

The background of the entire page is a close-up, artistic photograph of denim fabric. The texture is highly detailed, showing the individual threads and the characteristic diagonal ribbing. The lighting is soft and directional, creating a gradient from a bright, hazy white at the top to a deep, saturated blue at the bottom. The overall effect is one of texture and depth.

# ADM

ARTISTIC DENIM MILLS

Quarterly Report  
September 30, 2013

Artistic Denim Mills Limited

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## Artistic Denim Mills Limited

### COMPANY INFORMATION

#### Board of Directors

Chairman & Chief Executive  
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. Yasir Anwar

#### Auditors

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

#### Legal Advisor

Monawwer Ghani  
Advocate

#### Share Registrar

M/s Technology Trade (Pvt.) Ltd.  
Dagja 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

#### 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

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ARTISTIC DENIM MILLS

QUARTERLY REPORT 2013

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## **DIRECTORS' REVIEW REPORT TO THE MEMBERS**

The Directors have pleasure to present the un-audited condensed interim financial statements of your company, for the quarter ended September 30, 2013.

### **PERIOD UNDER REVIEW**

The financial results of the Company during the period under review compared with the corresponding period are summarized below:

	September 30, 2013 Rs. in million	September 30, 2012 Rs. in million
Net Sales	<b>1,742</b>	1,483
Gross profit	<b>427</b>	262
Finance costs	<b>36</b>	47
Net Profit	<b>324</b>	135
EPS (Rs. per share)	<b>3.86</b>	1.61

Your Company's net sales for the quarter registered an increase of Rs. 259 million as compared to the corresponding period last year. Gross profit margin has improved to 24.51% from 17.70%. The positive performance reflects favorable impact of volume growth, right product mix and cost control measures. Finance costs reduced to 36 million from 47 as compared to corresponding period last year. The good operating results have thus helped to an increase of 189 million in net profit over the corresponding period. Accordingly, earnings per share have improved to Rs. 3.86 per share in comparison to 1.61 per share for the corresponding period.

### **FUTURE OUTLOOK**

The key challenges facing Pakistan's economy emanate from long standing structural issues which have continued to stifle economic activity and growth. The perennial problems of the energy crisis, an upsurge in inflation level and the law & order situation will continue to deter uninterrupted business workings.

Despite the challenging environment, optimum operational excellence and enhanced management skills have positioned the Company to achieve sustained and qualitative growth over the long-term. The Board assures you that the management is well aware of its responsibility and would do its best to take all necessary measures to increase the productivity in all its divisions and overall profitability of the Company and ultimately the value of the business.

## Artistic Denim Mills Limited

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### **ACKNOWLEDGEMENTS**

We thank our customers for their trust in our products and shareholders, bankers and suppliers for their continued support. We also thank our employees for their relentless efforts and acknowledge their continued support, commitment and loyalty.

ON BEHALF OF THE BOARD



**FAISAL AHMED**  
Chairman & Chief Executive

Karachi: October 29, 2013

QUARTERLY REPORT 2013

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Artistic Denim Mills Limited

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**CONDENSED INTERIM BALANCE SHEET**  
**AS AT SEPTEMBER 30, 2013 (UN-AUDITED)**

		September 30, 2013	June 30, 2013
		----- (Rupees in '000) -----	
<b>ASSETS</b>	<b>Note</b>	<b>Un-audited</b>	<b>Audited</b>
<b>NON-CURRENT ASSETS</b>			
<b>Fixed assets</b>			
Property, plant and equipment	4	3,794,230	3,515,096
Long term loans		7,236	5,314
Long term deposits		918	853
<b>CURRENT ASSETS</b>			
Stores and spares		118,181	114,718
Stock-in-trade		533,326	640,068
Trade debts		1,855,365	1,385,388
Loans and advances		46,206	51,712
Trade deposits and prepayments		7,278	1,985
Other receivables		186,693	140,145
Short-term investments	5	17,780	14,849
Taxation - net		87,129	87,687
Cash and bank balances		18,929	18,653
		<b>2,870,887</b>	<b>2,455,205</b>
<b>TOTAL ASSETS</b>		<b>6,673,271</b>	<b>5,976,468</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	6	840,000	840,000
Reserve		3,544,610	3,220,715
		<b>4,384,610</b>	<b>4,060,715</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing		116,297	168,489
Deferred liability		49,151	46,070
<b>CURRENT LIABILITIES</b>			
Trade and other payables		432,775	527,158
Accrued mark-up		18,700	32,663
Short term borrowings		1,523,320	986,804
Current maturity of long-term financing		148,418	154,569
		<b>2,123,213</b>	<b>1,701,194</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	7		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,673,271</b>	<b>5,976,468</b>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.



