

The background of the cover is a close-up photograph of denim fabric. On the right side, a metal zipper pull is visible, partially obscured by the fabric's texture. The lighting is soft, highlighting the intricate weave of the denim.

# ADM

ARTISTIC DENIM MILLS

## ANNUAL REPORT 2013

Artistic Denim Mills Limited

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## **Form of Proxy**

# Company Information

- \* **Board of Directors**  
Chairman & Chief Executive Directors  
Mr. Faisal Ahmed  
Mrs. Maliha Faisal  
Mr. Muhammad Yousuf Ahmed  
Mr. Muhammad Ali Ahmed  
Mrs. Hajra Ahmed  
Mr. Muhammad Iqbal-ur-Rahim  
Ms. Sarah Faisal Ahmed
- \* **Audit Committee**  
Chairman  
Members  
Mr. Muhammad Iqbal-ur-Rahim  
Mrs. Maliha Faisal  
Ms. Sarah Faisal Ahmed
- \* **Human Resource and Remuneration Committee**  
Chairman  
Members  
Mr. Muhammad Iqbal-ur-Rahim  
Mr. Muhammad Ali Ahmed  
Ms. Sarah Faisal Ahmed
- \* **CFO & Company Secretary**  
Mr. Sagheer Ahmed
- \* **Chief Internal Auditor**  
Mr. Yasir Anwar
- \* **Auditors**  
M/s Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants
- \* **Legal Advisor**  
Monawwer Ghani  
Advocate
- \* **Share Registrar**  
M/s Technology Trade (Pvt.) Ltd.  
Dagia House, 241-C, Block-2, PECHS, Karachi.  
Phone No. 3439 1316-7
- \* **Bankers**  
Allied Bank Limited  
Bank Al Habib Limited  
Faysal Bank Limited  
Habib Metropolitan Bank Limited  
National Bank of Pakistan  
Standard Chartered Bank (Pakistan) Limited
- \* **Registered Office and Factory**  
Plot No. 5-9, 23-26, Sector 16,  
Korangi Industrial Area, Karachi.  
UAN: 111 236 236, Fax No. 3505 4652  
www.admdenim.com

## Vision

\* DYNAMIC, QUALITY CONSCIOUS  
AND EVER PROGRESSIVE

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

## Mission

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 21st Annual General Meeting of **Artistic Denim Mills Limited** will be held at DCL Auditorium, Central Library (DHA) Sunset Boulevard Phase-II, DHA, Karachi, on Friday, October 25, 2013 at 4:00 p.m. to transact the following business after recitation from the Holy Quran.

1. To confirm the Minutes of the 20th Annual General Meeting held on October 25, 2012.
2. To receive and adopt the Audited Financial Statements for the year ended June 30, 2013, together with the Directors' and Auditors' Reports thereon.
3. To ratify the transactions with Related Parties as disclosed in note No. 39 to the Financial Statements for the year ended June 30, 2013.
4. To approve the Cash Dividend @ Rs. 1 per share (10%) as recommended by the Board of Directors.
5. To appoint the Auditors of the Company for the year 2013-2014 and to fix their remuneration.
6. To transact any other business with the permission of the Chair.

For and on behalf of the Board

Karachi: October 03, 2013.

**SAGHEER AHMED**  
CFO & Company Secretary

### NOTES:

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

The share transfer books of the Company will remain closed from October 17, 2013 to October 25, 2013 (both days inclusive). Transfers received in order at the Company's Share Registrar's Office of the Company by the close of the business by October 16, 2013 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 Members 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 Share Registrar's Office not less than forty eight (48) hours before the Meeting.

## NOTICE OF ANNUAL GENERAL MEETING

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### 4. Change of Address

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

### 5. Advice to Shareholders

In pursuance with the Securities and Exchange Commission of Pakistan (SECP) Notification No. SRO. 831(I)/2012 of July 5th, 2012 in supersession of earlier Notification No. SRO.779(I)/2011 of August 18th, 2011, SECP directed all listed companies to mention Computerized National Identity Card (CNIC) / NTN numbers of the registered members on the dividend warrant. The shareholders having physical shares are once again requested to immediately send a copy of their valid Computerized National Identity Card (CNIC) to our Share Registrar's Office, Technology Trade (Pvt) Ltd. Dagma House, 241-C, Block - 2, PECHS, Off Shahrah-e-Quaideen, Karachi, for printing/insertion on dividend warrants.

In case of Non-Receipt of copy of valid CNIC (unless it has been provided earlier) and non-compliance of the above requirement, the Company will be constrained to withhold dispatch of dividend warrants to such shareholders as per SECP Notification and Directives. The Corporate entities have been also advised to submit the NTN Number to the Registrar's Office of the Company as per above given address.

## REPORT OF THE DIRECTORS TO THE MEMBERS

The Board of Directors of Artistic Denim Mills Limited has the pleasure to present before you the Annual Report along with the Company's Audited Financial Statements for the year ended June 30, 2013.

### OPERATING FINANCIAL RESULTS

A comparison of the key financial results of the Company for the year ended June 30, 2013 with last year is as follows:

	<b>June 30, 2013</b>	<b>June 30, 2012</b>
	<b>Rs. in million</b>	<b>Rs. in million</b>
Net Sales	<b>6,137</b>	5,452
Gross profit	<b>1,145</b>	851
Finance costs	<b>150</b>	165
Profit before tax	<b>787</b>	496
Net Profit	<b>757</b>	440
EPS (Rs. per share)	<b>9.02</b>	5.24

During the year under review, net sales achieved by your Company were Rs. 6,137 million as compared to Rs. 5,452 million during previous year representing a growth of 12.56%. The gross profit increased by 34.50% from Rs. 851 million to Rs. 1,145 million, primarily due to favorable product-mix and effective cost controls. Your Company managed to reduce the financing cost by 9.34% during the year under review. Your Company was able to post net profit of Rs. 757 million as compared to Rs. 440 million in previous financial year. The business achieved significant improvement in the profitability for the second consecutive year. In the period under review earnings per share stood at 9.02 per share in comparison to Rs. 5.24 last year.

### DIVIDEND

A good return & payout to shareholders is one of the primary objectives of the Company. The Board of Directors has recommended a final cash dividend @ 10% (i.e. Rs. 1.0/= per share) translating into a payout of Rs. 84 million. This will be paid to the shareholders on the Company's Register on October 17, 2013. The dividend is to be approved by the shareholders at the Annual General Meeting on Friday, October 25, 2013.

### CAPITAL EXPENDITURE

In keeping with the Company's commitment to invest in expansion of production facilities and modernization of plant and machinery an amount of Rs. 342.947 (2012: Rs. 412.082) million was spent on various capital expenditure projects such as facility improvements and capacity enhancement. An amount of Rs. 450.166 (2012: Rs. 111.190) million was capitalized and transferred to fixed assets.

### CASH FLOW STATEMENT

The Company has an effective Cash Flow Management in place to project inflows and outflows of cash and develop strategies to meet working capital requirements through cash inflows and short term borrowings. In year 2013 the Company generated Rs. 939.381 (2012: Rs. 1229.730) million from operating activities. The inflow was largely a result of lower working capital requirements and higher cash earnings. Cash generated from operating activities was used on capital expenditure, payment of dividend and repayment of long-term finance.

## SALES AND MARKETING

With a track record of over 22 years of experience, ADM prides itself at providing its customers the best possible denim brands. The Company continued to participate in exhibitions in Europe and US to increase customer base and attract new denim brands. During the year under report, the Company has developed new products and designs which has enabled the Company to develop new markets and in catering the existing customers. The introduction of new products and designs has helped the Company to add new customers in different geographical regions and segments.

## FUTURE OUTLOOK

Despite the significant challenges to the industry and our business, the Company has shown resilience by the constant growth shown in its turnover. The management team continues to be committed to improving the overall performance of the Company by utilizing organizational resources efficiently and effectively, pursuing initiatives such as new marketing activities, improvements in product quality, technological advances and developing its human resource.

In line with our growth strategy, the Company is investing continuously in Balancing, Modernization and Replacement so that plant is operational with minimum losses, optimum capacity and quality production.

However, challenges ranging from law and order situation, gas supply shortage, rupee depreciation and higher costs of utilities, the socio-economic outlook continues to be challenging for the industry.

## CORPORATE COMPLIANCE

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

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



Name of Directors	Meetings Attended	Remarks
Mr. Faisal Ahmed	5	
Mrs. Maliha Faisal	5	
Mr. Muhammad Yousuf Ahmed	4	
Mr. Muhammad Ali Ahmed	3	Leave of absence granted in two meetings
Mrs. Hajra Ahmed	2	Leave of absence granted in three meetings
Mr. Muhammad Iqbal-ur-Rahim	5	
Ms. Sarah Faisal Ahmed	2	Leave of absence granted in three meetings

- During the year Mrs. Maliha Faisal, Director has completed Corporate Governance Leadership Skill (CGLS) Program.
- A statement of the pattern of shareholding is annexed to the Audited Financial Statements.
- During the fiscal year July 1, 2012 to June 30, 2013 the trading in Company's shares by its Directors, CEO, CFO, Company Secretary, Head of Internal Audit, Other Executives and their spouse(s) and minor children is annexed to the Audited Financial Statements.

