses were recognised over the expected average remaining working lives of the employees participating in the plan.

The above change has been accounted for retrospectively in accordance with the requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8). Accordingly, the Company has presented balance sheet as at the beginning of the earliest comparative period i.e., July 01, 2012, and related notes in accordance with requirement of IAS 1 "Presentation of Financial Statements (Revised)". The balance sheet and profit and loss account as of and for the year ended June 30, 2013 respectively have been restated and presented accordingly.

Had there been no change in the accounting policy, the following would have been the impacts as of July 01, 2012, June 30, 2013 and June 30, 2014 and for the years then ended:

**As of July 01, 2012:**

|  |              |
|--|--------------|
| Deferred liability would have been lower by:   | <u>8,318</u> |
| Opening accumulated actuarial loss on defined benefit plan would have been lower by: | <u>8,318</u> |

**As of and for the year ended June 30, 2013:**

|  |               |
|--|---------------|
| Employee benefit liability would have been lower by:                         | <u>18,264</u> |
| Accumulated actuarial loss on defined benefit plan would have been lower by: | <u>18,909</u> |
| Charge for defined benefit plan would have been higher by:                   | <u>645</u>    |

**As of and for the year ended June 30, 2014:**

|  |               |
|--|---------------|
| Employee benefit liability would have been lower by:                         | <u>27,075</u> |
| Accumulated actuarial gain on defined benefit plan would have been lower by: | <u>27,075</u> |

#### 4.12 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.

#### 4.13 Taxation

##### Current

The Company falls under the final tax regime under Section 169 of the Income Tax Ordinance, 2001. Provision for tax on 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.

##### Deferred

Since the income of the Company is subject to tax under Final Tax Regime, no deferred tax liability has been accounted for in these financial statements as the Company's tax liability will be assessed under the said regime and, hence, no temporary differences are likely to arise in respect of sales whereas, temporary differences in respect of other income are expected to be negligible.

#### 4.14 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 are as follows:

- (i) Sales are recorded when goods are dispatched and invoiced;
- (ii) Duty draw back on export sales is recognised on an accrual basis at the time of making the export sale; and
- (iii) Dividend income is recognised when the Company's right to receive payment is established.

#### 4.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account.

#### 4.16 Derivative financial instruments

The Company uses derivative financial instruments such as interest rate and cross currency swaps to hedge its risk associated with interest and exchange rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives with positive market values (unrealised gains) are included in other asset and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the profit and loss account.

## 4.17 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. 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 expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account currently.

## 4.18 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 transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## 4.19 Impairment

### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect of the estimated future cash flows of that asset.

### Non-financial assets

The carrying value of non-financial assets other than inventories is assessed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, then the recoverable amount is estimated. An impairment loss is recognised, as an expense in the profit and loss account, for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is determined through discounting of estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows (cash generating units).

## 4.20 Dividends and appropriation to general reserve

Dividends and appropriation to general reserves are recognised in the financial statements in the period in which these are approved.

## 4.21 Significant accounting estimates and judgments

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognised prospectively.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- (a) determining the residual values and useful lives of property, plant and equipment (Note 4.1);
- (b) impairment of inventories / adjustment of inventories to their Net realisable Value (Note 4.4);
- (c) recognition of staff retirement benefits (note 4.11);
- (d) provisions (note 4.12);
- (e) recognition of taxation and deferred taxation (Note 4.13) ; and
- (f) impairment of assets (Note 4.19).

|   | Note | June 30,<br>2014 | June 30,<br>2013 |
|---|------|------------------|------------------|
| ..... Rupees in '000 .....              |      |                  |                  |
| <b>5. PROPERTY, PLANT AND EQUIPMENT</b> |      |                  |                  |
| Operating fixed assets                  | 5.1  | <b>3,655,456</b> | 3,305,415        |
| Capital work-in-progress                | 5.2  | <b>698,979</b>   | 209,681          |
|   |      | <b>4,354,435</b> | <b>3,515,096</b> |

## 5.1 Operating fixed assets

| Note                     | C O S T                                  |   |                           | Period /<br>Rate % | ACCUMULATED DEPRECIATION / AMORTISATION |                                   |                           | WRITTEN<br>DOWN VALUE     |          |           |           |
|--------------------------|--|---|---------------------------|--------------------|---|-----------------------------------|---------------------------|---------------------------|----------|-----------|-----------|
|                          | As at<br>July 01,<br>2013                | Additions<br>/<br>Transfers*<br>(Disposals) | As at<br>June 30,<br>2014 |                    | As at<br>July 01,<br>2013               | For the<br>Year<br>(On disposals) | As at<br>June 30,<br>2014 | As at<br>June 30,<br>2014 |          |           |           |
| .....Rupees in '000..... |  |   |                           |                    |   |                                   |                           |                           |          |           |           |
| <b>June 30, 2014</b>     |  |   |                           |                    |   |                                   |                           |                           |          |           |           |
|                          | Leasehold land                           | 1,211,663                                   | -                         | -                  | 1,211,663                               | 65 to 86 yrs                      | 127,961                   | 15,188                    | -        | 143,149   | 1,068,514 |
|                          | Building on leasehold land               | 5.1.1 1,060,801                             | -                         | -                  | 1,060,801                               | 10                                | 439,895                   | 62,091                    | -        | 501,986   | 558,815   |
|                          | Plant and machinery                      | 5.1.1 2,883,049                             | 531,776*                  | -                  | 3,414,825                               | 10                                | 1,405,320                 | 159,664                   | -        | 1,564,984 | 1,849,841 |
|                          | Factory equipment                        | 5.1.1 144,390                               | 46,942*                   | -                  | 191,332                                 | 10                                | 67,039                    | 10,359                    | -        | 77,398    | 113,934   |
|                          | Furniture and fixtures                   | 13,826                                      | 776                       | -                  | 14,602                                  | 10                                | 5,750                     | 842                       | -        | 6,592     | 8,010     |
|                          | Office equipment, including<br>Computers | 20,873                                      | 5,462                     | -                  | 26,335                                  | 33                                | 17,144                    | 2,071                     | -        | 19,215    | 7,120     |
|                          | Vehicles                                 | 65,217                                      | 18,222<br>7,545*          | (2,966)            | 88,018                                  | 20                                | 31,295                    | 10,104                    | (2,603)  | 38,796    | 49,222    |
|                          |  | 5,399,819                                   | 24,460<br>586,263*        | (2,966)            | 6,007,576                               |                                   | 2,094,404                 | 260,319                   | (2,603)  | 2,352,120 | 3,655,456 |
| <b>June 30, 2013</b>     |  |   |                           |                    |   |                                   |                           |                           |          |           |           |
|                          | Leasehold land                           | 1,211,663                                   | -                         | -                  | 1,211,663                               | 65 to 86 yrs                      | 112,773                   | 15,188                    | -        | 127,961   | 1,083,702 |
|                          | Building on leasehold land               | 5.1.1 976,558                               | 84,243*                   | -                  | 1,060,801                               | 10                                | 379,486                   | 60,409                    | -        | 439,895   | 620,906   |
|                          | Plant and machinery                      | 5.1.1 2,601,518                             | 323,016*                  | (41,485)           | 2,883,049                               | 10                                | 1,282,333                 | 152,755                   | (29,768) | 1,405,320 | 1,477,729 |
|                          | Factory equipment                        | 5.1.1 120,376                               | 24,014*                   | -                  | 144,390                                 | 10                                | 60,277                    | 6,762                     | -        | 67,039    | 77,351    |
|                          | Furniture and fixtures                   | 9,200                                       | 4,626                     | -                  | 13,826                                  | 10                                | 5,168                     | 582                       | -        | 5,750     | 8,076     |
|                          | Office equipment, including<br>Computers | 18,551                                      | 2,322                     | -                  | 20,873                                  | 33                                | 15,917                    | 1,227                     | -        | 17,144    | 3,729     |
|                          | Vehicles                                 | 55,223                                      | 11,945                    | (1,951)            | 65,217                                  | 20                                | 24,337                    | 8,444                     | (1,486)  | 31,295    | 33,922    |
|                          |  | 4,993,089                                   | 18,893<br>431,273*        | (43,436)           | 5,399,819                               |                                   | 1,880,291                 | 245,367                   | (31,254) | 2,094,404 | 3,305,415 |

\* Represents transfer from Capital Work in Progress.

