ADM
ARTISTIC DENIM MILLS

Annual Report 2019

admdenim.com

Contents

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 27th Annual General Meeting of the Members of **Artistic Denim Mills Limited** (the Company) will be held on Saturday, October 19, 2019 at 4:00 p.m. at the premises of the Institute of Chartered Accountants of Pakistan (ICAP), Chartered Accountants Avenue, Clifton, Karachi to transact the following business.

Ordinary Business

1. To confirm the Minutes of the Annual General Meeting held on October 27, 2018.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2019, together with the Directors' and the Auditors' Reports thereon.
3. To consider and approve the payment of final cash dividend @ Rs. 3.00 per share (30%) for the financial year ended June 30, 2019 as recommended by the Board of Directors.
4. To appoint the Auditors of the Company for the year ending June 30, 2020 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, 2019 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;
carried out in the normal course of business during the year ended June 30, 2019 be and are hereby ratified and approved."

"***FURTHER RESOLVED*** *that the Board of Directors of the Company be and is hereby authorized to approve all transactions carried out and to be carried out in the normal course of business during the ensuing year ending June 30, 2020 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."

By Order of the Board of Directors

Muhammad Ozair Qureshi
Company Secretary

Karachi: September 28, 2019

NOTES:

1. Capital Closure of Shares Transfer Books:
The share transfer books of the Company will remain closed from October 11, 2019 to October 19, 2019 (both days inclusive). The transfers received in order at the office of 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 10, 2019 will be treated in time for the entitlement of final cash dividend and to attend and vote at the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

2. Participation in Annual General Meeting:

A member entitled to attend and vote at this Annual General Meeting shall be entitled to appoint another member, as a proxy to attend, speak and vote on his / her behalf. 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.

Any Individual Beneficial Owner of CDC, entitled to vote at this Meeting, must bring his / her original Computerized National Identity Card (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 further 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 details are 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) Members registered on CDC are also requested to bring their particulars, I.D. numbers and account numbers in CDS

iii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been 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 details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers 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 / her original CNIC or original passport at the time of the 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.

Those shareholders who have still not provided their International Bank Account Number (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).

NOTICE OF ANNUAL GENERAL MEETING

(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 payment of cash dividends under the Companies (Distribution of Dividends) Regulations, 2017.

4. **Withholding Tax on Dividend:**

Dividend income on shares is liable to deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001 and pursuant to the provisions of Finance Act, 2019, effective July 01, 2019, withholding of tax on dividend based on 'Active' and 'Non-Active' status of shareholders shall be @ 15% and 30% respectively where 'Active' means a person whose name appears on the Active Taxpayers List available at e-portal of FBR (http://www.fbr.gov.pk/) and 'Non-Active' means a person whose name is not being appeared on the Active Taxpayers List.

In case of joint account, each holder is to be treated individually as either 'Active' or 'Non-Active' 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 required information must reach the Share Registrar of the Company before the close of the business on October 10, 2019 otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Shareholder(s).

As per FBR Circulars C. No.1 (29) WHT/2006 dated 30 June 2010 and C. No.1 (43) DG (WHT)/2008-Vol. II-66417-R dated 12 May 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under clause 47B of Part-IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to the Company's Share Registrar M/s. F. D. Registrar Services (SMC-Pvt.) Limited before book closure otherwise tax will be deducted on dividend as per applicable rates.

5. **Unclaimed Dividend:**

In compliance of Section 244 of the Companies Act, 2017, once the Company has completed stipulated formalities, any unclaimed dividend and /or shares that have remained outstanding for a period of three years from the date of becoming due and payable or more shall be credited to the Federal Government (in case of dividend) or delivered to the SECP (in case of physical shares). Shareholders who could not collect their dividend / physical shares are advised to contact Company's Share Registrar to collect / inquire about their unclaimed dividend or shares, if any.

NOTICE OF ANNUAL GENERAL MEETING

6. Electronic Transmission of Audited Financial Statements & Notices

The Securities and Exchange Commission of Pakistan (SECP) through its Notification S.R.O. 787(I)/2014 dated 8th September 2014 has permitted companies to circulate Audited Financial Statements along with Notice of Annual General Meeting to its Members through e-mail. Accordingly, Members are hereby requested to convey their consent and e-mail address for receiving Audited Financial Statements and Notice through e-mail. Please note that giving email address for receiving of Annual Financial Statements instead of receiving the same by post is optional, in case you do not wish to avail this facility please ignore this notice. Annual Financial Statements will be sent at your registered address, as per normal practice.