## BOARD COMMITTEES

An Audit Committee has been in existence since 2002 in compliance to the Code of Corporate Governance. The Committee consists of three members, all of whom are non-executive directors including the chairman of the Committee. During the year, four meetings of the Audit Committee were held. The Audit Committee has performed its functions satisfactorily and in accordance with 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 has established a Human Resource and Remuneration Committee (HR&RC). The Committee consists of three members, all of whom are non-executive directors including the chairman of the Committee. During the year, one meeting of the HR&RC was held. The names of its members are given in the Company information.

## RELATED PARTY TRANSACTION AND TRANSFER PRICING

All related party transactions, during the year 2013, were placed before the Audit Committee and the Board for their review and approval. These transactions were duly approved by the Audit Committee and the Board in their respective meetings. The transactions with related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method. The Company has fully complied with best practices on transfer pricing as contained in the listing regulations of Karachi Stock Exchange.

## AUDITORS

The present auditors, Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants are retiring at the conclusion of the forthcoming annual general meeting and offer themselves for re-appointment. The Audit Committee has recommended the re-appointment of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as auditors of the Company for the year ending June 30, 2014 and the Board has endorsed this recommendation.

## CORPORATE SOCIAL RESPONSIBILITY

### 1. Energy Conservation

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

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

### 2. Environment, Health & Safety

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

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

ADM is certified by following certification bodies.

- ISO 14001:2004 (Environmental Management System)
- ISO 9001:2008 (Quality Management System)
- SA 8000:2008 (Social Accountability)
- WRAP (Worldwide Responsible Accreditation Production)
- 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. Hajj tours**

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

## **7. Donation to Saylani Welfare International Trust**

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

## **8. Contribution to national exchequer**

During the financial year, the Company contributed Rs. 30 million to the government exchequer in the shape of direct and indirect taxes.

## **ACKNOWLEDGEMENTS**

The Board of Directors would like to take this opportunity to express their deep appreciation of the commitment, loyalty and dedication of the employees towards Company's successful operations. We would also like to acknowledge the support and cooperation received from our esteemed customers, vendors, bankers and stakeholders towards the development of the Company.

On Behalf of the Board

**Faisal Ahmed**  
Chairman & Chief Executive

Karachi: September 24, 2013

## KEY OPERATING AND FINANCIAL DATA

	2013	2012	2011	2010	2009	2008
	.....(Rupees in '000).....					
<b>ASSETS EMPLOYED</b>						
Operating fixed assets	<b>3,305,415</b>	3,112,798	3,250,504	3,393,330	3,341,198	2,863,087
Capital work-in-progress	<b>209,681</b>	316,900	16,008	26,960	84,401	397,681
Long term loans	<b>5,314</b>	4,695	4,592	4,467	4,997	4,365
Long term deposits	<b>853</b>	833	777	777	979	798
Net current assets/(liabilities)	<b>754,011</b>	332,469	25,676	(204,701)	(259,182)	65,160
<b>Total Assets Employed</b>	<b>4,275,274</b>	3,767,695	3,297,557	3,220,833	3,172,393	3,331,091
<b>FINANCED BY</b>						
Shareholders equity	<b>4,060,715</b>	3,387,329	3,031,237	2,847,793	2,681,257	2,472,836
Long term financing	<b>168,489</b>	344,206	235,319	348,293	471,430	799,889
Long term murabaha	-	-	-	-	-	42,498
Deferred liability	<b>46,070</b>	36,160	31,001	24,747	19,706	15,868
<b>Total</b>	<b>4,275,274</b>	3,767,695	3,297,557	3,220,833	3,172,393	3,331,091
<b>SALES &amp; PROFITS</b>						
Net sales	<b>6,136,793</b>	5,451,844	4,869,120	3,671,610	3,125,384	2,436,268
Gross profit	<b>1,144,959</b>	851,259	743,095	766,715	697,984	638,014
Profit before taxation	<b>787,032</b>	496,438	395,273	370,925	410,338	373,722
Net profit after taxation	<b>757,386</b>	440,092	351,444	334,536	376,421	349,584
Proposed Bonus/Dividend %	<b>10</b>	10	10	20	20	20
Un-appropriated profit	<b>3,220,715</b>	2,547,329	2,191,237	2,007,793	1,841,257	1,632,836

## PATTERN OF SHAREHOLDING

Number of Shareholders	Shareholdings		Total Number of Shares Held
	From	To	
151	1	100	5,394
167	101	500	62,051
124	501	1000	96,298
196	1001	5000	479,110
31	5001	10000	233,539
15	10001	15000	184,600
4	15001	20000	66,299
6	20001	25000	138,489
1	25001	30000	30,000
3	30001	35000	97,000
3	40001	45000	126,858
2	45001	50000	99,000
1	75001	80000	76,000
1	90001	95000	93,505
1	95001	100000	100,000
1	105001	110000	106,004
1	595001	600000	600,000
1	995001	1000000	1,000,000
1	1765001	1770000	1,767,000
1	1815001	1820000	1,818,700
1	5600001	5605000	5,601,833
1	5810001	5815000	5,811,066
1	8725001	8730000	8,727,400
1	15295001	15300000	15,299,200
1	41380001	41385000	41,380,654
<b>716</b>			<b>84,000,000</b>

## PATTERN OF SHAREHOLDING

Categories of Shareholders	Shares Held	Percentage
<b>BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.</b>		
SONERI BANK LIMITED	6,000	
Sub-Total:	<b>6,000</b>	0.01
<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>		
SARAH FAISAL AHMED	5,601,833	
MUHAMMAD YOUSUF AHMED	100,000	
MALIHA FAISAL	15,299,200	
IQBAL UR RAHIM	600	
MUHAMMAD ALI AHMED	42,858	
HAJRA AHMED	500	
MOHAMMAD FAISAL AHMED	41,380,654	
Sub-Total:	<b>62,425,645</b>	74.32
<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>		
PAK ASIAN FUND LIMITED	42,500	
B.R.R. GUARDIAN MODARABA	42,000	
Sub-Total:	<b>84,500</b>	0.10
<b>NIT AND ICP</b>		
IDBL (ICP UNIT)	2,500	
INVESTMENT CORP. OF PAKISTAN	500	
Sub-Total:	<b>3,000</b>	0.00
<b>FOREIGN INVESTORS</b>		
HABIB BANK AG ZURICH, DEIRA DUBAI	15,000	
MOHAMMAD HAROON NUR REHMAN ABDLLA KHAN	12,400	
Sub-Total:	<b>27,400</b>	0.03

## PATTERN OF SHAREHOLDING

Categories of Shareholders	Shares Held	Percentage
<b>OTHERS</b>		
FIRST NATIONAL EQUITIES LIMITED	7,620	
MSMANIAR FINANCIALS (PVT) LTD.	20,887	
RAFI SECURITIES (PRIVATE) LIMITED	3,100	
AZEE SECURITIES (PRIVATE) LIMITED	300	
HIGHLINK CAPITAL (PVT) LTD	1,000	
MOONACO SECURITIES (PRIVATE) LIMITED	21,000	
ACE SECURITIES (PVT.) LIMITED	1,700	
SEVEN STAR SECURITIES (PVT.) LTD.	30,000	
SEVEN STAR SECURITIES (PVT.) LTD.	106,004	
TRUSTEES D.G.KHAN CEMENT CO.LTD.EMP. P.F	31,000	
TRUSTEE NAZ TEXTILE (PVT) LIMITED EMPLOY	1,000	
Pearl Capital Management (Private) Limit	100	
FIKREE'S (SMC-PVT) LTD.	2,300	
Y.S. SECURITIES & SERVICES (PVT) LTD.	80	
DJM SECURITIES (PRIVATE) LIMITED	5,000	
HH MISBAH SECURITIES (PRIVATE) LIMITED	11,000	
HSZ SECURITIES (PVT.) LTD.	80	
Sub-Total:	<b>242,171</b>	<b>0.29</b>
<b>Individual</b>		
Local - Individuals	17,624,584	
Sub-Total:	<b>17,624,584</b>	<b>20.98</b>
<b>G-Total:</b>	<b>84,000,000</b>	<b>100.00</b>

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

Name of Shareholders	Shares Held	Percentage
Faisal Ahmed	41,380,654	
Maliha Faisal	15,299,200	
Sadia Zain	8,727,400	
Zahra Faisal Ahmed	5,811,066	
Sarah Faisal Ahmed	5,601,833	
<b>Total:</b>	<b>76,820,153</b>	<b>91.45</b>