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

|                            | Note | June 30,<br>2014 | June 30,<br>2013 |
|----------------------------|------|------------------|------------------|
| ..... Rupees in '000 ..... |      |                  |                  |
| Building on leasehold land | 5.1  | -                | 84,243           |
| Plant and machinery        | 5.1  | 531,776          | 323,016          |
| Factory equipment          | 5.1  | 46,942           | 24,014           |
| Vehicles                   | 5.1  | 7,545            | -                |
|                            |      | <b>586,263</b>   | <b>431,273</b>   |

### 5.1.2 Depreciation / amortisation charge for the year has been allocated as follows:

|                         |      |                |                |
|-------------------------|------|----------------|----------------|
| Cost of sales           | 25.1 | 240,275        | 226,474        |
| Distribution costs      | 26   | 521            | 491            |
| Administrative expenses | 27   | 19,523         | 18,402         |
|                         |      | <b>260,319</b> | <b>245,367</b> |

### 5.1.3 The following assets were disposed off during the year:

| Description                | Cost         | Accumulated<br>Depreciation | Written<br>Down Value | Sale<br>Proceeds | Gain /<br>(loss) on<br>disposal | Mode of<br>disposal | Particulars of Buyer                      |
|----------------------------|--------------|-----------------------------|-----------------------|------------------|---------------------------------|---------------------|---|
| ..... Rupees in '000 ..... |              |                             |                       |                  |                                 |                     |   |
| Vehicle                    | 886          | 740                         | 146                   | 300              | 154                             | Negotiation         | Mr. Furqan Ahmed Khan, Azizabad, Karachi. |
| Vehicle                    | 785          | 715                         | 70                    | 225              | 155                             | Negotiation         | Mr. Ahmed Mustafa, Korangi, Karachi.      |
| Vehicle                    | 1,211        | 1,124                       | 87                    | 330              | 243                             | Negotiation         | Mr. Muhammad Arshad, Teen Hatti, Karachi. |
| Vehicle                    | 39           | 19                          | 20                    | 28               | 8                               | Insurance claim     | EFU General Insurance, Karachi.           |
| Vehicle                    | 45           | 5                           | 40                    | 38               | (2)                             | Insurance claim     | EFU General Insurance, Karachi.           |
| <b>June 30, 2014</b>       | <b>2,966</b> | <b>2,603</b>                | <b>363</b>            | <b>921</b>       | <b>558</b>                      |                     |   |
| June 30, 2013              | 43,436       | 31,254                      | 12,182                | 15,613           | 3,431                           |                     |   |

|                             | Civil works | Plant &<br>machinery | Factory<br>equipment | Advances | Total |
|-----------------------------|-------------|----------------------|----------------------|----------|-------|
| ..... Rupees in '000' ..... |             |                      |                      |          |       |

### 5.2 Capital work-in-progress

|                                    |                |                |          |                |                |
|------------------------------------|----------------|----------------|----------|----------------|----------------|
| As at July 01, 2013                | 131,912        | -              | -        | 77,769         | 209,681        |
| Additions during the year          | 71,252         | 867,837        | 46,942   | 89,530         | 1,075,561      |
| Transfer from advances             | 4,219          | -              | -        | (4,219)        | -              |
| Transfer to operating fixed assets | -              | (531,776)      | (46,942) | (7,545)        | (586,263)      |
| <b>June 30, 2014</b>               | <b>207,383</b> | <b>336,061</b> | <b>-</b> | <b>155,535</b> | <b>698,979</b> |
| June 30, 2013                      | 131,912        | -              | -        | 77,769         | 209,681        |

|   | Note | June 30,<br>2014 | June 30,<br>2013 |
|---|------|------------------|------------------|
| ..... Rupees in '000 .....                                    |      |                  |                  |
| <b>6. LONG-TERM LOANS</b>                                     |      |                  |                  |
| <b>Considered good - secured</b>                              |      |                  |                  |
| Executives  | 6.3  | 9,599            | 5,546            |
| Employees   |      | 6,422            | 5,174            |
|   |      | <b>16,021</b>    | <b>10,720</b>    |
| <b>Recoverable within one year shown under current assets</b> |      |                  |                  |
| Executives  | 11   | (4,174)          | (2,610)          |
| Employees   | 11   | (3,376)          | (2,796)          |
|   |      | <b>(7,550)</b>   | <b>(5,406)</b>   |
|   |      | <b>8,471</b>     | <b>5,314</b>     |

**6.1** The secured loans extended to executives and employees are either personal loans or given for medical expenses. These are granted in accordance with the terms of their employment and are secured against their gratuity balances. These loans are recoverable in monthly installments over a period, ranging between 1 and 5 (2013: 1 and 5) years, and are interest free. These loans have not been discounted to their present value as the financial impact thereof is not considered material.

**6.2** The maximum aggregate amount due from executives at the end of any month during the year was Rs.9.599 (2013: Rs.5.996) million.

|   | Note | June 30,<br>2014 | June 30,<br>2013 |
|---|------|------------------|------------------|
| ..... Rupees in '000 .....  |      |                  |                  |
| <b>6.3 Reconciliation of carrying amount of loans to executives</b> |      |                  |                  |
| Opening balance   |      | 5,546            | 4,581            |
| Transfer of executives from employees                               |      | 325              | 663              |
| Disbursements during the year                                       |      | 7,827            | 3,066            |
|   |      | <b>13,698</b>    | <b>8,310</b>     |
| Recoveries during the year  |      | (4,099)          | (2,764)          |
|   |      | <b>9,599</b>     | <b>5,546</b>     |

## 7. LONG-TERM DEPOSITS

### Security deposits

|           |            |            |
|-----------|------------|------------|
| Utilities | 669        | 604        |
| Others    | 287        | 249        |
|           | <b>956</b> | <b>853</b> |

## 8. STORES AND SPARES

### Stores

|         |        |        |
|---------|--------|--------|
| In hand | 83,160 | 59,824 |
|---------|--------|--------|

### Spares

|            |                |                |
|------------|----------------|----------------|
| In hand    | 61,477         | 54,763         |
| In transit | -              | 131            |
|            | <b>144,637</b> | <b>114,718</b> |

# Artistic Denim Mills Limited

|  | Note | June 30,<br>2014 | June 30,<br>2013 |
|--|------|------------------|------------------|
| ..... Rupees in '000 .....   |      |                  |                  |
| <b>9. STOCK-IN-TRADE</b>   |      |                  |                  |
| <b>Raw and packing materials</b>   |      |                  |                  |
| In hand  |      | 432,333          | 231,952          |
| In transit   |      | 45,815           | 32,466           |
|  |      | <b>478,148</b>   | 264,418          |
| Work-in-process  |      | 426,431          | 291,353          |
| Finished goods   |      | 192,259          | 84,297           |
|  |      | <b>1,096,838</b> | 640,068          |
| <b>10. TRADE DEBTS - considered good</b>   |      |                  |                  |
| <b>Secured - against letters of credit</b>   |      |                  |                  |
| Related party - Artistic Apparels (Private) Limited  |      | 8,092            | -                |
| Others   |      | 1,143,905        | 1,123,454        |
|  |      | <b>1,151,997</b> | 1,123,454        |
| <b>Unsecured</b>   |      |                  |                  |
| Related parties:   |      |                  |                  |
| - Casual Sportswear  |      | 102,455          | 55,291           |
| - Artistic Apparels (Private) Limited  |      | 57               | 55               |
|  |      | <b>102,512</b>   | 55,346           |
| Others   |      | 284,484          | 206,588          |
|  |      | <b>386,996</b>   | 261,934          |
|  |      | <b>1,538,993</b> | 1,385,388        |
| <b>10.1</b> Trade debts including receivable from related parties are neither past due nor impaired and are aged within 90 days. |      |                  |                  |



# Artistic Denim Mills Limited

|   | Note | June 30,<br>2014           | June 30,<br>2013 |
|---|------|----------------------------|------------------|
|   |      | ..... Rupees in '000 ..... |                  |
| <b>11. LOANS AND ADVANCES</b>             |      |                            |                  |
| <b>Considered good</b>                    |      |                            |                  |
| <b>Loans - secured</b>                    |      |                            |                  |
| <b>Current portion of long-term loans</b> |      |                            |                  |
| Executives                                | 6    | 4,174                      | 2,610            |
| Employees                                 | 6    | 3,376                      | 2,796            |
|   |      | <b>7,550</b>               | 5,406            |
| <b>Short-term loans</b>                   |      |                            |                  |
| Executives                                |      | -                          | 451              |
| Employees                                 |      | -                          | 665              |
|   |      |                            | 1,116            |
| <b>Advances - unsecured</b>               |      |                            |                  |
| Suppliers                                 |      | 71,341                     | 44,024           |
| Labour contractors                        |      | 468                        | 1,166            |
|   |      | <b>71,809</b>              | 45,190           |
|   |      | <b>79,359</b>              | 51,712           |
| <b>12. TRADE DEPOSITS AND PREPAYMENTS</b> |      |                            |                  |
| <b>Trade deposits</b>                     |      |                            |                  |
| Margin against letters of credit          |      | 6,320                      | -                |
| Container deposits                        |      | 316                        | 1,880            |
| <b>Prepayments</b>                        |      |                            |                  |
| Insurance                                 |      | -                          | 105              |
|   |      | <b>6,636</b>               | 1,985            |
| <b>13. OTHER RECEIVABLES</b>              |      |                            |                  |
| Duty draw back on export sales            |      | 62,257                     | 45,123           |
| Fair value gain on derivatives            | 18.1 | 8,697                      | -                |
| Others                                    |      | 86                         | 440              |
|   |      | <b>71,040</b>              | 45,563           |
| <b>14. TAXATION - net</b>                 |      |                            |                  |
| Provision for income tax - current        | 31   | (8,481)                    | (29,646)         |
| Advance income tax                        |      | 175,773                    | 117,333          |
|   |      | <b>167,292</b>             | 87,687           |
| <b>15. CASH AND BANK BALANCES</b>         |      |                            |                  |
| <b>Cash</b>                               |      |                            |                  |
| In hand                                   |      | 158                        | 552              |
| <b>At banks in</b>                        |      |                            |                  |
| Current accounts                          |      | 7,581                      | 18,101           |
|   |      | <b>7,739</b>               | 18,653           |

