

# ADM

ARTISTIC DENIM MILLS



## ANNUAL REPORT

# 2017

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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  
 Ms. Sarah Faisal Ahmed  
 Mr. Muhammad Iqbal-ur-Rahim  
 Mr. Zafar-ul-Mukhtar Ahmed Khan
- ❖ **Audit Committee**  
 Chairman  
 Members

Mr. Muhammad Iqbal-ur-Rahim  
 Mrs. Maliha Faisal  
 Mr. Zafar-ul-Mukhtar Ahmed Khan
- ❖ **Human Resource and Remuneration Committee**  
 Chairman  
 Members

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

- ✦ DYNAMIC, QUALITY CONSCIOUS  
AND EVER PROGRESSIVE

The word "MISSION" is written in white, uppercase, serif font inside a blue circle with a white border.

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 25th 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 28, 2017 at 4:00 p.m. to transact the following business.

### A. Ordinary Business

1. To confirm the Minutes of the 24th Annual General Meeting held on October 22, 2016.
2. To receive and adopt the Audited Financial Statements for the year ended June 30, 2017, together with the Directors' and Auditors' Reports thereon.
3. To approve the Cash Dividend @ Rs. 2.10 per share (21%) as recommended by the Board of Directors.
4. To appoint the Auditors of the Company for the year 2017-2018 and to fix their remuneration.
5. To transact any other business of the Company with the permission of the Chair.

### B. Special Business

6. To ratify the transactions with Related Parties as disclosed in note No. 39 to the Financial Statements for the year ended June 30, 2017 by passing the following resolutions as special 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;

carried out during the year ended June 30, 2017 be and are hereby approved."

**"FURTHER RESOLVED** that the Company is also authorized to carry out such transactions with the 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;

in future according to the industry norms and practice."

By Order of the Board of Directors

Karachi:  
October 06, 2017

**Muhammad Ozair Qureshi**  
Company Secretary

### NOTES:

1. The share transfer books of the Company will remain closed from October 20, 2017 to October 28, 2017 (both days inclusive). Transfers received in order at the Company's Share Registrar M/s. Technology Trade (Pvt.) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Off Shahrah-e-Quaideen, Karachi before the close of the business on October 19, 2017 will be treated in time for the entitlement of cash dividend and to attend and vote at the Meeting.
2. 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.

## NOTICE OF ANNUAL GENERAL MEETING

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3. 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.
4. 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.
5. Pursuant to the provisions of Finance Act, 2017, effective July 01, 2017, the rates of deduction of income tax under Section 150 of the Income Tax Ordinance, 2001 from dividend payment have been revised as follows:
    - a) For filer of tax return - 15%
    - b) For non-filer of tax return - 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.

## NOTICE OF ANNUAL GENERAL MEETING

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.

6. Pursuant to the provision of Section 242 of the Companies Act 2017 and reference to SECP Circular No. 18 of 2017, any dividend payable in cash after 31st October 2017, shall only be paid through electronic mode directly in to bank account designated by entitled shareholders instead of issuing physical dividend warrants. Shareholders holding physical shares are requested to submit the Bank Mandate Form to the Company's Share Registrar. The CDC shareholders must submit their Bank Mandate Form to their investor account services or to their brokers where shares are placed electronically. In the absence of a member's valid bank account details, future dividend could be withheld as per Section 242 and directives of SECP.
7. In pursuance of the Securities and Exchange Commission of Pakistan ("SECP") Notification No SRO.19(1)/2014 of January 10th, 2014 read with Notification No SRO.831 (1)/2012 of July 5th, 2012, SECP has directed all listed companies to mention CNIC / NTN number of the registered members on the dividend warrant and on every list submitted to the Commission including submission of Form-A (annual list of shareholders).

Shareholders (who have not still provided copies of their valid CNICs) are once again requested to immediately send a copy of their CNIC / Passport (for non-resident only) to our Share Registrar M/s. Technology Trade (Pvt.) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Off Shahrah-e-Quaideen, Karachi.

In case of non-receipt of copy of valid CNIC and non-compliance of the above-mentioned SRO of SECP, the Company may be constrained to withhold dispatch of dividend warrants.

8. 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.
9. 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 25th 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 entities. Summary of transactions carried out during the year with the associated entities is as follow:

## NOTICE OF ANNUAL GENERAL MEETING

S. No.	Name of Associated Undertaking	Nature of Transactions	Rupees in "000"
1	Casual Sportswear	Sales	367,643
2	Artistic Apparels (Pvt) Ltd.	Sales	21,088
3	DL1961 Premium Denim Inc.	Sales	802,871
		Reimbursement of expenses	60,764
4	Artistic Fabric & Garment Industries (Pvt) Ltd.	Sales	17,252
		Services rendered	10,126
5	Premium Distributors	Sales	65,547

Mr. Muhammad Ali Ahmed Director of Artistic Denim Mills Limited is also the sole proprietor of Casual Sportswear and Director of Premium Distributors.

Mr. Muhammad Yousuf Ahmed Director of Artistic Denim Mills Limited is also Director of Artistic Apparels (Private) Limited.

Mrs. Maliha Faisal and Ms. Sarah Faisal Ahmed Directors of Artistic Denim Mills Limited are also Directors of DL1961 Premium Denim Inc.

Mr. Muhammad Iqbal Ahmed Substantial Shareholder of Artistic Denim Mills Limited is also Director of Artistic Fabric & Garment Industries (Pvt) Ltd.

All related party transactions, during the year 2017, 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. The Company has fully complied with best practices on transfer pricing as contained in the listing regulations of Pakistan Stock Exchange Limited.

The above concerned Directors / Sole Proprietor abstained while the Board approved the above transactions in accordance with the requirement of relevant provision of the repealed Companies Ordinance, 1984.

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

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



## CHAIRPERSON'S REVIEW

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It gives me great pleasure to present the Artistic Denim Mills Limited Annual Report for the financial year ended June 30, 2017.

### ECONOMY OVERVIEW

Economy of Pakistan has continued the growth momentum as the GDP growth has gradually been increasing over the last three years albeit at a slower rate. Some of the other macroeconomic indicators such as subdued inflation, investment growth and rising private sector credit also showed an encouraging picture. The policy rate was kept unchanged at 5.75 percent throughout the year. The country's outlook is brightened and looks promising on the back of agricultural recovery, rebound in industrial activities and inflow of investment under CPEC. The current account deficit widened to an all time high of US\$12.12 billion in year 2016-17. Trade deficit remained US\$ 32.578 billion for fiscal year 2016-17 as compared to US\$ 23.898 billion last year. The expected increase in oil prices, depreciation of Pak Rupee and higher inflation has the potential to erode both fiscal and external balances. Inflation in the country was recorded at 4.16 percent during July-June 2017 compared with 3.93 percent for the same period previous year. The country's export were US\$ 20.448 billion during the fiscal year 2016-17, significantly lower than expectations and even less from US\$ 20.787 billion in last year. Per Capita Income has increased from US\$ 1,531 in FY 2016 to US\$ 1,629 in FY 2017 showing a growth of 6.4 percent. Foreign Direct Investment amounting to US\$ 2.41 billion during Jul-Jun 2017 as compared to US\$ 2.305 billion in the same period last fiscal year, depicting an increase of US\$ 105.6 million.

### INDUSTRY OVERVIEW

The textile sector plays a pivotal role in the country's economy & constitute the largest sector in Pakistan's export. The performance of textile sector is evident through its decreasing sectoral progress. Export of Pakistan's largest sector "textile and clothing" have dropped by 9 percent to US\$ 12.46 billion in the last two years which contributes about 60 percent share in national export and provide employment to approximately 40 percent of the industrial labor force. Pakistani exporters are facing the brunt of high cost of doing business; particularly the elevated utilities, prices, minimum wage rate and law & order situation, due to which Pakistan has lost its export competitiveness to a large extent. Observing dismal performance of the country's textile sector, the government introduced export package of worth Rs. 180 billion in January 2017 along with duty drawback on export of textile products to boost the export sector. Furthermore, government failure in releasing funds on time remained another obstacle which comes in the way of boosting exports through such packages.

### PERFORMANCE REVIEW OF THE COMPANY

The net sales for the year ended June 30, 2017 registered Rs. 6,907 million, an increase of 6.88 percent over the last year. The increase in sales was attributable to volume growth and increase in sales of garments division.

Gross profit increased from Rs. 703 million to Rs. 740 million in absolute terms and as a percentage of net sales decreased from 10.89 percent to 10.71 percent. The decrease in gross margin as a percentage of net sales was due to reduction in international selling prices, increase in cost of doing business, increase in minimum wage rate and increase in depreciation expense primarily due to construction of garment building and BMR.

Other operating income increased from Rs. 59 million to Rs. 100 million, an increase of Rs. 41 million from the last year, which was on account of reversal of provision of Workers Welfare Fund (WFF) of amounting Rs. 47 million.

Finance cost increased from Rs. 72 million to Rs. 88 million due to increase in working capital requirement and availing LTFF Facility for BMR of existing manufacturing facilities.

Net profit increased from Rs. 378 million to Rs. 429 million, an increase of 13.61 percent over last year on account of reasons outlined in the preceding paragraphs. This translates into Earnings per Share (EPS) of Rs. 5.11 as against Rs. 4.50 of last year.

### **SALES AND MARKETING**

With a track record of over 26 years of experience, ADM prides itself at providing its customers the best possible denim brands. The Company continued to participate in exhibitions in Europe and US to increase customer base and attract new denim brands.

Product development and process development continues to be a focus of our plans for 2018 as we are always working towards new and innovative ideas to introduce to the denim industry. This process keeps us focused on the customer needs and value requirements.

ADM continued to maintain strong relations with global brands and we will continue to accelerate and become ever more competitive, thus ensuring ADM's continued success and ability to attain a leadership position.

### **BOARD'S OVERALL PERFORMANCE REVIEW**

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors (the "Board") of Artistic Denim Mills Limited (the "Company") is carried out regularly. The purpose of evaluation is 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 is 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 repealed 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.

### **FUTURE OUTLOOK**

Moving forward, outlook for the textile industry will continue to remain challenging due to different factors such as ever increasing cost of doing business, overvalued Pak Rupee, reduction in international selling prices, cut-throat competition with regional countries and political environment of the country.

Despite the challenges being faced by the country on the economic and political front, the Management of the Company is focusing on increasing efficiency, improving product quality, exploring new markets and keeping track of changing customer preferences in key markets. Further, the Company has been investing more in value additions so that the Company could offer high quality products at competitive prices and expect that these investments will yield positive results in the long run.

As Chairperson of ADM, I am proud of our achievements to date and, together with the Board, am committed to ensuring we are well placed to respond to future challenges.

