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ARTISTIC DENIM MILLS

Half Yearly Report
December 31, 2013

Artistic Denim Mills Limited

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COMPANY INFORMATION

Board of Directors

Chief Executive
Chairperson
Directors

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

Audit Committee

Chairman
Members

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

Human Resource and Remuneration Committee

Chairman
Members

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

CFO & Company Secretary

Mr. Sagheer Ahmed

Auditors

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

Legal Advisor

Monawwer Ghani
Advocate

Share Registrar

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

Bankers

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

Registered Office and Factory

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

DIRECTORS' REVIEW REPORT TO THE MEMBERS

The Board of Directors is pleased to present the un-audited condensed interim financial statements of your company, for the half year ended December 31, 2013, duly reviewed by the statutory auditors of the Company.

PERIOD UNDER REVIEW

Comparative financial results for the current period and that of the corresponding period last year are as follows:

	December 31, 2013 Rs. in million	December 31, 2012 Rs. in million
Net Sales	2,904	2,979
Gross profit	661	505
Finance costs	82	81
Net Profit	517	292
EPS (Rs. per share)	6.15	3.48

In the period under review, net sales of your Company remained Rs. 2,904 million (December 2012: Rs. 2,979 million), being 2.50% lower than the net sales achieved during the corresponding previous period. Gross profit margin as a percentage of net sales improved to 22.78% from 16.95%. The improvement in margin is attributable to optimum product mix, cost of controls put in place and better operational efficiencies. Finance costs for the period marginally increased from the same period last year. Net profit recorded at Rs. 517 million, an increase of Rs. 225 million over the corresponding period. Based on healthy profit figures, Earnings per Share improved to Rs. 6.15 for the period as against Rs. 3.48 for the corresponding period.

FUTURE OUTLOOK

The business environment in coming days seems to be challenging as a whole. High inflation, increase in wage rate, increase in power tariffs, law and order situation, increase in interest rate and energy crisis prevailing in the country may imbalance the equation thus posing business risk for the management to maintain the margins.

Despite of challenges, management of your Company will continue to focus on cost minimization, prudent marketing campaigns and expanding the customer base to improve the profitability of the Company and ultimately to enhance shareholder value in the coming periods.

Pakistan finally succeeded to get the GSP plus status from European Parliament which allowing duty free access to Pakistani products to EU market, it would provide greater market

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access to us. It would also results in major improvement in fabric and garment sales and optimum utilization of production capacity. We also remain cautiously optimistic at the Government of Pakistan decision to reduce the interest rate to propel the economy.

ACKNOWLEDGEMENT

The Directors take this opportunity to record their appreciation for the passion and commitment shown by all the staff and our stakeholders for their continuing support.

ON BEHALF OF THE BOARD



MALIHA FAISAL
Chairperson

Karachi: February 22, 2014



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

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AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **ARTISTIC DENIM MILLS LIMITED** (the company) as at **31 December 2013**, the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flows statement and condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as "interim financial information"). Management is responsible for the preparation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Review Engagement Partner: Riaz A. Rehman Chamdia

Date: 22 February, 2014

Place: Karachi

A member firm of Ernst & Young Global Limited

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CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2013 (UN-AUDITED)

		December 31, 2013	June 30, 2013
		----- (Rupees in '000) -----	
ASSETS	Note	(Un-audited)	(Audited) (Restated) (Note 3)
NON-CURRENT ASSETS			
Property, plant and equipment	4	4,140,311	3,515,096
Long-term loans		5,680	5,314
Long-term deposits		955	853
		<u>4,146,946</u>	<u>3,521,263</u>
CURRENT ASSETS			
Stores and spares		106,110	114,718
Stock-in-trade	5	1,127,088	640,068
Trade debts	6	846,282	1,385,388
Loans and advances		72,263	51,712
Trade deposits and prepayments		5,846	1,985
Other receivables		45,462	45,563
Sales tax refundable		116,281	94,582
Short term investments		20,941	14,849
Taxation - net		104,843	87,687
Cash and bank balances		26,701	18,653
		<u>2,471,817</u>	<u>2,455,205</u>
TOTAL ASSETS		<u><u>6,618,763</u></u>	<u><u>5,976,468</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		840,000	840,000
Reserves		3,635,320	3,202,451
		<u>4,475,320</u>	<u>4,042,451</u>
NON-CURRENT LIABILITIES			
Long-term financing	7	97,437	168,489
Deferred liability		67,356	64,334
		<u>164,793</u>	<u>232,823</u>
CURRENT LIABILITIES			
Trade and other payables		430,860	527,158
Accrued mark-up		37,716	32,663
Short-term borrowings	8	1,364,813	986,804
Current maturity of long-term financing	7	145,261	154,569
		<u>1,978,650</u>	<u>1,701,194</u>
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		<u><u>6,618,763</u></u>	<u><u>5,976,468</u></u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.