## 16. SHARE CAPITAL

| Numbers of shares  |                  |   | June 30,<br>2014 | June 30,<br>2013 |                            | June 30,<br>2014 | June 30,<br>2013 |
|--------------------|------------------|---|------------------|------------------|----------------------------|------------------|------------------|
| June 30,<br>2014   | June 30,<br>2013 |   |                  |                  | ..... Rupees in '000 ..... |                  |                  |
| <b>100,000,000</b> | 100,000,000      | <b>Authorised share capital</b>                                 | <b>1,000,000</b> | 1,000,000        |                            |                  |                  |
|                    |                  | Ordinary shares of Rs.10 each                                   |                  |                  |                            |                  |                  |
| <b>14,000,000</b>  | 14,000,000       | <b>Issued, subscribed and Paid-up capital</b>                   | <b>140,000</b>   | 140,000          |                            |                  |                  |
|                    |                  | Ordinary shares of Rs.10 each fully paid in cash                |                  |                  |                            |                  |                  |
| <b>70,000,000</b>  | 70,000,000       | Ordinary shares of Rs.10 each issued as fully paid bonus shares | <b>700,000</b>   | 700,000          |                            |                  |                  |
| <b>84,000,000</b>  | 84,000,000       |   | <b>840,000</b>   | 840,000          |                            |                  |                  |

Note

## 17. RESERVES

|  | June 30,<br>2014           | June 30,<br>2013<br>(Restated) |
|--|----------------------------|--------------------------------|
|  | ..... Rupees in '000 ..... |                                |
| <b>Revenue reserve</b>                 |                            |                                |
| Unappropriated profit                  | <b>3,989,857</b>           | 3,221,360                      |
| Actuarial loss on defined benefit plan | <b>(27,075)</b>            | (18,909)                       |
|  | <b>3,962,782</b>           | 3,202,451                      |

Note

## 18. LONG-TERM FINANCING

|   | June 30,<br>2014           | June 30,<br>2013 |
|---|----------------------------|------------------|
|   | ..... Rupees in '000 ..... |                  |
| <b>From Banking Companies and Financial Institutions - secured</b>  |                            |                  |
| Term finance from a bank  | <b>101,216</b>             | 169,096          |
| Term finances from banks under the State Bank of Pakistan's (SBP's) scheme for Export Oriented Projects (EOP) and Long-Term Financing Facility (LTFF) | <b>67,273</b>              | 153,962          |
|   | <b>168,489</b>             | 323,058          |
| <b>Current maturities shown under current liabilities</b>   |                            |                  |
| Term finance from a bank  | <b>(67,883)</b>            | (67,880)         |
| Term finances from banks under the SBP's scheme for EOP and LTFF  | <b>(60,621)</b>            | (86,689)         |
|   | <b>(128,504)</b>           | (154,569)        |
|   | <b>39,985</b>              | 168,489          |

**18.1 Term finance from a bank**

The balance outstanding of Rs. 101.216 (2013: Rs. 169.096) million at the end of the current year comprises of the following two (2013: two) separate local currency loans:

- (a) The balance outstanding of Rs. 1.216 (2013: Rs. 2.429) million at the end of the year represents term finance obtained by the Company for the purposes of capital expenditure and rationalising the financial structure of the Company. The said loan is repayable in 16 equal quarterly installments, commencing July 02, 2011 to April 02, 2015. It carries mark-up at 6 months KIBOR plus 1.5% per annum, payable quarterly. The said loan along with the term finance from a bank under SBP's Scheme for LTFF [note 18.2(e)] is secured against the hypothecation of specific plant and machinery, aggregating to Rs.9.900 million, and a promissory note of Rs.8.665 million.
- (b) Represents loan obtained by the Company of Rs. 200 million in year 2012 for the purpose of capital expenditure and rationalising the financial structure of the Company. The balance outstanding is Rs. 100 (2013: Rs. 166.667) million at the end of the year. The said loan is repayable in 6 equal semi-annual installments, commencing January 25, 2013 to July 25, 2015. It carries mark-up at 6 months KIBOR plus 1.25% per annum, payable semi-annually. The said loan is secured against the hypothecation of plant and machinery, aggregating to Rs.400 million, and a promissory note of Rs.250 million.

Against the above mentioned loan of Rs. 200 million, the Company has entered into a cross currency interest rate swap agreement with a local commercial bank for a notional amount of Rs. 200 million, maturing up to July 2015. Under swap arrangement the principal payable amount of Rs. 200 million is swapped with US dollar component at Rs. 86.50 per US dollar making loan amount to US dollar 2.312 million. Besides foreign currency component, the Company would receive six months KIBOR rate and pay six months LIBOR plus spread of 2.50% as per the respective arrangement, which will be settled semi-annually. The swap is being used to hedge the exposure to change in the interest payments of Company's loan obligation which is based on KIBOR. The outstanding balance of this arrangement is Rs. 100 (2013: Rs. 166.667) million as at the balance sheet date. The net fair value of this cross currency interest rate swap was Rs. 8.697 million favorable (2013: Rs. 0.623 million unfavorable) to the Company as of the balance sheet date. The fair value gain of Rs. 9.320 (2013: Rs. 5.523) has been taken to the profit and loss account (see note 30).

**18.2 Term finances from banks under the State Bank of Pakistan (SBP's) scheme for Export Oriented Projects (EOP) and Long-Term Financing Facility (LTFF)**

The balance outstanding of Rs. 67.273 (2013: Rs. 153.962) million at the end of the current year comprises of the following ten (2013: twelve) separate local currency loans:

- (a) Rs.14.029 (2013: Rs. 39.711) million obtained against the import of eligible plant and machinery, by the Company under the SBP's LTF-EOP Scheme, as announced by the SBP in their SMED Circular No.19, dated September 04, 2006.

The loan is repayable in 22 equal quarterly installments, commencing September 21, 2008 to December 21, 2014, carrying mark-up at the SBP Refinance rate for 3 to 7.5 years (i.e., 5%) plus 1%(2013: 3 to 7.5 years (i.e., 5%) plus 1%) per annum, which is payable quarterly on the principal sum of loan outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs.130 million.

- (b) Rs.4.711 (2013: Rs.7.855) million obtained against the import of eligible plant and machinery, by the Company under the SBP's LTF-EOP Scheme, as announced by the SBP in their SMED, Circular No.19, dated September 04, 2006.

The loan is repayable in 22 equal quarterly installments, commencing March 25, 2009 to June 25, 2015, carrying mark-up at the SBP Refinance rate for 3 to 7.5 years (i.e. 5%) plus 1% (2013: 3 to 7.5 years (i.e. 5%) plus 1%) per annum, which is payable quarterly on the principal sum of loan outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs.18 million.

- (c) Rs.1.277 (2013: Rs.2.005) million obtained against the import of eligible plant and machinery, by the Company under the SBP's LTF-EOP Scheme, as announced by the SBP in their SMED, Circular No.19, dated September 04, 2006.

The loan is repayable in 22 equal quarterly installments, commencing September 26, 2009 to December 26, 2015, carrying mark-up at the SBP Refinance rate for 3 to 7.5 years (i.e. 5%) plus 1%(2013: 3 to 7.5 years (i.e. 5%) plus 1%) per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs.4.090 million.

- (d) Rs.1.238 (2013: Rs.1.947) million obtained against the import of eligible plant and machinery, by the Company under the SBP's LTF-EOP Scheme, as announced by the SBP in their SMED, Circular No.19, dated September 04, 2006.

The loan is repayable in 22 equal quarterly installments, commencing August 15, 2009 to November 15, 2015, carrying mark-up at the SBP Refinance rate for 3 to 7.5 years (i.e. 5%) plus 1% (2013: 3 to 7.5 years (i.e. 5%) plus 1%) per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs.3.892 million.

- (e) Rs.1.213 (2013: Rs.2.429) million obtained against the import of eligible plant and machinery, by the Company under the SBP's LTF-EOP Scheme, as announced by the SBP in their SMED, Circular No.19, dated September 04, 2006.

