

# Contents

02	Company information	<hr/>
03	Vision and Mission statement	<hr/>
04	Notice of Annual General Meeting	<hr/>
05	Directors' report to the members	<hr/>
10	Year wise statistical summary	<hr/>
11	Pattern of shareholdings	<hr/>
14	Performance at a glance	<hr/>
15	Financial & Production Highlights	<hr/>
19	Statement of compliance with the Code of Corporate Governance	<hr/>
21	Review report to the members on statement of compliance with the Code of Corporate Governance	<hr/>
22	Auditors' report to the members	<hr/>
24	Balance sheet	<hr/>
25	Profit and loss account	<hr/>
26	Statement of comprehensive income	<hr/>
27	Cash flow statement	<hr/>
28	Statement of changes in equity	<hr/>
29	Notes to the financial statements	<hr/>
	<b>Form of Proxy</b>	<hr/>

# 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 Yousuf Ahmed  
Mr. Muhammad Iqbal-ur-Rahim  
Ms. Sarah Faisal Ahmed

## ■ Human Resource and Remuneration Committee

Chairman  
Members

Mr. Muhammad Yousuf Ahmed  
Mr. Muhammad Ali Ahmed  
Mr. Muhammad Iqbal-ur-Rahim

## ■ 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.  
Dagia House, 241-C, Block-2, PECHS, Karachi.  
Phone No. 3439 1316-7

## ■ Bankers

Allied Bank Limited  
Bank Al Habib Limited  
Citibank N.A.  
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](http://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 20th Annual General Meeting of **Artistic Denim Mills Limited** will be held at DCL Auditorium, Central Library (DHA) Sunset Boulevard Phase-II, DHA, Karachi, on Thursday, October 25, 2012 at 1600 hrs to transact the following business after recitation from the Holy Quran.

### **ORDINARY BUSINESS:**

1. To confirm the Minutes of the Extra Ordinary General Meeting held on November 14, 2011.
2. To receive and adopt the audited Financial Statements for the year ended June 30, 2012, together with Directors' Report and Auditors' Report thereon.
3. To approve the cash dividend as recommended by the Board of Directors.
4. To appoint the Auditors of the Company for the year 2012-2013 and to fix their remuneration.
5. To consider any other business with the permission of the chair.

For and on behalf of the Board

**SAGHEER AHMED**  
CFO & Company Secretary

Karachi: October 03, 2012.

### **NOTES:**

#### **1. Closure of Share Transfer Books:**

The share transfer books of the Company will remain closed from October 17, 2012 to October 25, 2012 (both days inclusive). Transfers received in order at the Registered Office of the Company by the close of business by October 16, 2012 will be treated in time for the entitlement of 10% cash dividend and to attend and vote at the Meeting.

#### **2. Participation in the Annual General Meeting:**

All Member of the Company are entitled to attend the Meeting and vote there at in person or through proxy. A Proxy, duly appointed, shall have such rights in respect to speaking and voting at the Meeting as are available to a Member. The proxies shall produce their original CNIC's or original Passports at the time of the Meeting.

#### **3. Proxy:**

A Member of the Company may appoint another Member as his/her Proxy to attend and vote instead of him/her. A Corporation being a Member may appoint any person, whether or not a Member of the Company, as its Proxy. In the case of corporate entities, the Board of Directors' resolution / Power of Attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, unless provided earlier, shall be submitted to the Company along-with the Proxy Form.

In order to be effective, Proxy Forms, duly filled and signed, must be received at the company's Registered Office not less than forty eight (48) hours before the Meeting.

#### **4. Declaration for Zakat**

Members are requested to submit declaration for Zakat on the required format.

#### **5. Change of Address & CNIC**

Shareholders are requested to immediately notify the change of address, if any and shareholders who have not yet submitted photocopy of their Computerized National Identity Cards (CNIC) to the Company are requested to send the same at the earliest to enable the Company to comply with the relevant laws.

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their Report and Audited Financial Statements of the Company for the year ended June 30, 2012.

### OPERATING FINANCIAL RESULTS

Following is Company's performance for the year under review.

	June 30, 2012 Rs. in million	June 30, 2011 Rs. in million
Net Sales	5,452	4,869
Gross profit	851	743
Finance costs	165	189
Profit before tax	496	395
Net Profit	440	351
EPS (Rs. per share)	5.24	4.18

We are pleased to inform you that your Company achieved a healthy double digit net sales growth for the year ended June 30, 2012. Net sales for the year increased by 11.97% as compared to the previous year. The increase in sales was mainly due to higher sales volume of garments, better product/market penetration and increase in product pricing. Gross profit for the year ended June 30, 2012 has increased by Rs. 108 million in absolute terms whereas as a percentage of net sales, gross profit has increased to 15.61% from 15.26%. The increase in gross profit is mainly attributable to higher sales volume, increase in selling prices and reinforced cost effective measures. Your Company was able to manage the finance costs and it significantly decreased by 12.46% over last year despite the continuing high mark-up rates. Net profit for the current year is 8.07% of net sales has improved marginally from last year.

### DIVIDEND

The Board of Directors have pleasure in recommending a final dividend @ 10% (i.e. Rs. 1.0/= per share). This will be paid to the shareholders on the Company's Register on October 17, 2012. The dividend is to be approved by the shareholders at the Annual General Meeting on Thursday, October 25, 2012.

### PRODUCTION

The management of the Company remained committed to produce high quality denim products by optimizing production and operational efficiencies.

During the year, the Company produced 15.14 million meters of fabric and 17.64 million lbs of yarn as against 15.97 million meters of fabric and 20.39 million lbs of yarn during the corresponding period. The cost of production has been kept at minimum level through effective utilization of resources and by controlling production wastages.

### SALES AND MARKETING

With over 20 years of experience, ADM prides itself at providing its customers the best possible denim brands. Cater to a multitude of customers, our products and services provide the best value and quality that our customers deserve. Innovation is an integral part towards ADM business philosophy. We are constantly redefining ourselves in terms of products and services that we offer to meet the growing and changing need of our customers.

The Sales and Marketing Department is a well-organized concern managed by competent and experienced employees, committed towards the success and growth of the Company.

We continuously strive to improve our current products in terms of quality, suitability and economy. Additionally our dedicated team of experts fights hard to develop new products, which can bag success in the world of cutthroat competition.

## **FUTURE OUTLOOK**

Your company has made good progress in achieving sales growth over the years by not only challenging the operating environment to grow our existing denim fabric products but also by launching new innovative garment products.

The Company keeping up the concept of up-gradation of technology and is in the process of replacing old Sulzer looms with new Picanol Airjet looms in the weaving division to increase the production of fabric to meet the customers demand in time.

ADM has established a state of the art garment manufacturing facility equipped with all the standard accessories. During the year the Company doubled the production of garment which is an evidence of growth and commitment.

The textile industry is operating in an environment where all major input costs are now subject to inflationary trends and are now being seriously impacted by the consistent devaluation of the currency and in particular higher energy and employment costs. The industry is not able to continually absorb all these costs.

In spite of these extremely challenging conditions, we believe your Company has the potential to maintain sales growth in line with the industry trend and the Company's management is continuously focused in taking initiatives for improving business performance as well as overall profitability.

## **ELECTION OF DIRECTORS**

At the Extra Ordinary General Meeting of the Company held at the MOOSA DE. DESSAI Auditorium, ICAP on November 14, 2011, the following seven Directors were elected in accordance with the provisions of Section 178(1) of the Companies Ordinance, 1984:

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

## **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 report the following:

- 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 system of internal control is sound in design and has been effectively implemented and monitored; and
- There are no significant doubts upon the Company's ability to continue as a going concern.
- Key operating and financial data of last six years in summarized form is annexed.
- Outstanding taxes and levies have been adequately disclosed in the annexed audited financial statements.
- During the year under review, six meetings of the Board of Directors and four meetings of the Audit Committee were held. The attendance by each Director is as follows:

Name of Directors	Board	Audit Committee
	Meetings Attended	Meetings Attended
Mr. Faisal Ahmed	6	-
Mrs. Maliha Faisal	6	-
Mr. Muhammad Yousuf Ahmed	6	4
Mr. Muhammad Ali Ahmed	6	-
Mrs. Hajra Ahmed	5	-
Mr. Muhammad Iqbal-ur-Rahim	6	4
Ms. Sarah Faisal Ahmed	5	4

Leave of absence was granted to the directors who were unable to attend the meeting and applied for.

During the year under review no formal Human Resource and Remuneration Committee (HR&RC) meeting was held. However, matters of urgent nature were directly discussed and approved at the Board meeting on the recommendation of members of HR&RC.

- During the year Mr. Faisal Ahmed, Chief Executive has completed Corporate Governance Leadership Skill (CGLS) Program.
- The pattern of shareholding is annexed.
- During the fiscal year July 1, 2011 to June 30, 2012 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.

#### **BOARD COMMITTEES**

An Audit Committee has been in existence since 2002 in compliance to the Code of Corporate Governance. The names of its members are given in the Company information. The Board of Directors in compliance to the Code of Corporate Governance have established a Human Resource and Remuneration Committee (HR&RC). The names of its members are given in the Company information.

#### **RELATED PARTY TRANSACTION AND TRANSFER PRICING**

The Company has fully complied with best practices on transfer pricing as contained in the listing regulations of Karachi Stock Exchange. The transactions with related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method.

#### **AUDITORS**

The present auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Board of Directors endorses recommendation of the Audit Committee for its re-appointment as the Auditors of the Company for the financial year ending June 30, 2013, at a fee to be mutually agreed upon.

#### **CORPORATE SOCIAL RESPONSIBILITY**

##### **1. Energy Conservation**

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 Company has 20% production of power through fuel to overcome the situation of gas shortage partially with future plans to considering other alternate solutions. Some of the energy conservation measures taken are:

- a) Waste heat from the exhaust gases of the engines are being utilized for the production of steam and heat recovery boilers have been installed for the same.
- b) Roof extractors are installed in production departments where processing machines are working.
- c) Insulation of pipeline for steam wherever missing and damaged.
- d) Arresting steam leakages from valves, flanges, pipeline and traps.
- e) Optimization of steam and condensate for air-washer by continuous monitoring and fine-tuning.
- f) Installation of wind ventilators in departments.
- g) Installation of pressure reducing valve system in scouring machines.
- h) Separate cleaning line of compressed air in loom shed and other departments for machine cleaning to minimize air losses.

## 2. Environment, Health & Safety

The Company 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, by minimizing, so far as is reasonably practicable, the cause of hazards inherent in the working environment. Management Representatives make sure that overall working atmosphere of the Company is neat and clean and as per general working conditions. Management Representatives are also 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.

ADM is certified by following certification bodies.