## PERFORMANCE AT A GLANCE

	<b>2013</b>	<b>2012</b>
<b>FINANCIAL RATIOS</b>		
Gross profit - % of sales	<b>18.66</b>	15.61
Profit before taxation - % of sales	<b>12.82</b>	9.11
Net Profit after taxation - % of sales	<b>12.34</b>	8.07
Earnings per share - basic & diluted	<b>9.02</b>	5.24
Increase / (decrease) in sale - %	<b>12.56</b>	11.97
Raw and packing materials - % of sales	<b>51.52</b>	47.45
Labour - % of sales	<b>13.78</b>	11.90
Other cost of goods manufactured - % of sales	<b>16.77</b>	24.86
Distribution costs - % of sales	<b>3.05</b>	2.22
Administrative expenses - % of sales	<b>1.02</b>	1.01
Finance costs - % of sales	<b>2.44</b>	3.03
Taxation - % of sales	<b>0.48</b>	1.03
Inventory turnover days	<b>49</b>	74
Receivable turnover days	<b>84</b>	92
<b>SHORT TERM SOLVENCY</b>		
Current ratio	<b>1.44</b>	1.16
Acid test ratio	<b>1.00</b>	0.78
<b>OVERALL VALUATION AND ASSESSMENT</b>		
Return on equity (average)	<b>20.34</b>	13.71
P.E. ratio	<b>4.41</b>	4.58
Book value per share	<b>48.34</b>	40.33
Long term debts : equity	<b>4:96</b>	9:91

### 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	4,101,833	1,500,000	-	5,601,833



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of Company: **Artistic Denim Mills Limited**  
Year Ended: **June 30, 2013**

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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		✓	

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

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. No casual vacancy occurred on the Board during the year ended June 30, 2013.
5. 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.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors, have been taken by the Board/Shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranges orientation course for its directors as and when needed to apprise them of their duties and responsibilities. Three directors of the Company have completed Directors' Training Program conducted by the Pakistan Institute of Corporate Governance (PICG) and rest of the Directors will be trained within the prescribed time period during June 30, 2012 to June 30, 2016.
10. The Board approves the appointment, remuneration and terms and conditions of employment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, as determined by the Chief Executive.
11. The Directors' report for the year ended June 30, 2013 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors including the Chairman of the Committee and the Chairman of the Committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom all are non-executive directors including the Chairman of the Committee and the Chairman of the Committee is an independent director. During the year, one meeting of the HR & Remuneration Committee was held.
18. The Board has set-up an effective internal audit function and the internal auditors of the Company are fully conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "closed period" prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and Stock Exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchange.
23. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors along with pricing methods.
24. As stated above, we confirm that all other material principles enshrined in the Code have been complied with.

By order of the Board

## **REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF 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 2013 prepared by the Board of Directors of Artistic Denim Mills Limited (the Company) to comply with the Listing Regulations of Karachi 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 inquiry of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of respective 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, as applicable to the Company for the year ended 30 June 2013.

### **Chartered Accountants**

**Date: 24 September 2013**

**Karachi**



Buliding a better  
working world

Ernst & Young Ford Rhodes Sidat Hyder  
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## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ARTISTIC DENIM MILLS LIMITED (the Company)** as at **30 June 2013** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 2.2, with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

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- (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 2013** 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 2013

**Place:** Karachi

## BALANCE SHEET

As at June 30, 2013

	Note	June 30, 2013	June 30, 2012
Rupees in '000			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Fixed assets</b>			
Property, plant and equipment	5	3,515,096	3,429,698
Long-term loans	6	5,314	4,695
Long-term deposits	7	853	833
<b>CURRENT ASSETS</b>			
Stores and spares	8	114,718	104,314
Stock-in-trade	9	640,068	703,403
Trade debts	10	1,385,388	1,437,610
Loans and advances	11	51,712	52,844
Trade deposits and prepayments	12	1,985	7,993
Other receivables	13	45,563	47,882
Sales tax refundable		94,582	55,751
Short-term investments	14	14,849	13,654
Taxation - net	15	87,687	39,828
Cash and bank balances	16	18,653	13,729
		<b>2,455,205</b>	<b>2,477,008</b>
<b>TOTAL ASSETS</b>		<b>5,976,468</b>	<b>5,912,234</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVE</b>			
Share capital	17	840,000	840,000
Reserves	18	3,220,715	2,547,329
		<b>4,060,715</b>	<b>3,387,329</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	19	168,489	344,206
Deferred liability	20	46,070	36,160
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	527,158	617,840
Accrued mark-up	22	32,663	36,331
Short-term borrowings	23	986,804	1,366,812
Current maturity of long-term financing		154,569	123,556
		<b>1,701,194</b>	<b>2,144,539</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	24		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,976,468</b>	<b>5,912,234</b>

The annexed notes 1 to 44 form an integral part of these financial statements.

## PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2013

	Note	June 30, 2013	June 30, 2012
Rupees in '000			
<b>NET SALES</b>	25	<b>6,136,793</b>	5,451,844
Cost of sales	26	(4,991,834)	(4,600,585)
<b>GROSS PROFIT</b>		<b>1,144,959</b>	851,259
Distribution costs	27	(187,068)	(121,031)
Administrative expenses	28	(62,889)	(54,911)
Other operating expenses	29	(63,229)	(56,007)
Other operating income	30	104,972 (208,214)	42,271 (189,678)
<b>OPERATING PROFIT</b>		<b>936,745</b>	661,581
Finance costs	31	(149,713)	(165,143)
<b>PROFIT BEFORE TAXATION</b>		<b>787,032</b>	496,438
Taxation	32	(29,646)	(56,346)
<b>NET PROFIT FOR THE YEAR</b>		<b>757,386</b>	440,092
<b>EARNINGS PER SHARE - BASIC AND DILUTED (Rs. per share)</b>	33	<b>9.02</b>	5.24

The annexed notes 1 to 44 form an integral part of these financial statements.

**Faisal Ahmed**  
Chairman & Chief Executive

**Muhammad Iqbal-ur-Rahim**  
Director

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2013

	June 30, 2013	June 30, 2012
	Rupees in '000	
<b>Net profit for the year</b>	<b>757,386</b>	440,092
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>757,386</b>	440,092

The annexed notes 1 to 44 form an integral part of these financial statements.

**Faisal Ahmed**  
Chairman & Chief Executive

**Muhammad Iqbal-ur-Rahim**  
Director



## CASH FLOW STATEMENT

For the year ended June 30, 2013

	Note	June 30, 2013	June 30, 2012
Rupees in '000			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	34	1,174,300	1,464,566
Taxes paid		(77,505)	(70,004)
Gratuity paid		(4,013)	(3,386)
Finance costs paid		(153,381)	(161,390)
Long-term deposits		(20)	(56)
<b>Net cash generated from operating activities</b>		<b>939,381</b>	<b>1,229,730</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(342,947)	(412,082)
Long-term loans		(619)	(103)
Sale proceeds of operating fixed assets		15,613	17,994
Dividend received		2,166	2,118
<b>Net cash used in investing activities</b>		<b>(325,787)</b>	<b>(392,073)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term financing acquired		164,889	200,000
Long-term financing repaid		(309,593)	(117,818)
Short-term borrowings (repaid) / acquired		(350,622)	(783,943)
Dividend paid		(83,958)	(84,196)
<b>Net cash used in financing activities</b>		<b>(579,284)</b>	<b>(785,957)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>34,310</b>	<b>51,700</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>(52,461)</b>	<b>(104,161)</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	35	<b>(18,151)</b>	<b>(52,461)</b>

The annexed notes 1 to 44 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2013

	Share Capital	Revenue Reserve	
	Issued, Subscribed and paid-up	Unappropriated profit	Total
..... Rupees in '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 @ Rs.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>	840,000	2,547,329	3,387,329
Net profit for the year	-	757,386	757,386
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	-	757,386	757,386
Cash dividend paid @ Rs.1 per Ordinary share of Rs.10 each for the year ended June 30, 2012	-	(84,000)	(84,000)
<b>Balance as at June 30, 2013</b>	<b>840,000</b>	<b>3,220,715</b>	<b>4,060,715</b>

The annexed notes 1 to 44 form an integral part of these financial statements.

**Faisal Ahmed**  
Chairman & Chief Executive

**Muhammad Iqbal-ur-Rahim**  
Director

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

### 1. THE COMPANY AND ITS OPERATIONS

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

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

### 2. STATEMENT OF COMPLIANCE

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

#### 2.2 New and amended standards

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

IAS 1 - Presentation of Financial Statements - Presentation of items of other comprehensive income (Amendment)

IAS 12 - Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the amendments did not have any effect on the financial statements.