The loan is repayable in 16 equal quarterly installments, commencing July 02, 2011 to April 02, 2015, carrying mark-up at the SBP Refinance rate of 7.2% plus 2.0% per annum (2013: 7.2% plus 2.0% per annum), which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan along with the term finance from a bank (note 18.1) is secured against the hypothecation of specific plant and machinery, aggregating to Rs.9.900 million and a promissory note of Rs.8.665 million.

- (f) Rs.17.797 (2013: Rs.35.557) million obtained against the import of eligible plant and machinery, by the Company under the SBP's LTF-EOP Scheme, as announced by the SBP in their SMED, Circular No.19, dated September 04, 2006.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 76 million and a demand promissory note of Rs. 168.820 million.

The loan is repayable in 16 equal quarterly installments, commencing August 21, 2011 to May 21, 2015, carrying mark-up at the SBP Refinance rate of 7.9% plus 2.0% (2013: 7.9% plus 2.0%) per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan, export refinance facility [note 22.1.2], running finance facility [note 22.2.2] and short term running finances under Foreign Exchange Circular No. 25, dated June 20, 1998 [note 22.3] from a bank is secured against the first pari passu specific charge of plant and machinery, aggregating to Rs.2,000 million and a demand promissory note of Rs.1,544.126 million.

- (g) Rs.1.682 (2013: Rs.3.378) million obtained against the import of eligible plant and machinery, by the Company under the SBP's LTF-EOP Scheme, as announced by the SBP in their SMED, Circular No.19, dated September 04, 2006.

The loan is repayable in 16 equal quarterly installments, commencing September 16, 2011 to June 16, 2015, carrying mark-up at the SBP Refinance rate of 7.9% plus 2.0% (2013: 7.9% plus 2.0%) per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs.6.800 million and a promissory note of Rs.11.055 million.

- (h) Rs.14.844 (2013: Rs.34.652) million obtained against the import of eligible plant and machinery, by the Company under the SBP's LTF-EOP Scheme, as announced by the SBP in their SMED, Circular No.19, dated September 04, 2006.

The loan is repayable in 16 equal quarterly installments, commencing March 16, 2011 to December 16, 2015, carrying mark-up at the SBP Refinance rate of 7.2% plus 2.0% (2013: 7.2% plus 2.0%) per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs.86 million and a promissory note of Rs.150.493 million.

- (i) Rs.5.411 (2013: Rs.8.503) million obtained against the import of eligible plant and machinery by the Company under the SBP's LTF-EOP Scheme, as announced by the SBP in their SMED, Circular No.19, dated September 04, 2006.

The loan is repayable in 16 equal quarterly installments, commencing April 03, 2012 to January 03, 2016, carrying mark-up at the SBP Refinance rate of 8.6% plus 2.0% per annum (2013: 8.6% plus 2.0% per annum), which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs.13 million and a promissory note of Rs.21.129 million.

- (i) Rs.5.070 million (2013: Rs.8.454 million) obtained against the import of eligible plant and machinery under the SBP's LTF-EOP Scheme, as announced by the SBP in their SMED, Circular No.19, dated September 04, 2006.

The loan is repayable in 16 equal quarterly installments, commencing July 19, 2011 to April 19, 2015, carrying mark-up at the SBP Refinance rate of 8.6% plus 2.0% (2013: 8.6% plus 2.0%) per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs.13.600 million.

|                               | Note | June 30,<br>2014 | June 30,<br>2013<br>(Restated) | June 30,<br>2012<br>(Restated) |
|-------------------------------|------|------------------|--------------------------------|--------------------------------|
| <b>19. DEFERRED LIABILITY</b> |      | Rupees in '000   |                                |                                |
| Employees' Gratuity           | 19.1 | <b>85,788</b>    | 64,334                         | 44,478                         |

- 19.1 In accordance with the requirements of IAS-19 "Employee Benefits", actuarial valuation was carried out as at June 30, 2014, using the "Projected Unit Credit Method". Provision has been made in the financial statements to cover obligations in accordance with the actuarial recommendations. Following significant assumptions were used for the valuation of above-mentioned scheme:

| Note            | June 30,<br>2014 | June 30,<br>2013 |
|-----------------|------------------|------------------|
|                 | <b>Per annum</b> |                  |
| Discount rate   | 13.5%            | 11.5%            |
| Salary increase | 13%              | 11%              |

|  | <b>Gratuity</b>            |                            |                            |
|--|----------------------------|----------------------------|----------------------------|
|  | <b>2014</b>                | <b>2013<br/>(Restated)</b> | <b>2012<br/>(Restated)</b> |
| Necessary disclosures in respect of defined benefit plan are as follows: | ..... Rupees in '000 ..... |                            |                            |

**(a) Movement in the liability finalised in the balance sheet**

|  | <b>2014</b>   | <b>2013<br/>(Restated)</b> | <b>2012<br/>(Restated)</b> |
|--|---------------|----------------------------|----------------------------|
| Provision at beginning of the year     | 64,334        | 44,478                     | 31,001                     |
| Expense for the year                   | 19,341        | 13,278                     | 8,545                      |
| Benefits paid                          | (6,053)       | (4,013)                    | (3,386)                    |
| Actuarial loss on defined benefit plan | 8,166         | 10,591                     | 8,318                      |
| <b>Provision at end of the year</b>    | <b>85,788</b> | <b>64,334</b>              | <b>44,478</b>              |

|  | <b>Gratuity</b>            |                            |                            |
|--|----------------------------|----------------------------|----------------------------|
|  | <b>2014</b>                | <b>2013<br/>(Restated)</b> | <b>2012<br/>(Restated)</b> |
|  | ..... Rupees in '000 ..... |                            |                            |

**(b) The amount finalised in the profit and loss account is determined as follows:**

|                             | <b>2014</b>   | <b>2013<br/>(Restated)</b> | <b>2012<br/>(Restated)</b> |
|-----------------------------|---------------|----------------------------|----------------------------|
| Current service cost        | 12,291        | 7,332                      | 4,792                      |
| Interest cost               | 7,050         | 5,946                      | 3,753                      |
| <b>Expense for the year</b> | <b>19,341</b> | <b>13,278</b>              | <b>8,545</b>               |

**(c) Amounts for the current and previous four years are as follows:**

| As at June 30                               | <b>2014</b>                | <b>2013<br/>(Restated)</b> | <b>2012<br/>(Restated)</b> | <b>2011</b> | <b>2010</b> |
|---|----------------------------|----------------------------|----------------------------|-------------|-------------|
|   | ..... Rupees in '000 ..... |                            |                            |             |             |
| Present value of defined benefit obligation | 85,788                     | 64,334                     | 44,478                     | 39,319      | 30,017      |
| <b>Experience adjustment</b>                |                            |                            |                            |             |             |
| Actuarial loss on Obligation                | 8,166                      | 10,591                     | 8,318                      | 284         | 18          |

**19.2** The Company operates an unfunded gratuity scheme, hence, no plan assets are available.

|                                     | Note | June 30,<br>2014 | June 30,<br>2013 |
|-------------------------------------|------|------------------|------------------|
| ..... Rupees in '000 .....          |      |                  |                  |
| <b>20. TRADE AND OTHER PAYABLES</b> |      |                  |                  |
| <b>Trade</b>                        |      |                  |                  |
| Creditors                           |      | <b>442,676</b>   | 317,951          |
| <b>Other payables</b>               |      |                  |                  |
| Accrued liabilities                 | 20.1 | <b>208,075</b>   | 85,495           |
| Advances from customers             |      | <b>48,702</b>    | 38,405           |
| Workers' Profit Participation Fund  | 20.2 | <b>46,257</b>    | 42,314           |
| Workers' Welfare Fund               | 20.3 | <b>52,497</b>    | 39,137           |
| Fair value loss on derivative       | 18.1 | -                | 623              |
| Retention money                     |      | <b>900</b>       | 900              |
| Tax deducted at source              |      | <b>2,041</b>     | 1,145            |
| Unclaimed dividend                  |      | <b>1,296</b>     | 1,188            |
|                                     |      | <b>359,768</b>   | 209,207          |
|                                     |      | <b>802,444</b>   | 527,158          |

**20.1** This includes a provision of Rs. 76.734 million for Gas Infrastructure Development Cess (GIDC). Under the Gas Infrastructure Development Cess Act, 2011 (GIDC Act), the Government of Pakistan (GoP) levied GIDC on gas bills at the rate of Rs. 13/MMBTU on all industrial consumers. In the month of June 2012, the GoP revised GIDC rate from Rs. 13/MMBTU to Rs. 100/MMBTU and recommended this increase under Section 8(3) of the OGRA Ordinance 2002.

In this respect, the Company filed a suit before the SHC, challenging the applicability of GIDC Act along with increase in GIDC as being illegal, void and not in congruence with the Constitution of the Islamic Republic of Pakistan, 1973. The Company further sought refund of all amounts paid to the GoP in shape of cess from the date of imposition of same under the GIDC Act.

On July 26, 2012, the suit came up for hearing and an ad-interim stay was granted in favor of the Company, restraining the Sui Southern Gas Company Limited from charging any amount of GIDC over and above Rs. 13/MMBTU till the final decision of the case.