Faisal Ahmed
Chief Executive



Muhammad Iqbal-ur-Rahim
Director

Artistic Denim Mills Limited

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE HALF-YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)**

	Note	Half year ended		Quarter ended	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
		----- (Rupees in '000) -----		----- (Rupees in '000) -----	
NET SALES		2,904,315	2,978,831	1,162,058	1,495,621
Cost of sales		(2,242,846)	(2,473,981)	(927,649)	(1,253,232)
GROSS PROFIT		661,469	504,850	234,409	242,389
Distribution costs		(101,803)	(83,815)	(49,676)	(38,256)
Administrative expenses		(35,164)	(31,804)	(18,726)	(14,777)
Other operating expenses		(43,116)	(28,277)	(16,170)	(16,970)
Other income	10	143,582	42,392	97,690	33,757
		(36,501)	(101,504)	13,118	(36,246)
OPERATING PROFIT		624,968	403,346	247,527	206,143
Finance costs		(82,035)	(80,674)	(46,176)	(33,696)
PROFIT BEFORE TAXATION		542,933	322,672	201,351	172,447
Taxation		(26,064)	(30,618)	(8,377)	(15,448)
NET PROFIT FOR THE PERIOD		516,869	292,054	192,974	156,999
BASIC AND DILUTED EARNINGS PER SHARE (Rupees)		6.15	3.48	2.30	1.87

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.


Faisal Ahmed
Chief Executive


Muhammad Iqbal-ur-Rahim
Director

Artistic Denim Mills Limited

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**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)**

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	------(Rupees in '000)-----		------(Rupees in '000)-----	
Net profit for the period	516,869	292,054	192,974	156,999
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>516,869</u>	<u>292,054</u>	<u>192,974</u>	<u>156,999</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.



Faisal Ahmed
Chief Executive



Muhammad Iqbal-ur-Rahim
Director

Artistic Denim Mills Limited

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)**

	Half year ended	
	December 31, 2013	December 31, 2012
	------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	542,933	322,672
Adjustments for non-cash charges and other items:		
Depreciation	122,411	122,356
Provision for gratuity	6,961	4,272
Finance costs	82,035	80,674
Gain on revaluation of short-term investments	(6,092)	(1,792)
Gain on disposal of operating fixed assets	(154)	(3,426)
	<u>205,161</u>	<u>202,084</u>
Profit before working capital changes	748,094	524,756
Working capital changes		
(Increase) / decrease in current assets		
Stores and spares	8,608	(18,393)
Stock-in-trade	(487,020)	(145,097)
Trade debts	539,106	60,535
Loans and advances	(20,551)	815
Trade deposits and prepayments	(3,861)	1,666
Other receivables and sales tax refundable	(21,598)	(4,292)
	<u>14,684</u>	<u>(104,766)</u>
Decrease in current liabilities	(96,458)	(23,951)
Cash generated from operations	666,320	396,039
Income tax paid	(43,220)	(36,191)
Gratuity paid	(3,939)	(2,827)
Finance costs paid	(76,982)	(76,193)
Long-term deposits- net	(102)	(20)
	<u>(124,243)</u>	<u>(115,231)</u>
Net cash generated from operating activities	542,077	280,808
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(747,772)	(163,257)
Long-term loans paid	(366)	(228)
Sale proceeds of operating fixed assets	300	15,579
Net cash used in investing activities	(747,838)	(147,906)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing repaid	(80,360)	(235,221)
Long-term financing acquired	-	164,889
Short-term borrowings acquired / (repaid)	391,461	(50,622)
Dividends paid	(83,840)	(83,860)
Net cash generated from / (used in) financing activities	227,261	(204,814)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	21,500	(71,912)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD	(18,151)	(52,461)
CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD	<u>3,349</u>	<u>(124,373)</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.