7. Video Conference Facility

Members can avail video conference facility, in this regard, please fill the following and submit to head office of the Company 10 days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

"I/We, ______________ of _____________, being a member of Artistic Denim Mills Limited, holder of ________ ordinary shares(s) as per Registered Folio/CDC Account No.______ hereby opt for video conference facility at ___________".

8. Zakat Declaration:

Zakat will be deducted from the dividends at source at the rate of 2.5% of the paid-up value of the share (Rs. 10 each) and will be deposited within the prescribed period with the relevant authority. In case of claiming exemption, please submit your Zakat Declaration under Zakat and Ushr Ordinance, 1980 and Rule 4 of Zakat (Deduction and Refund) Rules, 1981, CZ-50 Form with our Share Registrar. Physical shareholders are requested to submit the said declaration to our Share Registrar in the proper manner. The Shareholders must write Artistic Denim Mills Limited's name and their respective CDS A/C # or Folio numbers on Zakat Declarations at relevant place.

9. 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 27th 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:

NOTICE OF ANNUAL GENERAL MEETING

S. No.	Name of Associated Company	Concerned / Interested Director	Nature of Transactions	Rupees in "000"
1	Casual Sportswear	Mr. Muhammad Ali Ahmed	Sales	84,731
2	Artistic Apparels (Pvt) Ltd.	Mr. Muhammad Yousuf Ahmed	Other	116
3	DL1961 Premium Denim Inc.	Mrs. Maliha Faisal	Sales Reimbursement of expenses	795,809 51,435
4	Artistic Fabric & Garment Industries (Pvt) Ltd.	Mr. Muhammad Iqbal Ahmed	Sales Purchases Services rendered	56,463 46,958 7,760
5	Premium Distributors	Mr. Muhammad Ali Ahmed	Sales	64,625

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, 2019 are being placed before the shareholders for their consideration and approval / ratification.

All related party transactions, during the year 2019, were reviewed and approved by the Audit Committee and the Board in their respective meetings. The transactions with related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method.

The 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 to assess the Board's overall performance and effectiveness. The Board is assisted by its committees. 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 am pleased to 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, 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.

Finally, I would like to thank all our Board Members for their commitment and contribution.

MUHAMMAD IQBAL AHMED

CHAIRMAN

Karachi: September 25, 2019

DIRECTORS' REPORT TO THE MEMBERS

The Board of Directors is pleased to present to you the Annual Report of Artistic Denim Mills Limited ("the Company") along with the Company's Audited Financial Statements for the financial year ended June 30, 2019.

OPERATING FINANCIAL RESULTS

Following are the operating financial results of the Company:

	Rs. in ('000')
Profit for the year before taxation	955,478
Taxation	(88,658)
Net Profit for the year	866,820
Un-appropriated profit brought forward	5,260,145
Other comprehensive income	(2,806)
Profit available for appropriation	6,124,159
Appropriations:	
Final Dividend for year ended June 30, 2018	
Cash	(210,000)
Un-appropriated profit carried forward	5,914,159

PERFORMANCE REVIEW

During the year under review, the Company's business achieved net turnover of Rs. 7,767 million as compared to Rs. 8,240 million last year. The decrease in sales was due to slow demand and stiff competition in the international market.

Despite decrease in turnover, gross profit increased from Rs. 792 million to Rs. 888 million in absolute terms and as a percentage of net turnover increased from 9.61 percent to 11.43 percent. The increase in gross profit was due to rapid devaluation of Pak Rupee and effective cost control despite increase in raw material prices & increase in minimum wage rate.

Other income increased from Rs. 268 million to Rs. 582 million as compared to previous year due to realized and unrealized exchange gain on exports.

Finance cost slightly increased from Rs. 92 million to Rs. 112 million due to increase in working capital requirements.

The Company's net profit recorded at Rs. 867 (June 30, 2018: Rs. 517) million, reflecting a growth of 67.82% over last year. Earnings per Share (EPS) during the year considerably improved to Rs. 10.32 as against Rs. 6.15 of last year.

DIVIDEND

The Board of Directors has proposed a final cash dividend of Rs. 3.00/= per share for the financial year ended June 30, 2019 (June 30, 2018: Rs. 2.50/= 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. 252 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 2019 the Company generated Rs. 267.699 (2018: Rs.567.591) million from operating activities.