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

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

<b>Standards</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 7 - Financial Instruments : Disclosures - (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 19 - Employee Benefits -(Revised)	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 revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application other than the amendments to IAS 19 'Employees Benefits'. Such amendments range from fundamental changes to simple clarification and re-wording. The significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.
- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

While the Company is currently assessing the full impact of the above amendments which are effective from 1 January 2013 on the financial statements, it is expected that the adoption of the said amendments will result in change in the Company's accounting policy related to recognition of actuarial gain / (loss) (refer to note 4.12 to the financial statements) to recognize actuarial gain / (loss) in total in other comprehensive income in the period in which they occur. The potential impact of the said changes for the year 2014 is estimated as under:

	<b>Rupees in '000'</b>
Net increase in employees' benefit liability	18,264
Net decrease in other comprehensive income	18,264

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2013. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

<b>Standards</b>	<b>IASB Effective date (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 Interests in Other Entities	01 January 2013
IFRS 13 - Fair Value Measurement	01 January 2013

### 3. BASIS OF MEASUREMENT

- 3.1** These financial statements have been prepared under the historical cost convention, except for investments and derivative financial instrument, which are carried at fair value through profit or loss.
- 3.2** These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

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

### **4.1 Property, plant and equipment**

#### **4.1.1 Operating fixed assets**

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

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

The carrying values of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

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

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

#### **4.1.2 Capital work-in-progress**

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

### **4.2 Investments**

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

### **4.3 Stores and spares**

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

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

## 4.4 Stock-in-trade

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

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

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

## 4.5 Trade debts

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

## 4.6 Loans, advances and other receivables

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

## 4.7 Cash and cash equivalents

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

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

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

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

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

## 4.9 Trade and other payables

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

## 4.10 Foreign currency transactions and translation

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

#### 4.11 Staff retirement benefit

The Company operates an unfunded gratuity plan (defined benefit scheme) for all its permanent employees. Provision is made annually, to cover obligations under the plan, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation. The latest valuation was carried out as at June 30, 2013. 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 11% per annum.
- Expected discount rate is 11.5% per annum.

#### 4.12 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.

#### 4.13 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.

#### 4.14 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.

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

#### 4.16 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.

#### 4.17 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 (unrealised gains) are included in other asset and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the profit and loss account.

## 4.18 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.

## 4.19 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.

## 4.20 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).

## 4.21 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.

## 4.22 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 4.1);
- (b) impairment of inventories / adjustment of inventories to their Net realisable Value (Note 4.4);
- (c) recognition of staff retirement benefits (Note 4.11 and 4.12);
- (d) provisions (Note 4.13);
- (e) recognition of taxation and deferred taxation (Note 4.14) ; and
- (f) impairment of assets (Note 4.20).



# Artistic Denim Mills Limited

Note	June 30, 2013	June 30, 2012
<b>Rupees in '000</b>		
Operating fixed assets	<b>3,305,415</b>	3,112,798
Capital work-in-progress	<b>209,681</b>	316,900
	<b>3,515,096</b>	<b>3,429,698</b>

## 5. PROPERTY, PLANT AND EQUIPMENT

### 5.1 Operating fixed assets

Note	C O S T			Period / Rate %	ACCUMULATED DEPRECIATION / AMORTISATION			WRITTEN DOWN VALUE	
	As at July 01, 2012	Additions / Transfers*	As at June 30, 2013		As at July 01, 2012	For the year (On disposals)	As at June 30, 2013	As at June 30, 2013	
.....Rupees in '000.....									
<b>June 30, 2013</b>									
	1,211,663	-	- 1,211,663	65 to 86 yrs	112,773	15,188	-	127,961	1,083,702
Leasehold land									
5.1.1	976,558	84,243*	- 1,060,801	10	379,486	60,409	-	439,895	620,906
Building on leasehold land									
5.1.1	2,601,518	323,016*	(41,485) 2,883,049	10	1,282,333	152,755	(29,768)	1,405,320	1,477,729
Plant and machinery									
5.1.1	120,376	24,014*	- 144,390	10	60,277	6,762	-	67,039	77,351
Factory equipment									
	9,200	4,626	- 13,826	10	5,168	582	-	5,750	8,076
Furniture and fixtures									
	18,551	2,322	- 20,873	33	15,917	1,227	-	17,144	3,729
Office equipment, including Computers									
	55,223	11,945	(1,951) 65,217	20	24,337	8,444	(1,486)	31,295	33,922
Vehicles									
	4,993,089	18,893	(43,436) 5,399,819		1,880,291	245,367	(31,254)	2,094,404	3,305,415
		431,273*							

Note	C O S T			Period / Rate %	ACCUMULATED DEPRECIATION / AMORTISATION			WRITTEN DOWN VALUE	
	As at July 01, 2011	Additions / Transfers*	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.....									
<b>June 30, 2012</b>									
	1,211,663	-	- 1,211,663	65 to 86 yrs	97,585	15,188	-	112,773	1,098,890
Leasehold land									
	976,558	-	- 976,558	10	313,145	66,341	-	379,486	597,072
Building on leasehold land									
5.1.1	2,591,096	81,656*	(71,234) 2,601,518	10	1,200,167	139,297	(57,131)	1,282,333	1,319,185
Plant and machinery									
5.1.1	103,929	16,447*	- 120,376	10	54,766	5,511	-	60,277	60,099
Factory equipment									
	9,130	70	- 9,200	10	4,723	445	-	5,168	4,032
Furniture and fixtures									
	17,760	791	- 18,551	33	14,838	1,079	-	15,917	2,634
Office equipment, including computers									
	44,750	12,226	(1,753) 55,223	20	19,158	6,561	(1,382)	24,337	30,886
Vehicles									
	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*							

\* Represents transfer from Capital Work in Progress.

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

	Note	June 30, 2013	June 30, 2012
Rupees in '000			
Building on leasehold land	5.1	<b>84,243</b>	-
Plant and machinery	5.1	<b>323,016</b>	81,656
Factory equipment	5.1	<b>24,014</b>	16,447
		<b>431,273</b>	<b>98,103</b>

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

Cost of sales	26.1	<b>226,474</b>	216,372
Distribution costs	27	<b>491</b>	469
Administrative expenses	28	<b>18,402</b>	17,581
		<b>245,367</b>	<b>234,422</b>

**5.1.3 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							
Machinery	41,485	29,768	11,717	14,731	3,014	Negotiation	Gulf Tex machine FZC, Dubai, UAE
Vehicle	535	507	28	43	15	Negotiation	Mr. Imran, Sharafi Goth, Karachi
Vehicle	1,293	965	328	722	394	Negotiation	Mr. Khawar, Ex-employee, Karachi
Vehicle	41	1	40	41	1	Insurance claim	EFU General Insurance, Karachi
Vehicle	41	1	40	42	2	Insurance claim	EFU General Insurance, Karachi
Vehicle	41	12	29	34	5	Insurance claim	EFU General Insurance, Karachi
<b>June 30, 2013</b>	<b>43,436</b>	<b>31,254</b>	<b>12,182</b>	<b>15,613</b>	<b>3,431</b>		
June 30, 2012	72,987	58,513	14,474	17,994	3,520		

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

**5.2 Capital work-in-progress**

As at July 01, 2012	60,587	200,032	-	56,281	316,900
Additions during the year	98,494	122,984	24,014	78,562	324,054
Transferred from advances	57,074	-	-	(57,074)	-
Transfer to operating fixed assets	(84,243)	(323,016)	(24,014)	-	(431,273)
<b>June 30, 2013</b>	<b>131,912</b>	<b>-</b>	<b>-</b>	<b>77,769</b>	<b>209,681</b>
June 30, 2012	60,587	200,032	-	56,281	316,900

	Note	June 30, 2013	June 30, 2012
<b>6. LONG-TERM LOANS</b>		<b>Rupees in '000</b>	
<b>Considered good - secured</b>			
Executives	6.3	5,546	4,581
Employees		5,174	4,272
		<b>10,720</b>	<b>8,853</b>
<b>Recoverable within one year shown under current assets</b>			
Executives	11	(2,610)	(2,016)
Employees	11	(2,796)	(2,142)
		<b>(5,406)</b>	<b>(4,158)</b>
		<b>5,314</b>	<b>4,695</b>

**6.1** The secured loans extended to executives and employees are either personal loans or given for medical expenses. These are granted in accordance with the terms of their employment and are secured against their gratuity balances. These loans are recoverable in monthly installments over a period, ranging between 1 and 5 (2012: 1 and 5) years, and are interest free. These loans have not been discounted to their present value as the financial impact thereof is not considered material.

**6.2** The maximum aggregate amount due from executives at the end of any month during the year was Rs. 5.996 (2012: Rs. 5.177) million.

