ADM
ARTISTIC DENIM MILLS

2018 ANNUAL REPORT

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Company Information

Board of Directors	
Chief Executive	Mr. Faisal Ahmed
Chairman	Mr. Muhammad Iqbal Ahmed
Directors	Mrs. Maliha Faisal
	Mr. Muhammad Yousuf Ahmed
	Mr. Muhammad Ali Ahmed
	Mr. Muhammad Iqbal-ur-Rahim
	Mr. Zafar-ul-Mukhtar Ahmed Khan
Audit Committee	
Chairman	Mr. Zafar-ul-Mukhtar Ahmed Khan
Members	Mr. Muhammad Ali Ahmed
	Mr. Muhammad Iqbal-ur-Rahim
Human Resource and Remuneration Committee	
Chairman	Mr. Zafar-ul-Mukhtar Ahmed Khan
Members	Mr. Muhammad Ali Ahmed
	Mr. Muhammad Iqbal-ur-Rahim
Chief Financial Officer	Mr. Sagheer Ahmed
Company Secretary	Mr. Muhammad Ozair Qureshi
Chief Internal Auditor	Mr. Salman Arif
Auditors	M/s. EY Ford Rhodes Chartered Accountants
Legal Advisor	Monawwer Ghani Advocate
Share Registrar	M/s F.D. Registrar Services (SMC Pvt.) Limited 17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi. Tel: (+92-21) 35478192-3 / 32271905-6
Bankers	Allied Bank Limited Bank Al Habib Limited Faysal Bank Limited Habib Metropolitan Bank Limited National Bank of Pakistan Standard Chartered Bank (Pakistan) Limited United Bank Limited Woori Bank
Registered Office and Factory	Plot No. 5-9, 23-26, Sector 16, Korangi Industrial Area, Karachi. UAN: 111 236 236, Fax No. 3505 4652 www.admdenim.com

VISION

- DYNAMIC, QUALITY CONSCIOUS AND EVER PROGRESSIVE

MISSION

ARTISTIC DENIM MILLS LIMITED IS COMMITTED TO:

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

NOTICE OF ANNUAL GENERAL MEETING

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

Ordinary Business

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

Special Business

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

"***RESOLVED*** that the related parties transactions with:
(i) Casual Sportswear;
(ii) Artistic Apparels (Private) Limited;
(iii) Artistic Fabric & Garment Industries (Private) Limited;
(iv) DL1961 Premium Denim Inc.;
(v) Premium Distributors;
(vi) Warp Weft LLC;
carried out during the year ended June 30, 2018 be and are hereby approved."

"***FURTHER RESOLVED*** that the Company is also authorized to carry out such transactions including but not limited to the following related parties' i.e.:
(i) Casual Sportswear;
(ii) Artistic Apparels (Private) Limited;
(iii) Artistic Fabric & Garment Industries (Private) Limited;
(iv) DL1961 Premium Denim Inc.;
(v) Premium Distributors;
(vi) Warp Weft LLC;
in future according to the industry norms and practice."

By Order of the Board of Directors

Muhammad Ozair Qureshi
Company Secretary

Karachi:
October 05, 2018

NOTES:

1. Closure of Shares Transfer Books:

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

NOTICE OF ANNUAL GENERAL MEETING

2. Participation in General Meeting:

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

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

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

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

A. For attending the Meeting:

i) In case of individuals, the account holder or subaccount holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall authenticate identity by showing his / her original CNIC or original passport at the time of attending the Meeting.

ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of Meeting.

B. For appointing proxies:

i) In case of individuals, the account holder or subaccount holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by the person whose name, address and CNIC number shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his original CNIC or original passport at the time of Meeting.

v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

4. Withholding Tax on Dividend:

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

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

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

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

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

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

5. Unclaimed Dividend:

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

NOTICE OF ANNUAL GENERAL MEETING

6. Exemption from deduction of Withholding Tax / Zakat:

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

7. Change of Address:

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

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

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

ITEM NO. 6 OF THE AGENDA:

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

CHAIRMAN'S REVIEW

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

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

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

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

MUHAMMAD IQBAL AHMED

Chairman

Karachi: September 29, 2018

REPORT OF THE DIRECTORS TO THE MEMBERS

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

OPERATING FINANCIAL RESULTS

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

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

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

PERFORMANCE REVIEW

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

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

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

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

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

DIVIDEND

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

CASH FLOW STATEMENT

The Company has an effective Cash Flow Management in place to project inflows and outflows of cash and develop strategies to meet working capital requirements through cash inflows and short term borrowings. In year 2018 the Company generated Rs. 567.591 (2017: Rs. 154.646) million from operating activities. The inflow from operating activities was largely a result of higher cash earnings. Cash generated from operating activities was used on capital expenditure and payment of dividend.

SALES AND MARKETING

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

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

FUTURE OUTLOOK

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

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

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

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

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

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

BOARD OF DIRECTORS

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

a. Male: 6
b. Female: 1

The composition of board is as follows:

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

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

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

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

Leave of absence was granted to directors who were unable to attend the Board Meetings.
* Elected on Board in the election of Directors held on November 22, 2017.
** Retired on November 23, 2017.

BOARD COMMITTEES

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

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

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

Leave of absence was granted to director who was unable to attend the Board Meetings.
*Mr. Muhammad Ali Ahmed replaced Mrs. Maliha Faisal w.e.f. December 06, 2017.