#### **ACKNOWLEDGEMENTS**

The Board would like to thank the employees for their focused dedication and hard work throughout this year.

On behalf of the Board, I wish to thank our valued stakeholders including customers, banks, suppliers and shareholders, for their excellent support and confidence.

On Behalf of the Board

**MALIHA FAISAL**  
Chairperson

Karachi: September 29, 2017

## REPORT OF THE DIRECTORS TO THE MEMBERS

Your Directors have pleasure in presenting their Report together with the Audited Financial Statements of the Company for the financial year ended June 30, 2017.

### OPERATING FINANCIAL RESULTS

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

	Rs. in ('000')
Profit for the year before taxation	446,153
Taxation	(16,716)
Net Profit for the year	429,437
Un-appropriated profit brought forward	4,657,468
Other comprehensive income	-
Profit available for appropriation	5,086,905

### Appropriations:

Final Dividend for year ended June 30, 2016	
Cash	(168,000)
Un-appropriated profit carried forward	4,918,905

### DIVIDEND

The Directors of the Company are pleased to recommend a final cash dividend of Rs. 2.10/= per share for the financial year ended June 30, 2017 (June 30, 2016: Rs. 2.0/= 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. 176.400 million.

### CHAIRPERSON'S REVIEW

The Chairperson's Review on page 8 to 10 deals with:

- Economic Review
- Industry Review
- Performance Review of the Company
- Sales & Marketing
- Board's Overall Performance Review
- Future Outlook

The Directors of the Company endorse the contents of the same.

### 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 2017 the Company generated Rs. 154.646 (2016: Rs. 781.035) million from operating activities. The decrease in inflows from operating activities was due to unfavorable working capital changes owing to increase in trade debts and duty draw back receivable on export sales against last year. Cash generated from operating activities was used on capital expenditure and payment of dividend.

### CORPORATE AND FINANCIAL REPORTING FRAMEWORK

As required by the Code of Corporate Governance, the Directors are pleased to state as follows:

- The financial statements, prepared by 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 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 judgment.
- International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there-from has been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented, regularly reviewed and monitored.
- There are no significant doubts upon 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 Listing Regulations.
- 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.
- During the year under review, four 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	4
Mrs. Maliha Faisal	1
Mr. Muhammad Yousuf Ahmed	2
Mr. Muhammad Ali Ahmed	3
Mr. Muhammad Iqbal-ur-Rahim	3
Ms. Sarah Faisal Ahmed	1
Mr. Zafar-ul-Mukhtar Ahmed Khan	4

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

- The pattern of shareholding as at June 30, 2017 along with disclosure as required under the Code of Corporate Governance is annexed to the Audited Financial Statements.
- During the year July 01, 2016 to June 30, 2017 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 COMMITTEES

The Board of Directors has formed the Audit Committee in line with the Best Practices of Corporate Governance and 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 a non-executive 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

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

The Board of Directors has formed the Human Resource and Remuneration Committee (HR&RC) in line with the Best Practices of Corporate Governance and the requirements of the Code of Corporate Governance. The Committee consists of three members, all of whom are non-executive directors including the Chairman of the Committee. 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	-

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

## RELATED PARTY TRANSACTIONS AND TRANSFER PRICING

All related party transactions, during the financial year 2017, were placed before the Audit Committee and the Board for their review and approval. These transactions were duly approved by the Audit Committee and the Board in their respective meetings. The transactions with related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method. The Company has fully complied with best practices on Transfer Pricing as contained in the rule book of Pakistan Stock Exchange Limited.

## 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 28, 2017 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, 2018, 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. 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)
- 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

**FAISAL AHMED**

Chief Executive

Karachi: September 29, 2017

**MUHAMMAD IQBAL-UR-RAHIM**

Director



## ڈائریکٹرز رپورٹ برائے ممبران

آپ کے ڈائریکٹرز اختتام سال 30 جون 2017 کے آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوش محسوس کر رہے ہیں۔

زیر تعمیل مالیاتی نتائج:

کمپنی کے مالیاتی نتائج برائے سال درج ذیل زیر جائزہ ہیں۔

روپے "000"	
446,153	سالانہ منافع قبل از ٹیکس (محصول)
(16,716)	ٹیکس (محصولات)
429,437	سالانہ خالص منافع
4,657,468	پیش آور غیر مختص شدہ منافع
-	دیگر جامع آمدنی
5,086,905	منافع جو تخصیص کے لئے دستیاب ہے
	تخصیص
	آخری حصص منافع برائے اختتام سال 30 جون 2016
(168,000)	نقد
4,918,905	غیر مختص شدہ منافع جو آگے لایا گیا۔

### منقسمہ منافع

برائے اختتام سال 30 جون 2017 کے لئے کمپنی کے ڈائریکٹرز نقد حصص منافع = 2.10 فی حصص کی سفارش کرتے ہوئے خوش محسوس کرتے ہیں۔ (جو سال 30 جون 2016 کے لئے = 2.0/- 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 176,400 ملین روپے ہے۔

### چیئر پرسن کا جائزہ

چیئر پرسن کا جائزہ صفحہ نمبر 8 سے 10 درج ذیل پر مشتمل ہے:

- معاشیاتی جائزہ
- صنعتی جائزہ
- کمپنی کی کارکردگی کا جائزہ
- فروخت اور مارکیٹنگ (بازار کاری)
- بورڈ کی مجموعی طور پر کارکردگی کا جائزہ
- مستقبل کے امکانات

کمپنی کے ڈائریکٹرز چیئر پرسن کے جائزہ کے نکات کی تصدیق کرتے ہیں۔

### 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 تک پہنچایا جاسکے۔ 2017 میں کمپنی نے کاروباری سرگرمیوں سے 154.646 (2016 : 781.038) ملین روپے حاصل کئے۔ زرقمیل امور میں روپے کی داخلی آمدورفت میں کمی کی وجہ نا موافق کاروباری سرمائے میں آنے والی تبدیلی ہے جس کے باعث سابقہ سال تجارتی خسارے کے مقابلے میں اور برآمداتی فروخت کی مد میں نقصان میں اضافہ ہوا۔ زیر کار سرگرمیوں سے حاصل ہونے والی رقم کو سرمائے کے اخراجات اور حصص منافع کی ادائیگی کی مد میں استعمال کیا گیا۔

### کاپور بیٹ اور مالیاتی رپورٹنگ کا ڈھانچہ

- کمپنی کے انتظامی قواعد و ضوابط کے مطابق ڈائریکٹرز درج ذیل بیان کرنے میں خوشی محسوس کر رہے ہیں۔
- کمپنی 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 محتاط 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 تعمیل، جائزہ اور نگرانی کی گئی ہے۔
- کمپنی کو اپنی کاوشوں کو جاری رکھنے کی صلاحیت پر کوئی نمایاں شک و شبہ نہیں ہے۔
- قواعد و ضوابط کی فہرست کے مطابق کمپنی کے انتظامی اصولوں سے کوئی انحراف نہیں کیا گیا۔
- پچھلے چھ ماہ کے اہم تبدیلی 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۔
- چار ڈائریکٹرز نے پہلے سے ڈائریکٹرز ٹریڈنگ (تربیتی) کورس کر لیا ہے، جبکہ ایک ڈائریکٹر اپنے تجربے اور قابلیت کی بنیاد پر اس کورس سے مبرا ہے اور باقی ڈائریکٹرز اپنی ٹریڈنگ کمپنی کے انتظامی قواعد و ضوابط میں مذکور وقت کے مطابق مکمل کریں گے۔
- زیر جائزہ سال کے دوران، بورڈ آف ڈائریکٹرز کے پاکستان میں چار اجلاس (میٹنگ) ہوئیں اور ان میں ڈائریکٹرز کی حاضری کی تفصیل درج ذیل ہے۔

ڈائریکٹر کا نام	تعداد میٹنگز جن میں شریک ہوئے
جناب فیصل احمد	4
مسر مایہ فیصل	1
جناب محمد یوسف احمد	2
جناب محمد علی احمد	3
جناب محمد اقبال الرحیم	3
مس سارہ فیصل احمد	1
جناب ظفر الحقار احمد خان	4

جو ڈائریکٹرز میٹنگ میں حاضر نہیں ہو سکے ان کو رخصت کی اجازت دی گئی۔

- کمپنی انتظامی قواعد و ضوابط کے مطابق شیئر ہولڈنگ (شراکت داری) کا نمونہ برائے سال 30 جون 2017 مجمع درکار تشہیر، آڈٹ شدہ مالیاتی گوشوروں کے ساتھ منسلک ہے۔
- سال یکم جولائی 2016 سے 30 جون 2017 تک ڈائریکٹرز، CFO، CEO، کمپنی سیکریٹری، ہیڈ آف انٹرنل آڈٹ اور دیگر ایگزیکٹو اور ان کی ازواج اور نابالغ بچوں کے درمیان ہونے والی شیئر (حصص) کے لین دین کی تفصیل آڈٹ شدہ مالیاتی گوشوروں کے ساتھ منسلک ہے۔

### بورڈ کمیٹیاں

بورڈ آف ڈائریکٹرز نے انتظامی امور کے بہترین ضابطہ عمل کے تحت آڈٹ کمیٹی تشکیل دی ہے جو کہ کمپنی کے انتظامی قواعد و ضوابط کے مطابق ہے۔ آڈٹ کمیٹی تین ممبران پر مشتمل ہے، دو غیر ایگزیکٹو اور ایک آزاد ہے۔ آڈٹ کمیٹی کا چیئرمین ایک غیر ایگزیکٹو ہے۔ آڈٹ کمیٹی نے کمپنی کے انتظامی قواعد و ضوابط کے مطابق اپنے فرائض بخوبی انجام دیے ہیں۔ اس سال آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے۔ اس میں ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

ڈائریکٹر کا نام	اجلاس میں شرکت کی تعداد
جناب محمد اقبال الرحیم	4
مسرہ فیصل	-
جناب ظفر الحقار احمد خان	4

جو ڈائریکٹرز میٹنگ میں حاضر نہیں ہو سکے ان کو رخصت کی اجازت دی گئی۔

بورڈ آف ڈائریکٹرز نے انتظامی امور کے بہترین ضابطہ عمل کے تحت ہیومن ریسورس اینڈ ریمو نیویشن کمیٹی (HR&RC) تشکیل دی ہے جو کہ کمپنی کے انتظامی قواعد و ضوابط کے مطابق ہے۔ یہ تین ممبران پر مشتمل ہے، جس میں تمام غیر ایگزیکٹو ہیں بشمول کمیٹی کے چیئرمین کے۔ کمیٹی بورڈ کو انسانی وسائل کی پالیسی سے متعلق امور کے لئے بورڈ کو سفارشات پیش کرتی ہے اور CFO، CEO، کمپنی سیکریٹری، چیف انٹرنل آڈیٹر اور دیگر اہم پوزیشن پر تقرر، معاوضے، جانشینی امور کے لئے براہ راست ڈائریکٹر کو رپورٹ کرتی ہے۔ ہر سال اس کمیٹی کی ایک میٹنگ کا انعقاد کیا جاتا ہے۔ اس میٹنگ میں ڈائریکٹرز کی حاضری کی تفصیل درج ذیل ہے:

ڈائریکٹر کا نام	اجلاس میں حاضری کی تعداد
جناب محمد اقبال الرحیم	1
جناب محمد علی احمد	1
مس سارہ فیصل احمد	-

جو ڈائریکٹرز میٹنگ میں حاضر نہیں ہو سکے ان کو رخصت کی اجازت دی گئی۔

### متعلقہ فریقین (پارٹی) کا لین دین اور ٹرانسفر پرائسنگ (غیر جانبدارانہ قیمت کا تعین)

مالیاتی سال 2017 کے دوران تمام متعلقہ پارٹیز کے لین دین کو آڈٹ کمیٹی اور بورڈ کو جانزے اور منظوری کے لئے پیش کیا گیا۔ اس لین دین کی آڈٹ کمیٹی اور بورڈ نے اپنی اپنی میٹنگ میں باقاعدہ منظوری دی۔ تمام متعلقہ پارٹیز میں لین دین آرمر لینتھ پرائس (کھلی مارکیٹ کی صحیح قیمت) کے مطابق کئے گئے جو کہ آزادانہ قیمت مقرر کرنے کے طریقے سے موازنہ رکھتا ہے۔ کمپنی نے پاکستان اسٹاک ایکسچینج لمیٹڈ کے قواعد کی کتاب میں مذکور اصول کے مطابق ٹرانسفر پرائسنگ (آزادانہ قیمت کا تعین) کے بہترین طریقے کی تعمیل کی ہے۔

### خطرات سے نمٹنے کا انتظام

کمپنی ایک زبردست رسک منجمنٹ 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 اصول، نگرانی اور رپورٹنگ 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 ضمانت، 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 اختیارات کے مطابق استعمال، اور تمام قواعد و ضوابط کی تعمیل اور وسائل کے صحیح استعمال کو یقینی بناتا ہے۔ کمپنی کی انتظامی اسٹیٹوٹوری آڈیٹر (قانونی آڈیٹر) اور انٹرنل آڈیٹر (داخلی آڈیٹر) کی جانب سے دی گئی سفارشات پر غور و خوض کے بعد مناسب اقدامات کرتی ہے۔

### آڈیٹرز (محاسب)

موجودہ آڈیٹری وائی فورڈ رہوڈز چارٹرڈ اکاؤنٹنٹس آنے والے سالانہ اجلاس عام جو کہ 28 اکتوبر 2017 کو منعقد ہوگا کے اختتام پر ریٹائرڈ ہو جائیں گے اور انھوں نے اہلیت کے باعث اپنا 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 2018 تک کے لئے ان کو اسٹیٹوٹوری 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 ڈوبین جیسے کہ اسپننگ، ویولنگ 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۔ 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، سٹیکہولڈرز، مفاد و بستگان، ملاقاتیوں اور سپلائرز کو صحت مند اور پر تحفظ فضا فراہم کی جاسکے۔ کمپنی نے کام کے دوران غیر محفوظ اور غیر صحت مند مندرجہ شدہ 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 نفاذ 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 ہر 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 اثر پذیری کی تصدیق کی جاسکے۔

ADM کے پاس مندرجہ ذیل تصدیقات ہیں:

انوائٹ میٹریئل میجمنٹ سسٹم (ماحولیاتی نگرانی کا نظام)	ISO 14001:2004 EMS	•
کوائٹ میجمنٹ سسٹم (معیاری نگرانی کا نظام)	ISO 9001:2008 QMS	•
برنس سوشل کمپلائنس انیشی ایٹو (تجارتی سماجی ترقی کے اقدامات)	BSCI	•
ورلڈ وائڈ ریسپونسیبل ایکریٹو ٹیکسٹائل پروڈکشن پروڈکشن (بین الاقوامی معتبر سند پیداوار)	WRAP	•
سپلائر آئیٹھیکل ڈیٹا ایکیٹیو (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	•
ریسپانسیبل کیم اسٹینڈرڈ (بازگردانی دعوے کے معیار کا حامل)	RCS	•
گلوبل ریسپانسیبل کیم اسٹینڈرڈ (عالمگیر بازگردانی کے معیار کا حامل)	GRS	•
	OEKO-TEX Standard 100	•

### ۳- حفاظتی اقدامات

کمپنی کی انتظامیہ مکمل طور پر تحفظ اور حفاظت کی اہمیت سے آگاہ ہے تاکہ آپریشنز بغیر کاؤٹ کے جاری رہیں اور اپنی تحفظاتی پالیسیوں اور طریقہ کار کے تحت سیکورٹی عملے کی تعیناتی کے ذریعے اپنے ملازمین اور اثاثوں کے تحفظ فراہم کرنے کے لئے بھاری 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 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- ایڈیٹیو 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 ایڈیٹیو فاؤنڈیشن کو عطیہ دیتی ہے۔

### 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 قریباً اندازاً کے ذریعے حج پر بھیجتی ہے۔

از طرف یورڈ

فیصل احمد

چیف ایگزیکٹو

محمد اقبال الرحیم

ڈائریکٹر

کراچی: 29 ستمبر، 2017

## KEY OPERATING AND FINANCIAL DATA

	2017	2016	2015	2014	2013	2012
	.....(Rupees in '000).....					
<b>ASSETS EMPLOYED</b>						
Operating fixed assets	5,206,444	4,329,562	4,170,718	3,655,456	3,305,415	3,112,798
Capital work-in-progress	251,270	1,010,673	524,266	698,979	209,681	316,900
Intangible assets	8,119	-	-	-	-	-
Long term loans	2,673	7,864	7,266	8,471	5,314	4,695
Long term deposits	1,686	1,698	956	956	853	833
Net current assets/(liabilities)	1,102,220	864,902	996,063	564,693	754,011	332,469
<b>Total Assets Employed</b>	<b>6,572,412</b>	<b>6,214,699</b>	<b>5,699,269</b>	<b>4,928,555</b>	<b>4,275,274</b>	<b>3,767,695</b>
<b>FINANCED BY</b>						
Shareholders equity	5,758,905	5,497,468	5,456,653	4,802,782	4,042,451	3,379,011
Long term financing	813,507	577,560	130,452	39,985	168,489	344,206
Deferred liability	-	139,671	112,164	85,788	64,334	44,478
	<b>6,572,412</b>	<b>6,214,699</b>	<b>5,699,269</b>	<b>4,928,555</b>	<b>4,275,274</b>	<b>3,767,695</b>
<b>SALES &amp; PROFITS</b>						
Net sales / Turnover	6,906,526	6,461,983	6,998,644	6,467,591	6,136,793	5,451,844
Gross profit	739,663	703,437	1,178,342	1,149,130	1,145,604	851,259
Profit before taxation	446,153	399,842	761,917	860,978	787,677	496,438
Net profit after taxation	429,437	377,999	743,546	852,497	758,031	440,092
Proposed Bonus/Dividend %	21	20	40	10	10	10
Un-appropriated profit	4,918,905	4,657,468	4,616,653	3,962,782	3,202,451	2,539,011

## PATTERN OF SHAREHOLDING

Number of Shareholders	Shareholdings		Total Number of Shares Held
	From	To	
206	1	100	5,691
138	101	500	53,854
67	501	1000	57,317
155	1001	5000	437,867
37	5001	10000	285,064
9	10001	15000	120,200
3	15001	20000	53,600
3	20001	25000	70,500
2	25001	30000	60,000
3	30001	35000	98,400
1	40001	45000	41,000
2	45001	50000	94,404
1	65001	70000	68,000
1	80001	85000	82,000
1	95001	100000	99,000
2	165001	170000	332,750
1	285001	290000	290,000
1	595001	600000	600,000
1	1410001	1415000	1,410,200
1	1765001	1770000	1,767,000
1	9740001	9745000	9,741,400
1	18145001	18150000	18,147,000
1	50080001	50085000	50,084,753
<b>638</b>			<b>84,000,000</b>

## PATTERN OF SHAREHOLDING

Categories of Shareholders	Shares Held	Percentage
<b>INSURANCE COMPANIES</b>		
STATE LIFE INSURANCE CORP. OF PAKISTAN	1,767,000	
<b>Sub-Total :</b>	<b>1,767,000</b>	<b>2.10</b>
<b>DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN</b>		
MUHAMMAD ALI AHMED	858	
MALIHA FAISAL	500	
MUHAMMAD FAISAL AHMED	50,084,753	
ZAFAR-UL-MUKHTAR AHMED KHAN	500	
MUHAMMAD IQBAL-UR-RAHIM	600	
MUHAMMAD YOUSUF AHMED	99,000	
SARAH FAISAL AHMED	500	
<b>Sub-Total :</b>	<b>50,186,711</b>	<b>59.75</b>
<b>ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.</b>		
ARTISTIC PROPERTIES (PVT) LIMITED	1,410,200	
<b>Sub-Total :</b>	<b>1,410,200</b>	<b>1.68</b>
<b>NIT AND ICP</b>		
INVESTMENT CORP, OF PAKISTAN	500	
<b>Sub-Total :</b>	<b>500</b>	<b>0.00</b>
<b>FOREIGN INVESTORS</b>		
HABIB BANK AG ZURICH, DEIRA DUBAI	15,000	
<b>Sub-Total :</b>	<b>15,000</b>	<b>0.02</b>



## PATTERN OF SHAREHOLDING

Categories of Shareholders	Shares Held	Percentage
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### OTHERS

MULTILINE SECURITIES (PVT) LIMITED - MF	5,000	
MRA SECURITIES LIMITED - MF	30,000	
SAKARWALA CAPITAL SUCURITIES (PRIVATE) LTD.	3,000	
MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SE	8,500	
FAWAD YOUSUF SECURITIES (PRIVATE) LIMITED	1,000	
FIKREE'S (SMC-PVT) LTD.	2,300	
ASDA SECURITIES (PVT.) LTD.	32,500	
SEVEN STAR SECURITIES (PVT.) LTD.	46,904	
MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SE	165,750	
HSZ SECURITIES (PVT.) LTD. 43001	80	
HH MISBAH SECURITIES (PRIVATE) LIMITED	5,000	
DJM SECURITIES (PRIVATE) LIMITED	68,000	
ZILLION CAPITAL SECURITIES (PVT) LTD.	167,000	
SUNRAYS TEXTILE MILLS LIMITED	1,500	
MAPLE LEAF CAPITAL LIMITED	1	
DAWOOD FAMILY TAKAFUL LIMITED	10,000	
DAWOOD FAMILY TAKAFUL LIMITED	9,800	
Y.S. SECURITIES & SERVICES (PVT) LTD.	80	
<b>Sub-Total :</b>	<b>556,415</b>	<b>0.66</b>

