

ADM
ARTISTIC DENIM MILLS

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ARTISTIC DENIM MILLS

2018
ANNUAL REPORT



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Form of Proxy

Company Information

❖ Board of Directors

Chief Executive
Chairman
Directors

Mr. Faisal Ahmed
Mr. Muhammad Iqbal Ahmed
Mrs. Maliha Faisal
Mr. Muhammad Yousuf Ahmed
Mr. Muhammad Ali Ahmed
Mr. Muhammad Iqbal-ur-Rahim
Mr. Zafar-ul-Mukhtar Ahmed Khan

❖ Audit Committee

Chairman
Members

Mr. Zafar-ul-Mukhtar Ahmed Khan
Mr. Muhammad Ali Ahmed
Mr. Muhammad Iqbal-ur-Rahim

❖ Human Resource and Remuneration Committee

Chairman
Members

Mr. Zafar-ul-Mukhtar Ahmed Khan
Mr. Muhammad Ali Ahmed
Mr. Muhammad Iqbal-ur-Rahim

❖ Chief Financial Officer

Mr. Sagheer Ahmed

❖ Company Secretary

Mr. Muhammad Ozair Qureshi

❖ Chief Internal Auditor

Mr. Salman Arif

❖ Auditors

M/s. EY Ford Rhodes
Chartered Accountants

❖ Legal Advisor

Monawwer Ghani
Advocate

❖ Share Registrar

M/s F.D. Registrar Services (SMC Pvt.) Limited
17th Floor, Saima Trade Tower-A,
I.I. Chundrigar Road, Karachi.
Tel: (+92-21) 35478192-3 / 32271905-6

❖ Bankers

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

❖ 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

The word "VISION" is written in white, uppercase, serif font inside a blue circle with a white outline and a drop shadow.

- ✦ DYNAMIC, QUALITY CONSCIOUS
AND EVER PROGRESSIVE

The word "MISSION" is written in white, uppercase, serif font inside a blue circle with a white outline and a drop shadow.

ARTISTIC DENIM MILLS LIMITED
IS COMMITTED TO:

- ✦ Achieve and Retain
Market Leadership in
Denim Fabric / Garments
Manufacturing
- ✦ Produce to the Highest
Quality Standards
- ✦ Excel through Continuous
Improvement
- ✦ Fulfill and Exceed the
Expectations of our Customers
- ✦ Be Ethical in its Practices
- ✦ Operate through Team Work
- ✦ Ensure a Fair Return
to Stake Holders
- ✦ Fulfill Social Responsibilities

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 26th Annual General Meeting of **Artistic Denim Mills Limited** will be held at premises of the Institute of Chartered Accountants of Pakistan (ICAP), Chartered Accountants Avenue, Clifton, Karachi, on Saturday, October 27, 2018 at 2:30 p.m. to transact the following business.

Ordinary Business

1. To confirm the Minutes of the Extra Ordinary General Meeting held on November 22, 2017.
2. To receive and adopt the Audited Financial Statements for the year ended June 30, 2018, together with the Directors' and Auditors' Reports thereon.
3. To approve the Cash Dividend @ Rs. 2.50 per share (25%) as recommended by the Board of Directors.
4. To appoint the Auditors of the Company for the year 2018-2019 and to fix their remuneration.
5. To transact any other business of the Company with the permission of the Chair.

Special Business

6. To approve / ratify the transactions with Related Parties as disclosed in note No. 39 to the Financial Statements for the year ended June 30, 2018 by passing with or without modification(s), the following resolutions as an Ordinary Resolutions:

"RESOLVED that the related parties transactions with:

- (i) Casual Sportswear;
- (ii) Artistic Apparels (Private) Limited;
- (iii) Artistic Fabric & Garment Industries (Private) Limited;
- (iv) DL1961 Premium Denim Inc.;
- (v) Premium Distributors;
- (vi) Warp Weft LLC;

carried out during the year ended June 30, 2018 be and are hereby approved."

"FURTHER RESOLVED that the Company is also authorized to carry out such transactions including but not limited to the following related parties' i.e.:

- (i) Casual Sportswear;
- (ii) Artistic Apparels (Private) Limited;
- (iii) Artistic Fabric & Garment Industries (Private) Limited;
- (iv) DL1961 Premium Denim Inc.;
- (v) Premium Distributors;
- (vi) Warp Weft LLC;

in future according to the industry norms and practice."

By Order of the Board of Directors

Karachi:
October 05, 2018

Muhammad Ozair Qureshi
Company Secretary

NOTES:

1. Closure of Shares Transfer Books:

The share transfer books of the Company will remain closed from October 19, 2018 to October 27, 2018 (both days inclusive). Transfers received in order at the Company's Share Registrar M/s. F. D. Registrar Services (SMC-Pvt.) Limited, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi before the close of the business on October 18, 2018 will be treated in time for the entitlement of cash dividend and to attend and vote at the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

2. Participation in General Meeting:

A member entitled to attend and vote at the General Meeting shall be entitled to appoint another member, as his / her proxy to attend, demand or join in demanding a poll, speak and vote instead of him/her, and a proxy so appointed shall have such rights, with respect attending, speaking and voting at the meeting as are available to a member. Proxies in order to be effective must be received at the Company's Share Registrar's Office not later than 48 hours before the time of the meeting.

Members or their proxies are required to present their original CNIC or Passport along with the Participant's I.D. and Account Number(s) at the time of attending the Annual General Meeting in order to authenticate their identity.

Any Individual Beneficial Owner of CDC, entitled to vote at this Meeting, must bring his / her original CNIC to prove identity, and in case of proxy, a copy of shareholder's attested CNIC must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose.

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

A. For attending the Meeting:

- i) In case of individuals, the account holder or subaccount holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall authenticate identity by showing his / her original CNIC or original passport at the time of attending the Meeting.
- ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of Meeting.

B. For appointing proxies:

- i) In case of individuals, the account holder or subaccount holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by the person whose name, address and CNIC number shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his original CNIC or original passport at the time of Meeting.
- v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

3. Payment of Cash Dividend Electronically (Mandatory Requirement):

In accordance with the provisions of Section 242 of the Companies Act, 2017 and Companies (Distribution of Dividends) Regulations 2017, a listed company, is required to pay cash dividend to the shareholders only through electronic mode directly into the bank account designated by the entitled shareholders. In this regards, Artistic Denim Mills Limited has already sent letters and Electronic Credit Mandate Forms to the shareholders and also issued notice through publication in newspaper requesting the shareholders to comply with the requirement of providing their International Bank Account Number (IBAN).

NOTICE OF ANNUAL GENERAL MEETING

Those shareholders who have still not provided their IBAN are once again requested to fill in "Electronic Credit Mandate Form" as reproduced below and send it duly signed along with a copy of valid CNIC to their respective CDC participant / CDC Investor account services (in case of shareholding in Book Entry Form) or to the Company's Share Registrar (in case of shareholding in Physical Form).

| | |
|--|--|
| (i) Shareholders details: | |
| Name of the Shareholder(s) | |
| Folio # / CDS Account No(s) | |
| CNIC No (Copy attached) | |
| Mobile / Landline No. | |
| (ii) Shareholders' Bank details: | |
| Title of Bank Account | |
| International Bank Account Number (IBAN) | |
| Bank's Name | |
| Branch Name and address | |

In the absence of IBAN, or in case of incomplete details, the Company will have to withhold the cash dividend according to SECP directives.

4. Withholding Tax on Dividend:

Currently Section 150 of the Income Tax Ordinance, 2001 prescribed following rates for deduction of withholding tax on the amount of dividend paid by the Company:

- a) For filers of Income Tax Returns - 15%
- b) For non-filers of Income Tax Returns - 20%

In case of joint account, each holder is to be treated individually as either a filer or non filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrar, or if not so notified, each joint holder shall be assumed to have an equal number of shares.

| Company Name | Folio/CDS Account No. | No. of Total Shares | Principal Shareholder | | Joint Shareholder | |
|--------------|-----------------------|---------------------|-----------------------|---|-------------------|---|
| | | | Name & CNIC No. | Shareholding Proportion (No. of shares) | Name & CNIC No. | Shareholding Proportion (No. of shares) |
| | | | | | | |

The CNIC / NTN number detail is now mandatory and is required for checking the tax status as per the Active Taxpayers List (ATL) issued by Federal Board of Revenue (FBR) from time to time. Since the list contains only CNIC / NTN number, we will be deducting tax @ 15% where CNIC / NTN number matches with the list provided by the FBR and in case of no match tax will be deducted at the rate of 20% as Tax Return Non-Filer.

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

5. Unclaimed Dividend:

Pursuant to the provision of Section 244 of the Companies Act, 2017 (the Act), any dividend and / or share certificate which remain unclaimed or unpaid for a period of three years from the date it become due and payable, the Company shall be liable to deposit those unclaimed / unpaid amounts with the Federal Government after compliance of procedures prescribed under the Act.

NOTICE OF ANNUAL GENERAL MEETING

6. Exemption from deduction of Withholding Tax / Zakat:

Members seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate, are requested to submit a valid tax exemption certificate or necessary documentary evidence as the case may be. Members desiring non-deduction of zakat are also requested to submit a valid declaration for non-deduction of zakat.

7. Change of Address:

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

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement sets out the material facts concerning the Special Business, given as agenda item no. 6 of the Notice to be transacted at the 26th Annual General Meeting of the Company.

ITEM NO. 6 OF THE AGENDA:

Artistic Denim Mills Limited is engaged in manufacture and sale of rope dyed denim fabric, yarn and value added textile products. The Company in the normal course of business carries out transactions with its associated companies. Summary of transactions carried out during the year with the associated companies is as follow:

| S. No. | Name of Associated Company | Concerned / Interested Director | Nature of Transactions | Rupees in "000" |
|--------|---|---------------------------------|---|----------------------------|
| 1 | Casual Sportswear | Mr. Muhammad Ali Ahmed | Sales | 223,996 |
| 2 | Artistic Apparels (Pvt) Ltd. | Mr. Muhammad Yousuf Ahmed | Sales | 150,962 |
| 3 | DL1961 Premium Denim Inc. | Mrs. Maliha Faisal | Sales Reimbursement of expenses | 918,749 62,704 |
| 4 | Artistic Fabric & Garment Industries (Pvt) Ltd. | Mr. Muhammad Iqbal Ahmed | Sales Purchases Services rendered | 110,249 3,694 36,365 |
| 5 | Premium Distributors | Mr. Muhammad Ali Ahmed | Sales | 62,440 |
| 6 | Warp Weft LLC. | Ms. Sarah Faisal Ahmed | Sales Reimbursement of expenses | 82,873 12,118 |

Majority of Directors of the Company were interested in these transactions due to common directorship in the associated companies, the required quorum of directors seemingly could not be formed for approval of these transactions which have to be approved by the shareholders in the General Meeting. Therefore, the transactions carried out during the financial year ended June 30, 2018 are being placed before the shareholders for their consideration and approval / ratification.

All related party transactions, during the year 2018, were reviewed and approved by the Audit Committee and the Board in their respective meetings. The transactions with related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method.

NOTICE OF ANNUAL GENERAL MEETING

The concerned Directors abstained while the Board approved the above transactions in accordance with the requirements of relevant provision of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2017.

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

None of the Directors other than the concerned Directors have any direct or indirect interest in the above mentioned associated companies and have no interest in the above business, other than shareholders of the Company.

CHAIRMAN'S REVIEW

REVIEW REPORT BY THE CHAIRMAN ON THE OVERALL PERFORMANCE OF THE BOARD AND EFFECTIVENESS OF THE ROLE PLAYED BY THE BOARD IN ACHIEVING THE COMPANY'S OBJECTIVES

Pursuant to the provisions of the Listed Companies Code of Corporate Governance Regulations, 2017, an annual evaluation of the Board of Directors (the "Board") of Artistic Denim Mills Limited (the "Company") was carried out. The purpose of evaluation was to examine those key areas where the Board requires clarity in order to provide high level oversight, including: the strategic process; key business drivers and performance milestones; the global economic environment and competitive context in which the Company operates; the risks faced by the business; Board dynamics; capability and alignment; reputation; and information flows.

I report that the overall performance of the Board has remained satisfactory on the basis of criteria set for the purpose. Following are the integral components of evaluation criteria to judge the performance of the Board and to achieve the Company's objectives:

- Compliance with the legislative system in which Company operates, including Companies Act, 2017 (previously Companies Ordinance, 1984), Listing Regulations of Pakistan Stock Exchange Limited, the Memorandum and Articles of Association of the Company.
- Active participation in strategic planning process, enterprise risk management system, policy development, financial structure, monitoring and approval.
- Hiring, evaluating, compensating and supporting the Executive Directors and other key positions including Chief Executive.
- Appropriate constitution of Board Committees with members possessing adequate technical knowhow and experience.
- Establishing adequate system of internal controls in the Company and its regular assessment through self-assessment mechanism or/and internal audit activities.
- Ensuring presence of required quorum in Board and Committees' meeting.
- Ensuring orientation and training of Board of Directors to enable them to perform their duties in an effective manner.

MUHAMMAD IQBAL AHMED

Chairman

Karachi: September 29, 2018

REPORT OF THE DIRECTORS TO THE MEMBERS

The Directors of the Company are pleased to present their Report together with the Audited Financial Statements of the Company for the financial year ended June 30, 2018.

OPERATING FINANCIAL RESULTS

Financial Results of the Company for the year under review are summarized as follows:

| | Rs. in ('000') |
|--|----------------|
| Profit for the year before taxation | 600,077 |
| Taxation | (83,546) |
| Net Profit for the year | 516,531 |
| Un-appropriated profit brought forward | 4,918,905 |
| Other comprehensive income | 1,109 |
| Profit available for appropriation | 5,436,545 |

Appropriations:

| | |
|---|-----------|
| Final Dividend for year ended June 30, 2017 | |
| Cash | (176,400) |
| Un-appropriated profit carried forward | 5,260,145 |

PERFORMANCE REVIEW

The net sales of the Company for the year under review amounted to Rs. 8,240 (June 30, 2017: Rs. 6,907) million, grew by 19.31% despite slow demand of textile products in international market. Growth in sales was achieved in both denim fabric and garment segment.

For the year under review, gross profit increased from Rs. 740 million to Rs. 792 million in absolute terms and as a percentage of net sales decreased from 10.71 percent to 9.61 percent. The decrease in gross margin as a percentage of net sales was due to increase in cost of doing business, escalating labor costs and increase in prices of other inputs.

Other operating income increased from Rs. 100 million to Rs. 268 million, an increase of Rs. 168 million from the previous year was due to realized and unrealized exchange gain on exports.

Finance cost slightly increased from Rs. 88 million to Rs. 92 million due to increase in working capital requirements.

Net profit for the year stood at Rs. 517 million, grew by 20.28% vis-à-vis the previous year. The Company's net margin for the year stood at 6.27%. Earnings per Share (EPS) stood at Rs. 6.15 as against Rs. 5.11 of last year.

DIVIDEND

The Directors of the Company are pleased to recommended a final cash dividend of Rs. 2.50/= per share for the financial year ended June 30, 2018 (June 30, 2017: Rs. 2.10/= per share), subject to shareholders' approval at the forthcoming Annual General Meeting. The total amount of dividend to be paid to the shareholders will be Rs. 210 million.

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 2018 the Company generated Rs. 567.591 (2017: Rs. 154.646) million from operating activities. The inflow from operating activities was largely a result of higher cash earnings. Cash generated from operating activities was used on capital expenditure and payment of dividend.

SALES AND MARKETING

With a track record of over 27 years of experience, ADM prides itself at providing its customers the best possible denim brands. ADM continued to participate in exhibitions in Europe and US to achieve better customer connections with denim brands.

As part of sustainable development initiatives, the Company is working on new developments to maximize value creation. New products are being produced using Organic Cotton and BCI Cotton to stay competitive in the marketplace.

FUTURE OUTLOOK

Pakistan's textile exports have shown 8.67 percent growth during last fiscal year mainly due to sharp rupee depreciation, improvement in energy supply, partially releasing of refunds and cash subsidies under the Export Package.