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

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

Leave of absence was granted to director who was unable to attend the Board Meeting.
*Mr. Zafar-ul-Mukhtar Ahmed Khan replaced Ms. Sarah Faisal Ahmed w.e.f. December 06, 2017.

REMUNERATION POLICY OF NON-EXECUTIVE DIRECTORS

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

RELATED PARTY TRANSACTIONS AND TRANSFER PRICING

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

RISK MANAGEMENT

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

INTERNAL FINANCIAL CONTROL SYSTEM

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

AUDITORS

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

CORPORATE SOCIAL RESPONSIBLITY

1. Energy Conservation

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

In line with the Company's declared commitment towards conservation of natural resources, all business units have continued with their efforts to improve energy usage efficiencies. During the year, the Company has installed Solar Power System to hedge against the rising cost of gas and fuel. The Company is engaged in the continuous process of energy conservation through process & machinery modifications, implementation of technological advancements, development of newer methods, maintenance, waste heat recovery etc. These steps lead to savings in terms of energy, cost of production and time.

2. Environment, Health & Safety

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

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

ADM owns the following certifications:

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

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

3. Security Measures

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

4. Waste Water Treatment Plant

Water is a scarce natural resource for our country and it should be managed in the best possible manner. The Company has waste water treatment facility meeting the National Environment Quality Standards of EPA Pakistan. Since water is a scarce commodity, hence it is imperative to evolve technologies which treat it efficiently so that it can be reused. At the waste water treatment plants waste water is treated before being reused or discharged to main sewer lines in accordance with environmental protection standards.

5. Equal Opportunity Employer

Going with the core beliefs of the Company that every human being is equal, ADM is committed to creating a diverse environment and is proud to be hiring employees from various ethnicities without any prejudice or bias.

6. Donation to Edhi Foundation

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

7. Hajj tours

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

On Behalf of the Board of Directors

FAISAL AHMED
Chief Executive

MUHAMMAD IQBAL-UR-RAHIM
Director

Karachi: September 29, 2018

ڈائریکٹرز رپورٹ برائے ممبران

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

زیر تعمیل مالیاتی نتائج

کمپنی کے مالیاتی نتائج برائے زیر جائزہ سال مختصراً درج ذیل ہیں:

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

جائزہ برائے کارکردگی

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

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

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

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

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

منقسمہ منافع

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

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

کیش فلو (روپے کی آمدورفت) کا گوشوارہ

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

بازارکاری

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

پائیدار ترقیاتی اقدامات کا حصہ ہونے کی حیثیت سے، کمپنی قدری تخلیق میں وسعت دینے کی پیشرفتوں پر کام کررہی ہے۔ بازار میں مسابقت قائم رکھنے کیلئے نامیاتی کپاس اور بی سی آئی کپاس کا استعمال کرتے ہوئے نئی مصنوعات پیش کی جارہی ہیں ۔

مستقبل کے امکانات

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

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

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

کارپوریٹ اور مالیاتی رپورٹنگ کا ڈھانچہ

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

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشواروں، سرگرمیوں کے نتائج، روپے کی آمدورفت اور سرمائے میں ردوبدل کے اعداد وشمار 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 وشبہ نہیں ہے۔
- ادارتی انتظام کے بہتر اقدامات سے کوئی اہم انحراف نہیں ہے، جیسا کہ پاکستان اسٹاک ایکسچینج کے کتابی قواعد کے ضابطوں میں تفصیل سے ہے۔
- پچھلے چھ ماہ کے اہم تعمیلی امور اور مالیاتی اعداد وشمار کو خلاصے کی شکل میں آڈٹ شدہ مالیاتی گوشواروں کے ساتھ منسلک کیا گیا ہے۔
- واجب الادا لگان ومحصولات اور چارجز، اگر کوئی ہو تو کو واضح طور پر مالیاتی گوشواروں میں ظاہر کر دیا گیا ہے۔
- چار ڈائریکٹرز نے ڈائریکٹرز ٹریننگ (تربیتی) کورس کر لیا ہے، جبکہ ایک ڈائریکٹر اپنے تجربے اور قابلیت کی بنیاد پر اس کورس سے مبرا ہے اور باقی ڈائریکٹرز اپنی ٹریننگ کمپنی کے انتظامی قواعد وضوابط میں مذکور وقت کے مطابق مکمل کریں گے۔
- شیئر ہولڈنگ کا خاکہ بتاریخ 30 جون 2018 بشمول تفصیلات جیسا کہ ادارتی انتظامی قواعد کے تحت درکار ہے آڈٹ شدہ مالیاتی تفصیلات میں منسلک ہے۔
- 1 جولائی 2017 سے 30 جون 2018 کے دوران، کمپنی کے حصص میں فروخت جو منتظمین، سی ای او، سی ایف او، کمپنی سیکریٹری، سربراہ اندرونی آڈٹ، دیگر اعلیٰ عہدیداران اور ان کے میاں بیوی اور ان کے چھوٹے بچوں کی جانب سے ہے آڈٹ شدہ مالیاتی تفصیلات میں منسلک ہیں۔