**Faisal Ahmed**  
Chairman & Chief Executive



**Muhammad Iqbal-ur-Rahim**  
Director

Artistic Denim Mills Limited

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013 (UN-AUDITED)**

	September 30, 2013	September 30, 2012
	----- (Rupees in '000) -----	
<b>NET SALES</b>	<b>1,742,257</b>	1,483,210
Cost of sales	<b>(1,315,197)</b>	(1,220,749)
<b>GROSS PROFIT</b>	<b>427,060</b>	262,461
Distribution costs	<b>(52,127)</b>	(45,559)
Administrative expenses	<b>(16,438)</b>	(17,027)
Other operating expenses	<b>(26,946)</b>	(11,307)
Other operating income	<b>45,892</b>	8,635
	<b>(49,619)</b>	(65,258)
<b>OPERATING PROFIT</b>	<b>377,441</b>	197,203
Finance costs	<b>(35,859)</b>	(46,978)
<b>PROFIT BEFORE TAXATION</b>	<b>341,582</b>	150,225
Taxation	<b>(17,687)</b>	(15,170)
<b>NET PROFIT FOR THE PERIOD</b>	<b>323,895</b>	135,055
<b>EARNINGS PER SHARE</b>		
- Basic and diluted (Rs. per share)	<b>3.86</b>	1.61

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.



**Faisal Ahmed**  
Chairman & Chief Executive



**Muhammad Iqbal-ur-Rahim**  
Director

Artistic Denim Mills Limited

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ARTISTIC DENIM MILLS

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013 (UN-AUDITED)**

	September 30, 2013	September 30, 2012
	------(Rupees in '000)-----	
Net profit for the period	323,895	135,055
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<u>323,895</u>	<u>135,055</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.



**Faisal Ahmed**  
Chairman & Chief Executive



**Muhammad Iqbal-ur-Rahim**  
Director



Artistic Denim Mills Limited

**CONDENSED INTERIM CASH FLOW STATEMENT  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013 (UN-AUDITED)**

	September 30, 2013	September 30, 2012
------(Rupees in '000)-----		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	341,582	150,225
<b>Adjustments for non cash charges and other items:</b>		
Depreciation	60,593	60,859
Provision for gratuity	3,481	2,136
Finance costs	35,859	46,978
(Gain) on revaluation of short term investments	(2,931)	(132)
(Gain) on disposal of operating fixed assets	(154)	(3,015)
	96,848	106,826
Profit before working capital changes	438,430	257,051
<b>Decrease / (Increase) in current assets</b>		
Stores and spares	(3,463)	(28,695)
Stock-in-trade	106,742	169,089
Trade debts	(469,977)	85,337
Loans and advances	5,506	(1,068)
Trade deposits and prepayments	(5,293)	1,714
Other receivables	(46,548)	10,138
	(413,033)	236,515
<b>(Decrease) in current liabilities</b>	(94,383)	(199,664)
<b>Cash (used in) / generated from operations</b>	(68,986)	293,902
Taxes paid	(17,131)	(20,247)
Gratuity paid	(399)	(1,229)
Finance costs paid	(49,822)	(49,502)
Long term deposits	(65)	(12)
	(67,417)	(70,990)
<b>Net cash (used in) / generated from operating activities</b>	(136,403)	222,912
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(339,872)	(108,854)
Long term loans	(1,922)	(1,714)
Sale proceeds of operating fixed assets	300	14,731
<b>Net cash used in investing activities</b>	(341,494)	(95,837)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term financing repaid	(58,343)	(13,737)
Long term financing acquired	-	164,889
Short term borrowings (repaid) / acquired	536,516	(277,675)
<b>Net cash generated from / (used in) financing activities</b>	478,173	(126,523)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	276	552
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	18,653	13,729
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	18,929	14,281