- ISO 14001:2004 (Environmental Management System)
- ISO 9001:2008 (Quality Management System)
- SA 8000:2008 (Social Accountability)
- WRAP (Worldwide Responsible Accreditation Production)
- REACH (Registration, Evaluation, Authorization & Restriction of Chemicals)
- GOTS (Global Organic Textile Standards)
- Oeko Tex -100
- Organic Exchange
- Organic Exchange Blended

## 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. Contribution of ADM in Flood Relief Activities

ADM being responsible corporate citizen, positively played its role in flood relief activities. ADM has also made contribution through "APTMA FLOOD RELIEF FUND" for support of flood effectees.

## 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. 56 million to the government exchequer in the shape of direct and indirect taxes.

## ACKNOWLEDGEMENT

Your Directors take this opportunity to express their sincere appreciation for the excellent support and co-operation extended by the shareholders, customers, suppliers and bankers.

Your Directors place on record their deep appreciation for the exemplary contribution made by employees at all levels. Their dedicated efforts and enthusiasm have been pivotal to your Company's growth.

On Behalf of the Board

**Faisal Ahmed**  
Chairman & Chief Executive

Karachi: September 24, 2012

## YEAR WISE STATISTICAL SUMMARY

	2012	2011	2010	2009	2008	2007
	.....(Rupees in '000).....					
<b>ASSETS EMPLOYED</b>						
Fixed assets	<b>3,112,798</b>	3,250,504	3,393,330	3,341,198	2,863,087	2,686,790
Capital work-in-progress	<b>316,900</b>	16,008	26,960	84,401	397,681	428,249
Long term loans	<b>4,695</b>	4,592	4,467	4,997	4,365	3,820
Long term deposits	<b>833</b>	777	777	979	798	800
Net current assets/(liabilities)	<b>332,469</b>	25,676	(204,701)	(259,182)	65,160	(99,398)
<b>Total Assets Employed</b>	<b>3,767,695</b>	3,297,557	3,220,833	3,172,393	3,331,091	3,020,261
<b>FINANCED BY</b>						
Shareholders equity	<b>3,387,329</b>	3,031,237	2,847,793	2,681,257	2,472,836	2,123,252
Long term financing	<b>344,206</b>	235,319	348,293	471,430	799,889	810,138
Long term murabaha	-	-	-	-	42,498	70,830
Deferred liability	<b>36,160</b>	31,001	24,747	19,706	15,868	16,041
<b>Total</b>	<b>3,767,695</b>	3,297,557	3,220,833	3,172,393	3,331,091	3,020,261
<b>SALES &amp; PROFITS</b>						
Net sales	<b>5,451,844</b>	4,869,120	3,671,610	3,125,384	2,436,268	2,488,086
Gross profit	<b>851,259</b>	743,095	766,715	697,984	638,014	741,492
Profit before taxation	<b>496,438</b>	395,273	370,925	410,338	373,722	438,286
Net profit after taxation	<b>440,092</b>	351,444	334,536	376,421	349,584	406,446
Proposed Bonus/Dividend %	<b>10</b>	10	20	20	20	20
Un-appropriated profit	<b>2,547,329</b>	2,191,237	2,007,793	1,841,257	1,632,836	1,423,252

## PATTERN OF SHAREHOLDING

Number of Shareholders	Shareholdings		Total Number of Shares Held
	From	To	
151	1	100	6,127
170	101	500	60,398
153	501	1000	119,403
226	1001	5000	530,158
40	5001	10000	301,434
16	10001	15000	193,142
5	15001	20000	86,299
3	20001	25000	66,887
4	30001	35000	133,998
1	35001	40000	40,000
3	40001	45000	129,858
2	45001	50000	99,000
1	90001	95000	93,505
2	95001	100000	199,951
1	105001	110000	106,852
1	595001	600000	600,000
1	875001	880000	876,062
1	995001	1000000	1,000,000
1	1765001	1770000	1,767,000
1	1815001	1820000	1,819,700
1	2055001	2060000	2,057,472
1	4100001	4105000	4,101,833
1	4200001	4205000	4,204,667
1	8725001	8730000	8,726,400
1	15295001	15300000	15,299,200
1	41000001	41500000	41,380,654
<b>789</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	
Sub-Total:	<b>1,767,000</b>	2.10
<b>DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN</b>		
MUHAMMAD ALI AHMED	42,858	
IQBAL UR RAHIM	600	
SARAH FAISAL AHMED	4,101,833	
HAJRA AHMED	500	
FAISAL AHMED	41,380,654	
MUHAMMAD YOUSUF AHMED	100,000	
MALIHA FAISAL	15,299,200	
Sub-Total:	<b>60,925,645</b>	72.53
<b>ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES</b>		
ARTISTIC PROPERTIES (PVT) LIMITED	1,819,700	
Sub-Total:	<b>1,819,700</b>	2.17
<b>MODARABAS AND MUTUAL FUNDS</b>		
GOLDEN ARROW SELECTED STOCKS FUND LIMITED	2,057,472	
CDC - TRUSTEE AKD OPPORTUNITY FUND	876,062	
B.R.R. GUARDIAN MODARABA	45,000	
Sub-Total:	<b>2,978,534</b>	3.55
<b>NIT AND ICP</b>		
IDBP (ICP UNIT)	2,500	
INVESTMENT CORP, OF PAKISTAN	500	
Sub-Total:	<b>3,000</b>	0.00
<b>FOREIGN INVESTORS</b>		
MOHAMMAD HAROON NUR REHMAN ABDLLA KHAN	12,400	
Sub-Total:	<b>12,400</b>	0.01

## PATTERN OF SHAREHOLDING

Categories of Shareholders	Shares Held	Percentage
<b>OTHERS</b>		
SEVEN STAR SECURITIES (PVT.) LTD.	501	
SEVEN STAR SECURITIES (PVT.) LTD.	34,998	
MOONACO SECURITIES (PRIVATE) LIMITED	21,000	
PEARL CAPITAL MANAGEMENT (PRIVATE) LIMITED	1,125	
MSMANIAR FINANCIALS (PVT) LTD.	20,976	
DARSON SECURITIES (PVT) LIMITED	1,500	
FIRST NATIONAL EQUITIES LIMITED	9,620	
HSZ SECURITIES (PVT.)LTD.	80	
HH MISBAH SECURITIES (PRIVATE) LIMITED	11,000	
TIME SECURITIES (PVT.) LTD.	5,000	
LIVE SECURITIES LIMITED	2,105	
DJM SECURITIES (PRIVATE) LIMITED	5,000	
AZEE SECURITIES (PRIVATE) LIMITED	800	
HIGHLINK CAPITAL (PVT) LTD.	4,000	
ACE SECURITIES (PVT.) LIMITED	2,800	
TRUSTEES OF NAZ TEXTILES PRIVATE LTD.	1,000	
Y.S. SECURITIES & SERVICES (PVT) LTD.	80	
MOOSANI SECURITIES (PVT) LTD.	6,347	
TRUSTEES D.G.KHAN CEMENT CO. LTD.	31,000	
Sub-Total:	<b>158,932</b>	0.19
<b>INDIVIDUAL</b>		
Local - Individuals	16,334,789	
Sub-Total:	<b>16,334,789</b>	19.45
<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	41,380,654	
Maliha Faisal	15,299,200	
Sadia Zain	8,727,400	
Zahra Faisal Ahmed	4,213,032	
<b>Total:</b>	<b>69,620,286</b>	<b>82.88</b>

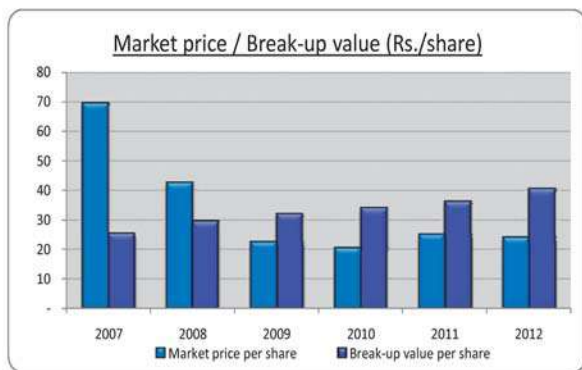
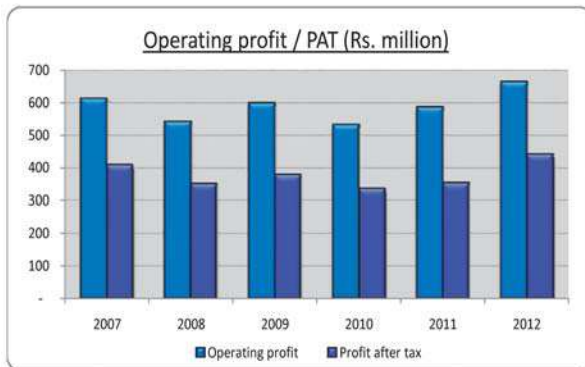
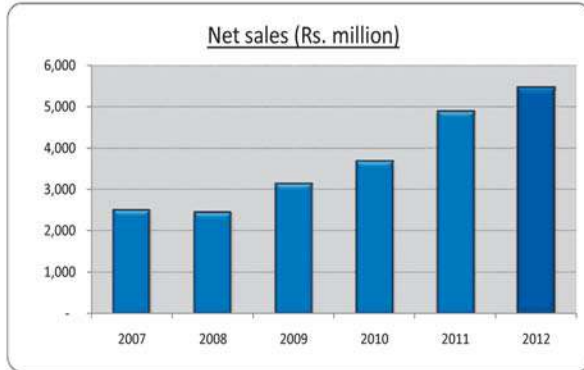
PERFORMANCE AT A GLANCE

	<b>2012</b>	<b>2011</b>
<b>FINANCIAL RATIOS</b>		
Gross profit - % of sales	<b>15.61</b>	15.26
Profit before taxation - % of sales	<b>9.11</b>	8.12
Net Profit after taxation - % of sales	<b>8.07</b>	7.22
Earnings per share - basic & diluted	<b>5.24</b>	4.18
Increase / (decrease) in sale - %	<b>11.97</b>	32.62
Raw and packing materials - % of sales	<b>47.45</b>	63.19
Labour - % of sales	<b>11.90</b>	10.38
Other cost of goods manufactured - % of sales	<b>24.86</b>	11.07
Distribution costs - % of sales	<b>2.22</b>	2.13
Administrative expenses - % of sales	<b>1.01</b>	1.11
Finance costs - % of sales	<b>3.03</b>	3.87
Taxation - % of sales	<b>1.03</b>	0.90
Inventory turnover days	<b>74</b>	92
Receivable turnover days	<b>92</b>	71
<b>SHORT TERM SOLVENCY</b>		
Current ratio	<b>1.16</b>	1.01
Acid test ratio	<b>0.78</b>	0.55
<b>OVERALL VALUATION AND ASSESSMENT</b>		
Return on equity (average)	<b>13.71</b>	11.96
P.E. ratio	<b>4.58</b>	5.98
Book value per share	<b>40.33</b>	36.09
Long term debts : equity	<b>9:91</b>	7:93