بورڈ آف ڈائریکٹرز

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

a. مرد 6

b. خاتون 1

بورڈ کی تشکیل

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

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

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

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

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

** 23 نومبر 2017 کو سبکدوش ہوئیں۔

بورڈ کمیٹیاں

بورڈ آف ڈائریکٹرز نے ادارتی انتظامی قواعد کی درکار ضرورت کے تحت آڈٹ کمیٹی تشکیل دی۔ آڈٹ کمیٹی تین ارکان پر مشتمل ہے، جس میں دو نان ایگزیکٹو اور ایک آزاد ہے۔ آڈٹ کمیٹی کا سربراہ ایک آزاد ڈائریکٹر ہے۔ آڈٹ کمیٹی نے اپنے افعال تسلی بخش ادارتی انتظامی قواعد کے مطابق انجام دیئے۔

دوران سال، آڈٹ کمیٹی کی چار میٹنگ منعقد کی گئیں۔ ہر ایک ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

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

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

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

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

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

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

* جناب ظفر المختار احمد خان کو محترمہ سارہ فیصل احمد کی جگہ 6 دسمبر 2017 کو تعینات کیا گیا۔

نان ایگزیکٹو ڈائریکٹر کیمعاوضے کا لائحہ عمل

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

متعلقہ فریقین کا لین دین اور غیر جانبدارانہ قیمت کا تعین

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

خطرات سے نمٹنے کا انتظام

کمپنی ایک زبردست رسک مینجمنٹ فریم ورک (خطرات سے نمٹنے کا ڈھانچے) کی حامل ہے جو کہ اس کمپنی کو حکمت عملی کے تحت مقاصد کے حصول کی اہلیت کو متاثر ہونے نہیں دیتا کیوں کہ یہ خطرات کے 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 ضخامت، حجم اور پیچیدگی والے حساب کتاب کو کنٹرول کر سکتا ہے۔ یہ بڑے پروسس کا احاطہ کرتا ہے اور کمپنی کے اثاثوں، مالیاتی امور کا اختیارات کے مطابق استعمال، اور تمام قواعد وضوابط کی تعمیل اور وسائل کے صحیح استعمال کو یقینی بناتا ہے۔ کمپنی کی انتظامی اسٹیٹوٹری آڈیٹر (قانونی آڈیٹر) اور انٹرنل آڈیٹر (داخلی آڈیٹر) کی جانب سے دی گئی سفارشات پر غور وخوص کے بعد مناسب اقدامات کرتی ہے۔

آڈیٹرز (محاسب)

موجودہ آڈیٹر 'ای وائی فورڈ رہوڈز' چارٹرڈ اکاؤنٹینٹس آنے والے سالانہ اجلاس عام جو کہ 27 اکتوبر 2018 کو منعقد ہوگا کے اختتام پر ریٹائرڈ ہو جائیں گے اور انھوں نے اہلیت کے باعث اپنی خدمات دوبارہ پیش کی ہیں۔ کمپنی کے قواعد وضوابط کے مطابق بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارش پر مالیاتی اختتام سال 30 جون 2019 تک کے لئے ان کو اسٹیٹوٹری 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 ڈویژن جیسے کہ اسپننگ، ویونگ 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 لئے اپنے وعدوں کی تکمیل کی ہے اور تمام کاروباری اکائیوں میں توانائی کو بچانے کے لئے بہترین طریقے استعمال کر رہی ہے۔اس سال کے دوران کمپنی نے گیس اور ایندھن کی بڑھتی ہوئی قیمت سے بچنے کیلئے شمسی توانائی پاور سسٹم نصب کیا ہے۔کمپنی تسلسل کے ساتھ توانائی کی بچت کے لئے مصروف عمل ہے جس میں عملیہ اور مشینری میں تبدیلیاں، جدید ٹیکنالوجی کا استعمال، نئے طریقوں کی ترویج، روانی، اضافی حرارت کی بازیافت وغیرہ شامل ہیں۔ان اقدامات کی وجہ سے پیداواری لاگت میں کمی کے ساتھ ساتھ توانائی اور وقت کی بچت بھی ہوگی۔

۲- ماحول، صحت اور تحفظ

ADM نے ایک ایسا دستاویزی نظام بنایا ہے جس کے ذریعے ADM کی حدود میں صحت، تحفظ اور ماحول کو یقینی بنایا جاسکے گا اور اپنے تمام ملازمین، گاہکوں، ٹھیکیداروں، مقاد وابستگان، ملاقاتیوں اور سپلائرز کو صحت منداور پرتحفظ فضا فراہم کی جاسکے۔کمپنی نے کام کے دوران غیر محفوظ اور غیر صحت مندانہ مشقوں اور حالات کو کم سے کم کرنے کے لئے بامقصد 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 منداور 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 جارہا 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:

- ISO 14001:2004 EMS — انوائرونمینٹل مینجمنٹ سسٹم (ماحولیاتی نگرانی کا نظام)
- ISO 9001:2008 QMS — کوالٹی مینجمنٹ سسٹم (معیار کی نگرانی کا نظام)
- BSCI — بزنس سوشل کمپلائنس انیشی ایٹیو (تجارتی سماجی تعمیل کے اقدامات)
- WRAP — ورلڈ وائڈ ریسپونسبل ایکریڈیٹیشن پروڈکشن (بین الاقوامی معتبر سند پیداوار)
- SEDEX — سپلائر ایتھیکل ڈیٹا ایکسچینج (فراہم کنندہ کا اخلاقی مواد کا تبادلہ)
- GOTS — گلوبل آرگینک ٹیکسٹائل اسٹینڈرڈ (عالمگیر نامیاتی ٹیکسٹائل معیار کا حامل)
- OCS — آرگینک کنٹینٹ اسٹینڈرڈ (نامیاتی اجزاء کے معیار کا حامل)
- RCS — ریسائیکلڈ کلیم اسٹینڈرڈ (بازگردانی دعوے کے معیار کا حامل)
- GRS — گلوبل ریسائیکلڈ اسٹینڈرڈ (عالمگیر بازگردانی کے معیار کا حامل)
- C-TPAT — (کسٹمر۔ٹریڈ پارٹنرشپ اگنیسٹ ٹیرارزم)
- OEKO-TEX Standard 100