However, outlook for the Pakistan textile industry will continue to remain challenging due to various reasons such as ever increasing cost of doing business, decline in cotton production, unstable international selling prices and inappropriate policy environment. In addition to economic issues, Pakistan's textile industry is also facing strong competition from the regional competitors as well as from the global competitors.

Despite an ever challenging economic and business environment, the Company has been investing in value addition which is an ongoing process to increase productivity and efficiency and it is expected to be a key part of our growth strategy. Overall we are committed to maintain a positive momentum and to achieve profitable growth and operational excellence.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors confirm the compliance with Corporate and Financial Reporting Framework of the Securities and Exchange Commission of Pakistan and Code of Corporate Governance for the following matters:

- The financial statements, prepared by the management of the Company, present fairly, its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. Accounting estimates are based on reasonable and prudent judgments.
- International Financial Reporting Standards, as applicable in Pakistan, have been duly followed in preparation of the financial statements and any departure there-from has been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented, regularly reviewed and monitored.
- There is no doubt about the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the Regulations of Rule Book of Pakistan Stock Exchange.
- Key operating and financial data for the last six years in summarized form is annexed to the Audited Financial Statements.
- The outstanding duties, statutory charges and taxes, if any, have been duly disclosed in the Audited Financial Statements.
- Four directors of the Company have already attended the directors training course, whereas one director is exempt from such course on account of the experience and qualification and rest of the Directors will be trained within the time specified in the Code of Corporate Governance.

- The pattern of shareholding as at June 30, 2018 along with disclosure as required under the Code of Corporate Governance is annexed to the Audited Financial Statements.
- During the year July 01, 2017 to June 30, 2018 the trading in Company's shares by its Directors, CEO, CFO, Company Secretary, Head of Internal Audit, Other Executives and their spouses & minor children is annexed to the Audited Financial Statements.

BOARD OF DIRECTORS

The total number of Directors are seven as per the following:

| | |
|------------|---|
| a. Male: | 6 |
| b. Female: | 1 |

The composition of board is as follows:

| Category | Names |
|----------------------------------|---|
| a) Independent Director | i. Mr. Zafar-ul-Mukhtar Ahmed Khan |
| b) Other Non-executive Directors | i. Mrs. Maliha Faisal ii. Mr. Muhammad Iqbal Ahmed iii. Mr. Muhammad Yousuf Ahmed iv. Mr. Muhammad Ali Ahmed v. Mr. Muhammad Iqbal-ur-Rahim |
| c) Executive Director | i. Mr. Muhammad Faisal Ahmed |

The Directors of the Company were elected in Extraordinary General meeting of the Company held on November 22, 2017. The Board places on record its appreciation for the valuable contributions made by the outgoing Director and welcome the new Director.

During the year under review, five meetings of the Board of Directors were held in Pakistan and the attendance by each Director was as follows:

| Name of Director | No. of Meetings Attended |
|---------------------------------|--------------------------|
| Mr. Faisal Ahmed | 5 |
| Mrs. Maliha Faisal | 1 |
| Mr. Muhammad Iqbal Ahmed * | 1 |
| Mr. Muhammad Yousuf Ahmed | 4 |
| Mr. Muhammad Ali Ahmed | 2 |
| Mr. Muhammad Iqbal-ur-Rahim | 5 |
| Ms. Sarah Faisal Ahmed ** | - |
| Mr. Zafar-ul-Mukhtar Ahmed Khan | 5 |

Leave of absence was granted to directors who were unable to attend the Board Meetings.

* Elected on Board in the election of Directors held on November 22, 2017.

** Retired on November 23, 2017.

BOARD COMMITTEES

The Board of Directors has formed the Audit Committee in line with the requirements of the Code of Corporate Governance. The Audit Committee consists of three members, two non-executives and one independent. The Chairman of the Audit Committee is an independent director. The Audit Committee has performed its functions satisfactorily and in accordance with the Code of Corporate Governance.

During the year, four meetings of the Audit Committee were held. The attendance record of each director was as follows:

| Name of Director | No. of Meetings Attended |
|---------------------------------|--------------------------|
| Mr. Muhammad Iqbal-ur-Rahim | 4 |
| Mrs. Maliha Faisal * | - |
| Mr. Zafar-ul-Mukhtar Ahmed Khan | 4 |
| Mr. Muhammad Ali Ahmed * | - |

Leave of absence was granted to director who was unable to attend the Board Meetings.

*Mr. Muhammad Ali Ahmed replaced Mrs. Maliha Faisal w.e.f. December 06, 2017.

The Board of Directors has formed the Human Resource and Remuneration Committee (HR&RC) in line with the requirements of the Code of Corporate Governance. The Committee consists of three members, two non-executives and one independent. The Chairman of the Committee is an independent director. The Committee is involved in making recommendations to the Board regarding Human Resource Policies and in the appointment, remuneration and succession of CEO, CFO, Company Secretary, Chief Internal Auditor and other senior positions reporting directly to the CEO. During the year, one meeting of the Committee was held. The attendance record of each director was as follows:

| Name of Director | No. of Meetings Attended |
|-----------------------------------|--------------------------|
| Mr. Muhammad Iqbal-ur-Rahim | 1 |
| Mr. Muhammad Ali Ahmed | 1 |
| Ms. Sarah Faisal Ahmed * | - |
| Mr. Zafar-ul-Mukhtar Ahmed Khan * | - |

Leave of absence was granted to director who was unable to attend the Board Meeting.

*Mr. Zafar-ul-Mukhtar Ahmed Khan replaced Ms. Sarah Faisal Ahmed w.e.f. December 06, 2017.

REMUNERATION POLICY OF NON-EXECUTIVE DIRECTORS

The remuneration of a Non-Executive Directors / Independent Director for attending the meetings of the Board/Committee shall, from time to time be determined by the Board. The Non-Executive Directors / Independent Director were paid remuneration by way of fee for each meeting of the Board and Committee of Directors attended by them. The Directors shall additionally be paid such travelling, boarding, lodging and other expenses properly incurred by them in or about the performance of their duties or business if any of them has to come to attend the Board or general meeting of the Company from outstation.

RELATED PARTY TRANSACTIONS AND TRANSFER PRICING

All related party transactions, during the financial year 2018, 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.

RISK MANAGEMENT

The Company has a robust Risk Management framework which enables it to manage, monitor and report on the principal risk and uncertainties that can impact its ability to achieve its strategic objectives. Under the framework, the Company has incorporated processes and systems to proactively monitor, manage and mitigate these risks along with appropriate review mechanisms.

INTERNAL FINANCIAL CONTROL SYSTEM

ADM has a comprehensive Internal Financial Control System commensurate with the size, scale and complexity of its operations. The system encompasses the major processes to ensure safeguarding of the Company's assets, proper authorization of financial transactions, compliance with all applicable laws and regulations and efficient use of resources. The management of the Company duly considers and takes appropriate action on the recommendations made by the Statutory Auditors and Internal Auditors.

AUDITORS

The present Auditors, EY Ford Rhodes, Chartered Accountants are retiring at the conclusion of the forthcoming annual general meeting scheduled to be held on October 27, 2018 and being eligible, offer themselves for re-appointment. In accordance with the Code of Corporate Governance, the Board of Directors endorses the recommendation of the Audit Committee for their re-appointment as the Statutory Auditors of the Company for the financial year ending June 30, 2019, at a mutually agreed fee.

CORPORATE SOCIAL RESPONSIBILITY

1. Energy Conservation

The Company has its own power generation plant. Power plant caters to 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 carried out by 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. During the year, the Company has installed Solar Power System to hedge against the rising cost of gas and fuel. The Company is engaged in the continuous process of energy conservation through process & machinery modifications, implementation of technological advancements, development of newer methods, maintenance, waste heat recovery etc. These steps lead to savings in terms of energy, cost of production and time.

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 by outside commercial laboratory on a periodic basis. Fire alarm and detection systems are installed and maintained in proper working order.

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 further improvement of these conditions and to confirm the effectiveness of the Company's policy, objectives, targets and programs in this regard.

ADM owns the following certifications:

- ISO 14001:2004 EMS (Environmental Management System)
- ISO 9001:2008 QMS (Quality Management System)
- BSCI (Business Social Compliance Initiative)
- WRAP (Worldwide Responsible Accreditation Production)
- SEDEX (Supplier Ethical Data Exchange)

- GOTS (Global Organic Textile Standard)
- OCS (Organic Content Standard)
- RCS (Recycled Claim Standard)
- GRS (Global Recycled Standard)
- C-TPAT (Customs-Trade Partnership against Terrorism)
- OEKO-TEX Standard 100

3. Security Measures

The management of the Company is fully aware of the importance of safety and security for the smooth running of the operations and incurred substantial cost for protection of employees and assets by deploying security personnel, security policies and procedures, The Company has established a system of surveillance through the installation of CCTV cameras at various locations.

4. Waste Water Treatment Plant

Water is a scarce natural resource for our country and it should be managed in the best possible manner. The Company has waste water treatment facility meeting the National Environment Quality Standards of EPA Pakistan. Since water is a scarce commodity, hence it is imperative to evolve technologies which treat it efficiently so that it 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 is committed to creating a diverse environment and is proud to be hiring employees from various ethnicities without any prejudice or bias.

6. Donation to Edhi Foundation

ADM is committed to act ethically towards the society at large and aims to contribute to the social development in the country. Accordingly, the Company contributes large donation to Edhi Foundation.

7. Hajj tours

As part of the Company's commitment to provide incentives and encouragement for the employees, ADM sponsors Hajj of two employees through balloting each year.

On Behalf of the Board of Directors

FAISAL AHMED
Chief Executive

MUHAMMAD IQBAL-UR-RAHIM
Director

Karachi: September 29, 2018

ڈائریکٹرز رپورٹ برائے ممبران

کمپنی کے ڈائریکٹرز کو اپنی رپورٹ بشمول کمپنی کی آڈٹ شدہ مالیاتی تفصیلات برائے اختتام مالیاتی سال 30 جون 2018 پیش کرتے ہوئے خوشی ہے۔

زیر تسمیل مالیاتی نتائج

کمپنی کے مالیاتی نتائج برائے زیر جائزہ سال مختصر ادرج ذیل ہیں:

| روپے '000 میں | |
|---------------|---------------------------------------|
| 600,077 | سالانہ منافع قبل از ادائیگی ٹیکس |
| (83,546) | ادائیگی ٹیکس |
| 516,531 | سالانہ خالص منافع |
| 4,918,905 | پیش آور غیر مختص شدہ منافع |
| 1,109 | دیگر جامع آمدنی |
| 5,436,545 | منافع جو تخصیص کیلئے دستیاب ہے |
| | تخصیص: |
| | حتیٰ حصص برائے اختتام سال 30 جون 2017 |
| (176,400) | نقد |
| 5,260,145 | غیر مختص شدہ منافع جو آگے لایا گیا |

جائزہ برائے کارکردگی

کمپنی کی مجموعی فروخت برائے زیر جائزہ سال مبلغ 8,240 ملین روپے (30 جون 2017: 6,907 ملین روپے) رہی۔ بین الاقوامی مارکیٹ میں ٹیکسٹائل مصنوعات کی کم مانگ کے باوجود فروخت میں 19.31 فیصد اضافہ ہوا۔ فروخت میں اضافہ ڈینیم فیرک اور گارمنٹ سیکمنٹ دونوں میں حاصل کیا گیا۔

زیر جائزہ سال کیلئے مجموعی منافع 740 ملین روپے سے بڑھ کر 792 ملین روپے ہو گیا۔ اور مجموعی فروخت کی فیصد لحاظ سے 10.71 فیصد سے کم ہو کر 9.61 فیصد ہو گیا۔ بحیثیت فیصد مجموعی فروخت مجموعی مارجن میں کمی کی وجہ کاروباری لاگت میں اضافہ، بڑھتی ہوئی مزدوری لاگت اور دیگر وسائل میں اضافہ تھا۔

دیگر فعال آمدنی 100 ملین روپے سے بڑھ کر 268 ملین روپے ہو گئی، گزشتہ سال سے 168 ملین روپے کا اضافہ برآمدات پر معلوم اور غیر معلوم زرمبادلہ محصولات کی وجہ سے تھا۔

فعال درکار سرمائے میں اضافے کی وجہ سے مالی لاگت 88 ملین سے بڑھ کر 92 ملین روپے ہو گئی۔

مجموعی منافع برائے سال 517 ملین روپے رہا، گزشتہ سال کے مقابلے میں 20.28 فیصد بڑھا۔ کمپنی کا مجموعی مارجن برائے سال 6.27 فیصد رہا۔ آمدنی کی فی حصص (ای پی ایل) 6.15 فیصد رہی گزشتہ سال 5.11 فیصد رہی۔

منقسمہ منافع

برائے اختتام سال 30 جون 2018 کے لئے کمپنی کے ڈائریکٹرز نقد حصص منافع 2.50 روپے فی حصص کی سفارش کرتے ہوئے خوشی محسوس کرتے ہیں۔ (جو 30 جون

2017 کیلئے 2.10 روپے فی حصص تھا) جس کا انحصار آگے آنے والے سالانہ اجلاس عام میں حصص یافتگان کی منظوری پر ہے۔ حصص منافع کی کل رقم جو کہ حصص یافتگان کو ادا کی جائے گی وہ 210 ملین روپے ہے۔

کیش فلو (روپے کی آمدورفت) کا گوشوارہ

روپے کے داخلی اور برآمدی بہاؤ (آمدورفت) کے انتظام کے لئے کمپنی میں موثر کیش فلو نظام موجود ہے تاکہ کاروباری سرمائے کے لئے درکار رقم کی آمدورفت اور مختصر مدتی قرضوں کو حکمت عملی کے ذریعے پائے تکمیل پہنچایا جاسکے۔ 2018 میں کمپنی نے کاروباری سرگرمیوں سے 567.591 (2017 : 154.646) ملین روپے حاصل کئے۔ زیر تہیل امور میں روپے کی آمدورفت میں اضافہ بڑے پیمانے پر نقد آمدنی کا نتیجہ تھا۔ زیر کار سرگرمیوں سے حاصل ہونے والی رقم کو سرمائے کے اخراجات اور حصص منافع کی ادائیگی میں استعمال کیا گیا۔

بازار کاری

27 سال سے زائد تجربہ کے ریکارڈ کے ساتھ، اے ڈی ایم کو اپنے صارفین کیلئے ممکنہ طور پر بہترین ڈنیم برانڈز فراہم کرنے پر فخر ہے۔ اے ڈی ایم نے ڈنیم برانڈز کے ساتھ صارفین کے بہتر روابط کے حصول کیلئے یورپ اور امریکہ میں نمائندوں میں شمولیت جاری رکھی۔

پائیدار ترقیاتی اقدامات کا حصہ ہونے کی حیثیت سے، کمپنی قدرتی تخلیق میں وسعت دینے کی پیش رفتوں پر کام کر رہی ہے۔ بازار میں مسابقت قائم رکھنے کیلئے نامیاتی کپاس اور بی آئی کپاس کا استعمال کرتے ہوئے نئی مصنوعات پیش کی جا رہی ہیں۔

مستقبل کے امکانات

پاکستان کی کپڑے کی برآمدات میں گزشتہ مالی سال 8.67 فیصد کا اضافہ ہوا خصوصاً روپے کی قدر میں نمایاں کمی کے باعث، توانائی کی ترسیل میں بہتری، جزوی طور پر رقم واپسی کی بحالی اور برآمداتی مراعات کے تحت نقد محصولات۔

تاہم، پاکستان کی کپڑے کی صنعت کئی وجوہات کے باعث بدستور مقابلے کا شکار رہے گی جیسا کہ رواں کاروبار کی بڑھتی ہوئی لاگت، کپاس کی پیداوار میں کمی، غیر مستحکم بین الاقوامی فروختگی قیمتیں اور نامناسب پالیسی۔ اس کے علاوہ اقتصادی مسائل، پاکستان کی کپڑے کی صنعت کو علاقائی حربیوں نیز عالمی حربیوں سے مضبوط مقابلے کا بھی سامنا ہے۔