SALES AND MARKETING

With a track record of over 28 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, ADM has separate in house research and development department who is involved into new product development & new process development and to provide complete solution to the customers. Sustainability is a commitment to us and we are working very closely with all of our suppliers to make it a reality. The Company has also developed laser friendly denim fabric in order to minimize use of water and chemicals in garment finishing process. ADM is working on different kinds of denim fabric and garments developments to improve its products such as HyperStretch, Pormodal®, XFIT LYCRA®, Organic Denim Series, LYCRA®dualFX™, TOUGH MAX™ LYCRA®, Pure Dark Indigo Series (PDI), Medallion Series, Tined Series, Flat Series and LYCRA® T400® Fiber.

In line with the Company's strategic objectives, the Company has been investing in value additions and for balancing, modernization and replacement (BMR) which is an ongoing process by utilizing SBP's LTFF Scheme. The total capital expenditure incurred during the year was Rs. 1,056 million. The Company has also been investing on human capital development to develop new markets and improve operational efficiencies & minimize production costs.

FUTURE OUTLOOK

Despite massive devaluation of the Pak Rupee and a range of subsidies and incentives offered by the government to the export-oriented textile sector, the performance of textile sector remained under stress as textile exports during the financial year ended June 30, 2019 declined by 1.42% in dollar terms as compared to the exports of the corresponding period of last financial year. Investments in the industry to grow exports and substitute imports are a precondition for sustainable future economic growth. Rising input costs on the back of higher energy prices and the lagged impact of exchange rate depreciation are likely to maintain upward pressure on inflation. Furthermore, several other factors such as pending refunds against provincial sales tax since 2013, withdrawal of zero-rated regime for exporters, duty on basic raw materials and 31 percent increase in gas tariff have increased the cost of doing business.

Despite challenges at both, international and domestic fronts, the Company will continue enlarge and firm up its textile business and is committed 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. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls in the system.

- 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.
- Half of the directors of the Company have already attended the directors training course 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, 2019 along with disclosure as required under the Code of Corporate Governance is annexed to the Audited Financial Statements.
- There is no trading in the shares of the Company, carried out by its Directors, CEO, CFO, Company Secretary, Head of Internal Audit, Other Executives and their spouses & minor children is during the year.

BOARD OF DIRECTORS

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

a. Male: 6
b. Female: None. (Mrs. Maliha Faisal has resigned from the Board on 27th June, 2019)

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. Mr. Muhammad Iqbal Ahmed ii. Mr. Muhammad Yousuf Ahmed iii. Mr. Muhammad Ali Ahmed iv. Mr. Muhammad Iqbal-ur-Rahim
c) Executive Director	i. Mr. Muhammad Faisal Ahmed

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

Name of Director	No. of Meetings Attended
Mr. Muhammad Faisal Ahmed	4
Mrs. Maliha Faisal *	-
Mr. Muhammad Iqbal Ahmed	3
Mr. Muhammad Yousuf Ahmed	2
Mr. Muhammad Ali Ahmed	-
Mr. Muhammad Iqbal-ur-Rahim	4
Mr. Zafar-ul-Mukhtar Ahmed Khan	4

Leave of absence was granted to directors who were unable to attend the Board Meetings
* Retired on June 27, 2019.

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 Ali Ahmed	-
Mr. Muhammad Iqbal-ur-Rahim	4
Mr. Zafar-ul-Mukhtar Ahmed Khan	4

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

The Board of Directors has formed the Human Resource and Remuneration Committee (HR&RC) in line with the 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 performing its duties in line with its terms of reference as determined by the Board of Directors. 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 Ali Ahmed	1
Mr. Muhammad Iqbal-ur-Rahim	1
Mr. Zafar-ul-Mukhtar Ahmed Khan	1

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 2019, 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 19, 2019 and being eligible, offer themselves for re-appointment. In accordance with the Code of Corporate Governance, the Board of the 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, 2020, at mutually agreed fees.