۳- حفاظتی اقدامات

کمپنی کی انتظامیہ مکمل طور پر تحفظ اور حفاظت کی اہمیت سے آگاہ ہے تاکہ آپریشنز بغیر رکاوٹ کے جاری رہیں اور اپنی تحفظاتی پالیسیوں اور طریقہ کار کے تحت سیکورٹی 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، لہٰذا اس بات کی اشد ضرورت ہے کہ ایسی ٹیکنالوجی کو استعمال کیا جائے جس سے یہ دوبارہ قابل استعمال ہو سکے۔ دوبارہ استعمال کرنے سے پہلے پانی کو پلانٹ کے ذریعے صاف کیا جاتا ہے یا پھر پانی کو ماحولیاتی تحفظ کے معیارات کے مطابق سیوریج لائن میں چھوڑ دیا جاتا ہے۔

۵- تمام ملازمین کے لئے یکساں مواقع

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

۶- ایدھی فاؤنڈیشن کو عطیہ

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

۷- حج کی سعادت

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

ازطرف بورڈ

فیصل احمد
چیف ایگزیکٹو

محمد اقبال الرحیم
ڈائریکٹر

کراچی: 29 ستمبر, 2018

KEY OPERATING AND FINANCIAL DATA

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

PATTERN OF SHAREHOLDING

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

PATTERN OF SHAREHOLDING

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

PATTERN OF SHAREHOLDING

Categories of Shareholders	Shares Held	Percentage
OTHERS		
MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SE	184,250	
ZILLION CAPITAL SECURITIES (PVT) LTD.	165,000	
SEVEN STAR SECURITIES (PVT) LTD.	46,904	
ASDA SECURITIES (PVT) LIMITED	32,500	
DAWOOD FAMILY TAKAFUL LIMITED	23,500	
DAWOOD FAMILY TAKAFUL LIMITED	20,500	
HH MISBAH SECURITIES (PVT) LIMITED	5,000	
FIKREES (SMC-PVT) LIMITED	2,300	
MRA SECURITIES LIMITED - MF	1,500	
SUNRAYS TEXTILE MILLS LIMITED	1,500	
FAWAD YOUSUF SECURITIES (PRIVATE) LIMITED	1,000	
HSZ SECURITIES (PVT) LTD. 43001	80	
Y.S. SECURITIES & SERVICES (PVT) LTD.	80	
MAPLE LEAFCAPITAL LIMITED	1	
Sub - Total:	**484,115**	**0.58**
INDIVIDUAL		
LOCAL - INDIVIDUALS	11,953,974	
Sub - Total:	**11,953,974**	**14.23**
Grand Total:	**84,000,000**	**100.00**

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE

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

PERFORMANCE AT A GLANCE

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

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

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

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

Artistic Denim Mills Limited
Year Ended June 30, 2018

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

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

   a. Male: 6
   b. Female: 1

2. The composition of board is as follows:

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

3. The Directors have confirmed that none of them is serving as a director on more than five listed Companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 ("the Act") and these Regulations.

7. The meetings of the Board were presided over by the Chairman / Chairperson and, in his / her absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. Half of the directors on the board have acquired the prescribed certification as mentioned under Regulation number 20, whereas one director is exempted from such course on account of the experience and qualification. Following Directors have already gone through Directors' Training program:

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

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

    a) Audit Committee:

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

    b) HR and Remuneration Committee:

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following:

    a) Audit Committee — Quarterly meetings
    b) HR and Remuneration Committee — Annual meeting
    c) Nomination Committee — N/A
    d) Risk Management Committee — N/A

15. The Board has set-up an effective Internal Audit Function managed by suitably qualified and experienced personnel who are involved in the internal audit function on a full time basis and are conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the Code of Ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

On behalf of the Board

MUHAMMAD FAISAL AHMED
Chief Executive

MUHAMMAD IQBAL-UR-RAHIM
Director

Karachi: September 29, 2018

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INDEPENDENT AUDITORS' REVIEW REPORT

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

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

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

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended **30 June 2018**.

EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 29 September 2018

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INDEPENDENT AUDITORS' REPORT

To the members of Artistic Denim Mills Limited

Report on the Audit of the Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the profit, comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

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Following is the Key audit matter:

Key audit matters	How our audit addressed the Key audit matters
1. Existence and Valuation of stock in trade	
As disclosed in note 12 to the accom-panying financial statements, the stock in trade balance constitutes 17% of total assets of the Company. The cost of Work in Process (WIP) and finished goods is determined at average manufacturing cost including a proportion of production overheads. We focused on stock in trade as it is a significant portion of company's total assets and it requires management judgment in determining an appropriate costing basis and assessing its valuation.	We performed a range of audit procedures with respect to inventory items including, amongst others physical observation of inventory counts, testing valuation methods and their appropriateness in accordance with the applicable accounting standards. We also tested the calculations of per unit cost of finished goods and WIP and assessed the appropriateness of management's basis for the allocation of cost and production overheads. We also assessed the adequacy of the disclosures made in respect of the accounting policies and the details of inventory balances held by the Company at the year end.
2. Revenue from related party transactions and disclosures	
The Company generates revenue, from sales to related parties, of Rs.1,549.27 million which comprises of 19% of the total revenue as disclosed in note 39 to the accompanying financial statements. Due to the significance of related party transactions to the overall operations of the Company and the accuracy, completeness of disclosures of such transactions and year end balances, we have considered the same to be a key audit matter.	Our procedures, in relation to the accuracy, existence and completeness of disclosure of related parties and its transactions amongst others, includes following: - Evaluation of the appropriateness of management's process for identifying and recording related party transactions; - Reviewed minutes of the meetings of audit committee and those charged with governance for recommendation and approval of transactions with related parties respectively; - Inspection of invoices, on a sample basis, and obtained direct confirmation from related parties; - Obtained written representation from management concerning completeness of information provided regarding the identification of related parties; and - We assessed the adequacy and appropriateness of the disclosures made in respect of the related parties balances and transactions in accordance with accounting and reporting standards as applicable in Pakistan.

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

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Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

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

EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 29 September 2018

STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

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

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

Faisal Ahmed
Chief Executive

Muhammad Iqbal-ur-Rahim
Director

Sagheer Ahmed
Chief Financial Officer

STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2018

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

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

Faisal Ahmed
Chief Executive

Muhammad Iqbal-ur-Rahim
Director

Sagheer Ahmed
Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2018

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

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

Faisal Ahmed
Chief Executive

Muhammad Iqbal-ur-Rahim
Director

Sagheer Ahmed
Chief Financial Officer

STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

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

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

Faisal Ahmed
Chief Executive

Muhammad Iqbal-ur-Rahim
Director

Sagheer Ahmed
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2018

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

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

Faisal Ahmed
Chief Executive

Muhammad Iqbal-ur-Rahim
Director

Sagheer Ahmed
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

1 THE COMPANY AND ITS OPERATIONS

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

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

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

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

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

3 BASIS OF PREPARATION

3.1 Statement of Compliance

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

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

3.2 Basis of Measurement

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

4 STANDARDS, INTERPRETATIONS AND AMENDMENTS APPLICABLE TO FINANCIAL STATEMENTS

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

New Standards, Interpretations and Amendments

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

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

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

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

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

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

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

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

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

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

5 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognised prospectively.

In the process of applying the accounting policies, the management has made the following estimates and judgments which are significant to the financial statements:

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

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Property, plant and equipment

6.1.1 Operating fixed assets

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

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

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

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

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

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

6.1.2 Capital work-in-progress

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

6.2 Intangible assets

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

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

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

6.3 Impairment – Non financial assets

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

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

6.4 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit or loss account.

6.5 Stores and spares

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

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

6.6 Stock-in-trade

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

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

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

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

6.7 Trade debts

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

6.8 Loans, advances and other receivables

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

6.9 Cash and cash equivalents

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

6.10 Borrowings

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

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

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

6.11 Trade and other payables

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

6.12 Provisions

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

6.13 Staff gratuity – Defined Benefit Plan

The Company operates an unfunded gratuity plan (defined benefit scheme) for all its permanent employees. Provision is made annually, to cover obligations under the plan, by way of a charge to profit or loss account, calculated in accordance with the actuarial valuation.

6.14 Taxation

Current

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

Deferred

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

6.15 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Specific revenue recognition criteria are as follows:

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

6.16 Foreign currency translation

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

6.17 Offsetting of financial assets and financial liabilities

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

6.18 Dividends and appropriation to general reserve

Dividends and appropriation to general reserves are recognised in the financial statements in the period in which these are approved.

6.19 Functional and presentation currency

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

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

7.1 Operating fixed assets

	COST					ACCUMULATED DEPRECIATION / AMORTISATION				WRITTEN DOWN VALUE
	As at July 01, 2017	Additions / Transfers*	(Disposals)	As at June 30, 2018	Period / Rate %	As at July 01, 2017	For the Year	(On disposals)	As at June 30, 2018	As at June 30, 2018
	.....Rupees in '000.....					.....Rupees in '000.....				
June 30, 2018										
Leasehold land	1,211,663	-	-	**1,211,663**	65 to 86 yrs	188,713	15,188	-	**203,901**	**1,007,762**
Building on leasehold land	2,117,883	167,768 *	-	**2,285,651**	10	765,646	142,900	-	**908,546**	**1,377,105**
Plant and machinery	4,869,957	208,044 *	-	**5,078,001**	10	2,286,508	269,333	-	**2,555,841**	**2,522,160**
Factory equipment	272,492	43,658 *	-	**316,150**	10	119,208	17,614	-	**136,822**	**179,328**
Furniture and fixtures	40,992	2,374	-	**43,366**	10	12,503	3,005	-	**15,508**	**27,858**
Office equipment, including computers	35,838	4,002	-	**39,840**	33	27,743	3,051	-	**30,794**	**9,046**
Vehicles	122,077	29,728	(6,602)	**145,203**	20	64,137	14,485	(4,209)	**74,413**	**70,790**
	8,670,902	**455,574**	**(6,602)**	**9,119,874**		**3,464,458**	**465,576**	**(4,209)**	**3,925,825**	**5,194,049**