مستقبل مقابلے اقتصادی و کاروباری ماحول کے باوجود، کمپنی لاگتی قدر میں سرمایہ لگاتی رہتی ہے جو کہ پیداوار اور کارکردگی میں اضافہ کا ایک طریقہ کار ہے اور اسے ہمارے پیداواری لائحہ عمل کا کلیدی حصہ تصور کیا جاتا ہے۔ مجموعی طور پر ہم ایک مثبت رفتار کو برقرار رکھنے اور منافع بخش ترقی اور عمدہ آپریشن حاصل کرنے میں کوشاں ہیں۔

کارپوریٹ اور مالیاتی رپورٹنگ کا ڈھانچہ

ڈائریکٹرز، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے کارپوریٹ اور مالیاتی رپورٹنگ کے لائحہ عمل پر عملدرآمد اور قواعد و ضوابط کی توثیق کرتے ہیں درج ذیل معاملات کیلئے:

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشواروں، سرگرمیوں کے نتائج، روپے کی آمدورفت اور سرمائے میں ردوبدل کے اعداد و شمار بالکل صحیح جاری کئے گئے۔
- کمپنی کی جانب سے کاروباری کھاتوں کا مکمل حساب رکھا گیا ہے۔
- مالیاتی گوشواروں کی تیاری میں مناسب کھاتہ داری پالیسی کو ملحوظ رکھا گیا ہے اور کھاتہ داری پالیسی میں کسی بھی تبدیلی کو مالیاتی گوشواروں میں واضح کیا گیا ہے۔ کھاتہ داری کا تخمینہ معقول اور مضبوط اندازوں کی بنیاد پر لگایا گیا ہے۔

- مالیات گوشواروں کی تیاری میں پاکستان میں مروجہ بین الاقوامی مالیاتی رپورٹنگ معیارات کو پیش نظر رکھا گیا ہے اور کسی بھی قسم کے انحراف کو نمایاں طور پر ظاہر کیا گیا ہے۔
- اندرونی کنٹرول کے انتظام کا ڈھانچہ بہت مستحکم ہے اور اس کی موثر طریقے سے ترقی، جائزہ اور نگرانی کی گئی ہے۔
- کمپنی کو اپنی کاوشوں کو جاری رکھنے کی صلاحیت پر کوئی نمایاں شک و شبہ نہیں ہے۔
- ادارتی انتظام کے بہتر اقدامات سے کوئی اہم انحراف نہیں ہے، جیسا کہ پاکستان اسٹاک ایکسچینج کے کتابی قواعد کے ضابطوں میں تفصیل سے ہے۔
- پچھلے چھ ماہ کے اہم تعمیلی امور اور مالیاتی اعداد و شمار کو خلاصے کی شکل میں آڈٹ شدہ مالیاتی گوشواروں کے ساتھ منسلک کیا گیا ہے۔
- واجب الادا لگان و محصولات اور چارجز، اگر کوئی ہو تو کو واضح طور پر مالیاتی گوشواروں میں ظاہر کر دیا گیا ہے۔
- چارڈائریکٹرز نے ڈائریکٹرز ٹریڈنگ (تربیتی) کورس کر لیا ہے، جبکہ ایک ڈائریکٹر اپنے تجربے اور قابلیت کی بنیاد پر اس کورس سے ہمراہے اور باقی ڈائریکٹرز اپنی ٹریڈنگ کمپنی کے انتظامی قواعد و ضوابط میں مذکور وقت کے مطابق مکمل کریں گے۔
- شیئر ہولڈنگ کا خاکہ بتاریخ 30 جون 2018ء بشمول تفصیلات جیسا کہ ادارتی انتظامی قواعد کے تحت درکار ہے آڈٹ شدہ مالیاتی تفصیلات میں منسلک ہے۔
- 1 جولائی 2017 سے 30 جون 2018 کے دوران، کمپنی کے حصص میں فروخت جو منتظمین، سی ای او، سی ایف او، کمپنی سیکریٹری، سربراہ اندرونی آڈٹ، دیگر اعلیٰ عہدیداران اور ان کے میاں بیوی اور ان کے چھوٹے بچوں کی جانب سے ہے آڈٹ شدہ مالیاتی تفصیلات میں منسلک ہیں۔

بورڈ آف ڈائریکٹرز

کل ڈائریکٹرز کی تعداد سات ہے جو کہ درج ذیل ہے:

| | |
|----------|---|
| a. مرد | 6 |
| b. خاتون | 1 |

بورڈ کی تشکیل

| اقسام | نام |
|----------------------------|---|
| (a) آزاد ڈائریکٹر | i. جناب ظفر الحقار احمد خان |
| (b) نان ایگزیکٹو ڈائریکٹرز | i. محترمہ ملیحہ فیصل ii. جناب محمد اقبال احمد iii. جناب محمد یوسف احمد iv. جناب محمد علی احمد v. جناب محمد اقبال الرحیم |
| (c) ایگزیکٹو ڈائریکٹرز | i. جناب محمد فیصل احمد |

کمپنی کے ڈائریکٹرز کو کمپنی کی غیر معمولی میٹنگ منعقدہ 22 نومبر 2017 میں منتخب کیا گیا۔ بورڈ نے سکدوش ہونے والے ڈائریکٹر کی گراں قدر خدمات کو سراہا اور نئے ڈائریکٹر کو خوش آمدید کہا۔ زیر جائزہ سال کے دوران، بورڈ آف ڈائریکٹرز کی پانچ میٹنگز پاکستان میں منعقد کی گئیں اور ہر ایک ڈائریکٹر کی حاضری درج ذیل تھی:

| تعداد میٹنگ جس میں شریک ہوئے | ڈائریکٹر کا نام |
|------------------------------|---------------------------|
| 5 | جناب فیصل احمد |
| 1 | محترمہ ماہیرہ فیصل |
| 1 | جناب محمد اقبال احمد * |
| 4 | جناب محمد یوسف احمد |
| 2 | جناب محمد علی احمد |
| 5 | جناب محمد اقبال الرحیم |
| - | محترمہ سارہ فیصل احمد ** |
| 5 | جناب ظفر الحقنار احمد خان |

جو بورڈ کی میٹنگ میں شرکت کرنے سے قاصر تھے انہیں غیر حاضری کی چھٹی دی گئی۔

* ڈائریکٹرز کے انتخابات منعقدہ 22 نومبر 2017 میں منتخب ہوئے۔

** 23 نومبر 2017 کو سبکدوش ہوئیں۔

بورڈ کمیٹیاں

بورڈ آف ڈائریکٹرز نے ادارتی انتظامی قواعد کی درکار ضرورت کے تحت آڈٹ کمیٹی تشکیل دی۔ آڈٹ کمیٹی تین ارکان پر مشتمل ہے، جس میں دو نان ایگزیکٹو اور ایک آزاد ہے۔ آڈٹ کمیٹی کا سربراہ ایک آزاد ڈائریکٹر ہے۔ آڈٹ کمیٹی نے اپنے افعال تسلی بخش ادارتی انتظامی قواعد کے مطابق انجام دیئے۔ دوران سال، آڈٹ کمیٹی کی چار میٹنگ منعقد کی گئیں۔ ہر ایک ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

| اجلاس میں شرکت کی تعداد | ڈائریکٹر کا نام |
|-------------------------|---------------------------|
| 4 | جناب محمد اقبال الرحیم |
| - | محترمہ ماہیرہ فیصل * |
| 4 | جناب ظفر الحقنار احمد خان |
| - | جناب محمد علی احمد * |

جو بورڈ کی میٹنگ میں شرکت کرنے سے قاصر تھے انہیں غیر حاضری کی چھٹی دی گئی۔

* محترمہ ماہیرہ فیصل کی جگہ جناب محمد علی احمد کو 6 دسمبر 2017 تعینات کیا گیا۔

بورڈ آف ڈائریکٹرز نے ادارتی انتظامی قواعد کے مطابق ہیومن ریورس اینڈ ری مینوریشن کمیٹی (ایچ آر اینڈ آرسی) تشکیل دی۔ یہ کمیٹی تین ارکان پر مشتمل ہے، جس میں دو نان ایگزیکٹو اور ایک آزاد ہے۔ کمیٹی کا سربراہ ایک آزاد ڈائریکٹر ہے۔ یہ کمیٹی بورڈ کو تجاویز دینے میں شامل ہے۔ سلسلہ ہیومن ریورس لائحہ عمل اور تقرری، معاوضے اور تعیناتی سی ای او، سی ایف او، کمپنی بیکریٹری، سربراہ انٹرنل آڈیٹر اور دیگر اہم عہدوں پر برابہ راست سی ای او کو مطلع کرنے والے۔ دوران سال، کمیٹی کی ایک میٹنگ منعقد کی گئی۔ ہر ایک ڈائریکٹر کی حاضری ریکارڈ درج ذیل تھا:

| ڈائریکٹر کا نام | اجلاس میں شرکت کی تعداد |
|----------------------------|-------------------------|
| جناب محمد اقبال الرحیم | 1 |
| جناب محمد علی احمد | 1 |
| محترمہ سارہ فیصل احمد* | - |
| جناب ظفر الحقنار احمد خان* | - |

جو بورڈ کی میٹنگ میں شرکت کرنے سے قاصر تھے انہیں غیر حاضری کی چھٹی دی گئی۔
* جناب ظفر الحقنار احمد خان کو محترمہ سارہ فیصل احمد کی جگہ 6 دسمبر 2017 کو تعینات کیا گیا۔

نان ایگزیکٹو ڈائریکٹر کے معاوضے کا لائحہ عمل

بورڈ / کمیٹی کی میٹنگ میں شرکت کیلئے ایک نان ایگزیکٹو ڈائریکٹر / آزاد ڈائریکٹر کا تعین وقتاً فوقتاً بورڈ کی جانب سے کیا جائے گا۔ نان ایگزیکٹو ڈائریکٹر / آزاد ڈائریکٹر کو شرکت کردہ بورڈ کی ہر ایک میٹنگ کیلئے معاوضہ ادا کیا گیا۔ تنظیم کو ایسے سفری، قیام، اور دیگر اخراجات باقاعدہ ادا کیئے جائیں گے جو انہوں نے اپنے فرائض کی انجام دہی یا کاروباری سلسلے میں برداشت کیئے اگر ان میں سے کسی نے بورڈ میں شرکت کی یا غیر مقامی عمومی میٹنگ میں شرکت کی۔

متعلقہ فریقین کا لین دین اور غیر جانبدارانہ قیمت کا تعین

مالیاتی سال 2018 کے دوران تمام متعلقہ فریق کے لین دین، کوآڈٹ کمیٹی اور بورڈ کے روبرو اسکے جائزہ اور منظوری کیلئے پیش کیا گیا۔ یہ لین دین باقاعدہ آڈٹ کمیٹی اور بورڈ کی متعلقہ میٹنگز میں منظوری سے کیئے گئے۔ متعلقہ فریقین کے ساتھ لین دین آزادانہ قیمتوں پر قابل موازنہ غیر منضبط قیمتوں کے طریقہ کار کے مطابق انجام دیئے گئے۔

خطرات سے نمٹنے کا انتظام

کمپنی ایک زبردست رسک مینجمنٹ فریم ورک (خطرات سے نمٹنے کا ڈھانچے) کی حامل ہے جو کہ اس کمپنی کو حکمت عملی کے تحت مقاصد کے حصول کی اہلیت کو متاثر ہونے نہیں دیتا کیوں کہ یہ خطرات کے حصول، نگرانی اور پورنگ کے قابلیت رکھتا ہے۔ اس ڈھانچے کے تحت آپ کی کمپنی ایسے طریقے اور نظام کی حامل ہے جو خطرات کے جائزے کے ساتھ ان کی نگرانی، انتظام اور ان میں تخفیف کی صلاحیت رکھتا ہے۔

داخلی مالیاتی گوشواروں کے کنٹرول کا نظام

ADM ایک جامع داخلی مالیاتی گوشواروں کے کنٹرول کے نظام کا حامل ہے جو کہ کسی بھی ضخامت، حجم اور پیچیدگی والے حساب کتاب کو کنٹرول کر سکتا ہے۔ یہ بڑے پروسس کا احاطہ کرتا ہے اور کمپنی کے اثاثوں، مالیاتی امور کا اختیار کے مطابق استعمال، اور تمام قواعد و ضوابط کی تعمیل اور وسائل کے صحیح استعمال کو یقینی بناتا ہے۔ کمپنی کی انتظامی اسٹیٹیوٹوری آڈیٹر (قانونی آڈیٹر) اور انٹرنل آڈیٹر (داخلی آڈیٹر) کی جانب سے دی گئی سفارشات پر غور و خوص کے بعد مناسب اقدامات کرتی ہے۔

آڈیٹرز (محاسب)

موجودہ آڈیٹرز ای وائی فورڈ ریبوڈز چارٹرڈ اکاؤنٹینٹس آنے والے سالانہ اجلاس عام جو کہ 27 اکتوبر 2018 کو منعقد ہوگا کے اختتام پر ریٹائرڈ ہو جائیں گے اور انہوں نے اہلیت کے باعث اپنی خدمات دوبارہ پیش کی ہیں۔ کمپنی کے قواعد و ضوابط کے مطابق بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارش پر مالیاتی اختتام سال 30 جون 2019 تک کے لئے ان کو اسٹیٹیوٹری آڈیٹر کی حیثیت سے ایک متفقہ فیس پر آڈٹ کمیٹی کی سفارش پر ان کی دوبارہ تعیناتی کو منظور کر لیا ہے۔

کمپنی کی سماجی ذمے داریاں

۱- توانائی کی بچت

بجلی پیدا کرنے کے لئے کمپنی کے پاس اپنا پلانٹ موجود ہے۔ یہ پلانٹ کم سے کم لاگت میں تمام ڈویشن جیسے کہ اسپننگ، ویوٹنگ اور گارمنٹس کی ہر سائٹ کو چلانے کے لئے توانائی کی ضروریات پوری کرتا ہے۔ اس پلانٹ کو اعلیٰ تعلیم یافتہ اور بہترین تربیت یافتہ عملہ چلاتا اور رواں رکھتا ہے۔

کمپنی نے قدرتی وسائل کو بچانے کے لئے اپنے وعدوں کی تکمیل کی ہے اور تمام کاروباری اکائیوں میں توانائی کو بچانے کے لئے بہترین طریقے استعمال کر رہی ہے۔ اس سال کے دوران کمپنی نے گیس اور ایندھن کی بڑھتی ہوئی قیمت سے بچنے کیلئے سستی توانائی پاور سسٹم نصب کیا ہے۔ کمپنی تسلسل کے ساتھ توانائی کی بچت کے لئے مصروف عمل ہے جس میں عملیہ اور مشینری میں تبدیلیاں، جدید ٹیکنالوجی کا استعمال، نئے طریقوں کی ترویج، روانی، اضافی حرارت کی بازیافت وغیرہ شامل ہیں۔ ان اقدامات کی وجہ سے پیداواری لاگت میں کمی کے ساتھ ساتھ توانائی اور وقت کی بچت بھی ہوگی۔

۲- ماحول، صحت اور تحفظ

ADM نے ایک ایسا دستاویزی نظام بنایا ہے جس کے ذریعے ADM کی حدود میں صحت، تحفظ اور ماحول کو یقینی بنایا جاسکے گا اور اپنے تمام ملازمین، گاہکوں، ٹھیکیداروں، مفاد و ایسٹگان، ملاقاتیوں اور سپلائرز کو صحت مند اور بر تحفظ فضا فراہم کی جاسکے۔ کمپنی نے کام کے دوران غیر محفوظ اور غیر صحت مندانہ مشغول اور حالات کو کم سے کم کرنے کے لئے با مقصد جدوجہد کی ہے۔ کمپنی نے مناسب اقدامات کئے ہیں جن سے کام کے دوران حادثات اور صحت کے لئے خطرناک ماحول سے بچا جاسکتا ہے۔ انتظامیہ کے نمائندے عملہ کے تحفظ اور صحت کے ذمہ دار ہیں اور اعلیٰ معیار کے صحت مند اور محفوظ عناصر کو نافذ العمل کرنے کے لئے جوابدہ ہیں۔ ماحولیاتی شور کو ناپنے کے لئے بیرونی کمرشیل لیبارٹری سے وقتاً فوقتاً ٹیسٹ بھی کروایا جا رہا ہے۔ آگ سے خبردار اور نشاندہی کرنے والے آلات نصب ہیں اور ان کو درست انداز میں رواں رکھا جاتا ہے۔