### INDIVIDUAL

LOCAL - INDIVIDUALS	30,064,174	
<b>Sub-Total :</b>	<b>30,064,174</b>	<b>35.79</b>
<b>Grand Total :</b>	<b>84,000,000</b>	<b>100.00</b>

### SHAREHOLDERS HOLDING FIVE PERCENT OR MORE

Name of Shareholders	Shares Held	Percentage
Faisal Ahmed	50,084,753	
Muhammad Iqbal Ahmed	18,147,000	
Sadia Zain	9,741,400	
<b>Total:</b>	<b>77,973,153</b>	<b>92.83</b>

## PERFORMANCE AT A GLANCE

	2017	2016
<b>FINANCIAL RATIOS</b>		
Gross profit - % of net sales	<b>10.71</b>	10.89
Profit before taxation - % of net sales	<b>6.46</b>	6.19
Net Profit after taxation - % of net sales	<b>6.22</b>	5.85
Earnings per share - basic & diluted	<b>5.11</b>	4.50
Increase / (decrease) in net sales - %	<b>6.88</b>	(7.67)
Raw and packing materials - % of net sales	<b>47.85</b>	47.04
Labour - % of net sales	<b>21.88</b>	24.82
Other cost of goods manufactured - % of net sales	<b>19.71</b>	18.23
Distribution costs - % of net sales	<b>2.47</b>	2.49
Administrative expenses - % of net sales	<b>1.51</b>	1.50
Finance costs - % of net sales	<b>1.28</b>	1.12
Taxation - % of net sales	<b>0.24</b>	0.34
Inventory turnover days	<b>80</b>	75
Receivable turnover days	<b>67</b>	61
<b>SHORT TERM SOLVENCY</b>		
Current ratio	<b>1.38</b>	1.36
Acid test ratio	<b>0.85</b>	0.74
<b>OVERALL VALUATION AND ASSESSMENT</b>		
Return on equity (average)	<b>7.63</b>	6.90
P.E. ratio	<b>15.01</b>	14.83
Book value per share	<b>68.56</b>	65.45
Long term debts : equity	<b>12:88</b>	10:90

### 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	Gift	Closing
Mr. Faisal Ahmed	68,064,753	20,000	18,000,000	50,084,753

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

**Name of Company: Artistic Denim Mills Limited**  
**Year Ended: June 30, 2017**

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 5.19.24 of listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors (the Board). At present the Board composition is as follows:

Category	Name
Independent Director	i. Mr. Zafar-ul-Mukhtar Ahmed Khan
Executive Director	i. Mr. Faisal Ahmed
Non-Executive Directors	i. Mrs. Maliha Faisal
	ii. Mr. Muhammad Yousuf Ahmed
	iii. Mr. Muhammad Ali Ahmed
	iv. Ms. Sarah Faisal Ahmed
	v. Mr. Muhammad Iqbal-ur-Rahim

The independent director meets the criteria of independence under clause 5.19.1 (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution (DFI) or a Non-Banking Finance Institution (NBFI) or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies occurred in the Board during the year.
5. 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.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executive and non-executive directors, have been taken by the Board / Shareholders.
8. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose and the Board met once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Four directors of the Company have required certification, whereas one director is exempted from such course on account of the experience and qualification as prescribed by the Code.
10. The Board approves the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remunerations and terms and conditions of employment as recommended by Human Resource and Remuneration Committee.
11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, of whom one is an independent director and two are non-executive directors and the Chairman of the Committee is a non-executive director.
16. The meetings of the Audit Committee were held once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has also formed a Human Resource and Remuneration Committee. It comprises three members, all of whom are non-executive directors including the Chairman of the Committee.
18. 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.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the Code of Ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "closed period" prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and Stock Exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through the Stock Exchange.
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board

**FAISAL AHMED**  
Chief Executive

**MUHAMMAD IQBAL-UR-RAHIM**  
Director

Karachi: September 29, 2017

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

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Artistic Denim Mills Limited** (the Company) for the year ended **30 June 2017** to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, Clause 5.19.24 (b) of the Code of Corporate Governance, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board 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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended **30 June 2017**.



**Chartered Accountants**

**Date:** 29 September 2017

**Place:** Karachi

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Artistic Denim Mills Limited (the Company)** as at **30 June 2017** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the repealed Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 3, with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

: -2- :

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **30 June 2017** and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

*ET Ford Rhodes*

Chartered Accountants

**Audit Engagement Partner's Name:** Tariq Feroz Khan

**Date:** 29 September 2017

**Place:** Karachi



**BALANCE SHEET**

As at June 30, 2017

<b>ASSETS</b>	Note	June 30, 2017	June 30, 2016
		..... Rupees in '000 .....	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	5,457,714	5,340,235
Intangible assets	7	8,119	-
Long-term loans	8	2,673	7,864
Long-term deposits	9	1,686	1,698
		<b>5,470,192</b>	<b>5,349,797</b>
<b>CURRENT ASSETS</b>			
Stores and spares	10	168,082	156,619
Stock-in-trade	11	1,361,115	1,334,594
Trade debts	12	1,495,554	1,034,339
Loans and advances	13	57,308	65,272
Trade deposits	14	4,604	5,545
Other receivables	15	285,766	100,578
Sales tax refundable		199,881	190,971
Taxation - net	16	364,763	312,263
Cash and bank balances	17	63,232	60,783
		<b>4,000,305</b>	<b>3,260,964</b>
		<b>9,470,497</b>	<b>8,610,761</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	18	840,000	840,000
Reserves	19	4,918,905	4,657,468
		<b>5,758,905</b>	<b>5,497,468</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	20	813,507	577,560
Deferred liability	21	-	139,671
		<b>813,507</b>	<b>717,231</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	1,174,465	1,001,235
Accrued mark-up	23	15,228	14,827
Short-term borrowings	24	1,670,000	1,380,000
Current maturity of long-term financing		38,392	-
		<b>2,898,085</b>	<b>2,396,062</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	25	<b>9,470,497</b>	<b>8,610,761</b>

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

**Faisal Ahmed**  
Chief Executive

**Muhammad Iqbal-ur-Rahim**  
Director

**Sagheer Ahmed**  
Chief Financial Officer

## PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2017

		June 30, 2017	June 30, 2016
	Note	..... Rupees in '000 .....	
<b>TURNOVER</b>	26	<b>6,906,526</b>	6,461,983
Cost of sales	27	<b>(6,166,863)</b>	(5,758,546)
<b>GROSS PROFIT</b>		<b>739,663</b>	703,437
Distribution costs	28	<b>(170,295)</b>	(160,814)
Administrative expenses	29	<b>(104,323)</b>	(97,205)
Other operating expenses	30	<b>(30,463)</b>	(31,954)
Other income	31	<b>99,774</b>	58,788
		<b>(205,307)</b>	(231,185)
<b>OPERATING PROFIT</b>		<b>534,356</b>	472,252
Finance costs	32	<b>(88,203)</b>	(72,410)
<b>PROFIT BEFORE TAXATION</b>		<b>446,153</b>	399,842
Taxation	33	<b>(16,716)</b>	(21,843)
<b>NET PROFIT FOR THE YEAR</b>		<b>429,437</b>	377,999
<b>EARNINGS PER SHARE - BASIC AND DILUTED</b> (Rs. per share)	34	<b>5.11</b>	4.50

The annexed notes 1 to 42 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, 2017

	June 30, 2017	June 30, 2016
	..... Rupees in '000 .....	
<b>Net profit for the year</b>	<b>429,437</b>	377,999
<b>Other comprehensive income</b>		
<b>Items that may not be reclassified     subsequently to profit and loss account</b>		
Actuarial loss on defined benefit plan	-	(1,184)
<b>Total comprehensive income for the year</b>	<b>429,437</b>	<b>376,815</b>

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

**Faisal Ahmed**  
Chief Executive

**Muhammad Iqbal-ur-Rahim**  
Director

**Sagheer Ahmed**  
Chief Financial Officer

## CASH FLOW STATEMENT

For the year ended June 30, 2017

		June 30, 2017	June 30, 2016
	Note	..... Rupees in '000 .....	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	35	457,150	938,185
Taxes paid		(69,216)	(78,729)
Gratuity paid		(145,499)	(4,128)
Finance costs paid		(87,801)	(73,551)
Long-term deposits		12	(742)
<b>Net cash generated from operating activities</b>		<b>154,646</b>	<b>781,035</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(564,971)	(998,666)
Long-term loans		13,357	(598)
Sale proceeds from disposal of operating fixed assets		2,668	350
<b>Net cash used in investing activities</b>		<b>(548,946)</b>	<b>(998,914)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term financing acquired		274,339	556,759
Long-term financing repaid		-	(161,296)
Short-term borrowings acquired		290,000	209,057
Dividend paid		(167,590)	(335,656)
<b>Net cash generated from financing activities</b>		<b>396,749</b>	<b>268,864</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>2,449</b>	<b>50,985</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>60,783</b>	<b>9,798</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	17	<b>63,232</b>	<b>60,783</b>

The annexed notes 1 to 42 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, 2017

	Issued, subscribed and paid-up capital	Revenue Reserves		Total	Total
		Unappro- priated Profit	Actuarial loss on Defined benefit plan		
..... Rupees in '000 .....					
<b>Balance as at June 30, 2015</b>	840,000	4,649,403	(32,750)	4,616,653	5,456,653
Net profit for the year	-	377,999	-	377,999	377,999
Other comprehensive income	-	-	(1,184)	(1,184)	(1,184)
Total comprehensive income for the year	-	377,999	(1,184)	376,815	376,815
Cash dividend @ Re. 4 per Ordinary share of Rs.10 each for the year ended June 30, 2015	-	(336,000)	-	(336,000)	(336,000)
<b>Balance as at June 30, 2016</b>	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 @ Re. 2 per Ordinary share of Rs.10 each for the year ended June 30, 2016	-	(168,000)	-	(168,000)	(168,000)
<b>Balance as at June 30, 2017</b>	840,000	4,952,839	(33,934)	4,918,905	5,758,905

The annexed notes 1 to 42 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, 2017

### 1. THE COMPANY AND ITS OPERATIONS

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. BASIS OF PREPARATION

#### 2.1 Statement of compliance

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 17 of 2017 dated July 20, 2017 communicated that the Commission has decided that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

#### 2.2 Accounting convention

These financial statements have been prepared on the basis of historical cost convention unless otherwise specifically stated.