	COST					ACCUMULATED DEPRECIATION / AMORTISATION				WRITTEN DOWN VALUE
	As at July 01, 2016	Additions / Transfers	(Disposals)	As at June 30, 2017	Period / Rate %	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.....				
June 30, 2017										
Leasehold land	1,211,663	-	-	1,211,663	65 to 86 yrs	173,525	15,188	-	188,713	1,022,950
Building on leasehold land	1,329,549	788,334	-	2,117,883	10	639,061	126,585	-	765,646	1,352,237
Plant and machinery	4,411,439	458,518	-	4,869,957	10	2,019,894	266,614	-	2,286,508	2,583,449
Factory equipment	243,702	28,790	-	272,492	10	104,762	14,446	-	119,208	153,284
Furniture and fixtures	31,855	9,137	-	40,992	10	10,264	2,239	-	12,503	28,489
Office equipment, including computers	32,585	3,253	-	35,838	33	24,771	2,972	-	27,743	8,095
Vehicles	97,427	28,085	(3,435)	122,077	20	56,381	9,799	(2,043)	64,137	57,940
	7,358,220	**1,316,117**	**(3,435)**	**8,670,902**		**3,028,658**	**437,843**	**(2,043)**	**3,464,458**	**5,206,444**

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

	Note	June 30, 2018	June 30, 2017
		..... Rupees in '000	
7.1.2 Depreciation / amortization charge for the year has been allocated as follows:			
Cost of Sales	27.1	**429,732**	404,129
Distribution cost	28	**934**	876
Administrative expenses	29	**34,910**	32,838
		465,576	437,843

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

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

7.2 Capital work-in-progress

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

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

8. INTANGIBLES ASSETS

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

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

	Note	June 30, 2018	June 30, 2017
		..... Rupees in '000	
8.1 Amortisation charge for the year has been allocated as follows:			
Cost of sales	27.1	**1,519**	127
Administrative expenses	29	**132**	11
		1,651	138
9. LONG TERM LOANS - secured			
Considered good			
Executives	9.2 and 9.3	**4,505**	2,018
Employees		**3,139**	1,972
	9.1	**7,644**	3,990
Less: Current portion			
Executives	14	**(1,184)**	(387)
Employees	14	**(1,086)**	(930)
		(2,270)	(1,317)
		5,374	2,673

9.1 Represents loans extended to executives and employees which are in the nature of personal loans. These are granted with the terms of their employment and are secured against their gratuity balances. These loans are recoverable in monthly installments over a period, ranging between 1 to 5 (2017: 1 to 5) years, and are interest free. These loans have not been discounted to their present value as the financial impact therof is not considered material.

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

	Note	June 30, 2018	June 30, 2017
		..... Rupees in '000	
9.3 Reconciliation of carrying amount of loans to executives			
Opening balances		**2,018**	10,540
Transfer of employees from executives		**-**	(7,937)
Disbursements during the year		**3,000**	4,570
		5,018	7,173
Recovered during the year		**(513)**	(5,155)
		4,505	2,018
10. LONG TERM DEPOSITS			
Security deposits			
Utilities		**1,279**	1,279
Others		**287**	407
		1,566	1,686
11. STORES AND SPARES			
Stores			
In hand		**98,546**	71,840
Spares			
In hand		**110,080**	95,711
In transit		**6,502**	531
		116,582	96,242
		215,128	168,082
12. STOCK-IN-TRADE			
Raw and packing materials			
In hand	27.1.1	**794,921**	488,756
In transit		**96,529**	65,848
		891,450	554,604
Work-in-process		**630,600**	650,583
Finished goods		**195,818**	155,928
		1,717,868	1,361,115

	June 30, 2018	June 30, 2017
	..... Rupees in '000	
13. TRADE DEBTS - considered good		
Secured - against letters of credit		
Related parties:		
Artistic Fabric & Garment Industries (Pvt). Limited	-	3,537
Artistic Apparels (Private) Limited	-	5,664
	-	9,201
Others	**1,054,249**	930,198
	1,054,249	939,399
Unsecured		
Related parties:		
DL1961 Premium Denim Inc.	**178,793**	109,055
Casual Sports Wear	**92,625**	107,867
Warp Weft LLC	-	25,977
Artistic Fabric & Garment Industries (Pvt). Limited	**23,184**	3,656
Premium Distributors	**856**	1,314
	295,458	247,869
Others	**457,299**	308,286
	1,807,006	1,495,554

13.1 Particulars of export sales in respect of outstanding debts :

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

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

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

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

	June 30, 2018	June 30, 2017
	..... Rupees in '000	
17. CASH AND BANK BALANCES		
Cash in hand	**1,731**	14
Cash in banks		
Current accounts	**85,165**	63,218
	86,896	63,232

18. SHARE CAPITAL

18.1 Authorised capital

2018	2017			
Number of shares				
		Authorised Share Capital		
100,000,000	100,000,000	Ordinary shares of Rs.10 each	**1,000,000**	1,000,000