CORPORTATE SOCIAL RESPONSIBILITY

1. Energy Conservation

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

In line with the Company's declared commitment towards conservation of natural resources, all business units have continued with their efforts to improve energy usage efficiencies. The Company has 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.
During the year, ADM has won the Environment Excellence Award at the 16th Annual Environment Excellence Awards held at a local hotel in Karachi. 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 45001:2018 OHSAS	(Occupational Health and Safety Assessment Series)
• ISO 14001:2015 EMS	(Environmental Management System)
• ISO 9001:2015 QMS	(Quality Management System)
• BSCI	(Business Social Compliance Initiative)
• BCI	(Better Cotton 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

ADM is committed to act ethically towards the society at large and aims to contribute to the social development in the country as well as in the world. Accordingly, the Company contributes large donation to Edhi Foundation and "Charity: Water".

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

MUHAMMAD FAISAL AHMED
Chief Executive

MUHAMMAD IQBAL-UR-RAHIM
Director

Karachi: September 25, 2019

ڈائریکٹرز رپورٹ برائے ممبران

کمپنی کے ڈائریکٹرز کو اپنی رپورٹ بشمول کمپنی کی آڈٹ شدہ مالیاتی تفصیلات برائے اختتام مالیاتی سال 30 جون 2019 پیش کرتے ہوئے خوشی ہے۔

کاوباری مالیاتی نتائج

کمپنی کے کاروباری مالیاتی نتائج درج ذیل رہے:

	روپے ''000'' میں
منافع قبل از ٹیکس	955,478
ٹیکس	(88,658)
سال کا خالص منافع	866,820
غیر مصرف شدہ منافع پیچھے سے لایا گیا	5,260,145
دیگر جامع آمدن	(2,806)
مصارف کے لئے دستیاب منافع	6,124,159
مصارف منافع	
30 جون 2018 کا حتمی منافع منقسمہ	
نقد	(210,000)
غیر مصرف شدہ منافع آگے لے جایا گیا	5,914,159

کارکردگی کا جائزہ

جائزہ سال کے دوران کمپنی کے کاروبار کی خالص فروخت 7,767 ملین روپے رہی جبکہ گزشتہ سال 8,240 ملین روپے تھی۔فروخت میں کمی کی وجہ کم طلب اور عالمی مارکیٹ میں سخت مسابقت تھی۔

فروخت میں کمی کے باوجود خام منافع گزشتہ سال 792 ملین روپے کے مقابلے میں قطعی لحاظ سے بڑھ کر 888 ملین روپے ہوگیا اور بلحاظ فروخت اس کی شرح میں 9.1 فیصد سے بڑھ کر 11.43 فیصد ہوگیا۔ خام مال کی قیمتوں اور کم از کم اجرتوں کے نرخ میں اضافے کے باجود خام منافع میں اضافہ ہوا جس کی بنیادی وجہ پاکستانی روپے کی قدر میں تیز ترین کمی اور لاگت پر موثر کنٹرول تھا۔

دیگر آمدن گزشتہ سال کے 268 ملین روپے سے بڑھ کر 582 ملین روپے ہوگئیں جس کی بنیادی وجہ برآمدات پر زرمبادلہ تسلیم شدہ اور غیر تسلیم شدہ منافع تھا۔

مالیاتی لاگت معمولی اضافے کے ساتھ 92 ملین روپے سے بڑھ کر 112 ملین روپے ہوگئیں جس کی بنیادی وجہ رواں سرمائے کی ضروریات میں اضافہ تھا۔

کمپنی کا خالص منافع 867 ملین روپے ریکارڈ ہوا (30 جون 2018 کو 517 ملین روپے) جس میں گزشتہ سال کی بہ نسبت 67.82 فیصد اضافے کی عکاسی ہوتی ہے۔سال کے دوران فی حصص منافع (EPS) بڑھ کر 10.32 روپے ہوگیا جو کہ گزشتہ سال 6.15 روپے تھا۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے سال مختتمہ 30 جون 2019 کے لئے 3.00 روپے فی حصص کے حساب سے حتمی منافع منقسمہ کی تجویز دی ہے (30 جون 2018 میں 2.50 روپے فی حصص) جو کہ آنے والے سالانہ اجلاس عام میں حصص یافتگان کی منظوری کے تابع ہے۔اس طرح منافع منقسمہ کی رقم جو ادا کی جائے گی وہ 252 ملین روپے ہوگی۔