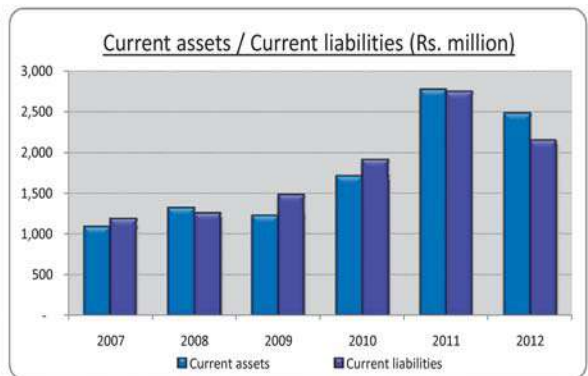
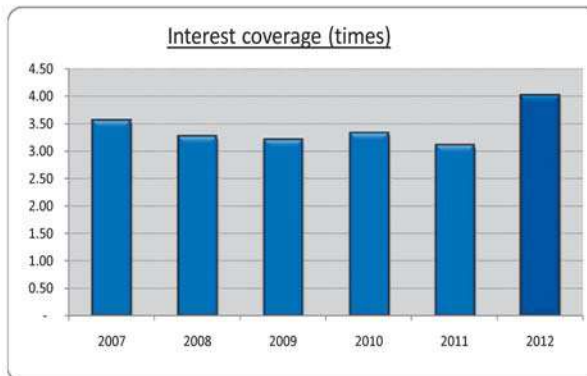
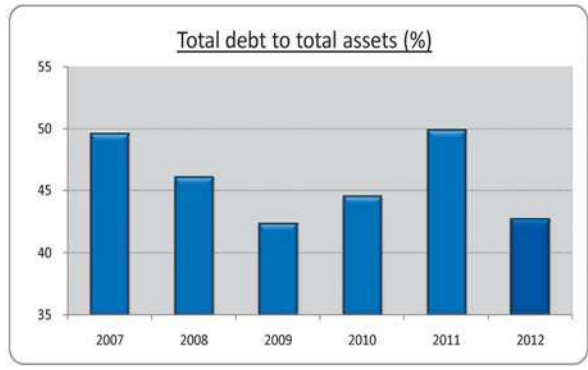
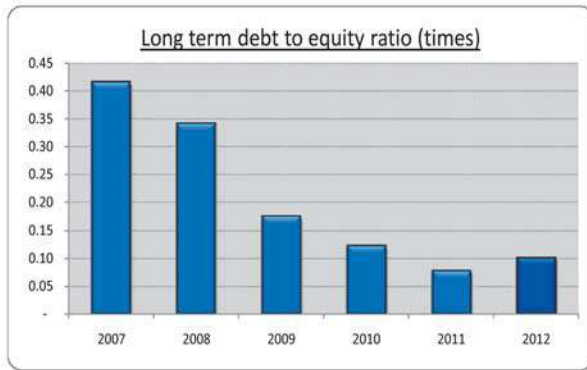
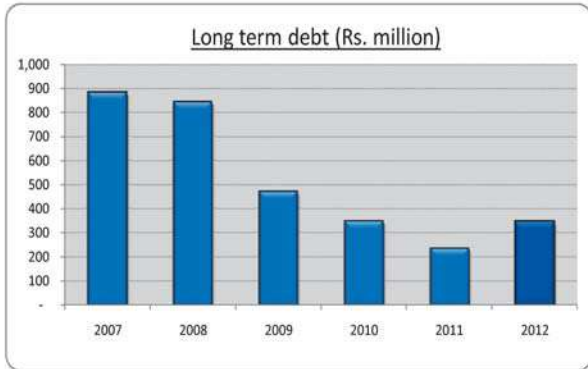
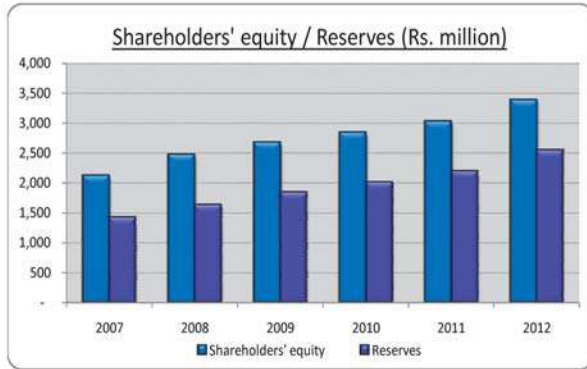
**DETAIL OF TRADING BY THE DIRECTORS, CHIEF EXECUTIVE, CHIEF FINANCIAL OFFICER COMPANY SECRETARY, THEIR SPOUSES AND MINOR CHILDREN**

Name of Directors	No. of Shares			
	Opening Balance	Purchase	Sold	Closing Balance
Ms. Sarah Faisal Ahmed	3,355,439	746,394	-	4,101,833
Mrs. Hajra Ahmed	310,258	-	309,758	500

## FINANCIAL HIGHLIGHTS

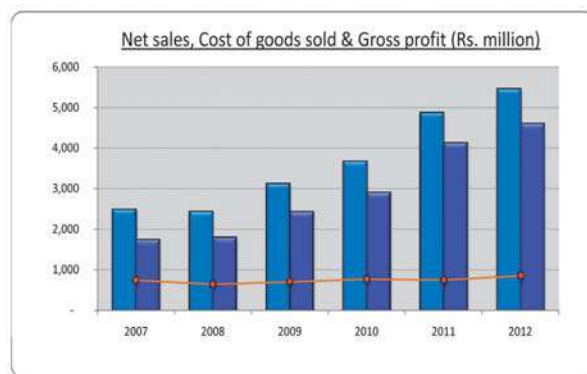
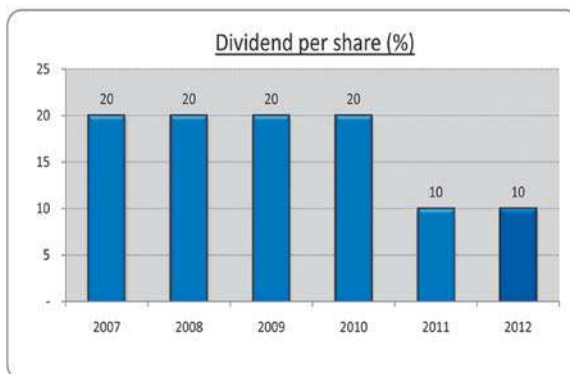
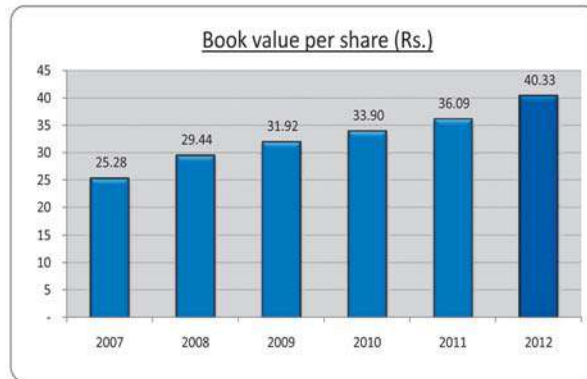
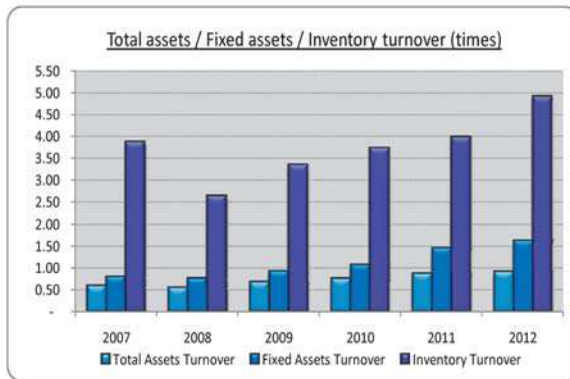
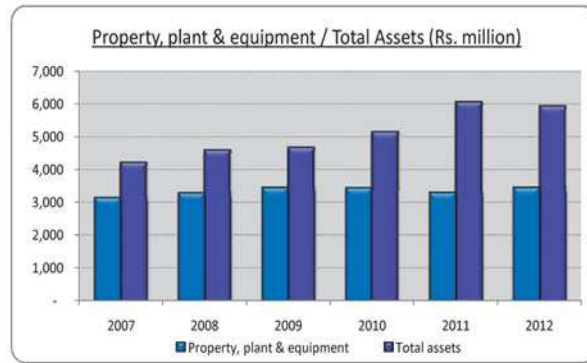
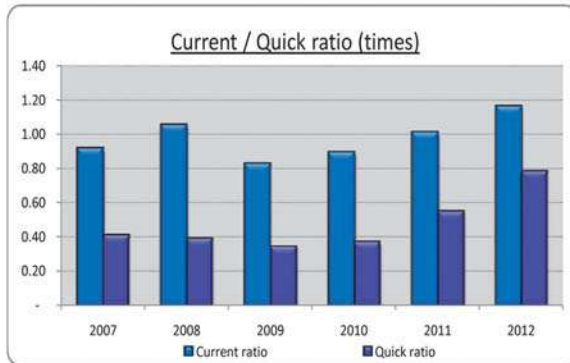


FINANCIAL HIGHLIGHTS

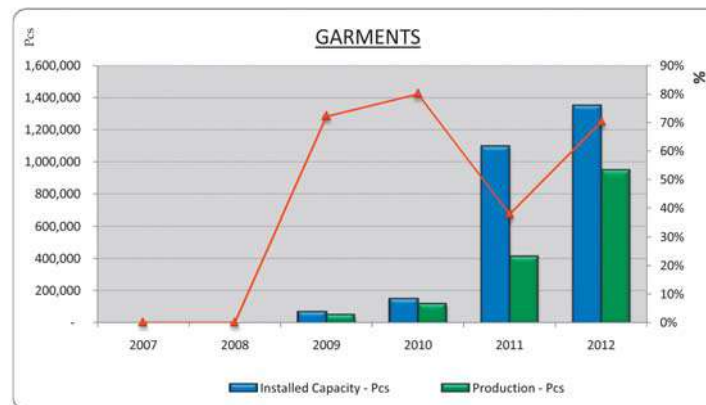
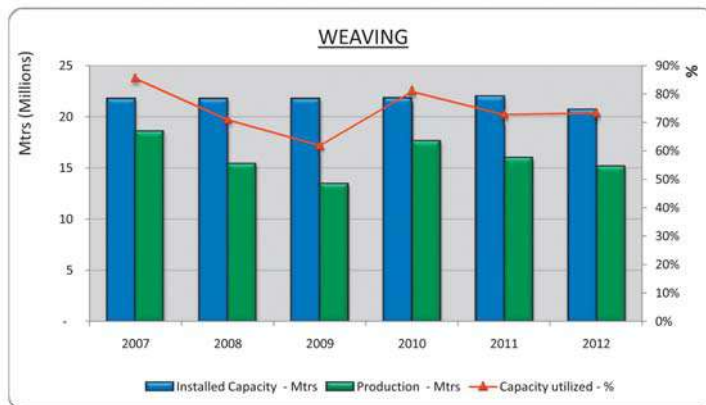
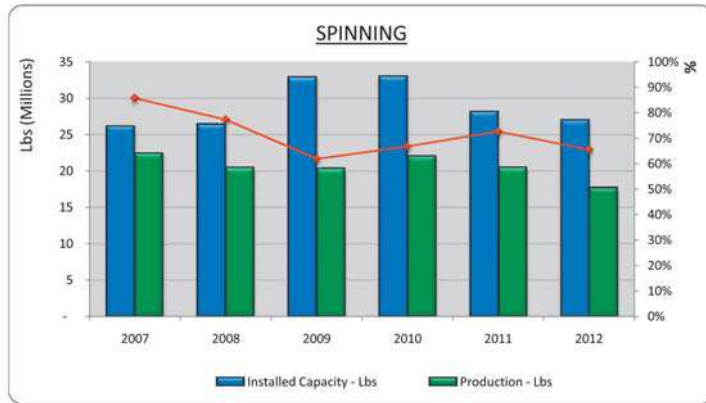