	Note	June 30, 2013	June 30, 2012
<b>6.3 Reconciliation of carrying amount of loans to executives</b>		<b>Rupees in '000</b>	
Opening balance		4,581	2,649
Transfer of executives from employees		663	2,592
Disbursements during the year		3,066	2,173
		<b>8,310</b>	<b>7,414</b>
Recoveries during the year		(2,764)	(2,833)
		<b>5,546</b>	<b>4,581</b>

## 7. LONG-TERM DEPOSITS

### Security deposits

Utilities	604	586
Others	249	246
	<b>853</b>	<b>833</b>

## 8. STORES AND SPARES

### Stores

In hand	59,824	51,365
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### Spares

In hand	54,763	52,949
In transit	131	-
	<b>114,718</b>	<b>104,314</b>

	Note	June 30, 2013	June 30, 2012
Rupees in '000			
<b>9. STOCK-IN-TRADE</b>			
<b>Raw and packing materials</b>			
In hand		231,952	426,008
In transit		32,466	10,313
		<b>264,418</b>	436,321
Work-in-process		291,353	226,950
Finished goods		84,297	40,132
		<b>640,068</b>	703,403
<b>10. TRADE DEBTS</b>			
<b>Considered good</b>			
Secured - against letters of credit	10.1	1,123,454	1,102,693
<b>Unsecured</b>			
<b>Related parties:</b>			
Casual Sportswear		55,291	100,705
Artistic Apparels (Private) Limited		55	219
Others		206,588	233,993
		<b>261,934</b>	334,917
		<b>1,385,388</b>	1,437,610

**10.1** Included herein is a sum of Rs. Nil (2012: Rs. 13.260 million), due from Artistic Apparels (Private) Limited, a related party.

**10.2** The ageing analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			upto 1 year	> 1 year upto 2 years	> 2 years and above
----- Rupees in '000 -----					
June 30, 2013	<u>1,385,388</u>	<u>1,385,388</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2012	<u>1,437,610</u>	<u>1,261,260</u>	<u>176,350</u>	<u>-</u>	<u>-</u>

11. LOANS AND ADVANCES	Note	June 30, 2013	June 30, 2012
Rupees in '000			
<b>Considered good</b>			
<b>Loans - secured</b>			
<b>Current portion of long-term loans</b>			
Executives	6	2,610	2,016
Employees	6	2,796	2,142
		<b>5,406</b>	4,158
<b>Short-term loans</b>			
Executives		451	232
Employees		665	610
	11.1	<b>1,116</b>	842
<b>Advances - unsecured</b>			
Suppliers		44,024	46,382
Labour contractors		1,166	1,462
		<b>45,190</b>	47,844
		<b>51,712</b>	52,844

**11.1** 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.

12. TRADE DEPOSITS AND PREPAYMENTS	June 30, 2013	June 30, 2012
Rupees in '000		
<b>Trade deposits</b>		
Margin against letters of credit	-	6,432
Container deposits	1,880	985
<b>Prepayments</b>		
Insurance	105	576
	<b>1,985</b>	7,993
<b>13. OTHER RECEIVABLES</b>		
Duty draw back on export sales	45,123	46,940
Others	440	942
	<b>45,563</b>	47,882

14. <b>SHORT-TERM INVESTMENTS</b>	Note	June 30, 2013	June 30, 2012
		Rupees in '000	
At fair value through profit and loss			
Listed equity securities			
Numbers of Ordinary shares of Rs.10 each			
2013	2012		
355,781	309,375	National Bank of Pakistan	14,630
			13,470
1,801	1,801	Engro Corporation Limited	219
			184
			<u>14,849</u>
			<u>13,654</u>

The aggregate cost of the above referred investments is Rs.12.200 (2012: Rs.12.200) million. Resulting unrealised gain of Rs. 1.195 (2012: loss of Rs. 0.753) 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.

15. <b>TAXATION - Net</b>	Note	June 30, 2013	June 30, 2012
		Rupees in '000	
Provision for income tax - current	32	(29,646)	(56,346)
Advance income tax		117,333	96,174
		<u>87,687</u>	<u>39,828</u>
<b>16. CASH AND BANK BALANCES</b>			
<b>Cash</b>			
In hand		552	379
<b>At banks in</b>			
Current accounts		18,101	13,350
		<u>18,653</u>	<u>13,729</u>

**17. SHARE CAPITAL**

No. of Shares				
June 30, 2013	June 30, 2012		June 30, 2013	June 30, 2012
100,000,000	100,000,000	<b>Authorised share capital</b> Ordinary shares of Rs.10 each	1,000,000	1,000,000
14,000,000	14,000,000	<b>Issued, subscribed and Paid-up capital</b> Ordinary shares of Rs.10 each fully paid in cash	140,000	140,000
70,000,000	70,000,000	Ordinary shares of Rs.10 each issued as fully paid bonus shares	700,000	700,000
<u>84,000,000</u>	<u>84,000,000</u>		<u>840,000</u>	<u>840,000</u>

	Note	June 30, 2013	June 30, 2012
<b>18. RESERVES</b>			
		<b>Rupees in '000</b>	
<b>Revenue reserve</b>			
Unappropriated profit		<u>3,220,715</u>	<u>2,547,329</u>
<b>19. LONG-TERM FINANCING</b>			
<b>From Banking Companies and Financial Institutions - secured</b>			
Term finance from a bank	19.1	<u>169,096</u>	203,644
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)	19.2	<u>153,962</u>	264,118
		<u>323,058</u>	467,762
<b>Current maturities shown under current liabilities</b>			
Term finance from a bank		<u>(67,880)</u>	(34,514)
Term finances from banks under the SBP's scheme for EOP and LTFF		<u>(86,689)</u>	(89,042)
		<u>(154,569)</u>	(123,556)
		<u>168,489</u>	344,206

## 19.1 Term finance from a bank

The balance outstanding of Rs. 169.096 (2012: Rs. 203.644) million at the end of the current year comprises of the following two (2012: two) separate local currency loans:

- (a) The balance outstanding of Rs. 2.429 (2012: Rs. 3.644) 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 19.2(g)] is secured against the hypothecation of specific plant and machinery, aggregating to Rs.9.900 million, and a promissory note of Rs.8.665 million.
- (b) Represents loan obtained by the Company of Rs. 200 million in year 2012 for the purpose of capital expenditure and rationalising the financial structure of the Company. The balance outstanding is Rs. 166.667 (2012: Rs. 200) million at the end of the year. The said loan is repayable in 6 equal semi-annual installments, commencing January 25, 2013 to July 25, 2015. It carries mark-up at 6 months KIBOR plus 1.25% per annum, payable semi-annually. The said loan is secured against the hypothecation of plant and machinery, aggregating to Rs.400 million, and a promissory note of Rs.250 million.

Against the above mentioned loan of Rs. 200 million, the Company has entered into a cross currency interest rate swap agreement with a local commercial bank for a notional amount of Rs. 200 million, maturing up to July 2015. Under swap arrangement the principal payable amount of Rs. 200 million is swapped with US dollar component at Rs. 86.50 per US dollar making loan amount to US dollar 2.312 million. Besides foreign currency component, the Company would receive six months KIBOR rate and pay six months LIBOR plus spread of 2.50% as per the respective arrangement, which will be settled semi-annually. The swap is being used to hedge the exposure to change in the interest payments of Company's loan obligation which is based on KIBOR. The outstanding balance of this arrangement is Rs. 166.667 (2012: Rs. 200) million as at the balance sheet date. The net fair value of this cross currency interest rate swap was Rs. 0.623 (2012: Rs. 6.146) million unfavorable to the Company as of the balance sheet date. The fair value gain of Rs. 5.523 (2012: Loss of Rs. 6.146) has been taken to the profit and loss account (see note 31). 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.

## 19.2 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. 153.962 (2012: Rs. 264.118) million at the end of the current year comprises of the following twelve (2012: fifteen) separate local currency loans:

- (a) Rs.39.711 (2012: Rs. 59.404) 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% (2012: 3 to 7.5 years (i.e., 5%) plus 1%) per annum, which is payable quarterly on the principal sum of loan outstanding from time to time.

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

- (b) Rs. 7.855 (2012: Rs. 10.998) 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% (2012: 3 to 7.5 years (i.e. 5%) plus 1%) per annum, which is payable quarterly on the principal sum of loan outstanding from time to time.

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

- (c) Rs. 2.005 (2012: Rs. 2.736) 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% (2012: 3 to 7.5 years (i.e. 5%) plus 1%) per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

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

- (d) Rs. 1.947 (2012: Rs. 2.654) 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% (2012: 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.

- (e) Rs. 4.596 (2012: Rs. 10.724) 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% (2012: 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 million and a demand promissory note of Rs.42.900 million.

- (f) Rs. 4.875 (2012: Rs. 11.375) 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% (2012: 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 million and a demand promissory note of Rs.45.600 million.

- (g) Rs. 2.429 (2012: Rs. 3.644) 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 (2012: 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 19.1) 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.

- (h) Rs. 35.557 (2012: Rs. 53.317) 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% (2012: 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 23.1.2], running finance facility [note 23.2.2] and short term running finances under Foreign Exchange Circular No. 25, dated June 20, 1998 [note 23.3] 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.

- (i) Rs. 3.378 (2012: Rs. 5.074) 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% (2012: 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.

- (ii) Rs. 34.652 (2012: Rs. 54.460) 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% (2012: 7.2% plus 2.0%) per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

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

- (k)** Rs. 8.503 million (2012: Rs. 11.595 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 (2012: 8.6% plus 2.0% per annum), which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

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

- (l)** Rs. 8.454 million (2012: Rs. 11.838 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% (2012: 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.