On September 7, 2012, the GoP issued another notification revising the rate of GIDC from Rs. 13/MMBTU to Rs. 50/MMBTU and accordingly the prayer clause of the suit also stands amended.

On December 31, 2013, the GoP issued another notification revising the rate of GIDC from Rs. 50/MMBTU to Rs. 100/MMBTU and accordingly the prayer clause of the suit also stands amended.

After the grant of the stay orders the matter has been fixed for hearing on various dates and was argued at length.

The management and its legal advisor are confident for a favorable outcome of the suit, however as a matter of prudence, the Company has recorded the above provision.

|  | Note | June 30,<br>2014 | June 30,<br>2013 |
|--|------|------------------|------------------|
| ..... Rupees in '000 .....                     |      |                  |                  |
| <b>20.2 Workers' Profit Participation Fund</b> |      |                  |                  |
| Balance at the beginning of the year           |      | <b>42,314</b>    | 26,710           |
| Allocation for the year                        | 28   | <b>46,256</b>    | 42,314           |
| Interest on WPPF                               | 28   | <b>2,251</b>     | 3,990            |
|  |      | <b>90,821</b>    | 73,014           |
| Payments made during the year                  |      | <b>(44,564)</b>  | (30,700)         |
|  |      | <b>46,257</b>    | 42,314           |

# Artistic Denim Mills Limited

|  | Note  | June 30,<br>2014 | June 30,<br>2013 |
|--|---|------------------|------------------|
| ..... Rupees in '000 .....                     |   |                  |                  |
| <b>20.3 Workers' Welfare Fund</b>              |   |                  |                  |
| Balance at the beginning of the year           |   | <b>39,137</b>    | 26,660           |
| Allocation for the year                        | 28  | <b>18,502</b>    | 16,925           |
|  |   | <b>57,639</b>    | 43,585           |
| Payments made during the year                  |   | <b>(5,142)</b>   | (4,448)          |
|  |   | <b>52,497</b>    | 39,137           |
| <b>21. ACCRUED MARK-UP</b>                     |   |                  |                  |
| <b>Accrued mark-up on secured:</b>             |   |                  |                  |
| Long-term financing - Term finance from a bank |   | <b>4,747</b>     | 7,152            |
| Long-term finance - SBP's EOP and LTFF         |   | <b>1,766</b>     | 3,564            |
| Short-term running finances                    |   | <b>889</b>       | 258              |
| Short-term loans                               |   | <b>16,945</b>    | 21,689           |
|  |   | <b>24,347</b>    | 32,663           |
| <b>22. SHORT-TERM BORROWINGS - secured</b>     |   |                  |                  |
| <b>From Banking Companies</b>                  |   |                  |                  |
| Short-term loans                               | 22.1  | <b>800,000</b>   | 950,000          |
| Short-term running finances                    | 22.2  | <b>178,403</b>   | 36,804           |
| Short-term running finances under FE-25        | 22.3  | <b>761,651</b>   | -                |
|  |   | <b>1,740,054</b> | 986,804          |
| <b>22.1 Short-term loans</b>                   |   |                  |                  |
| Export refinance - II                          | 22.1.1  | <b>100,000</b>   | -                |
| Export refinance - II                          | 22.1.2  | <b>700,000</b>   | 600,000          |
| Export refinance - II                          |   | <b>-</b>         | 350,000          |
|  |   | <b>800,000</b>   | 950,000          |
| <b>22.1.1</b>                                  | During the year, the Company arranged a facility for short-term loan under export refinance, amounting to Rs. 100 million, from a commercial bank on mark-up basis, repayable by August 31, 2014. The said export refinance facility and short term running finance under Foreign Exchange Circular No. 25 dated June 20, 1998 [note 22.3] is secured against the first pari passu registered hypothecation charge on movables and receivables of the Company, aggregating to Rs. 625 million.                        |                  |                  |
|  | The said export refinance carries mark-up at the rate of 0.50% per annum above the SBP's Minimum Export Refinance rate, payable quarterly.  |                  |                  |
| <b>22.1.2</b>                                  | During the year, the Company arranged a facility for short-term loan under export refinance, amounting to Rs. 700 million (2013: Rs. 600), from a commercial bank on mark-up basis, repayable by August 31, 2014. It is secured along with loan [note 18.2 (h)], running finance facility [note 22.2.2] and short term running finances under Foreign Exchange Circular No. 25, dated June 20, 1998 [note 22.3] against the first pari passu specific charge of plant and machinery, aggregating to Rs.2,000 million. |                  |                  |
|  | The said export refinance carries mark-up at the rate of 0.50% per annum (2013: 0.75% per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.  |                  |                  |



|             | Note                               | June 30,<br>2014           | June 30,<br>2013 |
|-------------|------------------------------------|----------------------------|------------------|
|             |                                    | ..... Rupees in '000 ..... |                  |
| <b>22.2</b> | <b>Short-term running finances</b> |                            |                  |
|             | From a commercial bank             | 22.2.1 175,036             | 36,804           |
|             | From a commercial bank             | 22.2.2 1,866               | -                |
|             | From a commercial bank             | 22.2.3 1,501               | -                |
|             |                                    | <u>178,403</u>             | <u>36,804</u>    |

**22.2.1** This represents utilised portion of a running finance facility, amounting to Rs.300 (2013: Rs. 300) million, arranged by the Company from a commercial bank, repayable / renewable latest by September 30, 2014 and is secured along with short term running finance under Foreign Exchange Circular No. 25 dated June 20, 1998 [note 22.3] against the first pari passu registered hypothecation charge on movables and receivables of the Company, aggregating to Rs.1,377 million and a demand promissory note of Rs.360 million.

This carries mark-up at the rate of 0.75% (2013: 0.75%) per annum over and above 3 month average KIBOR rate, payable quarterly.

**22.2.2** This represents utilised portion of a running finance facility, amounting to Rs.300 (2013: Rs. 300) million, arranged by the Company from a commercial bank, repayable / renewable latest by March 31, 2015 and is secured along with loan [note 18.2 (h)], export refinance facility [note 22.1.2] and short term running finances under Foreign Exchange Circular No. 25, dated June 20, 1998 [note 22.3] against the first pari passu specific charge of plant and machinery, aggregating to Rs.2,000 million.

This carries mark-up at the rate of 0.75% (2013: 0.75%) per annum over and above 3 month average KIBOR rate, payable quarterly.

**22.2.3** This represents utilised portion of a facility for short term loan under running finance arrangement, amounting to Rs.100 (2013: Rs.100) million arranged by the Company from a commercial bank on mark-up basis during the year repayable / renewable by December 31, 2014. It is secured against the registered charge over stock in trade, stores/spares and book debts of Company, aggregating to Rs.66.5 million and a demand promissory note of Rs.100 million and first pari passu EMOTD on land, building and machinery Rs. 66.667 million.

The loans carries mark-up at the rate of 0.75% (2013: 0.75%) over and above three months average KIBOR rate, payable quarterly.

**22.3** The Company has also borrowed short-term running finances under Foreign Exchange Circular No.25, dated June 20, 1998 for the purpose of meeting import requirements. The facilities availed are for an amount of USD 7.822 million equivalent to Rs.761.651 million (2013: Nil). The rates of mark-up on these finances range between 1.95% and 3.75% (2013: Nil) per annum. These facilities are secured against the first pari passu hypothecation charge over the movables and receivables [note 22.1.3] and first pari passu specific charge of plant and machinery [note 18.2 (h)]of the Company.

|             |                                      | June 30,<br>2014           | June 30,<br>2013 |
|-------------|--------------------------------------|----------------------------|------------------|
|             |                                      | ..... Rupees in '000 ..... |                  |
| <b>23.</b>  | <b>CONTINGENCIES AND COMMITMENTS</b> |                            |                  |
|             | <b>Contingencies</b>                 |                            |                  |
| <b>23.1</b> | Outstanding counter guarantees       | <u>115,073</u>             | <u>105,073</u>   |

- 23.2** The Company has challenged the amendments brought into the Workers' Welfare Fund Ordinance, 1971 through Finance Act, 2006 in the Honorable High Court of Sindh. On November 05, 2010, the suit came up for hearing and a stay was granted. The Company falls under the Final Tax Regime and discharges its liability on total receipt basis. Therefore, the Company has been paying Workers' Welfare Fund (WWF) on total receipt basis (which is 2% on 4% of total receipts) instead of paying 2% of profit before tax. The Company is expecting a favorable outcome of the suit. However, if the suit will be decided against the Company, it has to pay default surcharge of Rs. 12.928 million (June 30, 2013: Rs. 7.869 million) in addition to the remaining liability of WWF for which no provision has been made in these financial statements.