# FINANCIAL HIGHLIGHTS



PRODUCTION HIGHLIGHTS



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of Company: **Artistic Denim Mills limited**

Year Ended: **June 30, 2012**

This statement is being presented to comply with the Code of Corporate Governance (CCG) 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 CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. 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		✓	

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies including this Company.
3. All the Resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a 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.
4. The Board has been elected by the shareholders of the Company in Extra Ordinary General Meeting Held on November 14, 2011.
5. No casual vacancy occurred on the Board during the period under review.
6. The Company has prepared a 'Statement of Ethic and Business Practices' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
7. 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.
8. 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.
9. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. The Board arranges orientation course for its directors as and when needed to apprise them of their duties and responsibilities. One director of the Company has completed Corporate Governance Leadership Skills (CGLS) Program of the Pakistan Institute of Corporate Governance (PICG) during the period under review.
11. The Board had approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
12. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. 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.
15. The Company has complied with all the corporate and financial reporting requirements of the CCG.
16. The Board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors including the Chairman of the Committee.
17. 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 CCG. The terms of reference of the Committee have been formed and advised to the committee for compliance.
18. 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.
19. The Board has set-up an effective internal audit function.
20. 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 ICAP.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. 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.
23. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

Karachi: September 24, 2012

**FAISAL AHMED**  
Chairman & Chief Executive

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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended **30 June 2012** prepared by the Board of Directors of **Artistic Denim Mills Limited (the Company)** to comply with the Regulations of the respective Stock Exchange, where the Company is listed.

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

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

Further, Listing Regulations of Karachi Stock Exchange require the Company to place before the Board of Directors for their consideration and approval, 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, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 for the year ended **30 June 2012**.

**Chartered Accountants**

**24 September 2012**

**Karachi**

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ARTISTIC DENIM MILLS LIMITED (the Company)** as at **30 June 2012** 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 2.3, 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 2012** and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

**Chartered Accountants****Audit Engagement Partner's Name:** Riaz A. Rehman Chamdia**Date:** 24 September 2012**Place:** Karachi



## BALANCE SHEET

As at June 30, 2012

	Note	June 30, 2012	June 30, 2011
Rupees in '000			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Fixed assets</b>			
Property, plant and equipment	4	3,429,698	3,266,512
Long-term loans	5	4,695	4,592
Long-term deposits	6	833	777
<b>CURRENT ASSETS</b>			
Stores and spares	7	104,314	98,201
Stock-in-trade	8	703,403	1,169,686
Trade debts	9	1,437,610	1,322,268
Loans and advances	10	52,844	33,520
Trade deposits and prepayments	11	7,993	5,748
Other receivables	12	103,633	88,623
Short-term investments	13	13,654	14,407
Taxation - net	14	39,828	26,170
Cash and bank balances	15	13,729	10,628
		<b>2,477,008</b>	<b>2,769,251</b>
<b>TOTAL ASSETS</b>		<b>5,912,234</b>	<b>6,041,132</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVE</b>			
Share capital	16	840,000	840,000
Reserves	17	2,547,329	2,191,237
		<b>3,387,329</b>	<b>3,031,237</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	18	344,206	235,319
Deferred liability	19	36,160	31,001
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	617,840	354,867
Accrued mark-up	21	36,331	39,093
Short-term borrowings	22	1,366,812	2,199,354
Current maturity of long-term financing		123,556	150,261
		<b>2,144,539</b>	<b>2,743,575</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	23		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,912,234</b>	<b>6,041,132</b>

The annexed notes 1 to 42 form an integral part of these financial statements.



**PROFIT AND LOSS ACCOUNT**

For the year ended June 30, 2012

	Note	June 30, 2012	June 30, 2011
Rupees in '000			
<b>NET SALES</b>	24	<b>5,451,844</b>	4,869,120
Cost of sales	25	<b>(4,600,585)</b>	(4,126,025)
<b>GROSS PROFIT</b>		<b>851,259</b>	743,095
Distribution costs	26	<b>(121,031)</b>	(103,643)
Administrative expenses	27	<b>(54,911)</b>	(53,922)
Other operating expenses	28	<b>(56,007)</b>	(38,130)
Other operating income	29	<b>42,271</b>	36,514
		<b>(189,678)</b>	(159,181)
<b>OPERATING PROFIT</b>		<b>661,581</b>	583,914
Finance costs	30	<b>(165,143)</b>	(188,641)
<b>PROFIT BEFORE TAXATION</b>		<b>496,438</b>	395,273
Taxation	31	<b>(56,346)</b>	(43,829)
<b>NET PROFIT FOR THE YEAR</b>		<b>440,092</b>	351,444
<b>EARNINGS PER SHARE - BASIC AND DILUTED (Rs. per share)</b>	32	<b>5.24</b>	4.18

The annexed notes 1 to 42 form an integral part of these financial statements.

**Faisal Ahmed**  
Chairman & Chief Executive

**Muhammad Yousuf Ahmed**  
Director

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended June 30, 2012

	June 30, 2012	June 30, 2011
	Rupees in '000	
<b>Net profit for the year</b>	<b>440,092</b>	351,444
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>440,092</b>	<b>351,444</b>

The annexed notes 1 to 42 form an integral part of these financial statements.

**Faisal Ahmed**  
Chairman & Chief Executive

**Muhammad Yousuf Ahmed**  
Director

**CASH FLOW STATEMENT**

For the year ended June 30, 2012

	Note	June 30, 2012	June 30, 2011
Rupees in '000			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	33	1,464,566	(113,086)
Taxes paid		(70,004)	(58,356)
Gratuity paid		(3,386)	(2,291)
Finance costs paid		(161,390)	(190,215)
Long-term deposits		(56)	-
<b>Net cash generated from / (used in) operating activities</b>		<b>1,229,730</b>	<b>(363,948)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(412,082)	(92,521)
Long-term loans		(103)	(125)
Sale proceeds of operating fixed assets		17,994	1,048
Dividend received		2,118	1,694
<b>Net cash used in investing activities</b>		<b>(392,073)</b>	<b>(89,904)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term financing acquired		200,000	25,898
Long-term financing repaid		(117,818)	(164,618)
Short-term borrowings (repaid) / acquired		(783,943)	798,565
Dividend paid		(84,196)	(167,823)
<b>Net cash (used in) / generated from financing activities</b>		<b>(785,957)</b>	<b>492,022</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>51,700</b>	<b>38,170</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>(104,161)</b>	<b>(142,331)</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	34	<b>(52,461)</b>	<b>(104,161)</b>

The annexed notes 1 to 42 form an integral part of these financial statements.

**Faisal Ahmed**  
Chairman & Chief Executive

**Muhammad Yousuf Ahmed**  
Director

## STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2012

	Share Capital	Revenue Reserve	
	Issued, Subscribed and paid-up	Unappropriated profit	Total
..... Rupees in '000 .....			
<b>Balance as at June 30, 2010</b>	840,000	2,007,793	2,847,793
Net profit for the year	-	351,444	351,444
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	-	351,444	351,444
Cash dividend paid @ Rs.2 per Ordinary share of Rs.10 each for the year ended June 30, 2010	-	(168,000)	(168,000)
<b>Balance as at June 30, 2011</b>	840,000	2,191,237	3,031,237
Net profit for the year	-	440,092	440,092
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	-	440,092	440,092
Cash dividend paid @ Re.1 per Ordinary share of Rs.10 each for the year ended June 30, 2011	-	(84,000)	(84,000)
<b>Balance as at June 30, 2012</b>	<b>840,000</b>	<b>2,547,329</b>	<b>3,387,329</b>

The annexed notes 1 to 42 form an integral part of these financial statements.

**Faisal Ahmed**  
Chairman & Chief Executive

**Muhammad Yousuf Ahmed**  
Director

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

### 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

#### 2.1 Statement of compliance

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, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

#### 2.2 Accounting convention

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

#### 2.3 New and amended standards and interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

- IFRS 7 - Financial Instruments: Disclosures (Amendments)
- IAS 24 - Related Party Disclosures (Revised)
- IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

- IFRS 7 - Financial Instruments Disclosures  
Clarification of Disclosures
- IAS 1 - Presentation of Financial Statements  
Clarification of Statement of Changes in Equity
- IAS 34 - Interim Financial Reporting  
Significant events and transactions
- IFRIC 13 - Customer Loyalty Programmes  
Fair value of award credits

The adoption of above standards, amendments / improvements and interpretations did not have any material effect on the financial statements.

#### 2.4 Standards and interpretations issued but not yet effective for the current financial year

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

	<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 7	- Financial Instruments: Disclosures (Amendments) Amendments enhancing disclosures about transfers of financial assets	01 January 2013
	Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1	- Presentation of Financial Statements - Presentation of items of comprehensive income	01 July 2012
IAS 12	- Income Taxes (Amendment) - Recovery of Underlying Assets	01 January 2012
IAS 19	- Employee Benefits (Amendment)	01 January 2013
IAS 32	- Offsetting Financial Assets and Financial Liabilities (Amendment)	01 January 2014
IFRIC 20	- Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

IAS 19 - Employee Benefits (Revised) requires actuarial gains and losses to be recognised in other comprehensive income as these occur. Further, amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements and net interest income (expense). Furthermore, all other changes in the net defined benefit asset (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss account.

In addition to the above, 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>Standard</b>	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 9	- Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10	- Consolidated Financial Statements	01 January 2013
IFRS 11	- Joint Arrangements	01 January 2013
IFRS 12	- Disclosure of Interest in Other Entities	01 January 2013
IFRS 13	- Fair Value Measurement	01 January 2013

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Property, plant and equipment**

##### **3.1.1 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 4.1 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 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.

### **3.1.2 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.

### **3.2 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 and loss.

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

Gains or losses on investments held for trading are recognised in profit and loss account.

### **3.3 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.

### **3.4 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 up to 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 a 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.

### **3.5 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.

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

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

### **3.7 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.

### **3.8 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.

### **3.9 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.

### **3.10 Foreign currency translation**

The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency. 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.