18.2 Issued, subscribed and paid-up capital

2018	2017			
Number of shares		**Fully paid ordinary shares of Rs. 10/- each**		
14,000,000	14,000,000	- Issued for cash	**140,000**	140,000
70,000,000	70,000,000	- Issued as fully paid bonus shares	**700,000**	700,000
84,000,000	84,000,000		**840,000**	840,000

	June 30, 2018	June 30, 2017
	..... Rupees in '000	
19. RESERVES		
Revenue reserve		
Unappropriated profit	**5,259,036**	4,918,905
Actuarial gain on defined benefit plan	**1,109**	-
	5,260,145	4,918,905

	Note	June 30, 2018	June 30, 2017
		..... Rupees in '000	
20. LONG TERM FINANCING - secured			
Term finances from banks under the State Bank of Pakistan's (SBP's) scheme for Export Oriented Projects (EOP) and Long-Term Financing Facility (LTFF)			
Commercial bank - I	20.1	**339,526**	291,740
Commercial bank - II	20.2	**559,364**	560,159
		898,890	851,899
Current maturities shown under current liabilities		**(85,616)**	(38,392)
		813,274	813,507

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

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

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

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

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

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

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

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

		Gratuity	
		June 30, 2018	**June 30, 2017**
		..... **Rupees in '000**	
(a)	**Movement in the present value of defined benefit obligation**		
	Provision at July 01, 2017	**-**	139,671
	Expense for the year	**25,774**	5,828
		25,774	145,499
	Benefit paid	**(725)**	(145,499)
	Actuarial gain on defined benefit plan	**(1,109)**	-
	Provision as at June 30, 2018	**23,940**	-
(b)	**The amount charged in the profit or loss accounts is as follows**		
	Current service cost	**25,774**	5,828
(c)	**Principle acturial assumptions**		
	Discount rate	**10%**	-
	Salary increase	**10%**	-

(d) Comparison for five years

As at June 30, 2018	**2018**	**2017**	**2016**	**2015**	**2014**
	..... **Rupees in '000**				
Present value of defined benefit obligation	**23,940**	-	139,671	112,164	85,788
Experience adjustment					
Acturial (gain) / loss on obligation	**(1,109)**	-	1,184	5,675	8,166

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

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

22. TRADE AND OTHER PAYABLES

Creditors		**406,586**	406,433
Accrued liabilities		**988,584**	687,710
Advances from customers - unsecured		**22,720**	28,842
Advance from related party			
- DL1961 Premium Denim Inc. - unsecured	22.1	**5,072**	4,032
Staff contribution for vehicle		**15,120**	3,889
Workers' Profit Participation Fund	22.2	**31,936**	23,759
Workers' Welfare Fund	22.3	**12,026**	10,606
Tax deducted at source		**5,495**	7,023
		1,487,539	1,172,294

22.1 Represents advance received in respect of expenses to be incurred on behalf of the related party.

22.2 Workers' Profits Participation Fund

Balance at the beginning of the year		**23,759**	21,329
Allocation for the year	30	**31,935**	23,759
Interest on WPPF	30	**1,856**	1,446
		57,550	46,534
Payments made during the year		**(25,614)**	(22,775)
		31,936	23,759

22.3 Workers' Welfare Fund

Balance at the beginning of the year		**10,605**	57,929
Allocation for the period	30	**6,684**	5,258
		17,289	63,187
Reversal of WWF		**-**	(47,177)
Payments made during the period		**(5,263)**	(5,404)
		12,026	10,606

23. ACCRUED MARK-UP

Long-term finance – SBP's EOP and LTFF		**7,120**	6,871
Short-term running finances		**10**	49
Short-term loans		**9,797**	8,308
		16,927	15,228

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

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

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

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

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

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

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

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

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

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

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

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

Commitments

25.2 Commitments in respect of Building on leasehold land at the end of the period amounted to Rs. 29 million (June 30, 2017: Rs. 44.657 million).

25.3 Outstanding letters of credit at the end of the period amounted to Rs. 334.599 million (June 30, 2017: Rs. 442.847 million).

25.4 Post dated cheques issued in favour of Custom Authorities aggregating to Rs. 315.925 million (June 30, 2017: Rs. 231.826 million), against various statutory notifications.

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

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

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

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

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

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

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

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

29.2 Auditors' remuneration

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

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

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

33.1 The relationship between income tax expense and accounting profit has not been presented in these financial statements as the total income of the Company falls under the final tax regime and is taxed at a rate of 1% (2017: 1%) on total sales, including scrap sales.

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

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

34. EARNINGS PER SHARE - BASIC AND DILUTED

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

	June 30, 2018	June 30, 2017
	..... Rupees in '000	
Profit after tax for the year	**516,531**	429,437
	Number of shares	
Number of Ordinary shares	**84,000**	84,000
	(Rupees)	
Earnings per shares - basic and diluted (Rupees)	**6.15**	5.11