### Commitments

- 23.3** Commitments in respect of building on leasehold land at the end of the current year amounted to Rs. 592.584 (2013: Rs. 25.784) million.
- 23.4** Outstanding letters of credit at the end of the current year amounted to Rs. 531.360 (2013: Rs. 195.391) million.
- 23.5** Post dated cheques issued in favour of Custom Authorities, aggregated to Rs. 324.457 (2013: Rs. 184.949) million, against zero rated supplies for export purposes.

|                      | Note | June 30,<br>2014           | June 30,<br>2013 |
|----------------------|------|----------------------------|------------------|
| <b>24. NET SALES</b> |      | ..... Rupees in '000 ..... |                  |
| Exports              | 24.1 | 6,178,516                  | 6,040,838        |
| Local                |      | 467,258                    | 277,829          |
|                      |      | <b>6,645,774</b>           | <b>6,318,667</b> |
| Less:                |      |                            |                  |
| Sales tax            |      | (30,990)                   | (6,399)          |
| Sales return         |      | (6,160)                    | (11,511)         |
| Sales commission     |      | (141,033)                  | (163,964)        |
|                      |      | <b>(178,183)</b>           | <b>(181,874)</b> |
|                      |      | <b>6,467,591</b>           | <b>6,136,793</b> |

- 24.1** Included herein is a sum of Rs. 698.282 (2013: Rs. 512.081) million, representing indirect exports made by the Company during the 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.

|                                | Note | June 30,<br>2014           | June 30,<br>2013<br>(Restated) |
|--------------------------------|------|----------------------------|--------------------------------|
| <b>25. COST OF SALES</b>       |      | ..... Rupees in '000 ..... |                                |
| Opening stock - finished goods |      | 84,297                     | 40,132                         |
| Cost of goods manufactured     | 25.1 | 5,426,423                  | 5,035,354                      |
|                                |      | <b>5,510,720</b>           | <b>5,075,486</b>               |
| Closing stock - finished goods |      | (192,259)                  | (84,297)                       |
|                                |      | <b>5,318,461</b>           | <b>4,991,189</b>               |

# Artistic Denim Mills Limited

|  | Note   | June 30,<br>2014 | June 30,<br>2013<br>(Restated) |
|--|--------|------------------|--------------------------------|
| ..... Rupees in '000 .....                       |        |                  |                                |
| <b>25.1 Cost of goods manufactured</b>           |        |                  |                                |
| Raw and packing materials consumed               | 25.1.1 | 3,217,121        | 3,161,425                      |
| Stores and spares consumed                       | 25.1.2 | 252,895          | 237,645                        |
| Salaries, wages and other benefits               | 25.1.3 | 156,098          | 121,582                        |
| Contract wages                                   |        | 982,648          | 723,333                        |
| Fuel and power                                   |        | 521,964          | 416,019                        |
| Weaving and sarning charges                      |        | 27,884           | 62,499                         |
| Repairs and maintenance                          |        | 28,251           | 22,236                         |
| Printing and stationery                          |        | 4,188            | 4,638                          |
| Telephone and telex                              |        | 3,485            | 3,261                          |
| Rent, rates and taxes                            |        | 10,916           | 15,105                         |
| Insurance  |        | 6,842            | 9,058                          |
| Water charges                                    |        | 85,221           | 75,415                         |
| Transportation                                   |        | 12,158           | 8,749                          |
| Depreciation / amortization                      | 5.1.2  | 240,275          | 226,474                        |
| Security charges                                 |        | 3,330            | 4,600                          |
| Travelling, boarding and lodging                 |        | 4,467            | 3,515                          |
| Miscellaneous                                    |        | 3,758            | 4,203                          |
|  |        | <b>5,561,501</b> | <b>5,099,757</b>               |
| Opening work-in-process                          |        | 291,353          | 226,950                        |
| Closing work-in-process                          |        | (426,431)        | (291,353)                      |
|  |        | <b>5,426,423</b> | <b>5,035,354</b>               |
| <b>25.1.1 Raw and packing materials consumed</b> |        |                  |                                |
| Opening stock                                    |        | 231,952          | 426,008                        |
| Purchases  |        | 3,479,379        | 3,021,222                      |
| Duty draw back on export sales                   |        | (61,877)         | (53,853)                       |
|  |        | <b>3,417,502</b> | <b>2,967,369</b>               |
|  |        | <b>3,649,454</b> | <b>3,393,377</b>               |
| Closing stock                                    |        | (432,333)        | (231,952)                      |
|  |        | <b>3,217,121</b> | <b>3,161,425</b>               |
| <b>25.1.2 Stores and spares consumed</b>         |        |                  |                                |
| Opening stock                                    |        | 114,587          | 104,314                        |
| Purchases  |        | 282,945          | 247,918                        |
|  |        | <b>397,532</b>   | <b>352,232</b>                 |
| Closing stock                                    |        | (144,637)        | (114,587)                      |
|  |        | <b>252,895</b>   | <b>237,645</b>                 |

**25.1.3** Included herein is a sum of Rs.15.221 (2013: Rs. 10.067) million in respect of staff retirement benefits.

# Artistic Denim Mills Limited

|   | Note  | June 30,<br>2014 | June 30,<br>2013 |
|---|---|------------------|------------------|
| ..... Rupees in '000 .....                        |   |                  |                  |
| <b>26. DISTRIBUTION COSTS</b>                     |   |                  |                  |
| Salaries, allowances and other benefits           | 26.1  | 8,129            | 7,307            |
| Insurance   |   | 1,750            | 2,202            |
| Freight and transportation                        |   | 121,852          | 89,526           |
| Export development surcharge and clearing charges |   | 21,832           | 27,717           |
| Postage, courier and stamps                       |   | 14,217           | 22,006           |
| Depreciation / amortization                       | 5.1.2   | 521              | 491              |
| Travelling, boarding and lodging                  |   | 18,830           | 22,633           |
| Advertisement and publicity                       |   | 11,128           | 10,972           |
| Miscellaneous                                     |   | 5,139            | 4,214            |
|   |   | <u>203,398</u>   | <u>187,068</u>   |
| <b>26.1</b>                                       | Included herein is a sum of Rs.0.840 (2013: Rs. 0.696) million in respect of staff retirement benefits. |                  |                  |
| <b>27. ADMINISTRATIVE EXPENSES</b>                |   |                  |                  |
| Salaries, allowances and other benefits           | 27.1  | 31,660           | 25,732           |
| Depreciation / amortization                       | 5.1.2   | 19,523           | 18,402           |
| Legal and professional charges                    |   | 7,697            | 8,506            |
| Auditors' remuneration                            | 27.2  | 1,563            | 1,280            |
| Donations   | 27.3  | 6,015            | 4,855            |
| Miscellaneous                                     |   | 6,154            | 4,114            |
|   |   | <u>72,612</u>    | <u>62,889</u>    |
| <b>27.1</b>                                       | Included herein is a sum of Rs. 3.279(2013: Rs. 2.515) million in respect of staff retirement benefits. |                  |                  |
| <b>27.2 Auditors' remuneration</b>                |   |                  |                  |
| Audit fee   |   | 750              | 700              |
| Fee for half yearly review                        |   | 100              | 100              |
| Special certifications                            |   | 105              | 80               |
| Tax services                                      |   | 385              | 215              |
| Out-of-pocket expenses                            |   | 223              | 185              |
|   |   | <u>1,563</u>     | <u>1,280</u>     |
| <b>27.3</b>                                       | Donations do not include any donee in whom any director or his spouse has any interest.                 |                  |                  |
| <b>28. OTHER OPERATING EXPENSES</b>               |   |                  |                  |
| Workers' Profits Participation Fund               | 20.2  | 46,256           | 42,314           |
| Interest on WPPF                                  | 20.2  | 2,251            | 3,990            |
| Workers' Welfare Fund                             | 20.3  | 18,502           | 16,925           |
|   |   | <u>67,009</u>    | <u>63,229</u>    |

# Artistic Denim Mills Limited

|  | Note | June 30,<br>2014           | June 30,<br>2013 |
|--|------|----------------------------|------------------|
|  |      | ..... Rupees in '000 ..... |                  |
| <b>29. OTHER INCOME</b>                                  |      |                            |                  |
| Scrap sales  |      | 29,620                     | 26,721           |
| Gain on sale of fixed assets                             |      | 558                        | 3,431            |
| Exchange gain - net                                      |      | 125,796                    | 71,459           |
| Unrealised gain on revaluation of short-term investments |      | -                          | 1,195            |
| Dividend income  |      | 712                        | 2,166            |
| Gain on sale of investments                              |      | 6,943                      | -                |
|  |      | <u>163,629</u>             | <u>104,972</u>   |
| <b>30. FINANCE COSTS</b>                                 |      |                            |                  |
| <b>Mark-up on secured:</b>                               |      |                            |                  |
| Long-term financing                                      |      | 25,549                     | 46,515           |
| Short-term running finances                              |      | 2,347                      | 1,565            |
| Short-term loans   |      | 64,457                     | 80,554           |
|  |      | <u>92,353</u>              | <u>128,634</u>   |
| Fair value gain on derivatives                           |      | (9,320)                    | (5,523)          |
| Bank charges   |      | 25,729                     | 26,602           |
|  |      | <u>108,762</u>             | <u>149,713</u>   |
| <b>31. TAXATION</b>                                      |      |                            |                  |
| Current  |      | 8,669                      | 29,971           |
| Prior  |      | (188)                      | (325)            |
|  | 14   | <u>8,481</u>               | <u>29,646</u>    |

The relationship between income tax expense and accounting profit has not been presented in these financial statements as the total income of the Company falls under the final tax regime.