### **3.11 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. The latest valuation was carried out as at June 30, 2011. Actuarial gain / loss is recognised on the basis of actuarial recommendation. Projected Unit Credit Method, using following assumptions, is used for valuation of the scheme:

- Expected rate of increase in salaries is 13% per annum.
- Expected discount rate is 14% per annum.

### **3.12 Actuarial gains and losses**

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses exceed 10% of the defined benefit obligation. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

### **3.13 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.



### 3.14 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.

### 3.15 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.
- (iii) Dividend income is recognised when the Company's right to receive payment is established.

### 3.16 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.

### 3.17 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 (unrealized gains) are included in other asset and derivatives with negative market values (unrealized 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.

### 3.18 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.

### 3.19 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.

## 3.20 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).

## 3.21 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.

## 3.22 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 3.1);
- (b) impairment of inventories / adjustment of inventories to their Net realisable Value (Note 3.4);
- (c) recognition of staff retirement benefits (note 3.11 and 3.12);
- (d) provisions (note 3.13);
- (e) recognition of taxation and deferred taxation (Note 3.14) ; and
- (f) impairment of assets (Note 3.20).

	Note	June 30, 2012	June 30, 2011
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
		<b>Rupees in '000</b>	
Operating fixed assets	4.1	<b>3,112,798</b>	3,250,504
Capital work-in-progress	4.2	<b>316,900</b>	16,008
		<b>3,429,698</b>	<b>3,266,512</b>

## 4.1 Operating fixed assets

Note	C O S T				Period / Rate %	ACCUMULATED DEPRECIATION / AMORTISATION			WRITTEN DOWN VALUE		
	As at July 01, 2011	Additions / Transfers*	(Disposals)	As at June 30, 2012		As at July 01, 2011	For the Year	(On disposals)	As at June 30, 2012	As at June 30, 2012	
.....Rupees in '000.....					.....Rupees in '000.....						
<b>June 30, 2012</b>											
	Leasehold land	1,211,663	-	-	1,211,663	65 to 86 yrs	97,585	15,188	-	112,773	1,098,890
	Building on leasehold land	976,558	-	-	976,558	10	313,145	66,341	-	379,486	597,072
	Plant and machinery	4.1.1 2,591,096	81,656*	(71,234)	2,601,518	10	1,200,167	139,297	(57,131)	1,282,333	1,319,185
	Factory equipment	4.1.1 103,929	16,447*	-	120,376	10	54,766	5,511	-	60,277	60,099
	Furniture and fixtures	9,130	70	-	9,200	10	4,723	445	-	5,168	4,032
	Office equipment, including computers	17,760	791	-	18,551	33	14,838	1,079	-	15,917	2,634
	Vehicles	44,750	12,226	(1,753)	55,223	20	19,158	6,561	(1,382)	24,337	30,886
		4,954,886	13,087	(72,987)	4,993,089		1,704,382	234,422	(58,513)	1,880,291	3,112,798
			98,103*								

Note	C O S T				Period / Rate %	ACCUMULATED DEPRECIATION / AMORTISATION			WRITTEN DOWN VALUE		
	As at July 01, 2010	Additions / Transfers*	(Disposals)	As at June 30, 2011		As at July 01, 2010	For the Year	(On disposals)	As at June 30, 2011	As at June 30, 2011	
.....Rupees in '000.....					.....Rupees in '000.....						
<b>June 30, 2011</b>											
	Leasehold land	1,211,663	-	-	1,211,663	65 to 86 yrs	82,397	15,188	-	97,585	1,114,078
	Building on leasehold land	4.1.1 952,987	23,571*	-	976,558	10	241,833	71,312	-	313,145	663,413
	Plant and machinery	4.1.1 2,523,597	67,499*	-	2,591,096	10	1,052,422	147,745	-	1,200,167	1,390,929
	Factory equipment	4.1.1 102,514	1,415*	-	103,929	10	49,390	5,376	-	54,766	49,163
	Furniture and fixtures	7,562	1,568	-	9,130	10	4,325	398	-	4,723	4,407
	Office equipment, including computers	17,105	655	-	17,760	33	13,581	1,257	-	14,838	2,922
	Vehicles	37,517	8,765	(1,532)	44,750	20	15,667	4,530	(1,039)	19,158	25,592
		4,852,945	10,988	(1,532)	4,954,886		1,459,615	245,806	(1,039)	1,704,382	3,250,504
			92,485*								

\* Represents transfer from Capital Work in Progress.

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

	Note	June 30, 2012	June 30, 2011
		<b>Rupees in '000</b>	
Building on leasehold land	4.1	-	23,571
Plant and machinery	4.1	<b>81,656</b>	67,499
Factory equipment	4.1	<b>16,447</b>	1,415
		<b>98,103</b>	92,485

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

	Note	June 30, 2012	June 30, 2011
Rupees in '000			
Cost of sales	25.1	216,372	226,879
Distribution costs	26	469	492
Administrative expenses	27	17,581	18,435
		234,422	245,806

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

Description	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of Buyer
Rupees in '000							
Vehicle	42	3	39	42	3	Insurance claim	EFU General Insurance, Karachi
Machinery	33,619	27,332	6,287	7,653	1,366	Negotiation	Gulf Tex machine FZC, Dubai, UAE
Machinery	37,615	29,799	7,816	9,566	1,750	Negotiation	Gulf Tex machine FZC, Dubai, UAE
Vehicle	569	316	253	483	230	Insurance claim	EFU General Insurance, Karachi
Vehicle	1,142	1,063	79	250	171	Negotiation	Nadeem Mazari, Ex-employee, Karachi
<b>June 30, 2012</b>	<b>72,987</b>	<b>58,513</b>	<b>14,474</b>	<b>17,994</b>	<b>3,520</b>		
June 30, 2011	1,532	1,039	493	1,048	555		

	Civil works	Plant & machinery	Factory equipment	Advances	Total
Rupees in '000					

#### 4.2 Capital work-in-progress

As at July 01, 2011	4,156	3,296	-	8,556	16,008
Additions during the year	56,431	278,392	16,447	47,725	398,995
Transfer to operating fixed assets	-	(81,656)	(16,447)	-	(98,103)
<b>June 30, 2012</b>	<b>60,587</b>	<b>200,032</b>	<b>-</b>	<b>56,281</b>	<b>316,900</b>
June 30, 2011	4,156	3,296	-	8,556	16,008

#### 5. LONG-TERM LOANS

##### Considered good - secured

	Note	June 30, 2012	June 30, 2011
Rupees in '000			
Executives	5.3	4,581	2,649
Employees		4,272	5,439
		8,853	8,088
<b>Recoverable within one year shown under current assets</b>			
Executives		(2,016)	(1,872)
Employees		(2,142)	(1,624)
	10	(4,158)	(3,496)
		4,695	4,592

- 5.1** 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 (2011: 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.
- 5.2** The maximum aggregate amount due from executives at the end of any month during the year was Rs.5.177 (2011: Rs. 5.346) million.

5.3	Note	June 30, 2012	June 30, 2011
<b>Reconciliation of carrying amount of loans to executives</b>		<b>Rupees in '000</b>	
		<b>2,649</b>	3,661
		<b>2,592</b>	-
		<b>2,173</b>	2,097
		<b>7,414</b>	5,758
		<b>(2,833)</b>	(3,109)
		<b>4,581</b>	2,649
<b>6. LONG-TERM DEPOSITS</b>			
<b>Security deposits</b>			
		<b>586</b>	524
		<b>246</b>	253
		<b>833</b>	777
<b>7. STORES AND SPARES</b>			
<b>Stores</b>			
		<b>51,365</b>	57,425
<b>Spares</b>			
		<b>52,949</b>	40,776
		<b>104,314</b>	98,201
<b>8. STOCK-IN-TRADE</b>			
<b>Raw and packing materials</b>			
		<b>426,008</b>	465,810
		<b>10,313</b>	16,026
		<b>436,321</b>	481,836
		<b>226,950</b>	638,038
		<b>40,132</b>	49,812
		<b>703,403</b>	1,169,686

9. TRADE DEBTS	Note	June 30, 2012	June 30, 2011
<b>Rupees in '000</b>			
<b>Considered good</b>			
Secured - against letters of credit	9.1	1,102,693	1,099,125
<b>Unsecured</b>			
<b>Related party:</b>			
Casual Sportswear		100,705	77,796
Artistic Apparels (Private) Limited		219	-
Others		233,993	145,347
		<b>334,917</b>	<b>223,143</b>
		<b>1,437,610</b>	<b>1,322,268</b>

9.1 Included herein is a sum of Rs.13.260 million (2011: Rs. 5.412 million), due from Artistic Apparels (Private) Limited, a related party.

9.2 As at June 30, 2012, the ageing analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			> 30 days upto 1 year	> 1 year upto 2 years	> 2 years and above
----- Rupees in '000 -----					
June 30, 2012	<u>1,437,610</u>	<u>1,261,260</u>	<u>176,350</u>	<u>-</u>	<u>-</u>
June 30, 2011	<u>1,322,268</u>	<u>1,298,282</u>	<u>23,986</u>	<u>-</u>	<u>-</u>

10. LOANS AND ADVANCES	Note	June 30, 2012	June 30, 2011
<b>Rupees in '000</b>			
<b>Considered good</b>			
<b>Loans - secured</b>			
<b>Current portion of long-term loans</b>			
Executives		2,016	1,872
Employees		2,142	1,624
	5	<b>4,158</b>	<b>3,496</b>
<b>Short-term loans</b>			
Executives		232	280
Employees		610	625
	10.1	<b>842</b>	<b>905</b>
<b>Advances - unsecured</b>			
Suppliers		46,382	27,962
Labour contractors		1,462	1,157
		<b>47,844</b>	<b>29,119</b>
		<b>52,844</b>	<b>33,520</b>

10.1 These are interest free personal loans given to the employees and executives of the Company. These are secured against the gratuity balances of concerned employees.

	Note	June 30, 2012	June 30, 2011
<b>Rupees in '000</b>			
<b>11. TRADE DEPOSITS AND PREPAYMENTS</b>			
<b>Trade deposits</b>			
Margin against letters of credit		6,432	5,248
Container deposits		985	-
<b>Prepayments</b>			
Insurance		576	64
Others		-	436
		576	500
		<b>7,993</b>	<b>5,748</b>
<b>12. OTHER RECEIVABLES</b>			
Duty draw back on export sales		46,940	47,531
Sales tax - net		55,751	27,680
Research and Development Support	12.1	-	13,412
Others		942	-
		<b>103,633</b>	<b>88,623</b>
<b>12.1 Research and Development Support</b>			
Opening balance		13,412	1,197
Support received on account of Research and Development	12.1.1	-	(5,128)
		<b>13,412</b>	<b>(3,931)</b>
<b>Less: Expenses incurred thereagainst:</b>			
Upgrade of information technology		-	4
Market research		-	11,509
Participation in exhibitions		-	5,830
		-	17,343
		<b>13,412</b>	<b>13,412</b>
Support on account of Research and Development written off	12.1.1	(13,412)	-
		-	13,412

**12.1.1** Up until the prior year, the Company used to receive Research and Development Support from the Ministry of Textile Industry, Government of Pakistan in accordance with SRO 803(I)/2006 dated August 04, 2006, amended SRO 1128(I)/2006, dated November 11, 2006 to encourage research and development in the value added textile sectors. During the current year, the Ministry of Textile has withdrawn such support and accordingly the management of the Company as a matter of prudence has written off the amount accrued in respect of such support in these financial statements.