Faisal Ahmed
Chief Executive


Muhammad Iqbal-ur-Rahim
Director

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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)**

	Share Capital	Revenue Reserve	
	Issued, subscribed and paid-up	Unappropriated profit	Total
	----- (Rupees in '000) -----		
Balance as at July 01, 2012 - as previously reported	840,000	2,547,329	3,387,329
Effect of change in accounting policy as disclosed in note 3	-	(8,318)	(8,318)
Balance as at July 01, 2012 - (restated)	<u>840,000</u>	<u>2,539,011</u>	<u>3,379,011</u>
Cash dividend paid @ Rs.1 per Ordinary share of Rs. 10 each for the year ended June 30, 2012	-	(84,000)	(84,000)
Net profit for the period ended December 31, 2012	-	292,054	292,054
Other comprehensive income	-	-	-
Total comprehensive income	-	292,054	292,054
Balance as at December 31, 2012- (restated)	<u>840,000</u>	<u>2,747,065</u>	<u>3,587,065</u>
Balance as at July 01, 2013 - as previously reported	840,000	3,220,715	4,060,715
Effect of change in accounting policy as disclosed in note 3	-	(18,264)	(18,264)
Balance as at July 01, 2013 - (restated)	<u>840,000</u>	<u>3,202,451</u>	<u>4,042,451</u>
Cash dividend paid @ Rs.1 per Ordinary share of Rs. 10 each for the year ended June 30, 2013	-	(84,000)	(84,000)
Net profit for the period ended December 31, 2013	-	516,869	516,869
Other comprehensive income	-	-	-
Total comprehensive income	-	516,869	516,869
Balance as at December 31, 2013	<u>840,000</u>	<u>3,635,320</u>	<u>4,475,320</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.


Faisal Ahmed
Chief Executive


Muhammad Iqbal-ur-Rahim
Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)**

1. THE COMPANY AND ITS OPERATIONS

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

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

2. BASIS OF PREPARATION

These condensed interim financial statements are unaudited but subject to limited scope review by auditors, except for the figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2013 and December 31, 2012. These are required to be presented to the shareholders under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2013 except as follows:

New, Amended and Revised Standards and Interpretations of IFRSs

The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective during the period:

- IAS-19 - Employee Benefits - (Revised)
- IFRS-7 - Financial Instruments: Disclosures - (Amendment)
 - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities
- IFRIC-20 - Stripping Costs in the Production Phase of a Surface Mine

Improvement to Accounting Standards issued by the IASB

- IAS-1 - Presentation of Financial Statements - Clarification of the requirements for comparative information
- IAS - 16 - Property, Plant and Equipment - Classification of Servicing Equipment
- IAS - 32 - Financial Instruments: Presentation - Tax effects of Distribution to Holders of Equity Equipment
- IAS - 34 - Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities.

The adoption of the above revision, amendments and interpretation of the standards did not have any effect on these condensed interim financial statements except for IAS-19 which has resulted in a change in accounting policy during the period as described below:

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Amendments to IAS-19 range from fundamental changes to simple clarification and rewording. The significant changes to IAS-19 include the following:

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

This change in accounting policy has been accounted for retrospectively as required under IAS-8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative financial statements have been re-stated. Had there been no change in the above accounting policy, the accumulated profit and deferred liability as of the balance sheet date would have been increased and decreased by Rs. 18.264 million respectively.