The income tax assessments of the Company have been finalised up to and including tax year 2012. The return in respect of the tax year 2013 has been filed, which is deemed to be assessed under the provisions of the Income Tax Ordinance, 2001. During the year, the Company has installed plant and machinery amounting to Rs.578.718 (2013: Rs.347.030) million. Under section 65B of the Income Tax Ordinance, 2001, the Company has claimed a tax credit of Rs.57.872 (2013: Rs.34.703) million at the rate of 10% on its investment in plant and machinery. However, as per the order passed under section 122 (5A) of the Income Tax Ordinance, 2001, by the Additional Commissioner Inland Revenue (ACIR) for tax year 2013, the tax credit under section 65B was not allowed. As a result, the Company filed an appeal with the Commissioner Inland Revenue (Appeals) who, vide his order dated May 30, 2014, has directed the ACIR to re-examine the matter in accordance with the law. The management is confident that the case will be decided in its favour, therefore, a similar tax credit has been claimed in the computation of tax for the current year.

## 32. EARNINGS PER SHARE - BASIC AND DILUTED

Basic / diluted 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.

|   | June 30,<br>2014        | June 30,<br>2013<br>(Restated) |
|---|-------------------------|--------------------------------|
|   |                         | ..... Rupees in '000 .....     |
| Net profit for the year                 | <u>852,497</u>          | <u>757,386</u>                 |
|   | <b>Number of shares</b> |                                |
| Number of Ordinary shares               | <u>84,000,000</u>       | <u>84,000,000</u>              |
|   | <b>(Rupees)</b>         |                                |
| Earnings per shares - basic and diluted | <u>10.15</u>            | <u>9.02</u>                    |

# Artistic Denim Mills Limited

|  | Note | June 30,<br>2014           | June 30,<br>2013<br>(Restated) |
|--|------|----------------------------|--------------------------------|
|  |      | ..... Rupees in '000 ..... |                                |
| <b>33. CASH GENERATED FROM OPERATIONS</b>                |      |                            |                                |
| Profit before taxation                                   |      | 860,978                    | 787,677                        |
| <b>Adjustments for non-cash charges and other items:</b> |      |                            |                                |
| Depreciation / amortization                              |      | 260,319                    | 245,367                        |
| Provision for gratuity                                   |      | 19,341                     | 13,278                         |
| Finance costs  |      | 108,762                    | 149,713                        |
| Fair value gain on derivatives                           |      | (9,320)                    | (5,523)                        |
| Dividend income  |      | (712)                      | (2,166)                        |
| Gain on disposal of operating fixed assets               |      | (558)                      | (3,431)                        |
|  |      | <b>377,832</b>             | <b>397,238</b>                 |
| <b>Profit before working capital changes</b>             |      | <b>1,238,810</b>           | <b>1,184,915</b>               |
| <b>(Increase) / decrease in current assets</b>           |      |                            |                                |
| Stores and spares  |      | (29,919)                   | (10,404)                       |
| Stock-in-trade   |      | (456,770)                  | 63,335                         |
| Trade debts  |      | (153,605)                  | 52,222                         |
| Loans and advances                                       |      | (27,647)                   | 1,132                          |
| Trade deposits and prepayments                           |      | (4,651)                    | 6,008                          |
| Other receivables  |      | (16,780)                   | 2,319                          |
| Sales tax refundable                                     |      | (52,926)                   | (38,831)                       |
| Short-term investments                                   |      | 14,849                     | (1,195)                        |
|  |      | <b>(727,449)</b>           | <b>74,586</b>                  |
| <b>Increase/ (decrease) in current liabilities</b>       |      |                            |                                |
| Trade and other payables                                 |      | 275,802                    | (85,201)                       |
| <b>Cash generated from operations</b>                    |      | <b>787,163</b>             | <b>1,174,300</b>               |
| <b>34. CASH AND CASH EQUIVALENTS</b>                     |      |                            |                                |
| Cash and bank balances                                   | 15   | 7,739                      | 18,653                         |
| Short-term running finances                              | 22.2 | (178,403)                  | (36,804)                       |
|  |      | <b>(170,664)</b>           | <b>(18,151)</b>                |
| <b>35. UNAVAILED CREDIT FACILITIES</b>                   |      |                            |                                |
| Short-term running finances                              |      | <b>721,597</b>             | <b>663,196</b>                 |

## 36. REMUNERATION OF THE CHIEF EXECUTIVE, A DIRECTOR AND EXECUTIVES

|                         | 2014                       |          |               | 2013            |          |               |
|-------------------------|----------------------------|----------|---------------|-----------------|----------|---------------|
|                         | Chief Executive            | Director | Executives    | Chief Executive | Director | Executives    |
|                         | ..... Rupees in '000 ..... |          |               |                 |          |               |
| Managerial remuneration | 4,364                      | -        | 57,630        | 4,364           | -        | 35,589        |
| Medical                 | 436                        | -        | 5,763         | 436             | -        | 3,535         |
| Bonus                   | 400                        | -        | 5,283         | 400             | -        | 2,670         |
| Retirement benefits     | 400                        | -        | 6,012         | 400             | -        | 3,615         |
|                         | <u>5,600</u>               | <u>-</u> | <u>74,688</u> | <u>5,600</u>    | <u>-</u> | <u>45,409</u> |
| Number of persons       | <u>1</u>                   | <u>-</u> | <u>77</u>     | <u>1</u>        | <u>-</u> | <u>44</u>     |

**36.1** The Chief Executive and certain executives are provided with free use of the Company maintained cars in terms of their employment.

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company's senior management oversees the management of these risks. The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of financial derivatives, financial instruments and investment of excess liquidity.

The Board of directors reviews and agrees policies for managing each of these risks which are summarised below:

### 37.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, interest rate risk and other price risk, such as equity risk.

Financial instruments affected by market risk include short-term investment, trade debtors, trade payables, bank balances, long-term financing and short-term borrowings.

#### 37.1.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company's interest rate risk arises from long-term and short-term borrowings obtained with floating rates. The Company is currently exposed to interest rate risk as some of the borrowings of the Company are at floating rate of interest. All the borrowings of the Company are obtained in the functional currency. To manage the interest rate risk on long term loan, the Company has entered into cross currency interest rate SWAP agreement as discussed in note 18.1 (b) to the financial statements.

Change in interest rate by 100bps may have a positive or negative impact of approximately Rs.1.807 (2013: Rs.2.566) million in profit and loss account before taxation. The analysis is made based on the assumption that all other variables remain constant.

#### Sensitivity Analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

**Increase /  
decrease in  
basis points**      **Effect on profit  
before tax**  
**Rupees in '000**

|                      |              |                  |
|----------------------|--------------|------------------|
| <b>June 30, 2014</b> |              |                  |
| KIBOR                | 100<br>(100) | 1,807<br>(1,807) |
| <b>June 30, 2013</b> |              |                  |
| KIBOR                | 100<br>(100) | 2,566<br>(2,566) |

### 37.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency). The Company's exposure to foreign currency risk is as follows:

|  | <b>June 30,<br/>2014</b>   | <b>June 30,<br/>2013</b> |
|--|----------------------------|--------------------------|
|  | ..... Rupees in '000 ..... |                          |
| Trade debts                              | 1,385,534                  | 1,309,984                |
| Cash and bank balances                   | 5,946                      | 13,636                   |
| Short-term running finance under FE - 25 | (761,651)                  | -                        |
| Trade and other payables                 | (91,608)                   | (70,416)                 |
|  | <u>538,221</u>             | <u>1,253,204</u>         |

The following significant exchange rates have been applied at the reporting dates:

|                            |              |              |
|----------------------------|--------------|--------------|
| Exchange rates (PKR / USD) | <u>98.55</u> | <u>98.60</u> |
|----------------------------|--------------|--------------|

The foreign currency exposure is partly covered as the majority of the Company's billing is determined in dollars which is converted into rupees at the exchange rate prevailing at the transaction date.

#### Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity.

|                      | <b>Change in<br/>US Dollar<br/>Rate (%)</b> | <b>Effect on<br/>profit /<br/>(loss)</b> | <b>Effect on<br/>equity</b> |
|----------------------|---|--|-----------------------------|
|                      |   | ..... Rupees in '000 .....               |                             |
| <b>June 30, 2014</b> | +10   | <u>53,822</u>                            | <u>53,822</u>               |
|                      | -10   | <u>(53,822)</u>                          | <u>(53,822)</u>             |
| <b>June 30, 2013</b> | +10   | <u>125,320</u>                           | <u>125,320</u>              |
|                      | -10   | <u>(125,320)</u>                         | <u>(125,320)</u>            |



### 37.1.3 Equity risk

At the balance sheet date, the Company is not exposed to any such risk.