		Note	June 30, 2012	June 30, 2011	
			Rupees in '000		
<b>13. SHORT-TERM INVESTMENTS</b>	At fair value through profit and loss				
	<b>Listed equity securities</b>				
	<b>Numbers of Ordinary shares of Rs.10 each</b>				
	<b>2012</b>	<b>2011</b>			
	<b>309,375</b>	281,250	National Bank of Pakistan	<b>13,470</b>	14,181
	<b>1,801</b>	1,386	Engro Corporation Limited	<b>184</b>	226
				<b>13,654</b>	<u>14,407</u>

The aggregate cost of the above referred investments is Rs.12.200 (2011: Rs.12.200) million. Resulting unrealised loss of Rs. 0.753 (2011: loss of Rs.0.216) million, arising from a change in the fair value of these investments during the current year, has been recognised directly in the profit and loss account to restate the same at their fair value.

		Note	June 30, 2012	June 30, 2011
			Rupees in '000	
<b>14. TAXATION - Net</b>				
Provision for income tax - current		31	<b>(56,346)</b>	(43,829)
Advance income tax			<b>96,174</b>	69,999
			<b>39,828</b>	<u>26,170</u>
<b>15. CASH AND BANK BALANCES</b>				
<b>Cash</b>				
In hand			<b>379</b>	156
<b>At banks in</b>				
Current accounts			<b>13,350</b>	10,472
			<b>13,729</b>	<u>10,628</u>

### 16. SHARE CAPITAL

<b>No. of Shares</b>				
<b>June 30, 2012</b>	<b>June 30, 2011</b>			
<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>	<u>84,000,000</u>		<b>840,000</b>	<u>840,000</u>



	Note	June 30, 2012	June 30, 2011
<b>17. RESERVES</b>			
<b>Rupees in '000</b>			
<b>Revenue reserve</b>			
Unappropriated profit		2,547,329	2,191,237
<b>18. LONG-TERM FINANCING</b>			
<b>From Banking Companies and Financial Institutions - secured</b>			
Term finance from a bank	18.1	203,644	4,859
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)	18.2	264,118	380,721
		<b>467,762</b>	<b>385,580</b>
<b>Current maturities shown under current liabilities</b>			
Term finance from a bank		(34,514)	(1,216)
Term finances from banks under the SBP's scheme for EOP and LTFF		(89,042)	(149,045)
		<b>(123,556)</b>	<b>(150,261)</b>
		<b>344,206</b>	<b>235,319</b>

#### 18.1 Term finance from a bank

The balance outstanding of Rs.203.644 (2011: Rs. 4.859) million at the end of the current year comprises of the following 2 (2011: 1) separate local currency loans:

- (a) The balance outstanding of Rs.3.644 (2011: Rs.4.859) 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(i)] 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) During the current year, the Company obtained loan of Rs. 200 million from a commercial bank for the purposes of capital expenditure and rationalising the financial structure of the Company. 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. 200 million as at the balance sheet date. The net fair value of this cross currency interest rate swap was Rs. 6.146 million unfavorable to the Company as of the balance sheet date which has been charged to the profit and loss account of the current year (see note 30). The swap arrangement has exposed the Company to foreign currency risk on the US\$ value converted at the agreement date of principal amount of the loan.

## 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.264.118 (2011: Rs. 380.721) million at the end of the current year comprises of the following 15 (2011: 14) separate local currency loans:

- (a) Rs.Nil (2011: Rs. 40.896) million obtained by the Company after the introduction of a one time opportunity given by the SBP to the textile sector to get the outstanding fixed term loans 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. During the current year, the said loan has been repaid in full.

The loan was repayable in 9 equal half yearly installments, commencing December 14, 2006 to December 14, 2011, carrying mark-up at the SBP Refinance rate for 3 to 7.5 years (i.e. 5% per annum) plus 2% per annum, which was payable quarterly on the principal sum of loan outstanding from time to time.

The said loan was secured against the first equitable mortgage over the immovable property of the Company and hypothecation of plant and machinery, aggregating to Rs.534.000 million.

- (b) Rs.Nil (2011: Rs. 19.167) 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. During the current year, the said loan has been repaid in full.

The loan was repayable in 9 equal half yearly installments, commencing December 14, 2006 to December 14, 2011, carrying mark-up at the SBP Refinance rate for 3 to 7.5 years (i.e. 5%) plus 2% per annum, which was payable quarterly on the principal sum of loan outstanding from time to time.

The said loan was secured against the first equitable mortgage over the immovable property of the Company and the hypothecation of specific machinery, aggregating to Rs.400.000 million.

- (c) Rs.59.404 (2011: Rs. 82.094) 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% (2011: 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.130.000 million.

- (d) Rs.10.998 (2011: Rs. 14.139) 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% (2011: 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.18.000 million.

- (e) Rs.2.736 (2011: Rs. 3.463) 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% (2011: 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.

- (f) Rs.2.654 (2011: Rs. 3.362) 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% (2011: 3.0 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.

- (g) Rs.10.724 (2011: Rs. 16.852) 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, 2010 to December 16, 2013, carrying mark-up at the SBP Refinance rate of 6.5% plus 2.5% (2011: 6.5% plus 2.5%) 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.27.000 million and a demand promissory note of Rs.42.900 million.

- (h) Rs.11.375 (2011: Rs. 17.875) 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 26, 2010 to December 26, 2013, carrying mark-up at the SBP Refinance rate of 6.5% plus 2.5% (2011: 6.5% plus 2.5%) 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.26.000 million and a demand promissory note of Rs.45.600 million.

- (i) Rs.3.644 (2011: Rs.4.859) 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 (2011: 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.

- (ii) Rs.53.317 (2011: Rs.71.077) 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% (2011: 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.

- (k) Rs.5.074 (2011: Rs.6.770) 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% (2011: 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.

- (l) Rs.54.460 (2011: Rs. 74.269) 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% (2011: 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.86.000 million and a promissory note of Rs.150.493 million.

- (m) Rs.11.595 million (2011: Rs. 12.368 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 (2011: 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.13.000 million and a promissory note of Rs.21.129 million.

- (n) Rs.11.838 million (2011: Rs. 13.530 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% (2011: 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.

- (o) Rs.10.113 (2011: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No.07, dated December 31, 2007.

The loan is repayable in 16 equal quarterly installments, commencing August 02, 2013 to May 02, 2017, carrying mark-up rate at the SBP Refinance rate 10.10% plus 1.75% per annum, which is payable quarterly on the principal sum of loans 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 26.70 million and a demand promissory note of Rs.43.416 million.

- (p) Rs.8.067 (2011: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No.07, dated December 31, 2007.

The loan is repayable in 16 equal quarterly installments, commencing August 02, 2013 to May 02, 2017, carrying mark-up rate at the SBP Refinance rate 10.10% plus 1.75% per annum, which is payable quarterly on the principal sum of loans 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 26.70 million and a demand promissory note of Rs.43.416 million.

- (q) Rs.8.119 (2011: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No.07, dated December 31, 2007.

The loan is repayable in 16 equal quarterly installments, commencing August 02, 2013 to May 02, 2017, carrying mark-up rate at the SBP Refinance rate 10.10% plus 1.75% per annum, which is payable quarterly on the principal sum of loans 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 26.70 million and a demand promissory note of Rs.43.416 million.

Apart from specific charges mentioned in notes 18.2(a) to 18.2(q), these loans are further secured against first equitable mortgage on immoveable property and hypothecation of plant and machinery, aggregating to Rs.670 (2011: Rs.670) million.

	Note	June 30, 2012	June 30, 2011
<b>19. DEFERRED LIABILITY</b>		<b>Rupees in '000</b>	
Employees' Gratuity	19.1	<b>36,160</b>	31,001

- 19.1** In accordance with the requirements of IAS-19 "Employee Benefits", actuarial valuation was carried out as at June 30, 2011, 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.

	June 30, 2012	June 30, 2011
	<b>Per annum</b>	
Discount rate	<b>14%</b>	14%
Salary increase	<b>13%</b>	13%

Necessary disclosures in respect of defined benefit plan are as follows:

	<b>Gratuity</b>	
	June 30, 2012	June 30, 2011
<b>(a) Movement in the liability finalised in the balance sheet</b>	<b>Rupees in '000</b>	
Provision at July 01, 2011	<b>31,001</b>	24,747
Expense for the year	<b>8,545</b>	8,545
Benefits paid	<b>(3,386)</b>	(2,291)
Provision as at June 30, 2012	<b>36,160</b>	31,001
<b>(b) Reconciliation</b>		
Present value of defined benefit obligation	<b>44,478</b>	39,319
Actuarial losses un-recognised	<b>(8,318)</b>	(8,318)
Provision as at June 30, 2012	<b>36,160</b>	31,001

### Gratuity

June 30, 2012      June 30, 2011

Rupees in '000

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

Current service cost	4,508	4,508
Interest cost	3,753	3,753
Recognised actuarial losses	284	284
Expense for the year	<b>8,545</b>	<b>8,545</b>

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

As at June 30	2012	2011	2010	2009	2008
	..... Rupees in '000 .....				
Present value of defined benefit obligation	<b>44,478</b>	39,319	30,017	24,975	17,826
<b>Experience adjustment</b>					
Actuarial loss on obligation	<b>284</b>	284	18	18	14

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

	Note	June 30, 2012	June 30, 2011
<b>20. TRADE AND OTHER PAYABLES</b>			
<b>Rupees in '000</b>			
<b>Trade</b>			
Creditors		<b>463,012</b>	239,927
<b>Other payables</b>			
Accrued expenses		<b>70,913</b>	58,296
Advances from customers		<b>22,578</b>	14,320
Workers' Profit Participation Fund	20.1	<b>26,710</b>	21,244
Workers' Welfare Fund	20.2	<b>26,660</b>	19,357
Fair value loss on derivative	18.1	<b>6,146</b>	-
Tax deducted at source		<b>675</b>	381
Unclaimed dividend		<b>1,146</b>	1,342
		<b>154,828</b>	114,940
		<b>617,840</b>	354,867
<b>20.1 Workers' Profit Participation Fund</b>			
Balance at the beginning of the year		<b>21,244</b>	19,974
Allocation for the year	28	<b>26,710</b>	21,244
Interest on WPPF	28	-	464
		<b>47,954</b>	41,682
Payments made during the year		<b>(21,244)</b>	(20,438)
		<b>26,710</b>	21,244