		December 31, 2013	June 30, 2013
		----- (Rupees in '000) -----	
	Note	(Un-audited)	(Audited)
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	3,248,629	3,305,415
Capital work-in-progress	4.2	<u>891,682</u>	<u>209,681</u>
		<u>4,140,311</u>	<u>3,515,096</u>
4.1 The additions and disposals in property, plant and equipment are as follows:			
Opening net written down value		3,305,415	3,112,798
Additions during the period / year	4.1.1	65,771	450,166
Disposals, at their written down values, during the period / year	4.1.2	<u>(146)</u>	<u>(12,182)</u>
Depreciation charge during the period / year		<u>(122,411)</u>	<u>(245,367)</u>
		<u>(122,557)</u>	<u>(257,549)</u>
		<u>3,248,629</u>	<u>3,305,415</u>
4.1.1 Additions during the period / year			
Building on leasehold land		-	84,243
Plant and machinery		-	323,016
Factory equipment		38,344	24,014
Furniture and fixtures		222	4,626
Office equipment, including computers		2,600	2,322
Vehicles		24,605	11,945
		<u>65,771</u>	<u>450,166</u>
4.1.2 Disposals during the period / year			
Plant and machinery		-	11,717
Vehicles		146	465
		<u>146</u>	<u>12,182</u>

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	Note	December 31, 2013	June 30, 2013
----- (Rupees in '000) -----			
		(Un-audited)	(Audited)
4.2 Capital work-in-progress			
Balance at the beginning of the period / year		209,681	316,900
Additions during the period / year:			
Civil works		69,845	98,494
Plant and machinery		587,825	122,984
Factory equipment		38,344	24,014
Advances to suppliers		24,331	78,562
		720,345	324,054
Transfers to operating fixed assets		(38,344)	(431,273)
		891,682	209,681
5. STOCK IN TRADE			
Raw and packing material			
In hand		778,911	231,952
In transit		19,295	32,466
		798,206	264,418
Work-in-process		214,610	291,353
Finished goods		114,273	84,297
		1,127,089	640,068
6. TRADE DEBTS - considered good			
Secured - against letters of credit		568,245	1,123,454
Unsecured			
Related parties:			
Artistic Apparels (Private) Limited		9	55
Casual Sportswear		55,413	55,291
		55,422	55,346
Other local and foreign customers		222,615	206,588
		846,282	1,385,388
7. LONG-TERM FINANCING			
From Banking Companies and Financial Institutions - secured			
Term finance from a bank	7.1	135,155	169,096
Term finances from banks under the State Bank of Pakistan's (SBP's) scheme for Export Oriented Projects (EOP) and Long-Term Financing Facility (LTFF)		107,543	153,962
		242,698	323,058
Current maturities shown under current liabilities			
Term finance from a bank		(67,880)	(67,880)
Term finances from banks under the SBP's scheme for EOP and LTFF		(77,381)	(86,689)
		(145,261)	(154,569)
		97,437	168,489

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- 7.1 Represents loan obtained by the Company of Rs. 200 million from a commercial bank for the purposes of capital expenditure and rationalising the financial structure of the Company. The said loan is repayable in 6 equal semi-annual installments, commencing January 25, 2013 to July 25, 2015. It carries mark-up at 6 months KIBOR plus 1.25% per annum, payable semi-annually. The said loan is secured against the hypothecation of plant and machinery, aggregating to Rs.400 million, and a promissory note of Rs.250 million.

Against the above mentioned loan of Rs. 200 million, the Company has entered into a cross currency interest rate swap agreement with a local commercial bank for a notional amount of Rs. 200 million, maturing up to July 2015. Under swap arrangement the principal payable amount of Rs. 200 million is swapped with US dollar component at Rs. 86.50 per US dollar making loan amount to US dollar 2.312 million. Besides foreign currency component, the Company would receive six months KIBOR rate and pay six months LIBOR plus spread of 2.50% as per the respective arrangement, which will be settled semi-annually. The swap is being used to hedge the exposure to change in the interest payments of Company's loan obligation which is based on KIBOR. The outstanding balance of this arrangement is Rs. 133.334 (June 30, 2013: Rs. 166.667) million as at the balance sheet date. The net fair value of this cross currency interest rate swap was Rs. 1.472 (June 30, 2013: Rs. 0.623) million unfavorable to the Company as of the balance sheet date. The fair value loss of Rs. 0.849 (June 30, 2013: Gain of Rs. 5.523) million has been taken to the profit and loss account. The swap arrangement has exposed the Company to foreign currency risk on the US\$ value converted at the agreement date of principal amount of the loan.