ADM ماحول، صحت اور تحفظ کو انتظامیہ کی سطح پر یقینی بنانے کے لئے اپنے وعدوں پر قائم ہے اور پابندی کے ساتھ جانچ کرتی اور جائزہ لیتی ہے تاکہ تسلسل کے ساتھ ان حالات میں بہتری لائی جاسکے اور اس سلسلے میں کمپنی کی پالیسیوں، مقاصد، اہداف اور پروگرام کی اڑپڈیری کی تصدیق کی جاسکے۔

ADM کے پاس مندرجہ ذیل تصدیقات ہیں:

| | | |
|---|-----------------------|---|
| انوائٹو نمینٹل مینجمنٹ سسٹم (ماحولیاتی نگرانی کا نظام) | ISO 14001:2004 EMS | • |
| کوالٹی مینجمنٹ سسٹم (معیاری نگرانی کا نظام) | ISO 9001:2008 QMS | • |
| برنس سوٹل کمپلائنس انیشی ایٹیو (تجارتی سماجی تقبل کے اقدامات) | BSCI | • |
| ورلڈ وائڈ ریسپونسیبل ایکریڈیشن پروڈکشن (بین الاقوامی معتبر سند پیداوار) | WRAP | • |
| سپلائر آٹھیکل ڈیٹا ایچینج (فراہم کنندہ کا اخلاقی مواد کا تبادلہ) | SEDEX | • |
| گلوبل آرگینک ٹیکسٹائل اسٹینڈرڈ (عالمگیر نامیاتی ٹیکسٹائل معیار کا حامل) | GOTS | • |
| آرگینک کنٹینیٹ اسٹینڈرڈ (نامیاتی اجزاء کے معیار کا حامل) | OCS | • |
| ریسپونسیبل کلڈ کلیم اسٹینڈرڈ (بازگردانی دعوے کے معیار کا حامل) | RCS | • |
| گلوبل ریسپونسیبل کلڈ اسٹینڈرڈ (عالمگیر بازگردانی کے معیار کا حامل) | GRS | • |
| (کسٹمر ٹریڈ پارٹنرشپ انیسٹ بیارزم) | C-TPAT | • |
| | OEKO-TEX Standard 100 | • |

۳- حفاظتی اقدامات

کمپنی کی انتظامیہ مکمل طور پر تحفظ اور حفاظت کی اہمیت سے آگاہ ہے تاکہ آپریشنز بغیر رکاوٹ کے جاری رہیں اور اپنی تحفظاتی پالیسیوں اور طریقہ کار کے تحت سیکورٹی عمل کی تعیناتی کے ذریعے اپنے ملازمین اور اثاثوں کے تحفظ فراہم کرنے کے لئے ہماری اخراجات برداشت کر رہی ہے۔ کمپنی نے نگرانی رکھنے کے لئے مختلف جگہوں پر سی سی ٹی وی کیمرے نصب کروائے ہیں۔

۴- آلودہ پانی کو صاف کرنے کا پلانٹ

پانی ہمارے ملک کا ایک محدود قدرتی وسائل ہے اور اس کا انتظام بھی بہترین انداز میں کرنا چاہئے۔ ای پی اے کے قومی ماحولیاتی معیارات کو برقرار رکھنے کے لئے کمپنی کے پاس آلودہ پانی کو صاف کرنے کی سہولت موجود ہے۔ کیونکہ پانی کی قلت ہے، لہذا اس بات کی اشد ضرورت ہے کہ ایسی ٹیکنالوجی کو استعمال کیا جائے جس سے یہ دوبارہ قابل استعمال ہو سکے۔ دوبارہ استعمال کرنے سے پہلے پانی کو پلانٹ کے ذریعے صاف کیا جاتا ہے یا پھر پانی کو ماحولیاتی تحفظ کے معیارات کے مطابق سیوریج لائن میں چھوڑ دیا جاتا ہے۔

۵- تمام ملازمین کے لئے یکساں مواقع

کمپنی کی بنیادی اساس یہ ہے کہ تمام انسان برابر ہیں، ADM بلا امتیاز ہر قسم کے ملازمین کو بھرتی کرتی ہے اور انہیں یکساں ماحول فراہم کرتی ہے۔

۶- ایڈھی فاؤنڈیشن کو عطیہ

اخلاقی طور پر کمپنی اس بات کی پابند ہے کہ وہ معاشرہ کے وسیع تر مفاد کے لئے کام کرے اور ملک کے اندر سماجی ترقی میں اپنا کردار ادا کرے۔ اسی لئے کمپنی نے ایڈھی فاؤنڈیشن کو عطیہ دیا۔

۷- حج کی سعادت

ملازمین کو سہولیات / ترغیبات فراہم کرنے اور ان کی حوصلہ افزائی کے لئے کمپنی ہمیشہ کوشاں رہتی ہے اور ہر سال دو ملازمین کو قمر عاندازی کے ذریعے حج پر بھیجتی ہے۔

از طرف بورڈ

فیصل احمد

چیف ایگزیکٹو

محمد اقبال الرحیم

ڈائریکٹر

کراچی: 29 ستمبر، 2018

KEY OPERATING AND FINANCIAL DATA

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|----------------------------------|----------------------------|-----------|-----------|-----------|-----------|-----------|
| |(Rupees in '000)..... | | | | | |
| ASSETS EMPLOYED | | | | | | |
| Operating fixed assets | 5,194,049 | 5,206,444 | 4,329,562 | 4,170,718 | 3,655,456 | 3,305,415 |
| Capital work-in-progress | 110,657 | 251,270 | 1,010,673 | 524,266 | 698,979 | 209,681 |
| Intangible assets | 6,468 | 8,119 | - | - | - | - |
| Long term loans | 5,374 | 2,673 | 7,864 | 7,266 | 8,471 | 5,314 |
| Long term deposits | 1,566 | 1,686 | 1,698 | 956 | 956 | 853 |
| Net current assets/(liabilities) | 1,619,245 | 1,102,220 | 864,902 | 996,063 | 564,693 | 754,011 |
| Total Assets Employed | 6,937,359 | 6,572,412 | 6,214,699 | 5,699,269 | 4,928,555 | 4,275,274 |
| FINANCED BY | | | | | | |
| Shareholders equity | 6,100,145 | 5,758,905 | 5,497,468 | 5,456,653 | 4,802,782 | 4,042,451 |
| Long term financing | 813,274 | 813,507 | 577,560 | 130,452 | 39,985 | 168,489 |
| Deferred liability | 23,940 | - | 139,671 | 112,164 | 85,788 | 64,334 |
| | 6,937,359 | 6,572,412 | 6,214,699 | 5,699,269 | 4,928,555 | 4,275,274 |
| SALES & PROFITS | | | | | | |
| Net sales / Turnover | 8,239,986 | 6,906,526 | 6,461,983 | 6,998,644 | 6,467,591 | 6,136,793 |
| Gross profit | 791,820 | 739,663 | 703,437 | 1,178,342 | 1,149,130 | 1,145,604 |
| Profit before taxation | 600,077 | 446,153 | 399,842 | 761,917 | 860,978 | 787,677 |
| Net profit after taxation | 516,531 | 429,437 | 377,999 | 743,546 | 852,497 | 758,031 |
| Proposed Bonus/Dividend % | 25 | 21 | 20 | 40 | 10 | 10 |
| Un-appropriated profit | 5,260,145 | 4,918,905 | 4,657,468 | 4,616,653 | 3,962,782 | 3,202,451 |

PATTERN OF SHAREHOLDING

| Number of Shareholders | Shareholdings | | Total Number of Shares Held |
|------------------------|---------------|------------|-----------------------------|
| | From | To | |
| 206 | 1 | 100 | 5,444 |
| 133 | 101 | 500 | 51,220 |
| 65 | 501 | 1,000 | 55,580 |
| 143 | 1,001 | 5,000 | 395,949 |
| 30 | 5,001 | 10,000 | 235,100 |
| 9 | 10,001 | 15,000 | 115,800 |
| 4 | 15,001 | 20,000 | 74,600 |
| 3 | 20,001 | 25,000 | 67,900 |
| 2 | 25,001 | 30,000 | 55,300 |
| 1 | 30,001 | 35,000 | 35,000 |
| 1 | 35,001 | 40,000 | 38,500 |
| 2 | 40,001 | 45,000 | 81,100 |
| 1 | 45,001 | 50,000 | 46,904 |
| 1 | 80,001 | 85,000 | 82,000 |
| 1 | 95,001 | 100,000 | 99,000 |
| 1 | 140,001 | 145,000 | 145,000 |
| 1 | 160,001 | 165,000 | 165,000 |
| 1 | 170,001 | 175,000 | 174,250 |
| 1 | 285,001 | 290,000 | 290,000 |
| 1 | 595,001 | 600,000 | 600,000 |
| 1 | 1,410,001 | 1,415,000 | 1,410,200 |
| 1 | 1,765,001 | 1,770,000 | 1,767,000 |
| 1 | 9,740,001 | 9,745,000 | 9,741,400 |
| 1 | 18,145,001 | 18,150,000 | 18,146,000 |
| 1 | 50,120,001 | 50,125,000 | 50,121,753 |
| 612 | | | 84,000,000 |

PATTERN OF SHAREHOLDING

| Categories of Shareholders | Shares Held | Percentage |
|--|-------------------|--------------|
| INSURANCE COMPANIES | | |
| STATE LIFE INSURANCE CORP. OF PAKISTAN | 1,767,000 | |
| Sub - Total: | 1,767,000 | 2.10 |
| DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN | | |
| MUHAMMAD ALI AHMED | 858 | |
| MALIHA FAISAL | 500 | |
| MUHAMMAD FAISAL AHMED | 50,121,753 | |
| ZAFAR-UL-MUKHTAR AHMED KHAN | 500 | |
| MUHAMMAD IQBAL-UR-RAHIM | 600 | |
| MUHAMMAD YOUSUF AHMED | 99,000 | |
| MUHAMMAD IQBAL AHMED | 18,146,000 | |
| Sub - Total: | 68,369,211 | 81.39 |
| ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES | | |
| ARTISTIC PROPERTIES (PVT) LIMITED | 1,410,200 | |
| Sub - Total: | 1,410,200 | 1.68 |
| NIT AND ICP | | |
| INVESTMENT CORP. OF PAKISTAN | 500 | |
| Sub - Total: | 500 | 0.00 |
| FOREIGN INVESTORS | | |
| HABIB BANK AG ZURICH, DEIRA DUBAI | 15,000 | |
| Sub - Total: | 15,000 | 0.02 |

PATTERN OF SHAREHOLDING

| Categories of Shareholders | Shares Held | Percentage |
|----------------------------|-------------|------------|
|----------------------------|-------------|------------|

OTHERS

| | | |
|---|----------------|-------------|
| MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SE | 184,250 | |
| ZILLION CAPITAL SECURITIES (PVT) LTD. | 165,000 | |
| SEVEN STAR SECURITIES (PVT) LTD. | 46,904 | |
| ASDA SECURITIES (PVT) LIMITED | 32,500 | |
| DAWOOD FAMILY TAKAFUL LIMITED | 23,500 | |
| DAWOOD FAMILY TAKAFUL LIMITED | 20,500 | |
| HH MISBAH SECURITIES (PVT) LIMITED | 5,000 | |
| FIKREES (SMC-PVT) LIMITED | 2,300 | |
| MRA SECURITIES LIMITED - MF | 1,500 | |
| SUNRAYS TEXTILE MILLS LIMITED | 1,500 | |
| FAWAD YOUSUF SECURITIES (PRIVATE) LIMITED | 1,000 | |
| HSZ SECURITIES (PVT) LTD. 43001 | 80 | |
| Y.S. SECURITIES & SERVICES (PVT) LTD. | 80 | |
| MAPLE LEAFCAPITAL LIMITED | 1 | |
| Sub - Total: | 484,115 | 0.58 |

INDIVIDUAL

| | | |
|---------------------|-------------------|---------------|
| LOCAL - INDIVIDUALS | 11,953,974 | |
| Sub - Total: | 11,953,974 | 14.23 |
| Grand Total: | 84,000,000 | 100.00 |

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE

| Name of Shareholders | Shares Held | Percentage |
|-----------------------|-------------------|---------------|
| Muhammad Faisal Ahmed | 50,121,753 | |
| Muhammad Iqbal Ahmed | 18,146,000 | |
| Sadia Zain | 9,741,400 | |
| Total: | 78,009,153 | 92.87% |

PERFORMANCE AT A GLANCE

| | 2018 | 2017 |
|---|-------|-------|
| FINANCIAL RATIOS | | |
| Gross profit - % of net sales | 9.61 | 10.71 |
| Profit before taxation - % of net sales | 7.28 | 6.46 |
| Net Profit after taxation - % of net sales | 6.27 | 6.22 |
| Earnings per share - basic & diluted | 6.15 | 5.11 |
| Increase / (decrease) in net sales - % | 19.31 | 6.88 |
| Raw and packing materials - % of net sales | 46.97 | 47.85 |
| Labour - % of net sales | 24.19 | 21.88 |
| Other cost of goods manufactured - % of net sales | 19.71 | 19.71 |
| Distribution costs - % of net sales | 2.41 | 2.47 |
| Administrative expenses - % of net sales | 1.55 | 1.51 |
| Finance costs - % of net sales | 1.12 | 1.28 |
| Taxation - % of net sales | 1.01 | 0.24 |
| Inventory turnover days | 75 | 80 |
| Receivable turnover days | 73 | 67 |
| SHORT TERM SOLVENCY | | |
| Current ratio | 1.51 | 1.38 |
| Acid test ratio | 0.90 | 0.85 |
| OVERALL VALUATION AND ASSESSMENT | | |
| Return on equity (average) % | 8.71 | 7.63 |
| P.E. ratio | 12.16 | 15.01 |
| Book value per share | 72.62 | 68.56 |
| Long term debts : equity | 12.88 | 12:88 |

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

| Name of Director | No. of Shares | | | |
|---------------------------|-----------------|----------|-------|------------|
| | Opening Balance | Purchase | Sale | Closing |
| Mr. Muhammad Faisal Ahmed | 50,084,753 | 37,000 | - | 50,121,753 |
| Mr. Muhammad Iqbal Ahmed | 18,147,000 | - | 1,000 | 18,146,000 |

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Artistic Denim Mills Limited Year Ended June 30, 2018

The Company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) in the following manner:

1. The total number of Directors are seven (7) as per the following:

| | | |
|----|---------|---|
| a. | Male: | 6 |
| b. | Female: | 1 |

2. The composition of board is as follows:

| Category | Name |
|----------------------------------|------------------------------------|
| a) Independent Director | i. Mr. Zafar-ul-Mukhtar Ahmed Khan |
| b) Other Non-executive Directors | i. Mrs. Maliha Faisal |
| | ii. Mr. Muhammad Iqbal Ahmed |
| | iii. Mr. Muhammad Yousuf Ahmed |
| | iv. Mr. Muhammad Ali Ahmed |
| | v. Mr. Muhammad Iqbal-ur-Rahim |
| c) Executive Director | i. Mr. Muhammad Faisal Ahmed |

3. The Directors have confirmed that none of them is serving as a director on more than five listed Companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. 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.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 ("the Act") and these Regulations.
7. The meetings of the Board were presided over by the Chairman / Chairperson and, in his / her absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Half of the directors on the board have acquired the prescribed certification as mentioned under Regulation number 20, whereas one director is exempted from such course on account of the experience and qualification. Following Directors have already gone through Directors' Training program:

Mr. Muhammad Faisal Ahmed
 Mrs. Maliha Faisal
 Mr. Muhammad Iqbal-ur-Rahim
 Mr. Zafar-ul-Mukhtar Ahmed Khan

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

a) Audit Committee:

| Name of Director | Designation |
|---------------------------------|-------------|
| Mr. Zafar-ul-Mukhtar Ahmed Khan | Chairman |
| Mr. Muhammad Ali Ahmed | Member |
| Mr. Muhammad Iqbal-ur-Rahim | Member |

b) HR and Remuneration Committee:

| Name of Director | Designation |
|---------------------------------|-------------|
| Mr. Zafar-ul-Mukhtar Ahmed Khan | Chairman |
| Mr. Muhammad Ali Ahmed | Member |
| Mr. Muhammad Iqbal-ur-Rahim | Member |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following:

| | |
|----------------------------------|--------------------|
| a) Audit Committee | Quarterly meetings |
| b) HR and Remuneration Committee | Annual meeting |
| c) Nomination Committee | N/A |
| d) Risk Management Committee | N/A |
15. The Board has set-up an effective Internal Audit Function managed by suitably qualified and experienced personnel who are involved in the internal audit function on a full time basis and are conversant with the policies and procedures of the Company.