	Note	June 30, 2012	June 30, 2011
<b>Rupees in '000</b>			
<b>20.2 Workers' Welfare Fund</b>			
Balance at the beginning of the year		<b>19,357</b>	13,759
Allocation for the year	28	<b>10,684</b>	8,498
		<b>30,041</b>	22,257
Payments made during the year		<b>(3,381)</b>	(2,900)
		<b>26,660</b>	19,357
<b>21. ACCRUED MARK-UP</b>			
<b>Accrued mark-up on secured:</b>			
Long-term financing - Term finance from a bank		<b>10,991</b>	183
Long-term finance - SBP's EOP and LTFF		<b>5,652</b>	6,930
Short-term running finances		<b>262</b>	3,427
Short-term running finances under FE - 25		<b>4,208</b>	10,324
Short-term loans		<b>15,218</b>	18,229
		<b>36,331</b>	39,093
<b>22. SHORT-TERM BORROWINGS - secured</b>			
<b>From Banking Companies</b>			
Short-term loans	22.1	<b>450,000</b>	668,000
Short-term running finances	22.2	<b>66,190</b>	114,789
Short-term running finances under FE-25	22.3	<b>850,622</b>	1,416,565
		<b>1,366,812</b>	2,199,354
<b>22.1 Short-term loans</b>			
Export refinance - II	22.1.1	<b>100,000</b>	100,000
Export refinance - II	22.1.2	<b>200,000</b>	-
Export refinance - II	22.1.3	<b>150,000</b>	568,000
		<b>450,000</b>	668,000

**22.1.1** During the year, the Company arranged a facility for short-term loan under export refinance, amounting to Rs.100.000 million (2011: Rs. 100.000 million), from a commercial bank on mark-up basis, repayable by September 20, 2012. It is secured against the first pari passu specific charge on land, building and plant and machinery of Company, aggregating to Rs.400.000 million, and a demand promissory note of Rs.100.000 million.

The said export refinance carries mark-up at the rate of 0.75% per annum (2011: 1% per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.

**22.1.2** During the year, the Company arranged a new facility for short-term loan under export refinance, amounting to Rs.200.000 million (2011: Nil), from a commercial bank on mark-up basis, repayable by September 5, 2012. It is secured along with loan [note 18.2 (i)], 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 and a demand promissory note of Rs.1,544.126 million.

The said export refinance carries mark-up at the rate of 1% per annum (2011: 1% per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.



**22.1.3** During the year, the Company arranged a facility for short-term loan under export refinance, amounting to Rs.150 million (2011: Rs. 568 million), from a commercial bank on mark-up basis, repayable by August 20, 2012. The said export refinance facility, running finance [note 22.2.1] 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.1,377 million, and a demand promissory note of Rs.150.000 million.

The said export refinance carries mark-up at the rate of 0.75% per annum (2011: 1% per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.

	Note	June 30, 2012	June 30, 2011
<b>22.2 Short-term running finances</b>		<b>Rupees in '000</b>	
From a commercial bank	22.2.1	60,521	50,556
From a commercial bank	22.2.2	5,662	28,219
From a commercial bank	22.2.3	7	36,014
		<b>66,190</b>	<b>114,789</b>

**22.2.1** This represents a running finance facility, amounting to Rs.300.000 (2011: Rs. 300.000) million, arranged by the Company from a commercial bank, repayable / renewable latest by September 30, 2012 and is secured along with export refinance facility [note 22.1.3] and 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.360.658 million.

This carries mark-up at the rate of 1% (2011: 1%) per annum over and above 3 month average KIBOR rate, payable quarterly.

**22.2.2** This represents a running finance facility, amounting to Rs.300.000 (2011: Rs. 200.000) million, arranged by the Company from a commercial bank, repayable / renewable latest by March 31, 2013 and is secured along with loan [note 18.2 (i)], 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 and a demand promissory note of Rs.1,544.126 million.

This carries mark-up at the rate of 0.75% (2011: 0.75%) per annum over and above 3 month average KIBOR rate, payable quarterly.

**22.2.3** This represents a running finance facility, amounting to Rs.100 million (2011: Rs.100 million) arranged by the Company from a commercial bank repayable / renewable by December 31, 2012. It is secured against registered charge over stocks and receivables, and first pari passu charge on land, building and plant and machinery, aggregating to Rs.133.500 million, and a demand promissory note of Rs.100 million.

This carries mark-up at the rate of 0.75% per annum (2011: 0.75% per annum) over and above 3 month 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 9.03 million equivalent to Rs.850.622 million (2011: Rs.1,416.565 million). The rates of mark-up on these finances range between 2.50% and 4.11% (2011: 2.30% and 3.83%) 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 (i)] of the Company.

		June 30, 2012	June 30, 2011
<b>23. CONTINGENCIES AND COMMITMENTS</b>		<b>Rupees in '000</b>	
<b>Contingencies</b>			
<b>23.1</b> Foreign bills discounted		-	5,417
<b>23.2</b> Outstanding counter guarantees		<b>76,582</b>	<b>72,582</b>



## Commitments

- 23.3** Commitments in respect of building on leasehold land at the end of the current year amounted to Rs. 33 million (2011: Rs. Nil).
- 23.4** Outstanding letters of credit at the end of the current year amounted to Rs.392.410 (2011: Rs. 149.740) million.
- 23.5** Post dated cheques issued in favour of Custom Authorities, aggregated to Rs.63.459 (2011: Rs. 32.561) million, against zero rated supplies for export purposes.

	Note	June 30, 2012	June 30, 2011
<b>24. NET SALES</b>		<b>Rupees in '000</b>	
Exports	24.1	<b>5,288,260</b>	4,588,099
Local		<b>288,249</b>	375,692
		<b>5,576,509</b>	4,963,791
Returns		<b>(4,111)</b>	(9,101)
Commission		<b>(120,554)</b>	(85,570)
		<b>5,451,844</b>	4,869,120
<b>24.1</b>		Included herein is a sum of Rs.717.631 (2011: Rs. 658.844) 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.	
<b>25. COST OF SALES</b>		<b>Rupees in '000</b>	
Opening stock - finished goods		<b>49,812</b>	54,609
Cost of goods manufactured	25.1	<b>4,590,905</b>	4,121,228
		<b>4,640,717</b>	4,175,837
Closing stock - finished goods		<b>(40,132)</b>	(49,812)
		<b>4,600,585</b>	4,126,025
<b>25.1 Cost of goods manufactured</b>			
Raw and packing materials consumed	25.1.1	<b>2,587,010</b>	3,076,912
Stores and spares consumed	25.1.2	<b>233,545</b>	171,761
Salaries, wages and other benefits	25.1.3	<b>95,143</b>	76,898
Contract wages		<b>553,657</b>	428,626
Fuel and power		<b>350,282</b>	271,386
Weaving and sarning charges		<b>20,809</b>	2,762
Repairs and maintenance		<b>22,241</b>	13,757
Printing and stationery		<b>18,794</b>	12,498
Postage and photocopy		<b>192</b>	106
Telephone and telex		<b>2,497</b>	1,830
Conveyance		<b>48</b>	39
Rent, rates and taxes		<b>1,138</b>	1,122
Insurance		<b>7,892</b>	7,700
Water charges		<b>61,187</b>	53,245
Transportation		<b>5,172</b>	2,734
Depreciation / amortization	4.1.2	<b>216,372</b>	226,879
Security charges		<b>1,448</b>	-
Miscellaneous		<b>2,390</b>	3,174
		<b>4,179,817</b>	4,351,429
Opening work-in-process		<b>638,038</b>	407,837
Closing work-in-process		<b>(226,950)</b>	(638,038)
		<b>4,590,905</b>	4,121,228

	Note	June 30, 2012	June 30, 2011
<b>25.1.1 Raw and packing materials consumed</b>		<b>Rupees in '000</b>	
Opening stock		465,810	407,725
Purchases		2,598,394	3,163,930
Duty draw back on export sales		(51,186)	(28,933)
		<u>2,547,208</u>	<u>3,134,997</u>
		3,013,018	3,542,722
Closing stock		(426,008)	(465,810)
		<u>2,587,010</u>	<u>3,076,912</u>
<b>25.1.2 Stores and spares consumed</b>			
Opening stock		98,201	94,518
Purchases		239,658	175,444
		<u>337,859</u>	<u>269,962</u>
Closing stock		(104,314)	(98,201)
		<u>233,545</u>	<u>171,761</u>
<b>25.1.3</b>	Included herein is a sum of Rs.6.531 (2011: Rs. 5.721) million in respect of staff retirement benefits.		
<b>26. DISTRIBUTION COSTS</b>			
Salaries, allowances and other benefits	26.1	6,248	5,027
Insurance		2,445	4,513
Freight and transportation		24,280	33,901
Export development surcharge and clearing charges		23,122	18,802
Postage, courier and stamps		39,187	34,252
Depreciation / amortization	4.1.2	469	492
Travelling, boarding and lodging		13,452	5,730
Telephone and telex		234	209
Advertisement and publicity		10,288	12
Miscellaneous		1,306	705
		<u>121,031</u>	<u>103,643</u>
<b>26.1</b>	Included herein is a sum of Rs.0.502 (2011: Rs. 0.484) million in respect of staff retirement benefits.		
<b>27. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and other benefits	27.1	22,056	25,556
Rent, rates and taxes		123	125
Depreciation / amortization	4.1.2	17,581	18,435
Legal and professional charges		6,760	4,031
Auditors' remuneration	27.2	1,050	970
Vehicle running expenses		736	352
Printing and stationery		356	435
Insurance		104	54
Advertisement and publication		977	36
Conveyance		519	367
Telephone and telex		203	227
Postage and telegrams		296	255
Fees and subscriptions		781	631
Repairs and maintenance		5	-
Donations	27.3	3,178	2,345
Miscellaneous		186	103
		<u>54,911</u>	<u>53,922</u>
<b>27.1</b>	Included herein is a sum of Rs.1.692 (2011: Rs. 2.340) million in respect of staff retirement benefits.		

	Note	June 30, 2012	June 30, 2011
<b>27.2 Auditors' remuneration</b>		<b>Rupees in '000</b>	
Audit fee		600	600
Fee for half yearly review		100	100
Special certifications		67	55
Tax services		166	98
Out-of-pocket expenses		117	117
		<u>1,050</u>	<u>970</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	20.1	26,710	21,244
Interest on WPPF	20.1	-	464
Workers' Welfare Fund	20.2	10,684	8,498
Support on account of Research and Development written off	12.1	13,412	-
Exchange loss - net		4,448	7,708
Unrealised loss on revaluation of short-term investments		753	216
		<u>56,007</u>	<u>38,130</u>
<b>29. OTHER OPERATING INCOME</b>			
Scrap sales		36,633	34,265
Gain on sale of fixed assets		3,520	555
Dividend income		2,118	1,694
		<u>42,271</u>	<u>36,514</u>
<b>30. FINANCE COSTS</b>			
<b>Mark-up on secured:</b>			
Long-term financing		24,774	38,584
Short-term running finances		3,781	16,499
Short-term loans		114,830	118,611
		<u>143,385</u>	<u>173,694</u>
Fair value loss on derivatives		6,146	-
Bills discounting charges		4	130
Federal excise duty on services		1	353
Bank charges		15,607	14,464
		<u>165,143</u>	<u>188,641</u>
<b>31. TAXATION</b>			
Current		55,904	43,829
Prior		442	-
	14	<u>56,346</u>	<u>43,829</u>

The income tax assessments of the Company have been finalised up to and including tax year 2010. The return in respect of the tax year 2011 has been filed, which is deemed to be assessed under the provisions of the Income Tax Ordinance, 2001.