### 3. 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 that the Company has adopted the following accounting standards which became effective for the current year:

IFRS 10	Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements - Investment Entities: Applying the Consolidation Exception (Amendment)
IFRS 11	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)
IAS 1	Presentation of Financial Statements - Disclosure Initiative (Amendment)
IAS 16	Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
IAS 16	Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)
IAS 27	Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
IFRS 7	Financial Instruments: Disclosures - Servicing contracts
IFRS 7	Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
IAS 19	Employee Benefits - Discount rate: regional market issue
IAS 34	Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

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

### **Standards, interpretations and amendments to approved accounting standards that are not yet effective**

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

<b>Standard or interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 2 Share-based Payments - Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)	01 January 2017
IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	01 January 2018
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019

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.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan. The Company is currently evaluating the impact on the financial statements.

<b>Standards</b>	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 15 - Revenue from Contracts with Customers	01 January 2018
IFRS 16 - Leases	01 January 2019
IFRS 17 - Insurance Contracts	01 January 2021

#### 4. 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, 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 5.1);
- impairment of inventories / adjustment of inventories to their Net realisable Value (Note 5.3);
- recognition of staff retirement benefits (Note 5.13);
- provisions (Note 5.12);
- recognition of taxation and deferred taxation (Note 5.14) ;
- impairment of assets (Note 5.3); and
- contingencies and commitments (Note 25).

#### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 5.1 Property, plant and equipment

###### 5.1.1 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 and 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 6.1 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 and 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 and loss account.



### 5.1.2 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.

### 5.2 Intangible assets

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

Amortization is charged to profit and 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 7.1 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.

### 5.3 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 and loss account.

### 5.4 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 and loss account.

### 5.5 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 the balance sheet date.

**5.6 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 balance sheet date.

Finished goods and work-in-process consist of cost of direct materials and labour and a proportion of manufacturing overheads based on normal capacity. Cost is determined on FIFO basis.

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

**5.7 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.

**5.8 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 balance sheet 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.

**5.9 Cash and cash equivalents**

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

**5.10 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 and loss account over the period of the borrowing using the effective interest method.

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

**5.11 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.

**5.12 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.

**5.13 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 and loss account, calculated in accordance with the actuarial valuation.

**5.14 Taxation****Current**

The Company falls under the final tax regime under Section 169 of the Income Tax Ordinance, 2001. Provision for tax on other income is based on taxable income at the rates applicable for the current tax year, after considering the rebates and tax credits available, if any.

**Deferred**

Since the income of the Company is subject to tax under Final Tax Regime, no deferred tax liability has been accounted for in these financial statements as the Company's tax liability will be assessed under the said regime and, hence, no temporary differences are likely to arise in respect of sales whereas, temporary differences in respect of other income are expected to be negligible.

**5.15 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.

**5.16 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 balance sheet date. Gains and losses on translation are taken to profit and 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.

**5.17 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**5.18 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.

**5.19 Functional and presentation currency**

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

	Note	June 30, 2017	June 30, 2016
..... Rupees in '000 .....			
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	<b>5,206,444</b>	4,329,562
Capital work-in-progress	6.2	<b>251,270</b>	1,010,673
		<b>5,457,714</b>	<b>5,340,235</b>

### 6.1 Operating fixed assets

	COST				Period / Rate %	ACCUMULATED DEPRECIATION / AMORTISATION			WRITTEN DOWN VALUE	
	As at July 01, 2016	Additions / Transfers	(Disposals)	As at June 30, 2017		As at July 01, 2016	For the Year	(On disposals)	As at June 30, 2017	As at June 30, 2017
.....Rupees in '000.....				.....Rupees in '000.....						
<b>June 30, 2017</b>										
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
Vehicles	97,427	28,085	(3,435)	122,077	20	56,381	9,799	(2,043)	64,137	57,940
Office equipment, including computers	32,585	3,253	-	35,838	33	24,771	2,972	-	27,743	8,095
	<b>7,358,220</b>	<b>1,316,117</b>	<b>(3,435)</b>	<b>8,670,902</b>		<b>3,028,658</b>	<b>437,843</b>	<b>(2,043)</b>	<b>3,464,458</b>	<b>5,206,444</b>

	COST				Period / Rate %	ACCUMULATED DEPRECIATION / AMORTISATION			WRITTEN DOWN VALUE	
	As at July 01, 2015	Additions / Transfers	(Disposals)	As at June 30, 2016		As at July 01, 2015	For the Year	(On disposals)	As at June 30, 2016	As at June 30, 2016
.....Rupees in '000.....				.....Rupees in '000.....						
<b>June 30, 2016</b>										
Leasehold land	1,211,663	-	-	1,211,663	65 to 86 yrs	158,337	15,188	-	173,525	1,038,138
Building on leasehold land	1,285,687	43,862	-	1,329,549	10	565,383	73,678	-	639,061	690,488
Plant and machinery	3,965,913	445,526	-	4,411,439	10	1,785,207	234,687	-	2,019,894	2,391,545
Factory equipment	231,380	12,322	-	243,702	10	90,036	14,726	-	104,762	138,940
Furniture and fixtures	30,736	1,119	-	31,855	10	7,947	2,317	-	10,264	21,591
Vehicles	93,239	5,366	(1,178)	97,427	20	47,663	9,711	(993)	56,381	41,046
Office equipment, including computers	28,521	4,064	-	32,585	33	21,848	2,923	-	24,771	7,814
	<b>6,847,139</b>	<b>512,259</b>	<b>(1,178)</b>	<b>7,358,220</b>		<b>2,676,421</b>	<b>353,230</b>	<b>(993)</b>	<b>3,028,658</b>	<b>4,329,562</b>

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

	Note	June 30, 2017	June 30, 2016
		..... Rupees in '000 .....	
Cost of sales	27.1	<b>404,129</b>	326,032
Distribution costs	28	<b>876</b>	706
Administrative expenses	29	<b>32,838</b>	26,492
		<b>437,843</b>	<b>353,230</b>

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

Description	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of Buyer
	..... Rupees in '000 .....						
Vehicle	48	5	43	42	(1)	Insurance claim	EFU General Insurance, Karachi.
Vehicle	48	3	45	43	(2)	Insurance claim	EFU General Insurance, Karachi.
Vehicle	1,055	387	668	1,000	332	Insurance claim	EFU General Insurance, Karachi.
Vehicle	1,436	997	439	1,050	611	Insurance claim	EFU General Insurance, Karachi.
Vehicle	674	526	148	475	327	Negotiation	Muhammad Aslam, Employee, Karachi.
Vehicle	46	30	16	16	0	Negotiation	Umair Ali, Employee, Karachi.
Vehicle	47	25	22	25	3	Negotiation	Asgher Khan, Employee, Karachi.
Vehicle	44	35	9	12	3	Negotiation	Faheem-ud-din, Green Town, Karachi.
Vehicle	38	35	3	6	3	Negotiation	Javed Aslam, Gulsar -e- Ibrahim, Karachi.
<b>June 30, 2017</b>	<b>3,436</b>	<b>2,043</b>	<b>1,393</b>	<b>2,669</b>	<b>1,276</b>		
June 30, 2016	1,178	993	185	350	165		

## 6.2 Capital work-in-progress

	Civil works	Plant & machinery	Factory equipment	Advances	Total
	..... Rupees in '000' .....				
As at July 01, 2016	507,409	184,017	-	319,247	1,010,673
Additions during the year	85,112	367,177	28,790	35,160	516,239
Transfer to operating fixed assets	(788,334)	(458,518)	(28,790)	-	(1,275,642)
Transfer from advances	302,191	-	-	(302,191)	-
<b>June 30, 2017</b>	<b>106,378</b>	<b>92,676</b>	<b>-</b>	<b>52,216</b>	<b>251,270</b>
June 30, 2016	507,409	184,017	-	319,247	1,010,673

### 6.2.1 Includes borrowing costs incurred in respect of plant and machinery capitalized during the year amounting to Rs. 1.173 (2016: Rs. 3.321) million.

**7. INTANGIBLES**

	COST		ACCUMULATED AMORTISATION		WRITTEN DOWN VALUE		rate %
	As at July 01, 2016	As at June 30, 2017	As at July 01, 2016	Charge for the year	As at June 30, 2017	As at June 30, 2017	
			(Rupees in '000)				
Computer software	-	8,257	-	138	138	8,119	20

	Note	June 30, 2017	June 30, 2016
		..... Rupees in '000 .....	
<b>7.1 Amortisation charge for the year has been allocated as follows:</b>			
Cost of sales	27.1	127	-
Administrative expenses	29	11	-
		<b>138</b>	<b>-</b>

**8. LONG-TERM LOANS****Considered good**

Executives	8.3	3,199	10,540
Employees		791	6,807
		<b>3,990</b>	<b>17,347</b>
<b>Less: Current portion</b>			
Executives	13	(932)	(5,663)
Employees	13	(385)	(3,820)
		<b>(1,317)</b>	<b>(9,483)</b>
		<b>2,673</b>	<b>7,864</b>

**8.1** The secured loans extended to executives and employees are either personal loans or given for medical expenses. These loans are recoverable in monthly installments over a period, ranging between 1 and 5 years, and are interest free. These loans have not been discounted to their present value as the financial impact thereof is not considered material.

**8.2** The maximum aggregate amount due from executives at the end of any month during the year was Rs.18.739 (2016: Rs.12.192) million.