16. 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) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the Code of Ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

On behalf of the Board

MUHAMMAD FAISAL AHMED
Chief Executive

MUHAMMAD IQBAL-UR-RAHIM
Director

Karachi: September 29, 2018

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Artistic Denim Mills Limited (the Company)

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Artistic Denim Mills Limited** for the year ended **30 June 2018** in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended **30 June 2018**.

ET Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 29 September 2018

INDEPENDENT AUDITORS' REPORT

To the members of Artistic Denim Mills Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Artistic Denim Mills Limited (the Company)**, which comprise the statement of financial position as at **30 June 2018**, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2018 and of the profit, comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

| Key audit matters | How our audit addressed the Key audit matters |
|--|--|
| 1. Existence and Valuation of stock in trade | |
| <p>As disclosed in note 12 to the accompanying financial statements, the stock in trade balance constitutes 17% of total assets of the Company. The cost of Work in Process (WIP) and finished goods is determined at average manufacturing cost including a proportion of production overheads.</p> <p>We focused on stock in trade as it is a significant portion of company's total assets and it requires management judgment in determining an appropriate costing basis and assessing its valuation.</p> | <p>We performed a range of audit procedures with respect to inventory items including, amongst others physical observation of inventory counts, testing valuation methods and their appropriateness in accordance with the applicable accounting standards. We also tested the calculations of per unit cost of finished goods and WIP and assessed the appropriateness of management's basis for the allocation of cost and production overheads.</p> <p>We also assessed the adequacy of the disclosures made in respect of the accounting policies and the details of inventory balances held by the Company at the year end.</p> |
| 2. Revenue from related party transactions and disclosures | |
| <p>The Company generates revenue, from sales to related parties, of Rs.1,549.27 million which comprises of 19% of the total revenue as disclosed in note 39 to the accompanying financial statements.</p> <p>Due to the significance of related party transactions to the overall operations of the Company and the accuracy, completeness of disclosures of such transactions and year end balances, we have considered the same to be a key audit matter.</p> | <p>Our procedures, in relation to the accuracy, existence and completeness of disclosure of related parties and its transactions amongst others, includes following:</p> <ul style="list-style-type: none"> - Evaluation of the appropriateness of management's process for identifying and recording related party transactions; - Reviewed minutes of the meetings of audit committee and those charged with governance for recommendation and approval of transactions with related parties respectively; - Inspection of invoices, on a sample basis, and obtained direct confirmation from related parties; - Obtained written representation from management concerning completeness of information provided regarding the identification of related parties; and - We assessed the adequacy and appropriateness of the disclosures made in respect of the related parties balances and transactions in accordance with accounting and reporting standards as applicable in Pakistan. |

| Key audit matters | How our audit addressed the Key audit matters |
|---|--|
| 3. Capital Expenditures | |
| <p>As disclosed in note 7.1 to the accompanying financial statements, the Company has incurred significant amount of capital expenditure during the year.</p> <p>We focused on capital expenditure incurred during the year as this represents a significant transaction for the year and involves certain judgmental areas, such as capitalization of elements of eligible components of cost as per the applicable financial reporting standards, therefore, we have identified this as a key audit matter.</p> | <p>Our key audit procedures in this area included, amongst others, obtaining an understanding of the Company's process with respect to capital expenditure and testing controls relevant to such process.</p> <p>We performed substantive audit procedures through inspection of related documents supporting various components of the capitalized costs.</p> <p>We also considered whether the items of cost capitalized meet the recognition criteria of an asset in accordance with the applicable financial reporting standards.</p> <p>We reviewed management's estimates about the useful life of assets so capitalized and consequent depreciation rates used by the Company.</p> <p>We further assessed the adequacy of financial statements disclosures in accordance with the applicable financial reporting framework.</p> |
| 4. New Companies Act, 2017 (the Act) and its impact on the financial statements | |
| <p>The Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>In case of the Company, a summary of key additional disclosures and changes to the existing disclosures have been stated in note 3.1 to the accompanying financial statements.</p> <p>The aforementioned changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.</p> | <p>We assessed the procedures applied by the management for identification of the changes required in the financial statements due the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.</p> |

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and



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- d) 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.

The engagement partner on the audit resulting in this independent auditors' report is Tariq Feroz Khan.

Chartered Accountants

Place: Karachi

Date: 29 September 2018

STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

| ASSETS | Note | June 30, 2018 | June 30, 2017 |
|---|-------------|----------------------------|--------------------------|
| | | Rupees in '000 | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 7 | 5,304,706 | 5,457,714 |
| Intangible assets | 8 | 6,468 | 8,119 |
| Long term loans | 9 | 5,374 | 2,673 |
| Long term deposits | 10 | 1,566 | 1,686 |
| | | 5,318,114 | 5,470,192 |
| CURRENT ASSETS | | | |
| Stores and spares | 11 | 215,128 | 168,082 |
| Stock-in-trade | 12 | 1,717,868 | 1,361,115 |
| Trade debts | 13 | 1,807,006 | 1,495,554 |
| Loans and advances | 14 | 51,970 | 57,308 |
| Trade deposits | 15 | 7,699 | 4,604 |
| Other receivables | 16 | 407,618 | 285,766 |
| Sales tax refundable | | 112,074 | 199,881 |
| Taxation - net | | 375,168 | 364,763 |
| Cash and bank balances | 17 | 86,896 | 63,232 |
| | | 4,781,427 | 4,000,305 |
| | | 10,099,541 | 9,470,497 |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised capital | | | |
| 100,000,000 (2017: 100,000,000) ordinary share of Rs 10/- each | 18 | 1,000,000 | 1,000,000 |
| Issued, subscribed and paid-up | 18 | 840,000 | 840,000 |
| Reserves | 19 | 5,260,145 | 4,918,905 |
| | | 6,100,145 | 5,758,905 |
| NON-CURRENT LIABILITIES | | | |
| Long term financing | 20 | 813,274 | 813,507 |
| Deferred liability | 21 | 23,940 | - |
| | | 837,214 | 813,507 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 22 | 1,487,539 | 1,172,294 |
| Unclaimed dividend | | 2,100 | 2,171 |
| Accrued mark-up | 23 | 16,927 | 15,228 |
| Short term borrowings | 24 | 1,570,000 | 1,670,000 |
| Current maturity of long-term financing | 20 | 85,616 | 38,392 |
| | | 3,162,182 | 2,898,085 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 25 | 10,099,541 | 9,470,497 |

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

Faisal Ahmed
Chief Executive

Muhammad Iqbal-ur-Rahim
Director

Sagheer Ahmed
Chief Financial Officer

STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2018

| | | June 30, 2018 | June 30, 2017 |
|---|------|----------------------------|------------------|
| | Note | Rupees in '000 | |
| TURNOVER | 26 | 8,239,986 | 6,906,526 |
| Cost of sales | 27 | (7,448,166) | (6,166,863) |
| GROSS PROFIT | | 791,820 | 739,663 |
| Distribution costs | 28 | (198,557) | (170,295) |
| Administrative expenses | 29 | (127,802) | (104,323) |
| Other operating expenses | 30 | (40,475) | (30,463) |
| Other income | 31 | 267,579 | 99,774 |
| | | (99,255) | (205,307) |
| OPERATING PROFIT | | 692,565 | 534,356 |
| Finance costs | 32 | (92,488) | (88,203) |
| PROFIT BEFORE TAXATION | | 600,077 | 446,153 |
| Taxation | 33 | (83,546) | (16,716) |
| NET PROFIT FOR THE YEAR | | 516,531 | 429,437 |
| | | (Rs. Per share) | |
| EARNINGS PER SHARE - Basic and Diluted | 34 | 6.15 | 5.11 |

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

Faisal Ahmed
Chief Executive

Muhammad Iqbal-ur-Rahim
Director

Sagheer Ahmed
Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2018

| | | June 30, 2018 | June 30, 2017 |
|--|------|----------------------------|------------------|
| | Note | Rupees in '000 | |
| Net profit for the year | | 516,531 | 429,437 |
| Other comprehensive income | | | |
| Items that may not be reclassified subsequently to profit or loss account | | | |
| Actuarial gain on defined benefit plan | 21 | 1,109 | - |
| Total comprehensive income for the year | | 517,640 | 429,437 |

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

Faisal Ahmed
Chief Executive

Muhammad Iqbal-ur-Rahim
Director

Sagheer Ahmed
Chief Financial Officer

STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

| | | June 30, 2018 | June 30, 2017 |
|---|------|----------------------------|------------------|
| | Note | Rupees in '000 | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 35 | 752,936 | 457,150 |
| Taxes paid | | (93,951) | (69,216) |
| Gratuity paid | | (725) | (145,499) |
| Finance costs paid | | (90,789) | (87,801) |
| Long-term deposits | | 120 | 12 |
| Net cash generated from operating activities | | 567,591 | 154,646 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Capital expenditure | | (314,961) | (564,971) |
| Long-term loans | | (3,654) | 13,357 |
| Sale proceeds from disposal of operating fixed assets | | 4,168 | 2,668 |
| Net cash used in investing activities | | (314,447) | (548,946) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Long-term financing repaid | | (38,392) | - |
| Long-term financing acquired | | 85,383 | 274,339 |
| Short-term borrowings (repaid) / acquired - net | | (100,000) | 290,000 |
| Dividend paid | | (176,471) | (167,590) |
| Net cash (used in) / generated from financing activities | | (229,480) | 396,749 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 23,664 | 2,449 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 63,232 | 60,783 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 17 | 86,896 | 63,232 |

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

Faisal Ahmed
Chief Executive

Muhammad Iqbal-ur-Rahim
Director

Sagheer Ahmed
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2018

| | Revenue Reserves | | | | Total equity |
|--|--|-----------------------|---|------------------|------------------|
| | Issued, subscribed and paid-up capital | Unappropriated Profit | Actuarial gain/(loss) on defined benefit plan | Total | |
| Rupees in '000 | | | | | |
| Balance as at July 01, 2016 | 840,000 | 4,691,402 | (33,934) | 4,657,468 | 5,497,468 |
| Net profit for the year | - | 429,437 | - | 429,437 | 429,437 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the year | - | 429,437 | - | 429,437 | 429,437 |
| Cash dividend paid @ Rs. 2 per Ordinary share of Rs.10 each for the year ended June 30, 2016 | - | (168,000) | - | (168,000) | (168,000) |
| Balance as at June 30, 2017 | 840,000 | 4,952,839 | (33,934) | 4,918,905 | 5,758,905 |
| Net profit for the year | - | 516,531 | - | 516,531 | 516,531 |
| Other comprehensive income | - | - | 1,109 | 1,109 | 1,109 |
| Total comprehensive income for the year | - | 516,531 | 1,109 | 517,640 | 517,640 |
| Cash dividend paid @ Rs.2.10 per Ordinary share of Rs.10 each for the year ended June 30, 2017 | - | (176,400) | - | (176,400) | (176,400) |
| Balance as at June 30, 2018 | 840,000 | 5,292,970 | (32,825) | 5,260,145 | 6,100,145 |

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

Faisal Ahmed
Chief Executive

Muhammad Iqbal-ur-Rahim
Director

Sagheer Ahmed
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

1 THE COMPANY AND ITS OPERATIONS

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

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

2 SIGNIFICANT TRANSACTIONS AND EVENTS THAT AFFECTED THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

Following is the summary of significant transactions and events that have affected the financial position and performance of the Company:

- Capital expenditure made during the year in respect of garment division - note 7.1
- Declared and paid dividend for the year ended 30 June 2017.

3 BASIS OF PREPARATION

3.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from the IFRS standards, the provisions of and directives issued under the Act have been followed.

The Act has also brought certain changes with regard to the preparation and presentation of these financial statements. These changes, amongst others, included change in respect of nomenclature of these financial statements. Further, the disclosure requirements contained in the fourth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional amended disclosures including, but not limited to, significant transactions and events (refer note 2), particulars of immovable assets of the Company (refer note 7.1.1), outstanding debts in respect of export sales (refer note 13.1) management assessment of sufficiency of tax provision in the financial statements (refer note 33.2), change in threshold for identification of executives (refer note 37), associated companies incorporated outside Pakistan (refer note 39.2) etc.

3.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention unless otherwise specifically stated.

4 STANDARDS, INTERPRETATIONS AND AMENDMENTS APPLICABLE TO FINANCIAL STATEMENTS

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

New Standards, Interpretations and Amendments

The Company has adopted the following accounting standards and the amendments and interpretations of IFRS's which became effective for the current year:

- IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)
 IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

The adoption of the above amendments to accounting standards did not have any material effect on the financial statements.

Standards, interpretations and amendments to accounting and reporting standards that are not yet effective

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

| Standard or interpretation | Effective date (annual periods beginning on or after) |
|---|--|
| IFRS 2 Classification and Measurement of Share-based Payments Transactions – (Amendments) | 01-Jan-18 |
| IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments) | 01-Jan-18 |
| IFRS 9 Financial Instruments | 01-Jul-18 |
| IFRS 9 Prepayment Features with Negative Compensation – (Amendments) | 01-Jan-19 |
| IFRS 15 Revenue from Contracts with Customers | 01-Jul-18 |
| IFRS 16 Leases | 01-Jan-19 |
| IAS 19 Plan Amendment, Curtailment or Settlement (Amendments) | 01-Jan-19 |
| IAS 28 Long-term Interests in Associates and Joint Ventures – (Amendments) | 01-Jan-19 |
| IAS 40 Investment Property - Transfers of Investment Property (Amendments) | 01-Jan-18 |
| IFRIC 22 Foreign Currency Transactions and Advance Consideration | 01-Jan-18 |
| IFRIC 23 Uncertainty over Income Tax Treatments | 01-Jan-19 |

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application except for IFRS 15 "Revenue from Contracts with Customers". The Company is yet to assess the full impact of the said standard.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. 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.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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.

| Standard | IASB Effective date (annual periods beginning on or after) |
|--------------------------------------|---|
| IFRS 14 Regulatory Deferral Accounts | 01-Jan-16 |
| IFRS 17 Insurance Contracts | 01-Jan-21 |

5 Significant accounting judgements, estimates and assumptions

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, the management has made the following estimates and judgments which are significant to the financial statements:

- determining the residual values and useful lives of property, plant and equipment (Note 6.1);
- impairment of inventories / adjustment of inventories to their Net realisable Value (Note 6.3);
- recognition of staff retirement benefits (Note 6.13);
- provisions (Note 6.12);
- recognition of taxation and deferred taxation (Note 6.14);
- impairment of assets (Note 6.3); and
- contingencies and commitments (Note 25).

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Property, plant and equipment

6.1.1 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 profit or loss account, applying the reducing balance method whereby the cost of an asset, less their residual value, is written off over its estimated useful life. Leasehold land is amortised using the straight line method over its lease term. The rates used are stated in note 7.1 to the financial statements.

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

The carrying values of operating fixed assets 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.

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

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

6.1.2 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment, if any. 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.

6.2 Intangible assets

These are stated at cost less accumulated amortization and impairment, if any.

Amortization is charged to profit or loss account applying the straight line method whereby the cost of the intangible less their residual value, is written off over its estimated useful life, at the rates disclosed in note 8 to the financial statements.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

6.3 Impairment – 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, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs to sell of the asset. In determining fair value less costs to sell, the recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other fair value indicators.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss account.

6.4 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 or loss account.

6.5 Stores and spares

Stores and spares are valued at 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 reporting date.