	December 31, 2013	June 30, 2013
	------(Rupees in '000)-----	
	(Un-audited)	(Audited)
8. SHORT-TERM BORROWINGS		
From Banking Companies		
Short-term loans	600,000	950,000
Short-term running finances	23,352	36,804
Short-term running finances under FE-25	741,461	-
	<u>1,364,813</u>	<u>986,804</u>
9. CONTINGENCIES AND COMMITMENTS		
Contingencies		
9.1 Outstanding counter guarantees	<u>111,073</u>	<u>105,073</u>
9.2 Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development (GID) Cess on gas bills at the rate of Rs.13 / MMBTU on all Industrial consumers. In the month of June 2012, the Federal Govt revised GID Cess rate from Rs.13 / MMBTU to Rs.100 / MMBTU and recommended this increase under Section 8(3) of the OGRA Ordinance 2002.		

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

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

Artistic Denim Mills Limited

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

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

The financial exposure of the Company under the suit for the financial year ended December 31, 2013 is Rs. 39.066 million (June 30, 2013: Rs. 26.563 million). The Company and its legal advisors are confident of a favorable outcome of the suit and accordingly no provision has been made in the financial statements for the above amount.

- 9.3** The Company has challenged the amendments brought into the Workers' Welfare Fund Ordinance, 1971 through Finance Act, 2006 in the Honorable High Court of Sindh. On November 05, 2010, the suit came up for hearing and a stay was granted. The Company falls under the Final Tax Regime and discharges its liability on total receipt basis. Therefore, the Company has been paying Workers' Welfare Fund (WWF) on total receipt basis (which is 2% on 4% of total receipts) instead of paying 2% of profit before tax. The Company is expecting a favorable outcome of the suit. However, if the suit will be decided against the Company, it has to pay default surcharge of Rs. 9.868million (June 30, 2013: Rs. 7.869 million) in addition to the remaining liability of WWF for which no provision has been made in these financial statements. However, in view of the uncertainties involved, full provision for WWF has been made as a matter of prudence.

Commitments

- 9.4** Commitments in respect of civil works on building on leasehold land at the end of the current period amounted to Rs. 25.264 million (June 30, 2013: Rs.25.784 million).
- 9.5** Outstanding letters of credit at the end of the current period amounted to Rs.349.223 million (June 30, 2013: Rs.195.391million).
- 9.6** Post dated cheques issued in favour of Custom Authorities aggregated to Rs.235.630 million (June 30, 2013: Rs.184.959 million) against zero rated supplies for export purposes.

	Half-year Ended December 31, 2013	Half-year Ended December 31, 2012
	------(Rupees in '000)-----	
10. OTHER INCOME		
Scrap sales	13,298	10,522
Gain on disposal of operating fixed assets	154	3,426
Unrealized gain on revaluation of short-term investments	6,092	1,792
Exchange gain - net	124,038	26,652
	<u>143,582</u>	<u>42,392</u>

11. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise associated undertakings, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Details of transactions with related parties, other than remuneration and benefits to the directors and key management personnel under the terms of their employments, are given below:

Artistic Denim Mills Limited

ADM
ARTISTIC DENIM MILLS

	Half-year Ended December 31, 2013	Half-year Ended December 31, 2012
	------(Rupees in '000)-----	

Aggregate amount in respect of:

Sale of goods	124,204	248,959
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The above transactions are at arm's length using admissible valuation methods.

12. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 22, 2014 by the Board of Directors of the Company.

13. GENERAL

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



Faisal Ahmed
Chief Executive



Muhammad Iqbal-ur-Rahim
Director

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