	June 30, 2017	June 30, 2016
	..... Rupees in '000 .....	
<b>8.3 Reconciliation of carrying amount of loans to executives</b>		
Opening balance	10,540	9,654
Transfer of executives from employees	-	249
Disbursements during the year	17,204	7,694
	<u>27,744</u>	<u>17,597</u>
Recovered during the year	(24,545)	(7,057)
	<u>3,199</u>	<u>10,540</u>
<b>9. LONG-TERM DEPOSITS</b>		
<b>Security deposits</b>		
Utilities	1,279	1,279
Others	407	419
	<u>1,686</u>	<u>1,698</u>
<b>10. STORES AND SPARES</b>		
<b>Stores</b>		
In hand	71,840	68,820
<b>Spares</b>		
In hand	95,711	87,790
In transit	531	9
	<u>96,242</u>	<u>87,799</u>
	<u>168,082</u>	<u>156,619</u>
<b>11. STOCK-IN-TRADE</b>		
<b>Raw and packing materials</b>		
In hand	488,756	604,831
In transit	65,848	19,973
	<u>554,604</u>	<u>624,804</u>
Work-in-process	650,583	564,048
Finished goods	155,928	145,742
	<u>1,361,115</u>	<u>1,334,594</u>

**June 30,**  
**2017**                      **June 30,**  
**2016**  
..... Rupees in '000 .....

**12. TRADE DEBTS - considered good****Secured - against letters of credit**

Related party		
Artistic Apparels (Private) Limited	5,664	10,888
Artistic Fabric & Garment Industries (Pvt). Limited	3,537	-
	9,201	10,888
Others	930,198	232,912
	<b>939,399</b>	<b>243,800</b>

**Unsecured**

Related Party		
Casual Sportswear	107,867	26,671
DL 1961 Premium Denim Inc.	109,055	191,512
Artistic Fabric & Garment Industries (Pvt). Limited	3,656	-
Premium Distributor	1,314	20,966
	221,892	239,149
Others	334,263	551,390
	<b>1,495,554</b>	<b>1,034,339</b>

- 12.1** Trade debts including receivable from related parties are neither past due nor impaired and are aged within 120 days.

**June 30,**  
**2017**                      **June 30,**  
**2016**  
..... Rupees in '000 .....

**13. LOANS AND ADVANCES****Considered good****Loans****Current portion of long-term loans**

Executives	8	932	5,663
Employees	8	385	3,820
		1,317	9,483

**Advances - unsecured**

Suppliers		54,464	55,134
Labour contractors		1,080	370
Others		447	285
		55,991	55,789
		<b>57,308</b>	<b>65,272</b>



	Note	June 30, 2017	June 30, 2016
		..... Rupees in '000 .....	
<b>14. TRADE DEPOSITS</b>			
Container deposits		4,324	5,545
Others		280	-
		<u>4,604</u>	<u>5,545</u>
<b>15. OTHER RECEIVABLES</b>			
Duty draw back on export sales		283,552	99,386
Others		2,214	1,192
		<u>285,766</u>	<u>100,578</u>
<b>16. TAXATION - net</b>			
Provision for income tax - current	33	(16,716)	(21,843)
Advance income tax		381,479	334,106
		<u>364,763</u>	<u>312,263</u>
<b>17. CASH AND BANK BALANCES</b>			
Cash in hand		14	3,423
<b>Cash in banks</b>			
Current accounts		63,218	57,360
		<u>63,232</u>	<u>60,783</u>
<b>18. SHARE CAPITAL</b>			
<b>18.1 Authorised capital</b>			
		<b>2017</b>	<b>2016</b>
		..... Rupees in '000 .....	
		<u>100,000,000</u>	<u>100,000,000</u>
			Ordinary shares of Rs.10 each
<b>18.2 Issued, subscribed and paid-up capital</b>			
		<b>2017</b>	<b>2016</b>
		..... Rupees in '000 .....	
		<u>1,000,000</u>	<u>1,000,000</u>
	Fully paid ordinary shares of Rs. 10/- each		
		<u>14,000</u>	<u>14,000</u>
	- Issued for cash		
		<u>700,000</u>	<u>700,000</u>
	- Issued as fully paid bonus shares		
		<u>840,000</u>	<u>840,000</u>

	Note	June 30, 2017	June 30, 2016
		..... Rupees in '000 .....	
<b>19. RESERVES</b>			
<b>Revenue reserves</b>			
Unappropriated profit		4,918,905	4,691,402
Actuarial loss on defined benefit plan		-	(33,934)
		<u>4,918,905</u>	<u>4,657,468</u>
<b>20. LONG-TERM FINANCING</b>			
<b>Conventional banks - secured</b>			
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)	20.1	851,899	577,560
<b>Current maturities shown under current liabilities</b>			
Term finances from banks under the SBP's scheme for EOP and LTFF		(38,392)	-
		<u>813,507</u>	<u>577,560</u>

#### 20.1 Term finances from banks under the State Bank of Pakistan (SBP's) scheme for Export Oriented Projects (EOP) and Long-Term Financing Facility (LTFF)

The balance outstanding of Rs. 851.899 (2016: Rs. 577.560) million at the end of the current year comprises of the following forty five (2016: twenty six) separate local currency loans.

- (a) Rs. 17.134 (2016: Rs. 17.134) million obtained 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 loan is repayable in 32 equal quarterly installments, commencing August 08, 2017 to May 08, 2025, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 4.5%) plus 1% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 360 million.

- (b) Rs. 1.984 (2016: Rs. 1.984) million obtained 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 loan is repayable in 32 equal quarterly installments, commencing August 08, 2017 to May 08, 2025, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 4.5%) plus 1% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 360 million.

- (c) Rs. 1.683 (2016: Rs. 1.683) million obtained 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 loan is repayable in 32 equal quarterly installments, commencing September 04, 2017 to June 04, 2025, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 4.5%) plus 1% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 360 million.

- (d) Rs. 37.570 (2016: Rs. 37.570) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing October 10, 2017 to July 10, 2025, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 3%) plus 1% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 360 million.

- (e) Rs. 5.062 (2016: Rs. 5.062) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing October 30, 2017 to July 30, 2025, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 3%) plus 1% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 360 million.

- (f) Rs. 1.846 (2016: Rs. 1.846) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing November 12, 2017 to August 12, 2025, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 3%) plus 1% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 360 million.

- (g) Rs. 158.182 (2016: Rs. 158.182) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing December 01, 2017 to September 01, 2025, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 3%) plus 1% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 360 million.

- (h) Rs. 136.539 (2016: Rs. 136.539) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing December 01, 2017 to September 01, 2025, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 3%) plus 1% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 360 million.

- (i) Rs. 35.550 (2016: Rs. 35.550) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing February 05, 2018 to November 05, 2025, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 1% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 39.585 million.

- (j) Rs. 3.693 (2016: Rs. 3.693) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing March 04, 2018 to December 04, 2025, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 1% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 7.700 million.

- (k) Rs. 3.861 (2016: Rs. 3.861) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing May 25, 2018 to February 25, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 1% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 7.700 million.

- (l) Rs. 45.316 (2016: Rs. 45.316) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing June 30, 2018 to March 30, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 208.135 million.

- (m) Rs. 5.701 (2016: Rs. 5.701) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing August 05, 2018 to May 05, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 5.793 million.

- (n) Rs. 8.384 (2016: Rs. 8.384) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing August 05, 2018 to May 05, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 12.744 million.

- (o) Rs. 3.246 (2016: Rs. 3.246) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing August 23, 2018 to May 23, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 34.141 million.

- (p) Rs. 7.560 (2016: Rs. 7.560) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing August 19, 2018 to May 19, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 208.135 million.

- (q) Rs. 10.059 (2016: Rs. 10.059) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing August 18, 2018 to May 18, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 208.135 million.

- (r) Rs. 3.980 (2016: Rs. 3.980) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing August 18, 2018 to May 20, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 12.744 million.

- (s) Rs. 3.555 (2016: Rs. 3.555) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing September 08, 2018 to June 09, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 34.141 million.

- (t) Rs. 1.937 (2016: Rs. 1.937) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing September 08, 2018 to June 09, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 34.141 million.

- (u) Rs. 15.053 (2016: Rs. 15.053) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing August 30, 2018 to May 30, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 208.135 million.

- (v) Rs. 6.421 (2016: Rs. 6.421) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing September 08, 2018 to June 08, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 208.135 million.

- (w) Rs. 11.060 (2016: Rs. 11.060) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing September 16, 2018 to June 16, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 34.141 million.

- (x) Rs. 14.212 (2016: Rs. 14.212) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing September 16, 2018 to June 16, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 34.141 million.

- (y) Rs. 18.986 (2016: Rs. 18.986) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing September 27, 2018 to June 27, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 208.135 million.

- (z) Rs. 18.986 (2016: Rs. 18.896) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing September 27, 2018 to June 27, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 208.135 million.

- (aa) Rs. 2.391 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing October 20, 2018 to July 20, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 13.436 million.

- (ab) Rs. 8.074 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing October 20, 2018 to July 20, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 13.436 million.

- (ac) Rs. 19.117 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No.07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing October 14, 2018 to July 14, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 208.135 million.

- (ad) Rs. 20.866 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing October 14, 2018 to July 14, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 208.135 million.

- (ae) Rs. 2.795 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing November 04, 2018 to August 04, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.



The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 13.436 million.

- (af) Rs. 19.179 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing November 15, 2018 to August 15, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 208.135 million.

- (ag) Rs. 15.685 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing December 20, 2018 to September 20, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 15.900 million.

- (ah) Rs. 22.026 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing March 27, 2019 to December 27, 2026, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 29.820 million.

- (ai) Rs. 7.342 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing April 13, 2019 to January 13, 2027, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 29.820 million.

- (aj) Rs. 3.718 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing May 21, 2019 to February 21, 2027, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70 % ) per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 3.740 million.

- (ak) Rs. 1.069 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing June 20, 2019 to March 20, 2027, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70%) per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 45.241 million.

- (al) Rs. 27.180 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing June 21, 2019 to March 21, 2027, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70%) per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 45.241 million.

- (am) Rs. 80.757 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing June 29, 2019 to March 29, 2027, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70%) per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 89.705 million.

- (an) Rs. 1.782 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing July 11, 2019 to April 11, 2027, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70%) per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 24.336 million.

- (ao) Rs. 19.832 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing July 28, 2019 to April 28, 2027, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 24.336 million.

- (ap) Rs. 1.573 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing August 04, 2019 to May 04, 2027, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 24.336 million.

- (aq) Rs. 14.700 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing August 18, 2019 to May 18, 2027, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 45.241 million.

- (ar) Rs. 3.693 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing September 14, 2019 to June 14, 2027, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 45.436 million.

- (as) Rs. 2.560 (2016: Rs. Nil) million obtained against the import of eligible plant and machinery during the current year under the SBP's LTFF Scheme, as announced by the SBP in their MFD, Circular No. 07, dated December 31, 2007.

The loan is repayable in 32 equal quarterly installments, commencing September 22, 2019 to June 22, 2027, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus 0.70% per annum, which is payable quarterly on the principal sum of loan and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs. 45.436 million.