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 and is taxed at a rate of 1% (2011: 1%) on export proceeds, including scrap sales.

### 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.

	Note	June 30, 2012	June 30, 2011
<b>Rupees in '000</b>			
Net profit for the year		<u>440,092</u>	<u>351,444</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>5.24</u>	<u>4.18</u>
<b>33. CASH GENERATED FROM / (USED IN) OPERATIONS</b>			
Profit before taxation		496,438	395,273
<b>Adjustments for non-cash charges and other items:</b>			
Depreciation		234,422	245,806
Provision for gratuity		8,545	8,545
Finance costs		158,630	188,641
Loss on fair value derivatives		6,146	-
Dividend income		(2,118)	(1,694)
Gain on disposal of operating fixed assets		(3,520)	(555)
		<u>402,105</u>	<u>440,743</u>
<b>Profit before working capital changes</b>		<b>898,543</b>	<b>836,016</b>
<b>(Increase) / decrease in current assets</b>			
Stores and spares		(6,113)	(3,683)
Stock-in-trade		466,283	(268,352)
Trade debts		(115,342)	(742,541)
Loans and advances		(19,324)	(19,402)
Trade deposits and prepayments		(2,245)	(4,905)
Short-term investments - held for trading		753	216
Other receivables		(15,010)	(34,578)
		<u>309,002</u>	<u>(1,073,245)</u>
<b>Increase in current liabilities</b>			
Trade and other payables		257,021	124,143
<b>Cash generated from / (used in) operations</b>		<b><u>1,464,566</u></b>	<b><u>(113,086)</u></b>
<b>34. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	15	13,729	10,628
Short-term running finances	22.2	(66,190)	(114,789)
		<u>(52,461)</u>	<u>(104,161)</u>
<b>35. UNAVAILED CREDIT FACILITIES</b>			
Short-term running finances		<u>633,810</u>	<u>485,211</u>

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

	2012			2011		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	..... Rupees in '000 .....					
Managerial remuneration	4,364	-	27,981	4,365	3,274	28,363
Medical	436	-	2,779	436	326	2,880
Bonus	400	-	2,291	400	300	2,115
Retirement benefits	400	-	2,563	-	-	2,364
	<u>5,600</u>	<u>-</u>	<u>35,614</u>	<u>5,201</u>	<u>3,900</u>	<u>35,722</u>
Number of persons	1	-	35	1	1	37

**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 all 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.14.339 (2011: Rs. 17.369) 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:

	<b>Increase / decrease in basis points</b>	<b>Effect on profit before tax</b>
	<b>Rupees in '000</b>	
<b>June 30, 2012</b>		
KIBOR	100	(14,339)
	(100)	14,339
<b>June 30, 2011</b>		
KIBOR	100	(17,369)
	(100)	17,369

### 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, 2012</b>	<b>June 30, 2011</b>
	<b>Rupees in '000</b>	
Trade debts	1,296,509	1,226,608
Cash and bank balances	4,517	2,618
Short-term running finance under FE - 25	(850,622)	(1,416,565)
Trade and other payables	(252,836)	(70,714)
	<u>197,568</u>	<u>(258,053)</u>
The following significant exchange rates have been applied at the reporting dates:		
Exchange rates	<u>94.00</u>	<u>86.05</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 US Dollar Rate (%)</b>	<b>Effect on profit / (loss)</b>	<b>Effect on equity</b>
		<b>Rupees in '000</b>	
<b>June 30, 2012</b>	+10	<u>19,757</u>	<u>19,757</u>
	-10	<u>(19,757)</u>	<u>(19,757)</u>
<b>June 30, 2011</b>	+10	<u>(25,805)</u>	<u>(25,805)</u>
	-10	<u>25,805</u>	<u>25,805</u>

### 37.1.3 Equity risk

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs.13.654 (2011: Rs. 14.407) million. A decrease of 10% in the share price of the listed security would have an impact of approximately Rs.1.365 million on the equity or income depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the listed security would impact equity or income in the similar amount.

### 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:

		June 30, 2012	June 30, 2011
		Rupees in '000	
<b>Trade debts</b>			
Customers with no defaults in the past one year		1,437,610	1,322,268
<b>Short-term investments</b>			
A-1+	JCR - VIS	13,470	14,181
A1+	PACRA	184	226
		13,654	14,407
<b>Bank balances</b>			
A1+	PACRA	13,337	10,346
A-1+	JCR - VIS	13	126
		13,350	10,472

### 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.633.810 (2011: Rs. 485.211) 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	-	17,063	106,493	344,206	-	467,762
Trade and other payables	557,649	60,621	-	-	-	618,270
Accrued mark-up	36,331	-	-	-	-	36,331
Short-term borrowings	-	516,183	850,629	-	-	1,366,812
<b>2012</b>	<b>593,980</b>	<b>593,867</b>	<b>957,122</b>	<b>344,206</b>	<b>-</b>	<b>2,489,175</b>
	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	5 years	Total
Rupees in '000						
Long-term financing	-	16,499	133,762	235,319	-	385,580
Trade and other payables	187,553	167,314	-	-	-	354,867
Accrued mark-up	39,093	-	-	-	-	39,093
Short-term borrowings	-	1,601,611	597,743	-	-	2,199,354
<b>2011</b>	<b>226,646</b>	<b>1,785,424</b>	<b>731,505</b>	<b>235,319</b>	<b>-</b>	<b>2,978,894</b>

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

### 37.4 Fair value of financial instruments

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market date (unobservable inputs)



<b>Financial assets measured at fair value</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Rupees in '000</b>				
<b>30 June 2012</b>				
Investments at fair value through profit or loss	<b>13,654</b>	<b>13,654</b>	-	-
	<b>13,654</b>	<b>13,654</b>	-	-
<b>30 June 2011</b>				
Investments at fair value through profit or loss	14,707	14,707	-	-
	<b>14,707</b>	<b>14,707</b>	-	-
<b>Financial liabilities measured at fair value</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Rupees in '000</b>				
<b>30 June 2012</b>				
Fair value loss on derivative	<b>6,146</b>	-	<b>6,146</b>	-
	<b>6,146</b>	-	<b>6,146</b>	-
<b>30 June 2011</b>				
Fair value loss on derivative	-	-	-	-
	-	-	-	-

During the year ended June 30, 2012, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

### 37.5 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, 2012 and June 30, 2011.

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, 2012</b>	<b>June 30, 2011</b>
<b>Rupees in '000</b>		
Long-term financing	<b>344,206</b>	235,319
Current maturities of long-term financing	<b>123,556</b>	150,261
Cash and bank balances	<b>(13,729)</b>	(10,628)
Net debt	<b>454,033</b>	374,952
Issued, subscribed and paid-up capital	<b>840,000</b>	840,000
Reserves	<b>2,547,329</b>	2,191,237
Total capital	<b>3,387,329</b>	3,031,237
Capital and net debt	<b>3,841,362</b>	3,406,189
Gearing ratio	<b>11.82%</b>	11.01%

## 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, 2012</b>	<b>June 30, 2011</b>
	<b>Rupees in '000</b>	
<b>Casual Sportswear</b>		
Associated undertaking / Common directorship		
Sales	<b>202,494</b>	292,327
<b>Artistic Apparels (Private) Limited</b>		
Associated undertaking / Common directorship		
Sales	<b>34,813</b>	117,059
Services received	<b>9,475</b>	5,920

## 39. PLANT CAPACITY AND PRODUCTION

### Spinning

Number of rotors installed	<b>864</b>	864
Number of spindles installed	<b>17,856</b>	17,856
Capacity of yarn (Lbs.)	<b>26,950,000</b>	28,105,000
Production of yarn (Lbs.)	<b>17,641,662</b>	20,399,363

### Weaving

Number of looms installed	<b>128</b>	148
Capacity of fabric (meters)	<b>20,681,600</b>	21,958,400
Production of fabric (meters)	<b>15,142,903</b>	15,974,318

### Garments

Number of machines installed	<b>391</b>	260
Capacity of garments (pcs)	<b>1,350,000</b>	1,095,000
Production of garments (pcs)	<b>947,565</b>	413,536

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

## 40. MOVEMENT BETWEEN RESERVES AND PROPOSED DIVIDEND

In the meeting held on September 24, 2012, 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.

## 41. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on September 24, 2012 by the Board of Directors of the Company.

## 42. GENERAL

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

## FORM OF PROXY

### 20<sup>th</sup> Annual General Meeting

The Company Secretary,  
Artistic Denim Mills Limited,  
Plot No. 5-9, 23-26, Sector 16,  
Korangi Industrial Area, Karachi.

I, \_\_\_\_\_  
of \_\_\_\_\_  
being a members of ARTISTIC DENIM MILLS LIMITED and a holder of \_\_\_\_\_ ordinary  
shares as per Share Registrar Folio No. \_\_\_\_\_ and / or CDC Participant I.D. No. \_\_\_\_\_  
and Sub Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_  
of \_\_\_\_\_

who is also member of ARTISTIC DENIM MILLS LIMITED as my Proxy to attend and vote for me on my behalf at the 20<sup>th</sup> Annual General Meeting of the Company to be held on Thursday, October 25, 2012 at 1600 hrs and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

#### WITNESS :

1. Signature _____	2. Signature _____
Name _____	Name _____
Address _____	Address _____
_____	_____
CNIC or _____	CNIC or _____
Passport No. _____	Passport No. _____

#### Note :

1. The proxy order to be valid must be signed across a Five Rupees Revenue Stamp and should be deposited in the Registered Office of the Company not later than 48 hours before the time of holding the Meeting.
2. No person shall act as proxy unless he is a member of the Company.
3. Signature should agree with the specimen signature registered with the Company.
4. CDC Shareholders and their Proxies must attach either an attested photocopy of their Computerized National Identity Card or Passport with this Proxy Form.

The logo for Artistic Denim Mills Limited (ADM) is displayed in a bold, dark blue, sans-serif font.

**AFFIX  
CORRECT  
POSTAGE**

Company Secretary  
Artistic Denim Mills Limited  
Plot # 5-9, 23-26, Sector 16  
Korangi Industrial Area  
Karachi.

Fold : Here

Fold : Here

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