- (m)** As of June 30, 2012, Rs. 10.113 million was outstanding against the import of eligible plant and machinery under the SBP's LTF Scheme, as announced by the SBP in their MFD, Circular No.07, dated December 31,2007. The loan has been repaid during the year.

The loan was 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 was payable quarterly on the principal sum of loans and other dues, if any, outstanding from time to time.

The said loan was secured against the hypothecation of specific plant and machinery, aggregating to 26.70 million and a demand promissory note of Rs.43.416 million.

- (n)** As of June 30, 2012, Rs. 8.067 million was outstanding against the import of eligible plant and machinery under the SBP's LTF Scheme, as announced by the SBP in their MFD, Circular No.07, dated December 31,2007. The loan has been repaid during the year.

The loan was 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 was payable quarterly on the principal sum of loans and other dues, if any, outstanding from time to time.

The said loan was secured against the hypothecation of specific plant and machinery, aggregating to 26.70 million and a demand promissory note of Rs.43.416 million.

- (o)** As of June 30, 2012, Rs. 8.119 million outstanding against the import of eligible plant and machinery under the SBP's LTF Scheme, as announced by the SBP in their MFD, Circular No.07, dated December 31,2007. The loan has been repaid during the year.

The loan was 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 was payable quarterly on the principal sum of loans and other dues, if any, outstanding from time to time.

The said loan was 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 19.2(a) to 19.2(o), these loans are further secured against first equitable mortgage on immoveable property and hypothecation of plant and machinery, aggregating to Rs.670 (2012: Rs.670) million.

	Note	June 30, 2013	June 30, 2012
<b>20. DEFERRED LIABILITY</b>		<b>Rupees in '000</b>	
Employees' Gratuity	20.1	<b>46,070</b>	36,160

**20.1** In accordance with the requirements of IAS-19 "Employee Benefits", actuarial valuation was carried out as at June 30, 2013, 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, 2013	June 30, 2012
	<b>Per annum</b>	
Discount rate	11.5%	14%
Salary increase	11%	13%

<b>Gratuity</b>		
	<b>June 30, 2013</b>	<b>June 30, 2012</b>
	<b>Rupees in '000</b>	

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

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

Provision at beginning of the year	<b>36,160</b>	31,001
Expense for the year	<b>13,923</b>	8,545
Benefits paid	<b>(4,013)</b>	(3,386)
<b>Provision at end of the year</b>	<b>46,070</b>	36,160

**(b) Reconciliation**

Present value of defined benefit obligation	<b>64,334</b>	44,478
Actuarial losses un-recognised	<b>(18,264)</b>	(8,318)
<b>Provision as at 30 June</b>	<b>46,070</b>	36,160

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

Current service cost	<b>7,332</b>	4,508
Interest cost	<b>5,946</b>	3,753
Recognised actuarial losses	<b>645</b>	284
<b>Expense for the year</b>	<b>13,923</b>	8,545

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

As at June 30	2013	2012	2011	2010	2009
	..... Rupees in '000 .....				
Present value of defined benefit obligation	<b>64,334</b>	44,478	39,319	30,017	24,975
Experience adjustment					
Actuarial loss on obligation	<b>645</b>	284	284	18	18

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

	Note	June 30, 2013	June 30, 2012
<b>21. TRADE AND OTHER PAYABLES</b>			
<b>Rupees in '000</b>			
<b>Trade</b>			
Creditors		<b>317,951</b>	463,012
<b>Other payables</b>			
Accrued expenses		<b>85,495</b>	70,913
Advances from customers		<b>38,405</b>	22,578
Workers' Profit Participation Fund	21.1	<b>42,314</b>	26,710
Workers' Welfare Fund	21.2	<b>39,137</b>	26,660
Fair value loss on derivative	19.1	<b>623</b>	6,146
Retention		<b>900</b>	-
Tax deducted at source		<b>1,145</b>	675
Unclaimed dividend		<b>1,188</b>	1,146
		<b>209,207</b>	154,828
		<b>527,158</b>	617,840
<b>21.1 Workers' Profit Participation Fund</b>			
Balance at the beginning of the year		<b>26,710</b>	21,244
Allocation for the year	29	<b>42,314</b>	26,710
Interest on WPPF	29	<b>3,990</b>	-
		<b>73,014</b>	47,954
Payments made during the year		<b>(30,700)</b>	(21,244)
		<b>42,314</b>	26,710
<b>21.2 Workers' Welfare Fund</b>			
Balance at the beginning of the year		<b>26,660</b>	19,357
Allocation for the year	29	<b>16,925</b>	10,684
		<b>43,585</b>	30,041
Payments made during the year		<b>(4,448)</b>	(3,381)
		<b>39,137</b>	26,660
<b>22. ACCRUED MARK-UP</b>			
<b>Accrued mark-up on secured:</b>			
Long-term financing - Term finance from a bank		<b>7,152</b>	10,991
Long-term finance - SBP's EOP and LTFF		<b>3,564</b>	5,652
Short-term running finances		<b>258</b>	262
Short-term running finances under FE - 25		<b>-</b>	4,208
Short-term loans		<b>21,689</b>	15,218
		<b>32,663</b>	36,331

	Note	June 30, 2013	June 30, 2012
<b>Rupees in '000</b>			
<b>23. SHORT-TERM BORROWINGS - secured</b>			
<b>From Banking Companies</b>			
Short-term loans	23.1	950,000	450,000
Short-term running finances	23.2	36,804	66,190
Short-term running finances under FE-25	23.3	-	850,622
		<u>986,804</u>	<u>1,366,812</u>
<b>23.1 Short-term loans</b>			
Export refinance - II	23.1.1	-	100,000
Export refinance - II	23.1.2	600,000	200,000
Export refinance - II	23.1.3	350,000	150,000
		<u>950,000</u>	<u>450,000</u>

**23.1.1** This represented a facility for short-term loan under export refinance arranged by the Company during year 2012, amounting to Rs.100 million from a commercial bank on mark-up basis, repayable by September 20, 2012. It was secured against the first pari passu specific charge on land, building and plant and machinery of Company, aggregating to Rs.400 million, and a demand promissory note of Rs.100 million.

The said export refinance carried mark-up at the rate of 0.75% per annum above the SBP's Minimum Export Refinance rate, payable quarterly.

**23.1.2** During the year, the Company arranged a facility for short-term loan under export refinance, amounting to Rs.600 million (2012: Rs.200 million), from a commercial bank on mark-up basis, repayable by August 31, 2013. It is secured along with loan [note 19.2 (h)], running finance facility [note 23.2.2] and short term running finances under Foreign Exchange Circular No. 25, dated June 20, 1998 [note 23.3] 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 0.75% per annum (2012: 1% per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.

**23.1.3** During the year, the Company arranged a facility for short-term loan under export refinance, amounting to Rs. 350 million (2012: Rs. 150 million), from a commercial bank on mark-up basis, repayable by August 31, 2013. The said export refinance facility, running finance [note 23.2.1] and short term running finance under Foreign Exchange Circular No. 25 dated June 20, 1998 [note 23.3] 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.360 million.

The said export refinance carries mark-up at the rate of 0.75% per annum (2012: 0.75% per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.

	Note	June 30, 2013	June 30, 2012
<b>23.2 Short-term running finances</b>		<b>Rupees in '000</b>	
From a commercial bank	23.2.1	36,804	60,521
From a commercial bank	23.2.2	-	5,662
From a commercial bank	23.2.3	-	7
		<b>36,804</b>	<b>66,190</b>

**23.2.1** This represents utilised portion of a running finance facility, amounting to Rs.300 (2012: Rs. 300) million, arranged by the Company from a commercial bank, repayable / renewable latest by September 30, 2013 and is secured along with export refinance facility [note 23.1.3] and short term running finance under Foreign Exchange Circular No. 25 dated June 20, 1998 [note 23.3] against the first pari passu registered hypothecation charge on movables and receivables of the Company, aggregating to Rs.1,377 million and a demand promissory note of Rs.360 million.

This carries mark-up at the rate of 1% (2012: 1%) per annum over and above 3 month average KIBOR rate, payable quarterly.

**23.2.2** This represents utilised portion of a running finance facility, amounting to Rs. 300 (2012: Rs. 300) million, arranged by the Company from a commercial bank, repayable / renewable latest by March 31, 2014 and is secured along with loan [note 19.2 (h)], export refinance facility [note 23.1.2] and short term running finances under Foreign Exchange Circular No. 25, dated June 20, 1998 [note 23.3] 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% (2012: 0.75%) per annum over and above 3 month average KIBOR rate, payable quarterly.

**23.2.3** This represents utilised portion of a running finance facility, amounting to Rs.100 million (2012: Rs.100 million) arranged by the Company from a commercial bank repayable / renewable by December 31, 2013. 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 (2012: 0.75% per annum) over and above 3 month average KIBOR rate, payable quarterly.