	Note	June 30, 2017	June 30, 2016
		..... Rupees in '000 .....	
<b>21. DEFERRED LIABILITY</b>			
Employees' Gratuity	21.1	-	139,671

21.1 The Company operates an unfunded gratuity scheme for all eligible employees.

	<b>Gratuity</b>	
	<b>2017</b>	<b>2016</b>
	..... Rupees in '000 .....	
<b>Movement in the present value of defined benefit obligation</b>		
Balance as at July 01	139,671	112,164
Current service cost	5,828	18,891
Interest cost	-	11,560
Benefits paid during the year	(145,499)	(4,128)
Actuarial loss	-	1,184
<b>Balance as at June 30</b>	<b>-</b>	<b>139,671</b>

**Comparisons for past years:**

As at June 30	2017	2016	2015	2014 (Restated)	2013 (Restated)
	..... Rupees in '000 .....				
Present value of defined benefit obligations	-	139,671	112,164	85,788	64,334
Experience adjustment on plan liabilities	-	1,184	5,675	8,166	10,591

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

21.3 The Company has paid off the gratuity payable to the employees in May 2017. Therefore, actuarial valuation has not been carried out because employees are not being eligible for gratuity in the current year.

	Note	June 30, 2017	June 30, 2016
		..... Rupees in '000 .....	
<b>22. TRADE AND OTHER PAYABLES</b>			
Creditors		406,433	365,802
Accrued liabilities		687,710	534,873
Advances from customers		28,842	12,604
Advance from related party - DL1961 Premium Denim Inc.		4,032	-
Unclaimed dividend		2,171	1,761
Staff contribution from vehicle		3,889	-
Workers' Profit Participation Fund	22.1	23,759	21,329
Workers' Welfare Fund	22.2	10,606	57,928
Tax deducted at source		7,023	6,938
		<u>1,174,465</u>	<u>1,001,235</u>
<b>22.1 Workers' Profit Participation Fund</b>			
Balance at the beginning of the year		21,329	40,425
Allocation for the year	30	23,759	21,329
Interest on WPPF	30	1,446	5,216
		<u>46,534</u>	<u>66,970</u>
Payments made during the year		(22,775)	(45,641)
		<u>23,759</u>	<u>21,329</u>
<b>22.2 Workers' Welfare Fund</b>			
Balance at the beginning of the year		57,929	58,656
Allocation for the year	30	5,258	5,409
		<u>63,187</u>	<u>64,065</u>
Reversal of WWF		(47,177)	-
Payments made during the year		(5,404)	(6,137)
		<u>10,606</u>	<u>57,928</u>
<b>23. ACCRUED MARK-UP</b>			
<b>Conventional banks</b>			
Long-term finance - SBP's EOP and LTFF		6,871	4,537
Short-term running finances		49	6
Short-term loans		8,308	10,284
		<u>15,228</u>	<u>14,827</u>

	Note	June 30, 2017 ..... Rupees in '000 .....	June 30, 2016
<b>24. SHORT-TERM BORROWINGS - secured</b>			
<b>Conventional banks</b>			
Short-term loans	24.1	<b>1,670,000</b>	1,380,000
<b>24.1 Short-term loans</b>			
Export refinance - II	24.1.1	<b>550,000</b>	600,000
Export refinance - II	24.1.2	<b>520,000</b>	520,000
Export refinance - II	24.1.3	<b>250,000</b>	260,000
Export refinance - II	24.1.4	<b>250,000</b>	-
Export refinance - II	24.1.5	<b>100,000</b>	-
		<b>1,670,000</b>	1,380,000

**24.1.1** During the year, the Company arranged a facility for short-term loan under export refinance, amounting to Rs. 550 million (2016: Rs. 600 million), from a commercial bank on mark-up basis, repayable by August 31, 2017.

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 (2016: 0.50% 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. 520 million (2016: Rs. 520 million), from a commercial bank on mark-up basis, repayable by August 31, 2017.

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 (2016: 0.50% 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. 250 million (2016: Rs. 260 million), from a commercial bank on mark-up basis, repayable by August 31, 2017.

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 (2016: 0.50 % 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 (2016: Rs. Nil), from a commercial bank on mark-up basis, repayable by August 31, 2017.

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 (2016: 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.100 million (2016: Rs. Nil), from a commercial bank on mark-up basis, repayable by August 31, 2017.

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 (2016: 0.40% per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
<b>25. CONTINGENCIES AND COMMITMENTS</b>	<b>..... Rupees in '000 .....</b>	
<b>Contingencies</b>		
<b>25.1</b> Outstanding counter guarantees	<b>159,354</b>	151,354
Foreign bills discounted	-	603,208

#### **Workers' Welfare Fund**

Through the Finance Acts of 2006 and 2008, certain amendments were brought in the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) including the levy of WWF which had been originally calculated at the rate of 2% of the total (taxable) income of the industrial establishment in a particular year, was amended to charge on higher of total (taxable) income or profit before tax as per account and where return of income is not required to be filed, 2% of the profit (before taxation or provision for taxation) as per accounts or 2% of 4% of the receipt as per the statement filed under section 115 of the Income Ordinance, 2001, whichever is higher. During the year, the Honorable Supreme Court of Pakistan through its judgement dated 10 October 2016, in Civil Appeals No. 1049 to 1055/2011 decided that amendments in WWF Ordinance made through Finance Acts were un-constitutional. Accordingly, the Company has reversed the WWF charge of Rs.47.177 million for the prior year. The review petition has been filed by Federal Board of Revenue and others, which is pending adjudication till date.

#### **Commitments**

- 25.2** Commitments in respect of Building on leasehold land at the end of the period amounted to Rs. 44.657 (June 30, 2016: Rs. 79.470) million.
- 25.3** Outstanding letters of credit at the end of the period amounted to Rs. 442.847 (June 30, 2016: Rs. 258.396) million.
- 25.4** Post dated cheques issued in favour of Custom Authorities aggregating to Rs. 231.826 (June 30, 2016: Rs.156.954) million, against various statutory notifications.

		<b>June 30, 2017</b>	<b>June 30, 2016</b>
<b>26. TURNOVER</b>	Note	..... Rupees in '000 .....	
Exports	26.1	<b>6,487,504</b>	6,049,297
Local		<b>533,342</b>	600,198
		<b>7,020,846</b>	6,649,495
Less:			
Sales tax		-	(51,662)
Sales return		<b>(8,147)</b>	(3,619)
Sales commission / trade discount		<b>(106,173)</b>	(132,231)
		<b>(114,320)</b>	(187,512)
		<b>6,906,526</b>	6,461,983

**26.1** Included herein is a sum of Rs.530.698 (2016: Rs.1,146.102) 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.

		<b>June 30, 2017</b>	<b>June 30, 2016</b>
<b>27. COST OF SALES</b>	Note	..... Rupees in '000 .....	
Opening stock - finished goods		<b>145,742</b>	82,707
Cost of goods manufactured	27.1	<b>6,177,049</b>	5,821,581
		<b>6,322,791</b>	5,904,288
Closing stock - finished goods		<b>(155,928)</b>	(145,742)
		<b>6,166,863</b>	5,758,546
<b>27.1 Cost of goods manufactured</b>			
Raw and packing materials consumed	27.1.1	<b>3,304,637</b>	3,039,737
Stores and spares consumed	27.1.2	<b>254,980</b>	260,504
Salaries, wages and other benefits	27.1.3	<b>1,510,847</b>	1,603,852
Fuel and power		<b>608,742</b>	586,125
Weaving and sarning charges		<b>10,934</b>	9,308
Repairs and maintenance		<b>22,603</b>	20,948
Printing and stationery		<b>8,471</b>	6,988
Telephone and telex		<b>4,588</b>	3,570
Rent, rates and taxes		<b>2,520</b>	2,557
Insurance		<b>11,523</b>	9,590
Water charges		<b>86,656</b>	103,299
Transportation		<b>19,092</b>	20,188
Depreciation	6.1.1	<b>404,129</b>	326,032
Amortization	7.1	<b>127</b>	-
Security charges		<b>8,969</b>	6,127
Travelling, boarding and lodging		<b>261</b>	747
Miscellaneous		<b>4,505</b>	4,270
		<b>6,263,584</b>	6,003,842
Opening work-in-process		<b>564,048</b>	381,787
Closing work-in-process		<b>(650,583)</b>	(564,048)
		<b>6,177,049</b>	5,821,581



	June 30, 2017	June 30, 2016
	..... Rupees in '000 .....	
<b>27.1.1 Raw and packing materials consumed</b>		
Opening stock	604,831	543,532
Purchases	3,470,381	3,156,814
Duty draw back on export sales	(281,819)	(55,778)
	<u>3,188,562</u>	<u>3,101,036</u>
	<u>3,793,393</u>	<u>3,644,568</u>
Closing stock	(488,756)	(604,831)
	<u>3,304,637</u>	<u>3,039,737</u>
<b>27.1.2 Stores and spares consumed</b>		
Opening stock	156,610	185,267
Purchases	265,921	231,847
	<u>422,531</u>	<u>417,114</u>
Closing stock	(167,551)	(156,610)
	<u>254,980</u>	<u>260,504</u>

**27.1.3** Included herein a sum of Rs. 4.755 (2016: Rs. 24.349) million is in respect of staff gratuity fund.

		June 30, 2017	June 30, 2016
	Note	..... Rupees in '000 .....	
<b>28. DISTRIBUTION COSTS</b>			
Salaries, allowances and other benefits	28.1	7,795	11,029
Insurance		1,630	1,471
Freight and transportation		59,000	44,302
Export development surcharge and clearing charges		25,583	21,271
Postage, courier and stamps		30,409	20,750
Depreciation / amortization	6.1.1	876	706
Travelling, boarding and lodging		14,331	22,259
Advertisement and publicity		7,806	12,583
Sales office expenses		9,167	5,956
Quality control and testing charges		8,719	13,789
Miscellaneous		4,979	6,698
		<u>170,295</u>	<u>160,814</u>

**28.1** Included herein a sum of Rs. 0.155 (2016: Rs. 1.115) million is in respect of staff gratuity fund.

## 29. ADMINISTRATIVE EXPENSES

Salaries, allowances and other benefits	29.1	46,959	50,061
Depreciation	6.1.1	32,838	26,492
Amortization	7.1	11	-
Legal and professional charges		12,169	9,171
Auditors' remuneration	29.2	1,500	1,586
Donations	29.3	5,667	4,212
Miscellaneous		5,179	5,683
		<u>104,323</u>	<u>97,205</u>

**29.1** Included herein a sum of Rs. 0.917 (2016: Rs. 4.986) million is in respect of staff gratuity fund.

	Note	June 30, 2017 ..... Rupees in '000 .....	June 30, 2016
<b>29.2 Auditors' remuneration</b>			
Audit fee		800	800
Fee for half yearly review		125	125
Special certifications		105	105
Tax services		220	235
Out-of-pocket expenses		166	162
Others		84	159
		<u>1,500</u>	<u>1,586</u>
<b>29.3</b>	Donations do not include any donee in whom any director or his spouse has any interest.		
<b>30. OTHER OPERATING EXPENSES</b>			
Workers' Profits Participation Fund (WPPF)	22.1	23,759	21,329
Workers' Welfare Fund	22.2	5,258	5,216
Interest on WPPF	22.1	1,446	5,409
		<u>30,463</u>	<u>31,954</u>
<b>31. OTHER INCOME</b>			
Scrap sales		28,735	30,343
Gain on sale of fixed assets		1,276	165
Exchange gain - net - on actual currency		22,586	28,280
Reversal of WWF Provision		47,177	-
		<u>99,774</u>	<u>58,788</u>
<b>32. FINANCE COSTS</b>			
<b>Mark-up on secured:</b>			
Long-term financing		23,043	11,076
Short-term running finances		175	1,928
Short-term loans		40,457	36,650
		<u>63,675</u>	<u>49,654</u>
Bank charges		24,528	22,756
		<u>88,203</u>	<u>72,410</u>
<b>33. TAXATION</b>			
Current		17,053	22,100
Prior		(337)	(257)
		<u>16,716</u>	<u>21,843</u>
<b>33.1</b>	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% (2016: 1%) on total sales, including scrap sales net of tax credits under section 65B of the Income Tax Ordinance, 2001.		