6.6 Stock-in-trade

Stock-in-trade is 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 reporting 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.

6.7 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.

6.8 Loans, advances and other receivables

These are recognised at cost, which is the fair value of the consideration given. However, an assessment is made at each reporting date to determine whether there is an indication that assets may be impaired. If such indication exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amounts.

6.9 Cash and cash equivalents

These are carried in the statement of financial position 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.

6.10 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 or loss account over the period of the borrowing using the effective interest method.

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

6.11 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.

6.12 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

6.13 Staff gratuity – Defined Benefit Plan

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 or loss account, calculated in accordance with the actuarial valuation.

6.14 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, other than covered under FTR, 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.

6.15 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 significant risk and rewards are transferred to the customer;
- (ii) Dividend income is recognised when the Company's right to receive payment is established; and
- (iii) Other revenue is accounted for on accrual basis.

6.16 Foreign currency translation

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the reporting sheet date. Gains and losses on translation are taken to profit or loss. 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.

6.17 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position, 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.

6.18 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.

6.19 Functional and presentation currency

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

| | Note | June 30, 2018 | June 30, 2017 |
|---|------|------------------|------------------|
| Rupees in '000 | | | |
| 7. PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets | 7.1 | 5,194,049 | 5,206,444 |
| Capital work-in-progress | 7.2 | 110,657 | 251,270 |
| | | 5,304,706 | 5,457,714 |

7.1 Operating fixed assets

| | C O S T | | | Period / Rate % | ACCUMULATED DEPRECIATION / AMORTISATION | | | WRITTEN DOWN VALUE | |
|--|---------------------------|---|---------------------------|--------------------|---|-----------------------------------|---------------------------|---------------------------|------------------|
| | As at July 01, 2017 | Additions / Transfers* (Disposals) | As at June 30, 2018 | | As at July 01, 2017 | For the Year (On disposals) | As at June 30, 2018 | As at June 30, 2018 | |
|Rupees in '000..... | | | | | | | | | |
| June 30, 2018 | | | | | | | | | |
| Leasehold land | 1,211,663 | - | 1,211,663 | 65 to 86 yrs | 188,713 | 15,188 | - | 203,901 | 1,007,762 |
| Building on leasehold land | 2,117,883 | 167,768 * | 2,285,651 | 10 | 765,646 | 142,900 | - | 908,546 | 1,377,105 |
| Plant and machinery | 4,869,957 | 208,044 * | 5,078,001 | 10 | 2,286,508 | 269,333 | - | 2,555,841 | 2,522,160 |
| Factory equipment | 272,492 | 43,658 * | 316,150 | 10 | 119,208 | 17,614 | - | 136,822 | 179,328 |
| Furniture and fixtures | 40,992 | 2,374 | 43,366 | 10 | 12,503 | 3,005 | - | 15,508 | 27,858 |
| Office equipment, including computers | 35,838 | 4,002 | 39,840 | 33 | 27,743 | 3,051 | - | 30,794 | 9,046 |
| Vehicles | 122,077 | 29,728 (6,602) | 145,203 | 20 | 64,137 | 14,485 (4,209) | - | 74,413 | 70,790 |
| | 8,670,902 | 455,574 (6,602) | 9,119,874 | | 3,464,458 | 465,576 (4,209) | - | 3,925,825 | 5,194,049 |
|Rupees in '000..... | | | | | | | | | |
| June 30, 2017 | | | | | | | | | |
| Leasehold land | 1,211,663 | - | 1,211,663 | 65 to 86 yrs | 173,525 | 15,188 | - | 188,713 | 1,022,950 |
| Building on leasehold land | 1,329,549 | 788,334 | 2,117,883 | 10 | 639,061 | 126,585 | - | 765,646 | 1,352,237 |
| Plant and machinery | 4,411,439 | 458,518 | 4,869,957 | 10 | 2,019,894 | 266,614 | - | 2,286,508 | 2,583,449 |
| Factory equipment | 243,702 | 28,790 | 272,492 | 10 | 104,762 | 14,446 | - | 119,208 | 153,284 |
| Furniture and fixtures | 31,855 | 9,137 | 40,992 | 10 | 10,264 | 2,239 | - | 12,503 | 28,489 |
| Office equipment, including computers | 32,585 | 3,253 | 35,838 | 33 | 24,771 | 2,972 | - | 27,743 | 8,095 |
| Vehicles | 97,427 | 28,085 (3,435) | 122,077 | 20 | 56,381 | 9,799 (2,043) | - | 64,137 | 57,940 |
| | 7,358,220 | 1,316,117 (3,435) | 8,670,902 | | 3,028,658 | 437,843 (2,043) | - | 3,464,458 | 5,206,444 |
|Rupees in '000..... | | | | | | | | | |

ARTISTIC DENIM MILLS LIMITED

7.1.1 Leasehold lands and buildings on leasehold lands of the Company are located at Karachi with an area of 245,202 square yards.

| | Note | June 30, 2018 | June 30, 2017 |
|---|------|------------------|------------------|
| Rupees in '000 | | | |
| 7.1.2 Depreciation / amortization charge for the year has been allocated as follows: | | | |

| | | | |
|-------------------------|------|----------------|----------------|
| Cost of Sales | 27.1 | 429,732 | 404,129 |
| Distribution cost | 28 | 934 | 876 |
| Administrative expenses | 29 | 34,910 | 32,838 |
| | | 465,576 | 437,843 |

7.1.3 The following fixed assets was disposed off during the year:

| Description | Cost | Accumulated Depreciation | Written Down Value | Sale Proceeds | Gain/(loss) on disposal | Mode of disposal | Particulars of Buyer |
|----------------------------|--------------|-----------------------------|--------------------------|------------------|-------------------------------|---------------------|-------------------------------------|
| Rupees in '000 | | | | | | | |
| Vehicle | 497 | 440 | 57 | 370 | 313 | Negotiation | Uzair, Employee, Karachi. |
| Vehicle | 630 | 500 | 130 | 400 | 270 | Negotiation | Suzuki South, Karachi. |
| Vehicle | 1,300 | 45 | 1,255 | 1,300 | 45 | Negotiation | Muhammad Babar, Employee, Karachi. |
| Vehicle | 1,387 | 1,245 | 142 | 400 | 258 | Negotiation | Irshad Ahmed, Employee, Karachi. |
| Vehicle | 44 | 36 | 8 | 8 | - | Negotiation | Arshad Mehmood, Employee, Karachi. |
| Vehicle | 46 | 32 | 14 | 14 | - | Negotiation | Naveed, Employee, Karachi. |
| Vehicle | 44 | 36 | 8 | 13 | 5 | Negotiation | Owais, Employee, Karachi. |
| Vehicle | 44 | 36 | 8 | 13 | 5 | Negotiation | Manzoor, Employee, Karachi. |
| Vehicle | 47 | 28 | 19 | 19 | - | Negotiation | Imran Habib, Employee, Karachi. |
| Vehicle | 46 | 32 | 14 | 15 | 1 | Negotiation | Rizwan Khan, Employee, Karachi. |
| Vehicle | 44 | 36 | 8 | 15 | 7 | Negotiation | M. Khalid, Employee, Karachi. |
| Vehicle | 47 | 29 | 18 | 15 | (3) | Negotiation | Shabbir Ahmed, Employee, Karachi. |
| Vehicle | 47 | 28 | 19 | 12 | (7) | Negotiation | Ali Asghar, Employee, Karachi. |
| Vehicle | 44 | 36 | 8 | 9 | 1 | Insurance Claim | Adamjee Insurance, Karachi. |
| Vehicle | 44 | 36 | 8 | 8 | - | Negotiation | Muhammad Zubair, Employee, Karachi. |
| Vehicle | 50 | 35 | 15 | 13 | (2) | Negotiation | Naeem Javed, Employee, Karachi. |
| Vehicle | 47 | 28 | 19 | 19 | - | Negotiation | Muhammad Boota, Employee, Karachi. |
| Vehicle | 72 | 8 | 64 | 72 | 8 | Negotiation | Nasir Abbas, Employee, Karachi. |
| Vehicle | 44 | 36 | 8 | 8 | - | Negotiation | Naveed, Employee, Karachi. |
| Vehicle | 47 | 28 | 19 | 20 | 1 | Negotiation | Sohail Iqbal, Employee, Karachi. |
| Vehicle | 970 | 700 | 270 | 700 | 430 | Negotiation | Muhammad Kamran, Employee, Karachi. |
| Vehicle | 44 | 37 | 7 | 9 | 2 | Negotiation | Farhan Abbasi, Employee, Karachi. |
| Vehicle | 47 | 32 | 15 | 16 | 1 | Negotiation | Fayyaz, Employee, Karachi. |
| Vehicle | 970 | 710 | 260 | 700 | 440 | Negotiation | Muhammad Nadeem, Employee, Karachi. |
| June 30, 2018 | 6,602 | 4,209 | 2,393 | 4,168 | 1,775 | | |
| June 30, 2017 | 3,436 | 2,043 | 1,393 | 2,669 | 1,276 | | |

7.2 Capital work-in-progress

| | Civil works | Plant & machinery | Advances | Factory equipment | Total |
|---------------------------------------|---------------|----------------------|---------------|----------------------|----------------|
| Rupees in '000' | | | | | |
| As at July 01, 2017 | 106,378 | 92,676 | 52,216 | - | 251,270 |
| Additions during the year | 44,115 | 139,736 | 51,348 | 43,658 | 278,857 |
| Transferred to operating fixed assets | (167,768) | (208,044) | - | (43,658) | (419,470) |
| Transferred from advances | 36,158 | - | (36,158) | - | - |
| June 30, 2018 | 18,883 | 24,368 | 67,406 | - | 110,657 |
| June 30, 2017 | 106,378 | 92,676 | 52,216 | - | 251,270 |

7.2.1 Includes borrowing costs incurred in respect of plant and machinery capitalized during the year amounting to Rs. 0.735 (2017: Rs. 1.173) million.

8. INTANGIBLES ASSETS

| | COST | | | ACCUMULATED AMORTISATION | | | WRITTEN DOWN VALUE | AMORTISATION RATE |
|-------------------|---------------------------|-----------|---------------------------|---------------------------|------------------------|---------------------------|---------------------------|----------------------|
| | As at July 01, 2017 | Additions | As at June 30, 2018 | As at July 01, 2017 | Charge for the year | As at June 30, 2018 | As at June 30, 2018 | |
| June 30, 2018 | (Rupees in '000) | | | | | | | |
| Computer software | 8,257 | - | 8,257 | 138 | 1,651 | 1,789 | 6,468 | 20% |
| June 30, 2017 | (Rupees in '000) | | | | | | | |
| Computer software | - | 8,257 | 8,257 | - | 138 | 138 | 8,119 | 20% |

**June 30,
2018** **June 30,
2017**
Note **..... Rupees in '000**

8.1 Amortisation charge for the year has been allocated as follows:

| | | | |
|-------------------------|------|--------------|------------|
| Cost of sales | 27.1 | 1,519 | 127 |
| Administrative expenses | 29 | 132 | 11 |
| | | 1,651 | 138 |

9. LONG TERM LOANS - secured

Considered good

| | | | |
|------------------------------|-------------|----------------|--------------|
| Executives | 9.2 and 9.3 | 4,505 | 2,018 |
| Employees | | 3,139 | 1,972 |
| | 9.1 | 7,644 | 3,990 |
| Less: Current portion | | | |
| Executives | 14 | (1,184) | (387) |
| Employees | 14 | (1,086) | (930) |
| | | (2,270) | (1,317) |
| | | 5,374 | 2,673 |

9.1 Represents loans extended to executives and employees which are in the nature of personal loans. These are granted 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 to 5 (2017: 1 to 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.

9.2 The maximum aggregate amount due from executives at the end of any month during the period was Rs.4.851 (2017: Rs. 5.506) million.

| | June 30, 2018 | June 30, 2017 |
|---|----------------------------|------------------|
| Note | Rupees in '000 | |
| 9.3 Reconciliation of carrying amount of loans to executives | | |
| Opening balances | 2,018 | 10,540 |
| Transfer of employees from executives | - | (7,937) |
| Disbursements during the year | 3,000 | 4,570 |
| | 5,018 | 7,173 |
| Recovered during the year | (513) | (5,155) |
| | 4,505 | 2,018 |
| 10. LONG TERM DEPOSITS | | |
| Security deposits | | |
| Utilities | 1,279 | 1,279 |
| Others | 287 | 407 |
| | 1,566 | 1,686 |
| 11. STORES AND SPARES | | |
| Stores | | |
| In hand | 98,546 | 71,840 |
| Spares | | |
| In hand | 110,080 | 95,711 |
| In transit | 6,502 | 531 |
| | 116,582 | 96,242 |
| | 215,128 | 168,082 |
| 12. STOCK-IN-TRADE | | |
| Raw and packing materials | | |
| In hand | 794,921 | 488,756 |
| In transit | 96,529 | 65,848 |
| | 891,450 | 554,604 |
| Work-in-process | 630,600 | 650,583 |
| Finished goods | 195,818 | 155,928 |
| | 1,717,868 | 1,361,115 |

June 30,
2018 **June 30,**
2017
..... Rupees in '000

13. TRADE DEBTS - considered good**Secured - against letters of credit****Related parties:**

Artistic Fabric & Garment Industries (Pvt). Limited
Artistic Apparels (Private) Limited

| | |
|------------------|----------------|
| - | 3,537 |
| - | 5,664 |
| - | 9,201 |
| 1,054,249 | 930,198 |
| 1,054,249 | 939,399 |

Others**Unsecured****Related parties:**

DL1961 Premium Denim Inc.
Casual Sports Wear
Warp Weft LLC
Artistic Fabric & Garment Industries (Pvt). Limited
Premium Distributors

| | |
|------------------|------------------|
| 178,793 | 109,055 |
| 92,625 | 107,867 |
| - | 25,977 |
| 23,184 | 3,656 |
| 856 | 1,314 |
| 295,458 | 247,869 |
| 457,299 | 308,286 |
| 1,807,006 | 1,495,554 |

Others**13.1 Particulars of export sales in respect of outstanding debts :**

| Foreign Jurisdiction | Confirmed Letters of Credit | Documentary Collection | Total |
|--------------------------|-----------------------------------|---------------------------|------------------|
| | Rupees in '000 | | |
| Asia | 738,349 | 94,581 | 832,930 |
| Europe | 211,740 | 305,949 | 517,689 |
| United States of America | 3,111 | 274,123 | 277,234 |
| 2018 | 953,200 | 674,653 | 1,627,853 |
| Asia | 566,329 | 200,443 | 766,772 |
| Europe | 315,726 | 154,301 | 470,027 |
| United States of America | 3,677 | 150,672 | 154,349 |
| 2017 | 885,732 | 505,416 | 1,391,148 |

| | June 30, 2018 | June 30, 2017 |
|---|----------------------------|-------------------------|
| | Rupees in '000 | |
| 13.2 Trade debt - Aging | | |
| Related parties | | |
| Neither past due nor impaired | 272,274 | 253,383 |
| Past due but not impaired within 120 days | 23,184 | 3,687 |
| | <u>295,458</u> | <u>257,070</u> |
| Others | | |
| Neither past due nor impaired | 1,407,607 | 1,128,583 |
| Past due but not impaired within 120 days | 103,941 | 109,901 |
| | <u>1,511,548</u> | <u>1,238,484</u> |
| | <u><u>1,807,006</u></u> | <u><u>1,495,554</u></u> |

13.3 The maximum aggregate amount due from the related parties at the end of any month during the year was Rs. 525.451 million (2017: Rs. 336.993 million).