**23.3** This represents utilised portion amounting to USD Nil equivalent to Rs. Nil (2012: Rs. 850.622 million) of short-term running finances under Foreign Exchange Circular No.25, dated June 20, 1998 for the purpose of meeting import requirements. The rates of mark-up on these finances range between 2% and 2.75% (2012: 2.50% and 4.11%) per annum. These facilities are secured against the first pari passu hypothecation charge over the movables and receivables [note 23.1.3] and first pari passu specific charge of plant and machinery [note 19.2 (h)] of the Company.

		June 30, 2013	June 30, 2012
<b>24. CONTINGENCIES AND COMMITMENTS</b>		<b>Rupees in '000</b>	
<b>Contingencies</b>			
<b>24.1</b> Outstanding counter guarantees		<b>105,073</b>	<b>76,582</b>

- 24.2** Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development (GID) Cess on gas bills at the rate of Rs.13 / MMBTU on all Industrial consumers. In the month of June 2012, the Federal Govt revised GID Cess rate from Rs.13 / MMBTU to Rs.100 / MMBTU and recommended this increase under Section 8(3) of the OGRA Ordinance 2002.

In this respect, the Company filed a Suit before the Honorable High Court of Sindh, challenging the applicability of Gas Infrastructure Cess Act, 2011 along with increase in GID Cess as being illegal, void and not in congruence to the Constitution of the Islamic Republic of Pakistan, 1973. The Company further sought refund of all amounts paid to the Government in shape of cess from the date of imposition of same under the GID Cess Act, 2011.

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

On September 7, 2012, the Federal Govt. issued another notification revising the rate of GID Cess from Rs.13 / MMBTU to Rs.50 / MMBTU and accordingly the prayer Clause of the suit also stands amended.

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

The financial exposure of the Company under the suit for the financial year ended June 30, 2013 is Rs. 26.563 million. The Company and its legal advisors are confident of a favorable outcome of the suit and accordingly no provision has been made in the financial statements for the above amount.

### Commitments

- 24.3** Commitments in respect of building on leasehold land at the end of the current year amounted to Rs. 25.784 million (2012: Rs. 33 million).
- 24.4** Outstanding letters of credit at the end of the current year amounted to Rs. 195.391 (2012: Rs. 392.410) million.
- 24.5** Post dated cheques issued in favour of Custom Authorities, aggregated to Rs. 184.949 (2012: Rs. 63.459) million, against zero rated supplies for export purposes.

	Note	June 30, 2013	June 30, 2012
<b>Rupees in '000</b>			
<b>25. NET SALES</b>			
Exports	25.1	<b>6,036,935</b>	5,288,260
Local Sales tax	25.2	<b>282,001</b> <b>(6,668)</b> <b>275,333</b>	288,249 - 288,249
		<b>6,312,268</b>	5,576,509
Returns Commission		<b>(11,511)</b> <b>(163,964)</b> <b>6,136,793</b>	(4,111) (120,554) 5,451,844

- 25.1** Included herein is a sum of Rs. 512.081 (2012: Rs. 717.631) 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.

- 25.2** As per SRO 154 (I)/2013, dated February 28, 2013, the Federal Government has implemented sales tax at the rate of 2% on local sales.

	Note	June 30, 2013	June 30, 2012
<b>26. COST OF SALES</b>		<b>Rupees in '000</b>	
Opening stock - finished goods		40,132	49,812
Cost of goods manufactured	26.1	5,035,999	4,590,905
		<u>5,076,131</u>	<u>4,640,717</u>
Closing stock - finished goods		(84,297)	(40,132)
		<u>4,991,834</u>	<u>4,600,585</u>
<b>26.1 Cost of goods manufactured</b>			
Raw and packing materials consumed	26.1.1	3,161,425	2,587,010
Stores and spares consumed	26.1.2	237,645	233,545
Salaries, wages and other benefits	26.1.3	122,227	95,143
Contract wages		723,333	553,657
Fuel and power		416,019	350,282
Weaving and sarning charges		62,499	20,809
Repairs and maintenance		22,236	22,241
Printing and stationery		4,638	18,794
Telephone and telex		3,261	2,497
Rent, rates and taxes		15,105	1,138
Insurance		9,058	7,892
Water charges		75,415	61,187
Transportation		8,749	5,172
Depreciation / amortization	5.1.2	226,474	216,372
Security charges		4,600	1,448
Travelling, boarding and lodging		3,515	-
Miscellaneous		4,203	2,630
		<u>5,100,402</u>	<u>4,179,817</u>
Opening work-in-process		226,950	638,038
Closing work-in-process		(291,353)	(226,950)
		<u>5,035,999</u>	<u>4,590,905</u>
<b>26.1.1 Raw and packing materials consumed</b>			
Opening stock		426,008	465,810
Purchases		3,021,222	2,598,394
Duty draw back on export sales		(53,853)	(51,186)
		<u>2,967,369</u>	<u>2,547,208</u>
		<u>3,393,377</u>	<u>3,013,018</u>
Closing stock		(231,952)	(426,008)
		<u>3,161,425</u>	<u>2,587,010</u>
<b>26.1.2 Stores and spares consumed</b>			
Opening stock		104,314	98,201
Purchases		247,918	239,658
		<u>352,232</u>	<u>337,859</u>
Closing stock		(114,587)	(104,314)
		<u>237,645</u>	<u>233,545</u>

**26.1.3** Included herein is a sum of Rs. 10.712 (2012: Rs. 6.531) million in respect of staff retirement benefits.



	Note	June 30, 2013	June 30, 2012
<b>27. DISTRIBUTION COSTS</b>		<b>Rupees in '000</b>	
Salaries, allowances and other benefits	27.1	7,307	6,248
Insurance		2,202	2,445
Freight and transportation		89,526	24,280
Export development surcharge and clearing charges		27,717	23,122
Postage, courier and stamps		22,006	39,187
Depreciation / amortization	5.1.2	491	469
Travelling, boarding and lodging		22,633	13,452
Advertisement and publicity		10,972	10,288
Miscellaneous		4,214	1,540
		<b>187,068</b>	<b>121,031</b>
<b>27.1</b>	Included herein is a sum of Rs. 0.696 (2012: Rs. 0.502) million in respect of staff retirement benefits.		
<b>28. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and other benefits	28.1	25,732	22,056
Depreciation / amortization	5.1.2	18,402	17,581
Legal and professional charges		8,506	6,760
Auditors' remuneration	28.2	1,280	1,050
Donations	28.3	4,855	3,178
Miscellaneous		4,114	4,286
		<b>62,889</b>	<b>54,911</b>
<b>28.1</b>	Included herein is a sum of Rs. 2.515 (2012: Rs. 1.692) million in respect of staff retirement benefits.		
<b>28.2 Auditors' remuneration</b>			
Audit fee		700	600
Fee for half yearly review		100	100
Special certifications		80	67
Tax services		215	166
Out-of-pocket expenses		185	117
		<b>1,280</b>	<b>1,050</b>
<b>28.3</b>	Donations do not include any donee in whom any director or his spouse has any interest.		
<b>29. OTHER OPERATING EXPENSES</b>			
Workers' Profits Participation Fund	21.1	42,314	26,710
Interest on WPPF	21.1	3,990	-
Workers' Welfare Fund	21.2	16,925	10,684
Support on account of Research and Development written off		-	13,412
Exchange loss - net		-	4,448
Unrealised loss on revaluation of short-term investments		-	753
		<b>63,229</b>	<b>56,007</b>

	Note	June 30, 2013	June 30, 2012
Rupees in '000			
<b>30. OTHER OPERATING INCOME</b>			
Scrap sales		26,721	36,633
Gain on sale of fixed assets		3,431	3,520
Exchange gain - net		71,459	-
Unrealised gain on revaluation of short-term investments		1,195	-
Dividend income		2,166	2,118
		<b>104,972</b>	<b>42,271</b>
<b>31. FINANCE COSTS</b>			
<b>Mark-up on secured:</b>			
Long-term financing		46,515	24,774
Short-term running finances		1,565	3,781
Short-term loans		80,554	114,830
		<b>128,634</b>	<b>143,385</b>
Fair value (gain) / loss on derivatives		(5,523)	6,146
Bank charges		26,602	15,612
		<b>149,713</b>	<b>165,143</b>
<b>32. TAXATION</b>			
Current		29,971	55,904
Prior		(325)	442
	15	<b>29,646</b>	<b>56,346</b>

The income tax assessments of the Company have been finalised up to and including tax year 2011. The return in respect of the tax year 2012 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% (2012: 1%) on export proceeds, including scrap sales.

### 33. EARNINGS PER SHARE - BASIC AND DILUTED

Basic / diluted earnings per share has been computed by dividing the net profit for the year after taxation with the number of Ordinary shares issued by the Company.