35. CASH GENERATED FROM OPERATIONS

	June 30, 2018	June 30, 2017
	..... Rupees in '000	
Profit before tax	**600,077**	446,153
Adjustments for non cash charges and other items:		
Depreciation/amortisation	**467,227**	437,981
Provision for gratuity	**25,774**	5,828
Reversal of WWF provision	**-**	(47,177)
Finance costs	**92,488**	88,203
Gain on disposal of operating fixed assets	**(1,775)**	(1,276)
	583,714	483,559
Profit before working capital changes	**1,183,791**	929,712
(Increase) in current assets		
Stores and spares	**(47,046)**	(11,463)
Stock-in-trade	**(356,753)**	(26,521)
Trade debts	**(311,452)**	(461,215)
Loans and advances	**6,291**	(202)
Trade deposits	**(3,095)**	941
Other receivables	**(121,852)**	(185,188)
Sales tax refundable	**87,807**	(8,911)
	(746,100)	(692,559)
Increase in current liabilities		
Trade and other payables	**315,245**	219,997
Cash generated from operations	**752,936**	457,150

36. UNAVAILED CREDIT FACILITIES

Short term Running Finances	**1,250,000**	1,250,000

37. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

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

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

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk (including Interest rate risk, foreign currency risk and equity risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of financial derivatives, financial instruments and investment of excess liquidity.

The Board of directors reviews and agrees policies for managing each of these risks which are summarised below:

38.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, interest rate risk and other price risk, such as equity risk.

Financial instruments affected by market risk include trade debtors, trade payables, bank balances, long-term financing and short-term borrowings.

38.1.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company's interest rate risk arises from long-term and short-term borrowings obtained with floating rates. The Company is currently exposed to interest rate risk as some of the borrowings of the Company are at floating rate of interest. All the borrowings of the Company are obtained in the functional currency.

Sensitivity Analysis:

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

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

38.1.2 Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency). The Company's exposure to foreign currency risk is as follows:

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

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
June 30, 2018	**+10**	**157,152**
	-10	**(157,152)**
June 30, 2017	+10	132,517
	-10	(132,517)

38.1.3 Equity risk

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

38.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is mainly exposed to credit risk on trade debts and bank balances. The Company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable. As of the reporting date, the Company is exposed to credit risk on the following assets:

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

38.2.1 Credit quality of financial assets

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

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

38.3 Liquidity risk

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

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the reporting date the Company has unavailed credit facility of Rs. 1,250 (2017: Rs.1,250) million.

Table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
	..... Rupees in '000					
Long term financing	-	18,056	67,560	460,102	353,172	898,890
Trade & other payables	828,286	538,043	43,961	-	-	1,410,290
Unclaimed dividend	2,100	-	-	-	-	2,100
Accrued mark-up	-	16,927	-	-	-	16,927
Short term borrowings	-	1,570,000	-	-	-	1,570,000
2018	**830,386**	**2,143,026**	**111,521**	**460,102**	**353,172**	**3,898,207**

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
	..... Rupees in '000					
Long term financing	-	650	37,742	461,248	352,259	851,899
Trade & other payables	574,644	485,134	38,254	-	-	1,098,032
Unclaimed dividend	2,171	-	-	-	-	2,171
Accrued mark-up	-	15,228	-	-	-	15,228
Short term borrowings	-	1,670,000	-	-	-	1,670,000
2017	**576,815**	**2,171,012**	**75,996**	**461,248**	**352,259**	**3,637,330**

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

38.4 Capital management

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

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

No changes were made in the objectives, policies or processes during the years ended June 30, 2018 and June 30, 2017.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings less cash and cash equivalents. Capital includes equity attributable to the equity holders add reserves.

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

39. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings, directors and key management personnel.

The Company in the normal course of business carries out transactions with various related parties.

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

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

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

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

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

39.2 Associated Companies Incorporated Outside Pakistan

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

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value hierarchy

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

Level 1: Quoted market price
Level 2: Valuation techniques (market observable); and
Level 3: Valuation techniques (non-market observables)

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

41. PLANT CAPACITY AND ACTUAL PRODUCTION

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

Garments

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

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

42. NUMBER OF EMPLOYEES

	June 30, 2018	June 30, 2017
At year end - Total	**499**	494
At year end - Factory	**452**	446
Average for the year - Total	**480**	500
Average for the year - Factory	**433**	450

43. GENERAL

43.1 Subsequent to year ended June 30, 2018, the Board of Directors in its meeting held on September 29, 2018 has proposed final cash dividend at the rate of Rs. 2.50 per ordinary share of Rs. 10 each, amounting to Rs. 210.000 million (2017: Rs. 2.10/- per share amounting to Rs. 176.400 million) for approval of the members at the Annual General Meeting.

43.2 Under section 5A of the Income Tax Ordinance, 2001 (the Ordinance), the Company is obligated to pay tax at a prescribed rate on its accounting profit before tax, if it derives profit for a tax year but does not distribute prescribed level of such profits within six months of the end of the tax year, through cash dividend.

43.3 These financial statements have been authorised for issue on September 29, 2018 by the Board of Directors of the Company.

43.4 Certain prior year figures have been reclassified for better presentation. However, there are no material reclassifications to report.

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

Faisal Ahmed Chief Executive	**Muhammad Iqbal-ur-Rahim** Director	**Sagheer Ahmed** Chief Financial Officer

FORM OF PROXY

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

Signed this_____day of _____ 2018.

Witnesses: 1.Signature _____
Name: _____
Address: _____
CNIC or Passport No. _____

Rs 5/- Revenue Stamp

2. Signature_____
Name: _____
Address: _____
CNIC or Passport No. _____

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

CNIC or Passport No. _____

IMPORTANT

1. This form of proxy, duly completed and singed, 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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ADM
ARTISTIC DENIM MILLS