### 37.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is mainly exposed to credit risk on trade debts and bank balances. The Company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

#### 37.2.1 Credit quality of financial assets

The credit quality of financial assets that are neither past nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

|   | <b>June 30,<br/>2014</b>   | <b>June 30,<br/>2013</b> |
|---|----------------------------|--------------------------|
|   | ..... Rupees in '000 ..... |                          |
| <b>Trade debts</b>                              |                            |                          |
| Customers with no defaults in the past one year | <b>1,538,993</b>           | 1,385,388                |
| <b>Bank balances</b>                            |                            |                          |
| A1+ PACRA                                       | <b>7,465</b>               | 18,088                   |
| A-1+ JCR - VIS                                  | <b>116</b>                 | 13                       |
|   | <b>7,581</b>               | 18,101                   |

### 37.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date, the Company has unavailed credit facility of Rs.721.597 (2013: Rs. 663.196) million.

Table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

|                            | On Demand      | Less than 3 months | 3 to 12 months | 1 to 5 years   | 5 years  | Total            |
|----------------------------|----------------|--------------------|----------------|----------------|----------|------------------|
| ..... Rupees in '000 ..... |                |                    |                |                |          |                  |
| Long-term financing        | -              | 52,193             | 76,311         | 39,985         | -        | 168,489          |
| Trade and other payables   | 131,566        | 605,220            | 65,658         | -              | -        | 802,444          |
| Accrued mark-up            | -              | 24,347             | -              | -              | -        | 24,347           |
| Short-term borrowings      | -              | 1,740,054          | -              | -              | -        | 1,740,054        |
| <b>2014</b>                | <b>131,566</b> | <b>2,421,814</b>   | <b>141,969</b> | <b>39,985</b>  | <b>-</b> | <b>2,735,334</b> |
| ..... Rupees in '000 ..... |                |                    |                |                |          |                  |
| Long-term financing        | -              | 59,130             | 95,439         | 168,489        | -        | 323,058          |
| Trade and other payables   | 40,326         | 175,895            | 310,937        | -              | -        | 527,158          |
| Accrued mark-up            | -              | 32,663             | -              | -              | -        | 32,663           |
| Short-term borrowings      | -              | 986,804            | -              | -              | -        | 986,804          |
| <b>2013</b>                | <b>40,326</b>  | <b>1,254,492</b>   | <b>406,376</b> | <b>168,489</b> | <b>-</b> | <b>1,869,683</b> |

Effective interest / yield rates for the financial liabilities are mentioned in the respective notes to the financial statements.

### 37.4 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended June 30, 2014 and June 30, 2013.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings less cash and cash equivalents. Capital includes equity attributable to the equity holders add reserves.

|   | <b>June 30,<br/>2014</b>   | <b>June 30,<br/>2013<br/>(Restated)</b> |
|---|----------------------------|---|
|   | ..... Rupees in '000 ..... |   |
| Long-term financing                       | <b>39,985</b>              | 168,489                                 |
| Current maturities of long-term financing | <b>128,504</b>             | 154,569                                 |
| Cash and bank balances                    | <b>(7,739)</b>             | (18,653)                                |
| <b>Net debt</b>                           | <b>160,750</b>             | 304,405                                 |
| Issued, subscribed and paid-up capital    | <b>840,000</b>             | 840,000                                 |
| Reserves                                  | <b>3,962,782</b>           | 3,202,451                               |
| <b>Total capital</b>                      | <b>4,802,782</b>           | 4,042,451                               |
| <b>Capital and net debt</b>               | <b>4,963,532</b>           | 4,346,856                               |
| Gearing ratio                             | <b>3.24%</b>               | 7.00%                                   |

### 38. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, amounts due from executives and remuneration of directors and executives are disclosed in the relevant notes. Other material transactions with related parties are given below:

|  | <b>June 30,<br/>2014</b>   | <b>June 30,<br/>2013</b> |
|--|----------------------------|--------------------------|
|  | ..... Rupees in '000 ..... |                          |
| <b>Casual Sportswear</b>                     |                            |                          |
| Associated undertaking / Common directorship |                            |                          |
| Sales  | <b>310,027</b>             | 304,497                  |
| <b>Artistic Apparels (Private) Limited</b>   |                            |                          |
| Associated undertaking / Common directorship |                            |                          |
| Sales  | <b>9,753</b>               | 19,076                   |

### 39. PLANT CAPACITY AND PRODUCTION

|                               | <b>June 30,<br/>2014</b> | <b>June 30,<br/>2013</b> |
|-------------------------------|--------------------------|--------------------------|
| <b>Spinning</b>               |                          |                          |
| Number of rotors installed    | <b>864</b>               | 864                      |
| Number of spindles installed  | <b>20,448</b>            | 20,448                   |
| Capacity of yarn (Lbs.)       | <b>22,119,000</b>        | 27,190,000               |
| Production of yarn (Lbs.)     | <b>14,182,459</b>        | 16,638,775               |
| <b>Weaving</b>                |                          |                          |
| Number of looms installed     | <b>154</b>               | 154                      |
| Capacity of fabric (meters)   | <b>23,973,200</b>        | 23,973,200               |
| Production of fabric (meters) | <b>16,439,587</b>        | 16,844,663               |

|                              | <b>June 30,<br/>2014</b> | <b>June 30,<br/>2013</b> |
|------------------------------|--------------------------|--------------------------|
| <b>Garments</b>              |                          |                          |
| Number of machines installed | 933                      | 420                      |
| Capacity of garments (pcs)   | 2,310,000                | 1,800,000                |
| Production of garments (pcs) | 1,845,482                | 1,376,294                |

Under utilisation of available capacity was due to global recession, quality change down time and type of quality produced.

|                                | <b>June 30,<br/>2014</b> | <b>June 30,<br/>2013</b> |
|--------------------------------|--------------------------|--------------------------|
| <b>40. NUMBER OF EMPLOYEES</b> |                          |                          |
| At year end                    | 376                      | 323                      |
| Average for the year           | 348                      | 312                      |

**41. MOVEMENT BETWEEN RESERVES AND PROPOSED DIVIDEND**

In the meeting held on September 25, 2014, the Board of Directors of the Company recommended a final cash dividend for the year at the rate of Rs.1.0 per Ordinary share of Rs.10 each, amounting to Rs.84,000,000/- out of the Company's profit, to the members at the Annual General Meeting for their approval.

**42. DATE OF AUTHORISATION FOR ISSUE**


These financial statements have been authorised for issue on September 25, 2014 by the Board of Directors of the Company.

**43. GENERAL**

Figures in these financial statements have been rounded off to the nearest thousand rupees.



**Faisal Ahmed**  
Chief Executive



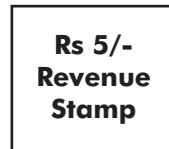
**Muhammad Iqbal-ur-Rahim**  
Director

## FORM OF PROXY

I/We \_\_\_\_\_ of \_\_\_\_\_  
 \_\_\_\_\_ being member(s) of ARTISTIC DENIM MILLS LIMITED  
 and holder of \_\_\_\_\_ Ordinary Shares as per Share Register Folio/CDC Account  
 No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ Folio/CDC Account No. \_\_\_\_\_  
 of \_\_\_\_\_ CNIC No. or Passport No. \_\_\_\_\_ or failing whom  
 \_\_\_\_\_ Folio/CDC Account No. \_\_\_\_\_ of \_\_\_\_\_ CNIC No.  
 or Passport No. \_\_\_\_\_ who is also a member of the Company as my/our proxy to  
 attend and vote for me/us and on my/our behalf at the 22<sup>nd</sup> ANNUAL GENERAL MEETING of the  
 Company to be held on Saturday, October 25, 2014 at 04:00 PM and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014.

Witnesses: 1. Signature \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 CNIC or Passport No. \_\_\_\_\_



2. Signature \_\_\_\_\_ Signature \_\_\_\_\_  
 Name: \_\_\_\_\_ (Signature should agree with the specimen  
 Address: \_\_\_\_\_ signature registered with the Company).  
 CNIC or Passport No. \_\_\_\_\_ CNIC or Passport No. \_\_\_\_\_

### IMPORTANT

1. This form of proxy, duly completed and signed, must be deposited at the Company's Shares Registrar's Office not later than 48 hours before the meeting.
2. This form should be signed by the Member or by his/her attorney duly authorised in writing. If the Member is a Corporation, its common seal should be affixed to the instrument.
3. A Member entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote on his/her behalf except that a corporation may appoint a person who is not a Member.

### For CDC Account Holders/Corporate Entities:

In addition to the above, following requirements have to be met:

- (i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC or Passport Numbers shall be mentioned on the form.
- (ii) Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iii) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
- (iv) 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) alongwith proxy form to the Company.