| | Note | June 30, 2018 | June 30, 2017 |
|---|------|----------------------------|----------------------|
| | | Rupees in '000 | |
| 14. LOANS AND ADVANCES | | | |
| Considered good | | | |
| Loans | | | |
| Current portion of long term loans | | | |
| Executives | 9 | 1,184 | 387 |
| Employees | 9 | 1,086 | 930 |
| | | <u>2,270</u> | <u>1,317</u> |
| Advances - unsecured | | | |
| Suppliers | | 47,389 | 54,464 |
| Contractors | | 2,071 | 1,080 |
| Others | | 240 | 447 |
| | | <u>49,700</u> | <u>55,991</u> |
| | | <u><u>51,970</u></u> | <u><u>57,308</u></u> |
| 15. TRADE DEPOSITS | | | |
| Container deposits | | 5,199 | 4,324 |
| Others | | 2,500 | 280 |
| | | <u>7,699</u> | <u>4,604</u> |
| 16. OTHER RECEIVABLES | | | |
| Duty draw back on export sales | | 403,947 | 283,552 |
| Others | | 3,671 | 2,214 |
| | | <u>407,618</u> | <u>285,766</u> |

| | June 30, 2018 | | June 30, 2017 | |
|--|----------------------------|-------------|--------------------------------------|----------------|
| | Rupees in '000 | | | |
| 17. CASH AND BANK BALANCES | | | | |
| Cash in hand | 1,731 | | 14 | |
| Cash in banks | | | | |
| Current accounts | 85,165 | | 63,218 | |
| | 86,896 | | 63,232 | |
| 18. SHARE CAPITAL | | | | |
| 18.1 Authorised capital | | | | |
| | 2018 | 2017 | | |
| | Number of shares | | | |
| | 100,000,000 | 100,000,000 | Authorised Share Capital | |
| | | | Ordinary shares of Rs.10 each | |
| | 1,000,000 | 1,000,000 | | |
| 18.2 Issued, subscribed and paid-up capital | | | | |
| | 2018 | 2017 | | |
| | Number of shares | | | |
| | 14,000,000 | 14,000,000 | Fully paid ordinary shares of | |
| | | | Rs. 10/- each | |
| | 70,000,000 | 70,000,000 | - Issued for cash | 140,000 |
| | | | - Issued as fully paid bonus shares | 140,000 |
| | 84,000,000 | 84,000,000 | | 700,000 |
| | | | | 700,000 |
| | | | | 840,000 |
| | | | | 840,000 |
| 19. RESERVES | | | | |
| Revenue reserve | | | | |
| Unappropriated profit | 5,259,036 | | 4,918,905 | |
| Actuarial gain on defined benefit plan | 1,109 | | - | |
| | 5,260,145 | | 4,918,905 | |

| | Note | June 30, 2018 | June 30, 2017 |
|--|------|----------------------------|------------------|
| | | Rupees in '000 | |
| 20. LONG TERM FINANCING - secured | | | |
| 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) | | | |
| Commercial bank - I | 20.1 | 339,526 | 291,740 |
| Commercial bank - II | 20.2 | 559,364 | 560,159 |
| | | 898,890 | 851,899 |
| Current maturities shown under current liabilities | | (85,616) | (38,392) |
| | | 813,274 | 813,507 |

- 20.1** Represents loans obtained from commercial bank - I, from time to time, against the import of eligible plant and machinery under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loans are repayable in 32 equal quarterly installments, commencing and ranging from June 30, 2018 to May 16, 2028, with the grace period of 2 years carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70 %) per annum, which are payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loans are secured against the hypothecation of specific plant and machinery, aggregating to Rs. 378.91 million.

- 20.2** Represents loans obtained from commercial bank - II, from time to time, against the import of eligible plant and machinery, by the Company under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loans are repayable in 32 equal quarterly installments, commencing and ranging from August 08, 2017 to June 26, 2028, with the grace period of 2 years carrying mark-up at the SBP Refinance rate for 5 to 10 years ranging from (i.e. 2% to 4.5%) plus (0.7% to 1 %) per annum, which are payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loans are secured against the hypothecation of specific plant and machinery, aggregating to Rs. 640.73 million.

| | Note | June 30, 2018 | June 30, 2017 |
|-------------------------------|------|----------------------------|------------------|
| | | Rupees in '000 | |
| 21. DEFERRED LIABILITY | | | |
| Employees' Gratuity | 21.1 | 23,940 | - |
| | | 23,940 | - |

21.1 The Company operates an unfunded gratuity scheme for all its eligible employees. Latest actuarial valuation was carried out as at June 30, 2018, using the "Projected Unit Credit Method".

| | | Gratuity | | | |
|---|--|----------------------------|--------------------------|-------------|-------------|
| | | June 30, 2018 | June 30, 2017 | | |
| | | Rupees in '000 | | | |
| (a) | Movement in the present value of defined benefit obligation | | | | |
| | Provision at July 01, 2017 | - | 139,671 | | |
| | Expense for the year | 25,774 | 5,828 | | |
| | | 25,774 | 145,499 | | |
| | Benefit paid | (725) | (145,499) | | |
| | Actuarial gain on defined benefit plan | (1,109) | - | | |
| | Provision as at June 30, 2018 | 23,940 | - | | |
| (b) | The amount charged in the profit or loss accounts is as follows | | | | |
| | Current service cost | 25,774 | 5,828 | | |
| (c) | Principle actuarial assumptions | | | | |
| | Discount rate | 10% | - | | |
| | Salary increase | 10% | - | | |
| (d) | Comparison for five years | | | | |
| As at June 30, 2018 | 2018 | 2017 | 2016 | 2015 | 2014 |
| | Rupees in '000 | | | | |
| Present value of defined benefit obligation | 23,940 | - | 139,671 | 112,164 | 85,788 |
| Experience adjustment | | | | | |
| Actuarial (gain) / loss on obligation | (1,109) | - | 1,184 | 5,675 | 8,166 |

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

| | Note | June 30, 2018 | June 30, 2017 |
|---|------|----------------------------|------------------|
| | | Rupees in '000 | |
| 22. TRADE AND OTHER PAYABLES | | | |
| Creditors | | 406,586 | 406,433 |
| Accrued liabilities | | 988,584 | 687,710 |
| Advances from customers - unsecured | | 22,720 | 28,842 |
| Advance from related party | | | |
| - DL1961 Premium Denim Inc. - unsecured | 22.1 | 5,072 | 4,032 |
| Staff contribution for vehicle | | 15,120 | 3,889 |
| Workers' Profit Participation Fund | 22.2 | 31,936 | 23,759 |
| Workers' Welfare Fund | 22.3 | 12,026 | 10,606 |
| Tax deducted at source | | 5,495 | 7,023 |
| | | 1,487,539 | 1,172,294 |
| 22.1 Represents advance received in respect of expenses to be incurred on behalf of the related party. | | | |
| 22.2 Workers' Profits Participation Fund | | | |
| Balance at the beginning of the year | | 23,759 | 21,329 |
| Allocation for the year | 30 | 31,935 | 23,759 |
| Interest on WPPF | 30 | 1,856 | 1,446 |
| | | 57,550 | 46,534 |
| Payments made during the year | | (25,614) | (22,775) |
| | | 31,936 | 23,759 |
| 22.3 Workers' Welfare Fund | | | |
| Balance at the beginning of the year | | 10,605 | 57,929 |
| Allocation for the period | 30 | 6,684 | 5,258 |
| | | 17,289 | 63,187 |
| Reversal of WWF | | - | (47,177) |
| Payments made during the period | | (5,263) | (5,404) |
| | | 12,026 | 10,606 |
| 23. ACCRUED MARK-UP | | | |
| Long-term finance – SBP's EOP and LTFF | | 7,120 | 6,871 |
| Short-term running finances | | 10 | 49 |
| Short-term loans | | 9,797 | 8,308 |
| | | 16,927 | 15,228 |

| | Note | June 30, 2018 Rupees in '000 | June 30, 2017 |
|--|--------|--|------------------|
| 24. SHORT TERM BORROWINGS - secured | | | |
| Short term loans | 24.1 | 1,570,000 | 1,670,000 |
| 24.1 Short term loans | | | |
| Export refinance-II | 24.1.1 | 550,000 | 550,000 |
| Export refinance-II | 24.1.2 | 420,000 | 520,000 |
| Export refinance-II | 24.1.3 | - | 250,000 |
| Export refinance-II | 24.1.4 | 250,000 | 250,000 |
| Export refinance-II | 24.1.5 | 350,000 | 100,000 |
| | | 1,570,000 | 1,670,000 |

24.1.1 During the year, the Company arranged a facility for short-term loan under export refinance, amounting to Rs. 550 million (2017: Rs. 550 million), from a commercial bank on mark-up basis, repayable by August 31, 2018. The said export refinance facility is secured against the first pari passu registered hypothecation charge on movables and receivables of the Company, aggregating to Rs. 937.5 million.

The said export refinance carries mark-up at the rate of 0.40% per annum (2017: 0.40% per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.

24.1.2 During the year, the Company arranged a facility for short-term loan under export refinance, amounting to Rs. 420 million (2017: Rs. 520 million), from a commercial bank on mark-up basis, repayable by August 31, 2018. It is secured against the first pari passu registered hypothecation charge on movables and receivables of the Company, aggregating to Rs.1,250 million.

The said export refinance carries mark-up at the rate of 0.40% per annum (2017: 0.40% per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.

24.1.3 During the year, the Company arranged a facility for short-term loan under export refinance, amounting to Rs. Nil million (2017: Rs. 250 million), from a commercial bank on mark-up basis, repayable by August 31, 2018. The said export refinance facility is secured against the first pari passu registered hypothecation charge on movables and receivables of the Company, aggregating to Rs.1,377 million.

The said export refinance carries mark-up at the rate of 0.40% per annum (2017: 0.40 % per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.

24.1.4 During the year, the Company arranged a facility for short-term loan under export refinance, amounting to Rs.250 million (2017: Rs. 250 million), from a commercial bank on mark-up basis, repayable by August 31, 2018. The said export refinance facility is secured against the first pari passu registered hypothecation charge on movables and receivables of the Company, aggregating to Rs.312.5 million.

The said export refinance carries mark-up at the rate of 0.40% per annum (2017: 0.40 % per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.

- 24.1.5** During the year, the Company arranged a facility for short-term loan under export refinance, amounting to Rs. 350 million (2017: Rs. 100 million), from a commercial bank on mark-up basis, repayable by August 31, 2018. The said export refinance facility is secured against the first pari passu registered hypothecation charge on movables and receivables of the Company, aggregating to Rs. 625 million.

The said export refinance carries mark-up at the rate of 0.40% per annum (2017: 0.40 % per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.

| | June 30, 2018 | June 30, 2017 |
|--|----------------------------|--------------------------|
| | Rupees in '000 | |
| 25. CONTINGENCIES AND COMMITMENTS | | |
| Contingencies | | |
| 25.1 Outstanding counter guarantees | 299,069 | 159,354 |

Commitments

- 25.2** Commitments in respect of Building on leasehold land at the end of the period amounted to Rs. 29 million (June 30, 2017: Rs. 44.657 million).
- 25.3** Outstanding letters of credit at the end of the period amounted to Rs. 334.599 million (June 30, 2017: Rs. 442.847 million).
- 25.4** Post dated cheques issued in favour of Custom Authorities aggregating to Rs. 315.925 million (June 30, 2017: Rs. 231.826 million), against various statutory notifications.

| | | June 30, 2018 | June 30, 2017 |
|-----------------------------------|-------------|----------------------------|--------------------------|
| | | Rupees in '000 | |
| 26. TURNOVER | Note | | |
| Exports | 26.1 | 7,813,569 | 6,487,504 |
| Local | | 558,419 | 533,342 |
| | | 8,371,988 | 7,020,846 |
| Less: | | | |
| Sales returns | | - | (8,147) |
| Sales commission / trade discount | | (132,002) | (106,173) |
| | | (132,002) | (114,320) |
| | | 8,239,986 | 6,906,526 |

- 26.1** Included herein is a sum of Rs. 711.962 (2017: Rs. 530.698) million, representing indirect exports made by the company during the current year, either by arranging inland letters of credit or standardized purchase orders from certain direct exporters in favour of the Company, pursuant to the Banking Policy and Regulation Department (BPRD) Circulars No. 24 and 31 dated June 28, 1999 and August 13, 1999 respectively, issued by the State Bank of Pakistan.

| | Note | June 30, 2018 | June 30, 2017 |
|--|--------|----------------------------|------------------|
| | | Rupees in '000 | |
| 27. COST OF SALES | | | |
| Opening stock - finished goods | | 155,928 | 145,742 |
| Cost of goods manufactured | 27.1 | 7,488,056 | 6,177,049 |
| | | <u>7,643,984</u> | <u>6,322,791</u> |
| Less: Closing stock - finished goods | | (195,818) | (155,928) |
| | | <u>7,448,166</u> | <u>6,166,863</u> |
| 27.1 Cost of goods manufactured | | | |
| Raw and packing materials consumed | 27.1.1 | 3,870,412 | 3,304,637 |
| Stores and spares consumed | 27.1.2 | 294,087 | 254,980 |
| Salaries, wages and other benefits | 27.1.3 | 1,993,233 | 1,510,847 |
| Fuel and power | | 660,394 | 608,742 |
| Weaving, stitching, finishing and printing charges | | 19,202 | 10,934 |
| Repairs and maintenance | | 33,407 | 22,603 |
| Printing and stationery | | 7,846 | 8,471 |
| Telephone and telex | | 4,946 | 4,588 |
| Rent, rates and taxes | | 3,613 | 2,520 |
| Insurance | | 10,717 | 11,523 |
| Water charges | | 100,033 | 86,656 |
| Transportation | | 23,629 | 19,092 |
| Depreciation | 7.1.2 | 429,732 | 404,129 |
| Amortization | 8.1 | 1,519 | 127 |
| Security charges | | 7,823 | 8,969 |
| Travelling, boarding and lodging | | 189 | 261 |
| Miscellaneous | | 7,291 | 4,505 |
| | | <u>7,468,073</u> | <u>6,263,584</u> |
| Opening work-in-process | | 650,583 | 564,048 |
| Closing work-in-process | | (630,600) | (650,583) |
| | | <u>7,488,056</u> | <u>6,177,049</u> |
| 27.1.1 Raw and packing materials consumed | | | |
| Opening stock | | 488,756 | 604,831 |
| Purchases | | 4,442,265 | 3,470,381 |
| Duty draw back on export sales | | (265,688) | (281,819) |
| | | <u>4,176,577</u> | <u>3,188,562</u> |
| | | <u>4,665,333</u> | <u>3,793,393</u> |
| Closing stock | 12 | (794,921) | (488,756) |
| | | <u>3,870,412</u> | <u>3,304,637</u> |
| 27.1.2 Stores and spares consumed | | | |
| Opening stock | | 167,551 | 156,610 |
| Purchases | | 335,162 | 265,921 |
| | | <u>502,713</u> | <u>422,531</u> |
| Closing stock | | (208,626) | (167,551) |
| | | <u>294,087</u> | <u>254,980</u> |

27.1.3 Included herein a sum of Rs.21.036 (2017: Rs.4.755) million is respect of staff gratuity.

| | Note | June 30, 2018 | June 30, 2017 |
|---|-------|----------------------------|------------------|
| | | Rupees in '000 | |
| 28. DISTRIBUTION COSTS | | | |
| Salaries, allowances and other benefits | 28.1 | 10,818 | 7,795 |
| Insurance | | 2,191 | 1,630 |
| Freight and transportation | | 81,312 | 59,000 |
| Export development surcharge and clearing charges | | 29,645 | 25,583 |
| Postage, courier and stamps | | 28,445 | 30,409 |
| Depreciation | 7.1.2 | 934 | 876 |
| Travelling, boarding and lodging | | 14,536 | 14,331 |
| Advertisement and publicity | | 8,154 | 7,806 |
| Sales office Expenses | | 8,375 | 9,167 |
| Testing / Quality control charges | | 9,063 | 8,719 |
| Miscellaneous | | 5,084 | 4,979 |
| | | <u>198,557</u> | <u>170,295</u> |

28.1 Included herein a sum of Rs. 0.813 (2017: Rs. 0.155) million is respect of staff gratuity.

29. ADMINISTRATIVE EXPENSES

| | | | |
|---|-------|----------------|----------------|
| Salaries, allowances and other benefits | 29.1 | 52,312 | 46,959 |
| Depreciation | 7.1.2 | 34,910 | 32,838 |
| Amortization | 8.1 | 132 | 11 |
| Legal and professional charges | | 19,401 | 12,169 |
| Auditors' remuneration | 29.2 | 1,829 | 1,500 |
| Donations | 29.3 | 5,580 | 5,667 |
| Miscellaneous | | 13,638 | 5,179 |
| | | <u>127,802</u> | <u>104,323</u> |

29.1 Included herein a sum of Rs. 3.923 (2017: Rs. 0.917) million is respect of staff gratuity.

29.2 Auditors' remuneration

| | | |
|---|--------------|--------------|
| Audit fee | 875 | 800 |
| Fee for half yearly review | 125 | 125 |
| Special certification and advisory services | 270 | 105 |
| Tax services | 240 | 220 |
| Out-of-pocket expenses | 180 | 166 |
| Sindh sales tax | 139 | 84 |
| | <u>1,829</u> | <u>1,500</u> |

29.3 Includes amount of Rs. 5.520 million paid to Abdul Sattar EDHI Foundation. Directors or their spouses do not have any interest in the donees to whom donations were made.

| | Note | June 30, 2018 | June 30, 2017 |
|--|------|------------------|------------------|
| Rupees in '000 | | | |
| 30. OTHER OPERATING EXPENSES | | | |
| Workers' Profits Participation Fund (WPPF) | 22.2 | 31,935 | 23,759 |
| Workers' Welfare Fund | 22.3 | 6,684 | 5,258 |
| Interest on WPPF | 22.2 | 1,856 | 1,446 |
| | | 40,475 | 30,463 |
| 31. OTHER INCOME | | | |
| Scrap sales | | 29,204 | 28,735 |
| Gain on sale of fixed assets | | 1,775 | 1,276 |
| Exchange gain - net | | 236,600 | 22,586 |
| Reversal of WWF Provision | | - | 47,177 |
| | | 267,579 | 99,774 |
| 32. FINANCE COSTS | | | |
| Mark-up on secured | | | |
| Long term finance | | 27,611 | 23,043 |
| Short term running finances | | 205 | 175 |
| Short term loans | | 34,474 | 40,457 |
| | | 62,290 | 63,675 |
| Bank charges | | 30,198 | 24,528 |
| | | 92,488 | 88,203 |
| 33. TAXATION | | | |
| Current | | 83,546 | 17,053 |
| Prior | | - | (337) |
| | | 83,546 | 16,716 |

33.1 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% (2017: 1%) on total sales, including scrap sales.