**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.

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
	..... Rupees in '000 .....	
Net profit for the year	<u>429,437</u>	<u>377,999</u>
	<b>Number of shares</b>	
Number of Ordinary shares	<u>84,000,000</u>	<u>84,000,000</u>
	<b>(Rupees)</b>	
Earnings per shares - basic and diluted	<u>5.11</u>	<u>4.50</u>

**35. CASH GENERATED FROM OPERATIONS**

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
	..... Rupees in '000 .....	
Profit before taxation	446,153	399,842
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation / amortization	437,981	353,230
Provision for gratuity	5,828	30,451
Reversal of WWF provision	(47,177)	-
Finance costs	88,203	72,410
Gain on disposal of operating fixed assets	(1,276)	(165)
	<u>483,559</u>	<u>455,926</u>
<b>Profit before working capital changes</b>	<b>929,712</b>	<b>855,768</b>
<b>(Increase) in current assets</b>		
Stores and spares	(11,463)	28,684
Stock-in-trade	(26,521)	(302,012)
Trade debts	(461,215)	81,636
Loans and advances	(202)	(4,489)
Trade deposits	941	(3,250)
Other receivables	(185,188)	1,103
Sales tax refundable	(8,911)	(88,571)
	<u>(692,559)</u>	<u>(286,899)</u>
<b>Increase in current liabilities</b>		
Trade and other payables	219,997	369,316
	<u>457,150</u>	<u>938,185</u>
<b>Cash generated from operations</b>	<b>457,150</b>	<b>938,185</b>
<b>36. UNAVAILED CREDIT FACILITIES</b>		
Short-term running finances	<u>1,250,000</u>	<u>1,250,000</u>

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

	2017			2016		
	Chief Executive	Executive Director	Executives	Chief Executive	Executive Director	Executives
	..... Rupees in '000 .....					
Managerial remuneration	6,546	-	104,989	5,818	-	93,584
Medical	654	-	10,389	582	-	9,358
Bonus	600	-	9,489	932	-	15,138
Retirement benefits	600	-	2,570	600	-	8,867
	<u>8,400</u>	<u>-</u>	<u>127,437</u>	<u>7,932</u>	<u>-</u>	<u>126,947</u>
Number of persons	<u>1</u>	<u>-</u>	<u>118</u>	<u>1</u>	<u>-</u>	<u>103</u>

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

**37.2** Aggregate amount charged in these financial statements in respect of fee to Non - Executive Directors was Rs. 0.200 million (2016: Rs. 0.007 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.

	<b>Change in interest Rate (%)</b>	<b>Effect on profit / (loss) Rupees in '000</b>
<b>June 30, 2017</b>	<b>+10</b>	<b>(18)</b>
	<b>-10</b>	<b>18</b>
<b>June 30, 2016</b>	<b>+10</b>	<b>(50)</b>
	<b>-10</b>	<b>50</b>

### 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:

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
	<b>..... Rupees in '000 .....</b>	
Trade debts	<b>1,391,148</b>	842,180
Cash and bank balances	<b>7,478</b>	21,065
Trade and other payables	<b>(73,460)</b>	(41,608)
	<b>1,325,166</b>	<b>821,637</b>
	<b>June 30, 2017</b>	<b>June 30, 2016</b>

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

Exchange rates (PKR / USD)	<b>104.8</b>	104.50
----------------------------	--------------	--------

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
<b>June 30, 2017</b>	<b>+10</b>	<b>132,517</b>
	<b>-10</b>	<b>(132,517)</b>
June 30, 2016	+10	82,164
	-10	(82,164)

### 38.1.3 Equity risk

At the balance sheet 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 balance sheet date, the Company is exposed to credit risk on the following assets:

	June 30, 2017	June 30, 2016
	..... Rupees in '000 .....	
Long-term loans	3,990	17,347
Long term deposits	1,686	1,698
Trade debts	1,495,554	1,034,339
Trade deposits	4,604	5,545
Other receivable	2,214	1,192
Bank balances	63,218	60,783
	<b>1,571,266</b>	<b>1,120,904</b>

### 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, 2017	June 30, 2016
	..... Rupees in '000 .....	
<b>Trade debts</b>		
Customers with no defaults in the past one year	<u>1,495,554</u>	<u>1,034,339</u>
<b>Bank balances</b>		
A1+	PACRA <b>60,223</b>	52,315
A-1+	JCR - VIS <b>1,633</b>	72
F1	FITCH <b>1,362</b>	4,973
	<u><b>63,218</b></u>	<u>57,360</u>

### 38.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date, the Company has unavailed credit facility of Rs. 1,250 (2016: 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	5 years	Total
	..... Rupees in '000 .....					
Long-term financing	-	650	37,742	461,248	352,259	851,899
Trade and other payables	576,815	485,134	38,254	-	-	1,100,203
Accrued mark-up	-	15,228	-	-	-	15,228
Short-term borrowings	-	1,670,000	-	-	-	1,670,000
<b>2017</b>	<u>576,815</u>	<u>2,171,012</u>	<u>75,996</u>	<u>461,248</u>	<u>352,259</u>	<u>3,637,330</u>
	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	5 years	Total
	..... Rupees in '000 .....					
Long-term financing	-	-	-	323,021	254,539	577,560
Trade and other payables	379,847	495,851	26,738	-	-	902,436
Accrued mark-up	-	14,827	-	-	-	14,827
Short-term borrowings	-	1,380,000	-	-	-	1,380,000
<b>2016</b>	<u>379,847</u>	<u>1,890,678</u>	<u>26,738</u>	<u>323,021</u>	<u>254,539</u>	<u>2,874,823</u>

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 maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended June 30, 2017 and June 30, 2016.

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, 2017	June 30, 2016
	..... Rupees in '000 .....	
Long-term financing	813,507	577,560
Current maturities of long-term financing	38,392	-
Cash and bank balances	(63,232)	(60,783)
<b>Net debt</b>	<b>788,667</b>	516,777
Issued, subscribed and paid-up capital	840,000	840,000
Reserves	4,918,905	4,657,468
<b>Total capital</b>	<b>5,758,905</b>	5,497,468
<b>Capital and net debt</b>	<b>6,547,572</b>	6,014,245
Gearing ratio	<b>12.05%</b>	8.59%

### 39. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, amounts due from executives and remuneration of directors and executives are disclosed in the relevant notes. Other material transactions with related parties are given below:

	June 30, 2017	June 30, 2016
	..... Rupees in '000 .....	
<b>Casual Sportswear</b>		
Associated undertaking / Common directorship		
Sales	<b>367,643</b>	48,648



	June 30, 2017	June 30, 2016
	..... Rupees in '000 .....	
<b>Artistic Apparels (Private) Limited</b> Associated undertaking / Common directorship		
Sales	21,088	24,365
<b>DL 1961 Premium Denim Inc.</b> Associated undertaking / Common management		
Sales	802,871	710,632
Reimbursement of expenses	60,764	218,411
<b>Artistic Fabric &amp; Garment Industries (Private) Limited</b> Associated undertaking / Common management		
Sales	17,252	-
Services rendered	10,126	-
<b>Premium Distributors</b> Associated undertaking / Common management		
Sales	65,547	71,718
<b>40. PLANT CAPACITY AND PRODUCTION</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>
	..... Units .....	
<b>Spinning</b>		
Number of rotors installed	864	864
Number of spindles installed	20,488	20,448
Annual installed capacity of yarn (Lbs.)	18,232,500	18,232,500
Actual Production of yarn (Lbs.)	15,974,120	15,495,583
<b>Weaving</b>		
Number of looms installed	154	154
Annual installed capacity of fabric (meters)	19,646,250	19,646,250
Actual production of fabric (meters)	19,316,148	17,798,456
<b>Garments</b>		
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 product mix, global recession and type of quality produced.		
<b>41. NUMBER OF EMPLOYEES</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>
At year end	494	486
Average for the year	500	451

**42. GENERAL**

- 42.1** Subsequent to year ended June 30, 2016, the Board of Directors in its meeting held on September 29, 2017 has proposed final cash dividend @ Rs. 2.10/- per share amounting to Rs. 176.400 million (2016: Rs. 2/- per share amounting to Rs. 168.000 million) for approval of the members at the Annual General Meeting.
- 42.2** These financial statements have been authorised for issue on September 29, 2017 by the Board of Directors of the Company.
- 42.3** Certain prior year figures have been reclassified for better presentation. However, there are no material reclassifications to report.
- 42.4** Figures in these financial statements have been rounded off to the nearest thousand rupees.

**Faisal Ahmed**  
Chief Executive

**Muhammad Iqbal-ur-Rahim**  
Director



**Sagheer Ahmed**  
Chief Financial Officer



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## 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 25<sup>th</sup> ANNUAL GENERAL MEETING of the  
 Company to be held on Saturday, October 28, 2017 at 04:00 PM and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

Witnesses: 1. Signature \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 CNIC or Passport No. \_\_\_\_\_

2. Signature \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 CNIC or Passport No. \_\_\_\_\_

Signature \_\_\_\_\_  
 (Signature should agree with the specimen  
 signature registered with the Company).  
 CNIC or Passport No. \_\_\_\_\_

Rs 5/-  
Revenue  
Stamp

### 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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Plot No. 5-9, 23-26, Sector 16, Korangi Industrial Area, Karachi, Pakistan.  
Tel : (92 21) 111-236-236 Fax: (92 21) 3505-4652  
Email: sales@admdenim.com Web: www.admdenim.com

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**ADM**  
ARTISTIC DENIM MILLS