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

  
**Faisal Ahmed**  
Chairman & Chief Executive

  
**Muhammad Iqbal-ur-Rahim**  
Director

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ARTISTIC DENIM MILLS

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Artistic Denim Mills Limited

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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013 (UN-AUDITED)**

	Share Capital	Revenue Reserve	Total
	Issued, subscribed and paid-up	Unappropriated profit	
----- (Rupees in '000) -----			
Balance as at July 01, 2012	840,000	2,547,329	3,387,329
Net profit for the period ended September 30, 2012	-	135,055	135,055
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	-	135,055	135,055
<b>Balance as at September 30, 2012</b>	<b>840,000</b>	<b>2,682,384</b>	<b>3,522,384</b>
Balance as at July 01, 2013	840,000	3,220,715	4,060,715
Net profit for the period ended September 30, 2013	-	323,895	323,895
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	-	323,895	323,895
<b>Balance as at September 30, 2013</b>	<b>840,000</b>	<b>3,544,610</b>	<b>4,384,610</b>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.



**Faisal Ahmed**  
Chairman & Chief Executive



**Muhammad Iqbal-ur-Rahim**  
Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013 (UN-AUDITED)**

**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 BASIS OF PREPARATION**

These condensed interim financial information is un-audited and is being submitted to shareholders as required by Section 245 of the Companies Ordinance, 1984 (the Ordinance) and the listing regulations of the Karachi Stock Exchange. This condensed interim financial information of the Company for the quarter ended September 30, 2013 has been prepared in accordance with the requirements of International Accounting Standards (IAS) - 34 "Interim Financial Reporting" and provisions of and directives issued under the Ordinance. In case where requirements differ, the provision of or directives issued under the Ordinance have been followed.

This condensed interim financial information does not include all the information and disclosures required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2013.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and the methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the audited annual financial statements of the Company for the year ended June 30, 2013.

	Note	September 30, 2013 ----- (Rupees in '000) Un-audited	June 30, 2013 ----- Audited
<b>4 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	4.1	<b>3,252,910</b>	3,305,415
Capital work-in-progress	4.2	<b>541,320</b>	209,681
		<b>3,794,230</b>	3,515,096
<b>4.1 The additions and disposals in property, plant and equipment are as follows:</b>			
Opening net written down value		<b>3,305,415</b>	3,112,798
Additions during the period / year	4.1.1	<b>8,234</b>	450,166
Disposals, at their written down values during the period / year		<b>(146)</b>	(12,182)
Depreciation charge during the period/year		<b>(60,593)</b>	(245,367)
		<b>(60,739)</b>	(257,549)
		<b>3,252,910</b>	3,305,415