33.2 Management has provided sufficient tax provision in financial statements in accordance with the Income Tax Ordinance, 2001. Following is the comparison of tax provision as per accounts vis a vis tax assessment for the last three years :

| | Tax provision as per Accounts | Tax Assessment |
|----------------------------|----------------------------------|-------------------|
| Rupees in '000 | | |
| For the year 30 June 2017 | 17,053 | 17,053 |
| For the year 30 June 2016 | 22,099 | 21,763 |
| For the year 30 June 2015 | 17,849 | 17,592 |

34. 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, 2018 | June 30, 2017 |
|--|----------------------------|--------------------------|
| | Rupees in '000 | |
| Profit after tax for the year | 516,531 | 429,437 |
| | Number of shares | |
| Number of Ordinary shares | 84,000 | 84,000 |
| | (Rupees) | |
| Earnings per shares - basic and diluted (Rupees) | 6.15 | 5.11 |
| | June 30, 2018 | June 30, 2017 |
| | Rupees in '000 | |
| 35. CASH GENERATED FROM OPERATIONS | | |
| Profit before tax | 600,077 | 446,153 |
| Adjustments for non cash charges and other items: | | |
| Depreciation/amortisation | 467,227 | 437,981 |
| Provision for gratuity | 25,774 | 5,828 |
| Reversal of WWF provision | - | (47,177) |
| Finance costs | 92,488 | 88,203 |
| Gain on disposal of operating fixed assets | (1,775) | (1,276) |
| | 583,714 | 483,559 |
| Profit before working capital changes | 1,183,791 | 929,712 |
| (Increase) in current assets | | |
| Stores and spares | (47,046) | (11,463) |
| Stock-in-trade | (356,753) | (26,521) |
| Trade debts | (311,452) | (461,215) |
| Loans and advances | 6,291 | (202) |
| Trade deposits | (3,095) | 941 |
| Other receivables | (121,852) | (185,188) |
| Sales tax refundable | 87,807 | (8,911) |
| | (746,100) | (692,559) |
| Increase in current liabilities | | |
| Trade and other payables | 315,245 | 219,997 |
| | 752,936 | 457,150 |
| 36. UNAVAILABLE CREDIT FACILITIES | | |
| Short term Running Finances | 1,250,000 | 1,250,000 |

37. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

| | 2018 | | | 2017 | | |
|-------------------------|----------------------------|----------|---------------|-----------------|----------|---------------|
| | Chief Executive | Director | Executives | Chief Executive | Director | Executives |
| | Rupees in '000 | | | | | |
| Managerial remuneration | 6,606 | - | 41,140 | 6,546 | - | 32,306 |
| Medical | 654 | - | 4,112 | 654 | - | 3,214 |
| Bonus | 600 | - | 3,590 | 600 | - | 2,981 |
| Utilities | - | - | - | - | - | - |
| Retirement benefits | 600 | - | 3,078 | 600 | - | 1,623 |
| | <u>8,460</u> | <u>-</u> | <u>51,920</u> | <u>8,400</u> | <u>-</u> | <u>40,124</u> |
| Number of persons | <u>1</u> | <u>-</u> | <u>26</u> | <u>1</u> | <u>-</u> | <u>18</u> |

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

37.2 Aggregate amount charged in these financial statements in respect of fee for attending meetings to Non-Executive Directors was Rs. 0.460 (June 30, 2017: Rs. 0.200) million.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk (including Interest rate risk, foreign currency risk and equity 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 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 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.

Sensitivity Analysis:

The following table demonstrates the sensitivity to a reasonably possible change in interest rate by 100 bps, with all other variables held constant, of the Company's profit before tax.

| | Increase / decrease in basis points | Effect on profit Rupees in '000 |
|----------------------|--|--|
| <u>June 30, 2018</u> | +10 | <u>(21)</u> |
| | -10 | <u>21</u> |
| <u>June 30, 2017</u> | +10 | <u>(18)</u> |
| | -10 | <u>18</u> |

38.1.2 Foreign currency risk

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, 2018 | June 30, 2017 |
|--|----------------------------|--------------------------|
| | Rupees in '000 | |
| Trade debts | 1,627,853 | 1,391,148 |
| Cash and bank balances | 6,362 | 7,478 |
| Trade and other payables | (62,691) | (73,460) |
| | <u>1,571,524</u> | <u>1,325,166</u> |
| The following significant exchange rates have been applied at the reporting dates: | | |
| Exchange rates (PKR/USD) | <u>121.40</u> | <u>104.80</u> |

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

Sensitivity analysis:

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

| | Change in US Dollar Rate (%) | Effect on profit / (loss) Rupees in '000 |
|----------------------|------------------------------------|--|
| <u>June 30, 2018</u> | +10 | <u>157,152</u> |
| | -10 | <u>(157,152)</u> |
| <u>June 30, 2017</u> | +10 | <u>132,517</u> |
| | -10 | <u>(132,517)</u> |

38.1.3 Equity risk

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

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. As of the reporting date, the Company is exposed to credit risk on the following assets:

| | Note | June 30, 2018 Rupees in '000 | June 30, 2017 |
|--------------------|------|--|---------------------------|
| Long-term loans | 9 | 7,644 | 3,990 |
| Long term deposits | 10 | 1,566 | 1,686 |
| Trade debts | 13 | 1,807,006 | 1,495,554 |
| Trade deposits | 15 | 7,699 | 4,604 |
| Other receivable | 16 | 3,671 | 2,214 |
| Bank balances | 17 | 85,165 | 63,218 |
| | | <u>1,912,751</u> | <u>1,571,266</u> |

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:

| | June 30, 2018 | June 30, 2017 |
|---|----------------------------|--------------------------|
| | Rupees in '000 | |
| Trade debts | | |
| Customers with no defaults in the past one year | 1,807,006 | 1,495,554 |
| Bank Balances | | |
| A1+ | 76,600 | 60,223 |
| A-1+ | 8,081 | 1,633 |
| F1 | 484 | 1,362 |
| | 85,165 | 63,218 |

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 reporting date the Company has unavailed credit facility of Rs. 1,250 (2017: Rs.1,250) 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 | Above 5 years | Total |
|------------------------|----------------------------|-------------------------------|---------------------------|-------------------------|--------------------------|------------------|
| | Rupees in '000 | | | | | |
| Long term financing | - | 18,056 | 67,560 | 460,102 | 353,172 | 898,890 |
| Trade & other payables | 828,286 | 538,043 | 43,961 | - | - | 1,410,290 |
| Unclaimed dividend | 2,100 | - | - | - | - | 2,100 |
| Accrued mark-up | - | 16,927 | - | - | - | 16,927 |
| Short term borrowings | - | 1,570,000 | - | - | - | 1,570,000 |
| 2018 | 830,386 | 2,143,026 | 111,521 | 460,102 | 353,172 | 3,898,207 |
| | Rupees in '000 | | | | | |
| Long term financing | - | 650 | 37,742 | 461,248 | 352,259 | 851,899 |
| Trade & other payables | 574,644 | 485,134 | 38,254 | - | - | 1,098,032 |
| Unclaimed dividend | 2,171 | - | - | - | - | 2,171 |
| Accrued mark-up | - | 15,228 | - | - | - | 15,228 |
| Short term borrowings | - | 1,670,000 | - | - | - | 1,670,000 |
| 2017 | 576,815 | 2,171,012 | 75,996 | 461,248 | 352,259 | 3,637,330 |

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

38.4 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize 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, 2018 and June 30, 2017.

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, 2018 | June 30, 2017 |
|---|----------------------------|--------------------------|
| | Rupees in '000 | |
| Long term financing | 813,274 | 813,507 |
| Current maturities of long-term financing | 85,616 | 38,392 |
| Short term loans | 1,570,000 | 1,670,000 |
| Cash and bank balances | (86,896) | (63,232) |
| Net debt | 2,381,994 | 2,458,667 |
| Issued, subscribed and paid up capital | 840,000 | 840,000 |
| Reserves | 5,260,145 | 4,918,905 |
| Total capital | 6,100,145 | 5,758,905 |
| Capital and net debt | 8,482,139 | 8,217,572 |
| Gearing ratio | 28.08% | 29.92% |

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.

Transactions and balances with related parties other than those disclosed elsewhere in the financial statements as mentioned below are entered under normal commercial terms:

| | June 30, 2018 | June 30, 2017 |
|--|----------------------------|------------------|
| | Rupees in '000 | |
| Associated undertaking / Common directorship | | |
| Sales | 1,549,269 | 1,321,574 |
| Reimbursement of expenses | 74,822 | 61,988 |
| Purchases | 3,694 | - |
| Services rendered | 36,365 | 10,126 |
| Dividend paid to directors | 105,392 | 136,333 |

39.1 Following are the associated companies/undertakings with whom the Company had entered into transactions or have arrangement / agreement in place:

| S.No | Company Name | Basis of Relationship | Aggregate % of shareholding |
|------|---|-----------------------|-----------------------------|
| 1 | Casual Sportswear | Common directorship | NIL |
| 2 | Artistic Apparels (Private) Limited | Common directorship | NIL |
| 3 | DL1961 Premium Denim Inc. | Common directorship | NIL |
| 4 | Artistic Fabric & Garments Industries (Pvt) Limited | Common directorship | NIL |
| 5 | Premium Distributors | Common directorship | NIL |
| 6 | Warp Weft LLC * | Common directorship | NIL |

* Warp Weft LLC was associated undertaking under common directorship till 23 November 2017.

39.2 Associated Companies Incorporated Outside Pakistan

| S.No | Name & Address | Basis of Association | Chief Executive / Principal Officer | Operational Status | Auditors' Opinion |
|------|--|------------------------|-------------------------------------|------------------------------|-------------------|
| 1. | DL1961 Premium Denim Inc., 498 7th Avenue, New York, NY 10018. | Common Directorship | Mrs. Maliha Faisal | Wholesaler / Distributors | Un-audited |
| 2. | Premium Distributors, Building No. 6EB G24, Dubai, UAE. | Common Directorship | Mr. Muhammad Ali Ahmed | Trading / Distributors | Un-audited |

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of the financial assets and financial liabilities approximate their fair values. 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.

Fair value hierarchy

The different levels to analyse financial assets carried at fair value have been defined as follows:

Level 1: Quoted market price

Level 2: Valuation techniques (market observable); and

Level 3: Valuation techniques (non-market observables)

As of the reporting date, the Company does not have any financial assets carried at fair value that required categorization in Level 1, Level 2 and Level 3.

| | June 30, 2018 | June 30, 2017 |
|---|--------------------------|--------------------------|
| | Units | |
| 41. PLANT CAPACITY AND ACTUAL PRODUCTION | | |
| Spinning | | |
| Number of rotors installed | 864 | 864 |
| Number of spindles installed | 20,448 | 20,448 |
| Capacity of yarn (Lbs.) | 18,232,500 | 18,232,500 |
| Actual production of yarn (Lbs.) | 17,235,279 | 15,974,120 |
| Weaving | | |
| Number of looms installed | 160 | 154 |
| Capacity of fabric (meters) | 19,970,250 | 19,646,250 |
| Actual production of fabric (meters) | 19,114,648 | 19,316,148 |

Garments

The plant capacity of this division is indeterminable due to multi product plant involving varying processes of manufacturing and run length of order lots.

Under utilisation of available capacity for spinning and weaving was due to normal maintenance, variation in production mix, global recession, and type of quality produced.

| | June 30, 2018 | June 30, 2017 |
|--------------------------------|--------------------------|--------------------------|
| 42. NUMBER OF EMPLOYEES | | |
| At year end - Total | 499 | 494 |
| At year end - Factory | 452 | 446 |
| Average for the year - Total | 480 | 500 |
| Average for the year - Factory | 433 | 450 |

43. GENERAL

- 43.1** Subsequent to year ended June 30, 2018, the Board of Directors in its meeting held on September 29, 2018 has proposed final cash dividend at the rate of Rs. 2.50 per ordinary share of Rs. 10 each, amounting to Rs. 210.000 million (2017: Rs. 2.10/- per share amounting to Rs. 176.400 million) for approval of the members at the Annual General Meeting.
- 43.2** Under section 5A of the Income Tax Ordinance, 2001 (the Ordinance), the Company is obligated to pay tax at a prescribed rate on its accounting profit before tax, if it derives profit for a tax year but does not distribute prescribed level of such profits within six months of the end of the tax year, through cash dividend.
- 43.3** These financial statements have been authorised for issue on September 29, 2018 by the Board of Directors of the Company.
- 43.4** Certain prior year figures have been reclassified for better presentation. However, there are no material reclassifications to report.
- 43.5** Figures in these financial statements have been rounded off to the nearest rupees.

Faisal Ahmed
Chief Executive

Muhammad Iqbal-ur-Rahim
Director

Sagheer Ahmed
Chief Financial Officer

FORM OF PROXY

I/We _____ of _____
 _____ being member(s) of ARTISTIC DENIM MILLS LIMITED
 and holder of _____ Ordinary Shares as per Share Register Folio/CDC Account
 No. _____ hereby appoint _____ Folio/CDC Account No. _____
 of _____ CNIC No. or Passport No. _____ or failing whom
 _____ Folio/CDC Account No. _____ of _____ CNIC No.
 or Passport No. _____ who is also a member of the Company as my/our proxy to
 attend and vote for me/us and on my/our behalf at the 26th ANNUAL GENERAL MEETING of the
 Company to be held on Saturday, October 27, 2018 at 02:30 PM and at any adjournment thereof.

Signed this _____ day of _____ 2018.

Witnesses: 1. Signature _____

Name: _____

Address: _____

CNIC or Passport No. _____

**Rs 5/-
Revenue
Stamp**

2. Signature _____

Name: _____

Address: _____

CNIC or Passport No. _____

Signature _____

(Signature should agree with the specimen
signature registered with the Company).

CNIC or Passport No. _____

IMPORTANT

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

For CDC Account Holders/Corporate Entities:

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

- (i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC or Passport Numbers shall be mentioned on the form.
- (ii) Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iii) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
- (iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

ADM

**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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