نقدی کے بہاؤ کا گوشوارہ

کمپنی کے پاس نقدی کے بہاؤ کا موثر انتظام ہے۔جس کے تحت نقدی کے اندرونی اور بیرونی بہاؤ کا اہتمام کیا جاتا ہے اور ایسی حکمت عملی ترویج کی جاتی ہے۔جس کے تحت نقدی کے اندرونی بہاؤ اور قلیل مدتی قرضوں کے ذریعے رواں سرمائے کی ضروریات کو پورا کیا جاتا ہے۔سال 2019 میں کمپنی کی پیداواری سرگرمیوں سے 267.699 ملین روپے (2018 میں 567.591 ملین روپے) حاصل ہوئے۔

فروخت اور مارکیٹنگ

28 سالہ کامیاب تجربہ کے ذریعے ADM فخریہ طور پر اپنے صارف / گاہکوں کو ممکنہ طور پر بہترین ڈینم برانڈ فراہم کرتا ہے۔ADM تسلسل کے ساتھ یورپ اور یو ایس میں نمائشوں میں شرکت کرتی ہے۔جس سے ڈینم برانڈز کے ساتھ گاہکوں کے تعلقات بہتر طریقے سے استوار ہوتے ہیں۔

پائیدار ترقی کی پیشقدمیوں کے تحت ADM کے پاس ایک علیحدہ تحقیقی اور ترویجی ہاؤس ہے جو کہ نئی مصنوعات اور نئے طریقے عمل کی ترویج میں مصروف عمل ہے اور کسٹمرز کو مکمل حل فراہم کرتا ہے۔پائیداری ہمارا ایک وعدہ ہے اور اس کو حقیقت کا روپ دینے کے لئے ہم بہت باریک بینی سے اپنے تمام سپلائرز کے ساتھ مل کر کام کر رہے ہیں۔کمپنی نے لیزر دوست ڈینم کپڑے کو ترویج کرلیا ہے تاکہ گارمنٹ کی تیاری کے عمل میں پانی اور کیمیائی اجزاء کے استعمال کو کم سے کم کیا جاسکے۔اپنی مصنوعات جیسے کہ HyperStretch, Pormodal®, XFIT LYCRA®, Organic Denim Series, LYCRA®dualFX™, TOU GH MAX™LYCRA®, Pure Dark Indigo Series (PDI), Medallion Series, Tined Series, Flat S eries اور LYCRA®T400® Fiber. میں بہتری کے لئے ADM مختلف اقسام کے ڈینم اور گارمنٹس کے کپڑوں کی ترویج پر کام کر رہی ہے۔

کمپنی کے کلیدی مقاصد کے تحت کمپنی اضافی خدوخال اور توازن، جدیدیت اور جدت کے جاری عمل کو برقرار رکھنے کے لئے SBP کی LTTF اسکیم سے استفادہ کرتی ہے۔سال کے دوران کل سرمایہ جاتی اخراجات 1,056 ملین روپے رہے۔کمپنی انسانی سرمائے کی ترقی میں سرمایہ کاری کر رہی ہے تاکہ نئی مارکیٹوں میں قدم جمائے جاسکیں اور پیداواری استعداد کو بہتر بنایا جاسکے اور پیداواری لاگت کو کم کیا جاسکے۔

مستقبل کی پیش بینی

وسیع پیمانے پر پاکستانی روپے کی قدر میں کمی اور حکومت کی طرف سے برآمدی شعبوں کو پیش کردہ کئی ایک سبسڈیوں اور ترغیبات کے باوجود ٹیکسٹائل سیکٹر کی کارکردگی دباؤ کا شکار رہی یعنی سال مختتمہ 30 جون 2019 میں گزشتہ سال کی بہ نسبت ڈالر کے لحاظ سے ٹیکسٹائل کی برآمدات میں 1.42 فیصد کمی ہوئی۔برآمدات میں اضافے اور متبادل درآمدات میں اضافے کے لئے صنعت میں سرمایہ کاری مستقبل میں پائیدار معاشی نمو کے لئے اولین شرط ہے۔خام مال کی بڑھتی ہوئی لاگتوں کے ساتھ توانائی کی قیمتوں میں اضافہ اور مبادلہ کے نرخ میں فرسودگی سے امکان ہے کہ افراط زر پر اوپر کی جانب دباؤ برقرار رہے گا۔مزید برآں، کچھ دیگر عناصر جیسے کہ سن 2013 سے صوبائی سیلز ٹیکس کے زیرالتوا ریفنڈز، برآمد کنندگان کیلئے صفر نرخ کے نظام کے خاتمہ، بنیادی خام مال پر عائد ڈیوٹی اور گیس کے نرخ میں 31 فیصد اضافے سے کاروباری لاگت میں اضافہ ہوچکا ہے۔