## Artistic Denim Mills Limited

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	September 30, 2013	June 30, 2013
	----- (Rupees in '000) -----	
	Un-audited	Audited
<b>4.1.1 The following additions were made during the period/year</b>		
Building on leasehold land	-	84,243
Plant & machinery	-	323,016
Factory equipment	5,861	24,014
Furniture & fixtures	363	4,626
Office equipment, including computers	818	2,322
Vehicles	1,192	11,945
	<u>8,234</u>	<u>450,166</u>
<b>4.2 Capital work-in-progress</b>		
Balances at the beginning of the period/year	209,681	316,900
Additions during the period/year		
Civil works	35,366	98,494
Plant and machinery	249,489	122,984
Factory equipment	5,861	24,014
Advances to suppliers	46,784	78,562
	<u>337,500</u>	<u>324,054</u>
Transfers to operating fixed assets	(5,861)	(431,273)
	<u>541,320</u>	<u>209,681</u>
<b>5 SHORT TERM INVESTMENTS</b>		
<b>At fair value through profit and loss</b>		
<b>Held for trading</b>		
Investments in shares of listed companies	14,849	13,654
Unrealised gain on investments held for trading	2,931	1,195
	<u>17,780</u>	<u>14,849</u>
<b>6 SHARE CAPITAL</b>		
<b>No. of shares</b>		
<b>September 30, 2013</b>	<b>June 30, 2013</b>	
<u>100,000,000</u>	<u>100,000,000</u>	
		<b>Authorised share capital</b>
		Ordinary shares of Rs.10 each
		<u>1,000,000</u>
		<u>1,000,000</u>
		<b>Issued, subscribed and paid-up capital</b>
		Ordinary shares of Rs.10 each
14,000,000	14,000,000	fully paid in cash
		140,000
70,000,000	70,000,000	fully paid bonus shares
		700,000
<u>84,000,000</u>	<u>84,000,000</u>	<u>840,000</u>
		<u>840,000</u>

## Artistic Denim Mills Limited

		September 30, 2013	June 30, 2013
		------(Rupees in '000)-----	-----
		Un-audited	Audited
<b>7</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
	<b>Contingencies</b>		
7.1	Outstanding counter guarantees	<u>107,073</u>	<u>105,073</u>

- 7.2 Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development (GID) Cess on gas bills at the rate of Rs. 13/MMBTU on all industrial consumers. In the month of June 2012, the Federal Govt revised GID Cess 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 Honorable High Court of Sindh, challenging the applicability of Gas Infrastructure Cess Act, 2011 along with increase in GID Cess as being illegal, void and not in congruence to the Constitution of the Islamic Republic of Pakistan, 1973. The Company further sought refund of all amounts paid to the Government in shape of cess from the date of imposition of same under the GID Cess Act, 2011.

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 GID Cess over and above Rs. 13/MMBTU till the final decision of the case.

On September 7, 2012, the Federal Govt. issued another notification revising the rate of GID Cess from Rs. 13/MMBTU to Rs. 50/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 financial exposure of the Company under the suit for the period ended September 30, 2013 is Rs. 33.256 (June 30, 2013: Rs. 26.563) million. The Company and its legal advisors are confident of a favorable outcome of the suit and accordingly no provision has been made in the financial statements for the above amount.

### **Commitments**

- 7.3 Commitments in respect of building on leasehold land at the end of the period amounted to Rs. 11.160 (June 30, 2013: Rs.25.784) million.
- 7.4 Outstanding letters of credit at the end of the period amounted to Rs. 192.534 (June 30, 2013: Rs.195.391) million.
- 7.5 Post dated cheques issued in favour of Custom Authorities, aggregated to Rs. 216.574 (June 30, 2013: Rs.184.949) million, against zero rated supplies for export purposes.

## **8 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. Detail of transactions with related parties, other than remuneration and benefits to the directors and key management personnel under the terms of their employments, are given below:

## Artistic Denim Mills Limited

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	September 30, 2013	September 30, 2012
	----- (Rupees in '000) -----	
	Un-audited	Un-audited

**Aggregate amount in respect of:**

Sales of goods and services provided	<b>64,919</b>	119,446
--------------------------------------	---------------	---------

The above transactions are at arm's length using admissible valuation methods.

**9 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information has been authorised for issue on October 29, 2013 by the Board of Directors of the Company.

**10 GENERAL**

Figures have been rounded-off to the nearest thousand rupees.

QUARTERLY REPORT 2013



**Faisal Ahmed**  
Chairman & Chief Executive



**Muhammad Iqbal-ur-Rahim**  
Director

Plot No. 5-9, 23-26, Sector 16, Korangi Industrial Area, Karachi, Pakistan.  
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Email: sales@admdenim.com Web: www.admdenim.com