	June 30, 2013	June 30, 2012
Rupees in '000		
Net profit for the year	757,386	440,092
	<b>Number of shares</b>	
Number of Ordinary shares	84,000,000	84,000,000
	<b>(Rupees)</b>	
Earnings per shares - basic and diluted	9.02	5.24

	Note	June 30, 2013	June 30, 2012
Rupees in '000			
<b>34. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		787,032	496,438
<b>Adjustments for non-cash charges and other items:</b>			
Depreciation / amortisation		245,367	234,422
Provision for gratuity		13,923	8,545
Finance costs		149,713	158,630
Fair value (gain) / loss on derivatives		(5,523)	6,146
Dividend income		(2,166)	(2,118)
Gain on disposal of operating fixed assets		(3,431)	(3,520)
		397,883	402,105
<b>Profit before working capital changes</b>		<b>1,184,915</b>	<b>898,543</b>
<b>(Increase) / decrease in current assets</b>			
Stores and spares		(10,404)	(6,113)
Stock-in-trade		63,335	466,283
Trade debts		52,222	(115,342)
Loans and advances		1,132	(19,324)
Trade deposits and prepayments		6,008	(2,245)
Other receivables		2,319	13,061
Sales tax refundable		(38,831)	(28,071)
Short-term investments		(1,195)	753
		74,586	309,002
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		(85,201)	257,021
<b>Cash generated from operations</b>		<b>1,174,300</b>	<b>1,464,566</b>
<b>35. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	16	18,653	13,729
Short-term running finances	23.2	(36,804)	(66,190)
		(18,151)	(52,461)
<b>36. UNAVAILED CREDIT FACILITIES</b>			
Short-term running finances		663,196	633,810

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

	2013			2012		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	..... Rupees in '000 .....					
Managerial remuneration	4,364	-	35,589	4,364	-	27,981
Medical	436	-	3,535	436	-	2,779
Bonus	400	-	2,670	400	-	2,291
Retirement benefits	400	-	3,615	400	-	2,563
	<u>5,600</u>	<u>-</u>	<u>45,409</u>	<u>5,600</u>	<u>-</u>	<u>35,614</u>
Number of persons	<u>1</u>	<u>-</u>	<u>44</u>	<u>1</u>	<u>-</u>	<u>35</u>

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

**38. 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:

**38.1 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.

**38.1.1 Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company's interest rate risk arises from long-term and short-term borrowings obtained with floating rates. The Company is currently exposed to interest rate risk as some of the borrowings of the Company are at floating rate of interest. All the borrowings of the Company are obtained in the functional currency. To manage the interest rate risk on long term loan, the Company has entered into cross currency interest rate SWAP agreement as discussed in note 19.1 (b) to the financial statements.

Change in interest rate by 100bps may have a positive or negative impact of approximately Rs.2.566 (2012: Rs. 3.051) million in profit and loss account before taxation. The analysis is made based on the assumption that all other variables remain constant.

**Sensitivity Analysis:**

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

	Increase / decrease in basis points	Effect on profit before tax
	Rupees in '000	
<b>June 30, 2013</b>		
KIBOR	100 (100)	2,566 (2,566)
<b>June 30, 2012</b>		
KIBOR	100 (100)	3,051 (3,051)

### 38.1.2 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:

	June 30, 2013	June 30, 2012
	Rupees in '000	
Trade debts	1,309,984	1,296,509
Cash and bank balances	13,636	4,517
Short-term running finance under FE - 25	-	(850,622)
Trade and other payables	(70,416)	(252,836)
	<u>1,253,204</u>	<u>197,568</u>

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

Exchange rates (PKR / USD)	<u>98.60</u>	<u>94.00</u>
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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.

	Change in US Dollar Rate (%)	Effect on profit / (loss)	Effect on equity
	Rupees in '000		
<b>June 30, 2013</b>	+10	<u>125,320</u>	<u>125,320</u>
	-10	<u>(125,320)</u>	<u>(125,320)</u>
<b>June 30, 2012</b>	+10	<u>19,757</u>	<u>19,757</u>
	-10	<u>(19,757)</u>	<u>(19,757)</u>

**38.1.3 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.14.849 (2012: Rs. 13.654) million. A decrease of 10% in the share price of the listed security would have an impact of approximately Rs.1.485 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.

**38.2 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.

**38.2.1 Credit quality of financial assets**

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

		<b>June 30, 2013</b>	<b>June 30, 2012</b>
<b>Rupees in '000</b>			
<b>Trade debts</b>			
Customers with no defaults in the past one year		<b>1,385,388</b>	1,437,610
<b>Short-term investments</b>			
A-1+	JCR - VIS	<b>14,630</b>	13,470
A2	PACRA	<b>219</b>	184
		<b>14,849</b>	13,654
<b>Bank balances</b>			
A1+	PACRA	<b>18,088</b>	13,337
A-1+	JCR - VIS	<b>13</b>	13
		<b>18,101</b>	13,350

### 38.3 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. 663.196 (2012: Rs. 633.810) 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	-	59,130	95,439	168,489	-	323,058
Trade and other payables	40,326	175,895	310,937	-	-	527,158
Accrued mark-up	-	32,663	-	-	-	32,663
Short-term borrowings	-	986,804	-	-	-	986,804
<b>2013</b>	<b>40,326</b>	<b>1,254,492</b>	<b>406,376</b>	<b>168,489</b>	<b>-</b>	<b>1,869,683</b>
..... Rupees in '000 .....						
	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	27,806	347,002	243,032	-	-	617,840
Accrued mark-up	36,331	-	-	-	-	36,331
Short-term borrowings	-	516,183	850,629	-	-	1,366,812
<b>2012</b>	<b>64,137</b>	<b>880,248</b>	<b>1,200,154</b>	<b>344,206</b>	<b>-</b>	<b>2,488,745</b>

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

### 38.4 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).

## Financial assets measured at fair value

	Total	Level 1	Level 2	Level 3
<b>Rupees in '000</b>				
<b>30 June 2013</b>				
Investments at fair value through profit or loss	14,849	14,849	-	-
	<u>14,849</u>	<u>14,849</u>	<u>-</u>	<u>-</u>
<b>30 June 2012</b>				
Investments at fair value through profit or loss	13,654	13,654	-	-
	<u>13,654</u>	<u>13,654</u>	<u>-</u>	<u>-</u>

## Financial liabilities measured at fair value

	Total	Level 1	Level 2	Level 3
<b>Rupees in '000</b>				
<b>30 June 2013</b>				
Fair value loss on derivative	623	-	623	-
	<u>623</u>	<u>-</u>	<u>623</u>	<u>-</u>
<b>30 June 2012</b>				
Fair value loss on derivative	6,146	-	6,146	-
	<u>6,146</u>	<u>-</u>	<u>6,146</u>	<u>-</u>

During the year ended June 30, 2013, 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.

### 38.5 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, 2013 and June 30, 2012.

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.

	June 30, 2013	June 30, 2012
<b>Rupees in '000</b>		
Long-term financing	168,489	344,206
Current maturities of long-term financing	154,569	123,556
Cash and bank balances	(18,653)	(13,729)
<b>Net debt</b>	<u>304,405</u>	<u>454,033</u>
Issued, subscribed and paid-up capital	840,000	840,000
Reserves	3,220,715	2,547,329
<b>Total capital</b>	<u>4,060,715</u>	<u>3,387,329</u>
<b>Capital and net debt</b>	<u>4,365,120</u>	<u>3,841,362</u>
Gearing ratio	6.97%	11.82%



## 39. 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:

	June 30, 2013	June 30, 2012
	Rupees in '000	
<b>Casual Sportswear</b>		
Associated undertaking / Common directorship		
Sales	304,497	202,494
<b>Artistic Apparels (Private) Limited</b>		
Associated undertaking / Common directorship		
Sales	19,076	34,813
Services received	-	9,475
<b>40. PLANT CAPACITY AND PRODUCTION</b>		
<b>Spinning</b>		
Number of rotors installed	864	864
Number of spindles installed	20,448	17,856
Capacity of yarn (Lbs.)	27,190,000	26,950,000
Production of yarn (Lbs.)	16,638,775	17,641,662
<b>Weaving</b>		
Number of looms installed	154	128
Capacity of fabric (meters)	23,973,200	20,681,600
Production of fabric (meters)	16,844,663	15,142,903
<b>Garments</b>		
Number of machines installed	420	391
Capacity of garments (pcs)	1,800,000	1,350,000
Production of garments (pcs)	1,376,294	947,565

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

## 41. NUMBER OF EMPLOYEES

At year end	323	282
Average for the year	312	254

## 42. MOVEMENT BETWEEN RESERVES AND PROPOSED DIVIDEND

In the meeting held on September 24, 2013, 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.

## 43. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on September 24, 2013 by the Board of Directors of the Company.

## 44. GENERAL

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

## FORM OF PROXY

### 21<sup>st</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 21<sup>st</sup> Annual General Meeting of the Company to be held on Friday, October 25, 2013 at  
1600 hrs and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

**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 Company's Share Registrar's Office 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.



**AFFIX  
CORRECT  
POSTAGE**

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

Fold : Here

Fold : Here

Fold : Here

Fold : Here

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Plot No. 5-9, 23-26, Sector 16, Korangi Industrial Area, Karachi, Pakistan.  
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