چیلنجز کے باوجود عالمی اور مقامی محاذ پر کمپنی تسلسل کے ساتھ اپنے ٹیکسائل کے کاروبار کو وسعت دینے اور اسے مستحکم کرنے اور منافع بخش نمو اور شاندار پیدوار کے حصول کے لئے کوشاں ہے۔

ادارتی اور مالیاتی رپورٹنگ فریم

ڈائریکٹران تصدیق کرتے ہیں کہ مندرجہ ذیل معاملات میں سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان ادارتی اور مالیاتی رپورٹنگ فریم ورک اور ادارتی نظم وضبط کی پاسداری کی گئی ہے:

☆ کمپنی کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے کمپنی کے معاملات، اس کے کاروباری نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفافیت کے ساتھ پیش کرتے ہیں۔

☆ کمپنی میں حسابات کی کتابیں مناسب انداز میں تیار کی گئی ہیں۔

☆ درست حساباتی پالیسیوں کو تسلسل کے ساتھ مالیاتی گوشواروں کی تیاری کے دوران ملحوظ خاطر رکھا گیا ہے اور اکاؤنٹنگ کی پالیسیوں کی کسی بھی تبدیلی کو مالیاتی گوشواروں میں منکشف کیا گیا ہے اور حساباتی تخمینوں کی بنیاد معقول اور مضبوط فیصلوں پر ہے۔

☆ مالیاتی گوشواروں کی تیاری کے دوران عالمی مالیاتی رپورٹنگ معیارات، جو پاکستان میں لاگو ہیں کو ملحوظ خاطر رکھا گیا ہے اور اگر کوئی انحراف ہوا ہے تو اسے مناسب انداز میں منکشف کیا گیا ہے اور اس کی وضاحت کی گئی ہے۔

☆ اندرونی گرفت کے نظام کی شکل مضبوط ہے اور موثر انداز میں نافذ العمل ہے اور اس کی نگرانی کی جاتی ہے۔

☆ کمپنی کی چلتے ہوئے ادارے کی صلاحیت میں کوئی قابل ذکر شک وشبہ نہیں ہے۔

☆ پاکستان اسٹاک ایکسچینج کی رول بک میں میں دیئے گئے ضابطوں کے مطابق ادارتی نظم وضبط کے بہترین طور طریقوں سے کوئی قابل ذکر انحراف نہیں کیا گیا۔

☆ گزشتہ چھ سالوں کے اہم کاروباری اور مالیاتی اعداد وشمار آڈٹ شدہ مالیاتی گوشواروں میں مختصراً شامل کئے گئے ہیں۔

☆ واجب الاداڈیوٹیوں، آئینی اخراجات اور ٹیکس اگر کوئی ہو، تو انہیں آڈٹ شدہ مالیاتی گوشواروں میں باضابطہ منکشف کیا گیا ہے۔

☆ ڈائریکٹران کی آدھی تعداد نے ڈائریکٹران کے تربیتی کورس میں شرکت کر لی ہے اور اور باقی ڈائریکٹران بھی ادارتی نظم وضبط کے ضابطے میں دی گئی مقررہ مدت میں تربیت حاصل کر لیں گے۔

☆ 30 جون 2019 کی حصص داری کی ساخت کے ساتھ ادارتی نظم وضبط کے ضابطہ کے تحت درکار منکشفات آڈٹ شدہ مالیاتی گوشواروں میں شامل کئے گئے ہیں۔

☆ ڈائریکٹران، سی ای او، سی ایف او، کمپنی سیکریٹری، اندرونی آڈٹ کے سربراہ، دیگر اعلیٰ عہدیداران اور ان کے شریک حیات اور چھوٹے بچوں نے سال کے دوران کمپنی کے حصص میں کوئی خرید وفروخت نہیں کی۔

بورڈ آف ڈائریکٹرز

ڈائریکٹران کی کل تعداد 6 ہے جن کی تفصیل درج ذیل ہے:

a- مرد 6

b- خواتین کوئی نہیں (مسز ملیحہ فیصل نے 27 جون 2019 کو بورڈ سے استعفیٰ دے دیا تھا)

بورڈ کی تشکیل بندی درج ذیل ہے:

	قسم	نام
a)	آزاد ڈائریکٹر	i.- جناب ظفر الختار احمد خان
b)	دیگر نان ایگزیکٹو ڈائریکٹران	i.- جناب محمد اقبال احمد ii.- جناب محمد یوسف احمد iii.- جناب محمد علی احمد iv.- جناب محمد اقبال الرحیم
c)	ایگزیکٹو ڈائریکٹر	i.- جناب محمد فیصل احمد

جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کے پاکستان میں چار اجلاس ہوئے اور ہر ڈائریکٹر کی حاضری درج ذیل رہی:

جناب محمد فیصل احمد	4
*مسز ملیحہ فیصل	-
جناب محمد اقبال احمد	3
جناب محمد یوسف احمد	2
جناب محمد علی احمد	-
جناب اقبال الرحیم	4
جناب ظفر المختار احمد خان	4

جو ڈائریکٹران بورڈ کے اجلاس میں حاضر ہونے سے قاصر رہے ان کی غیر حاضری کی رخصت منظور کر لی گئی۔

*27 جون 2019 کو سبکدوش ہو چکی ہیں۔

بورڈ کی کمیٹیاں

بورڈ آف ڈائریکٹرز نے ادارتی نظم وضبط کے ضابطے کی ضروریات کے تحت آڈٹ کمیٹی تشکیل دی ہے۔ آڈٹ کمیٹی تین ممبران پر مشتمل ہے جس میں دو نان ایگزیکٹو ڈائریکٹران اور ایک آزاد ڈائریکٹر شامل ہے۔ آڈٹ کمیٹی کا چیئرمین ایک آزاد ڈائریکٹر ہے۔ آڈٹ کمیٹی نے اپنے افعال تسلی بخش انداز میں اور ادارتی نظم وضبط کے ضابطے کے مطابق انجام دیئے۔

سال کے دوران آڈٹ کمیٹی کے چار اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

ڈائریکٹر کا نام	حاضر اجلاسوں کی تعداد
جناب محمد علی احمد	-
جناب اقبال الرحیم	4
جناب ظفر المختار خان	4

جو ڈائریکٹران بورڈ کے اجلاس میں حاضر ہونے سے قاصر رہے ان کی غیر حاضری کی رخصت منظور کر لی گئی۔

بورڈ آف ڈائریکٹرز نے ادارتی نظم وضبط کے ضابطے کی ضروریات کے تحت انسانی وسائل اور معاوضہ کمیٹی تشکیل دی ہے۔ کمیٹی تین ممبران پر مشتمل ہے جس میں دو نان ایگزیکٹو ڈائریکٹران اور ایک آزاد ڈائریکٹر شامل ہے۔ کمیٹی کا چیئرمین ایک آزاد ڈائریکٹر ہے۔ کمیٹی بورڈ کے طے کردہ اغراض ومقاصد کے تحت اپنے فرائض انجام دے رہی ہے۔ سال کے دوران کمیٹی کا ایک اجلاس ہوا جس میں ڈائریکٹر کی حاضری درج ذیل رہی:

ڈائریکٹر کا نام	حاضر اجلاسوں کی تعداد
جناب محمد علی احمد	1
جناب محمد اقبال الرحیم	1
جناب ظفر المختار احمد خان	1

نان ایگزیکٹو ڈائریکٹران کے لئے معاوضہ کی پالیسی

بورڈ وقتاً فوقتاً نان ایگزیکٹو ڈائریکٹران/آزاد ڈائریکٹران کا بورڈ/کمیٹیوں کے اجلاس میں حاضری کے معاوضہ کا تعین کرتا ہے۔ نان ایگزیکٹو ڈائریکٹران/آزاد ڈائریکٹران کو بطور معاوضہ بورڈ اور کمیٹی کے اجلاسوں میں شرکت کی فیس دی جاتی ہے۔ اس کے علاوہ ڈائریکٹران کو سفری، طعام وقیام اور دیگر اخراجات بھی ادا کیے جاتے ہیں جو وہ اپنے فرائض یا کاروبار کی انجام دہی، یا دیگر کوئی اخراجات اور بیرون ملک یا بیرون شہر سے بورڈ کے اجلاس یا کمپنی کے اجلاس عام میں شرکت کرنے پر برداشت کرتے ہیں۔

ملحقہ پارٹیوں کے سودے اور اندورنی قیمت گری

مالیاتی سال 2019 کے دوران تمام ملحقہ پارٹیوں کے سودے آڈٹ کمیٹی اور بورڈ کے جائزے اور منظوری کے لئے پیش کئے گئے- ان سودوں کو آڈٹ کمیٹی اور بورڈ نے اپنے متعلقہ اجلاسوں میں منظور کیا- مناسب غیر منضبط قیمتوں کے مطابق ملحقہ پارٹیوں کے ساتھ سودے بلاتفریق طے شدہ قیمتوں پر تکمیل پائے-

خطرات کا انتظام

کمپنی کے پاس خطرات کے انتظام کا ایک تیز رفتار نظام موجود ہے جو کہ ان بنیادی خطرات اور غیر یقینی صورتحال کی نگرانی، انتظام اور نشاندہی کرتا ہے جو کہ اس کے کلیدی مقاصد کے حصول کی صلاحیت پر اثر انداز ہوں- اس فریم ورک کے مطابق کمپنی نے ایسے طریق عمل اور نظام اختیار کئے ہیں جس میں مناسب جائزہ کے ذریعے متحرکانہ انداز میں ان خطرات کی نگرانی اور انتظام کیا جاتا ہے اور ان میں کمی لائی جاتی ہے-

مالیاتی گرفت کا اندرونی نظام

ADM کے پاس مالیاتی گرفت کا ایک جامع اندورنی نظام موجود ہے جو کہ اس کے کاروباری عمل کے حجم، پیمائش اور پیچیدگی کی نگرانی کرتا ہے- یہ نظام بڑے طریق عمل میں کمپنی کے اثاثوں کے تحفظ کو یقینی بنانے، مالیاتی سودوں کی مناسب اجازت، لاگو قوانین وضوابط کی پاسداری اور وسائل کے مستعد استعمال میں مدد کرتا ہے- کمپنی کی انتظامیہ اندرونی آڈیٹرز اور اور آئینی آڈیٹرز کی پیش کردہ سفارشات پر باضابطہ غور کرتی ہے اور ان پر ضروری کارروائی کی جاتی ہے-

آڈیٹرز

موجودہ آڈیٹر EY FORD RHODES چارٹرڈ اکاؤنٹنٹس آنے والے سالانہ اجلاس عام جو کہ 19 اکتوبر 2019 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 2020 تک کے لئے ان کو اسٹیٹیوٹری آڈیٹر کی حیثیت سے ایک متفقہ فیس پر آڈٹ کمیٹی کی سفارش پر ان کی دوبارہ تعیناتی کو منظور کرلیا ہے۔

ادارتی سماجی ذمہ داری

1- توانائی کی بچت

کمپنی کا اپنا بجلی پیدا کرنے کا پلانٹ ہے- بجلی کا پلانٹ تمام شعبہ جات جیسے اسپننگ، ویونگ اور گارمنٹس ڈویژن کو سستی بجلی فراہم کرتے ہوئے ان کی توانائی کی ضروریات پورا کرتا ہے- پلانٹ کی دیکھ بھال ومرمت اعلیٰ تعلیم یافتہ اور بہترین تربیت یافتہ عملہ کرتا ہے-

کمپنی کے قدرتی وسائل کی بچت کے اعلانیہ عزم کے تحت تمام کاروباری یونٹ تسلسل کے ساتھ توانائی کا استعمال مستعد انداز میں کرتے ہیں- کمپنی کا شمسی توانائی کا نظام گیس اور ایندھن کی بڑھتی ہوئی لاگت کے خلاف مزاحم ہے- کمپنی تسلسل کے ساتھ پیداواری عمل اور مشینری میں تبدیلیوں، جدید ٹیکنالوجی کے استعمال، نئے طریقہ کار کی ترویج، دیکھ بھال، فاضل گرمی کی بازیابی کے ذریعے توانائی کی بچت میں مصروف عمل ہے- ان اقدامات کے نتیجے میں پیداواری لاگت میں کمی اور توانائی اور وقت کی بچت ہوتی ہے-

2- ماحول، صحت اور تحفظ

ADM کا صحت، تحفظ اور ماحول سے متعلق منضبط نظام ADM کے کل احاطے اور فضا کو تمام ملازمین، گاہکوں، مستفیدان، ٹھیکیداروں، ملاقاتیوں اور سپلائرز کے لئے محفوظ اور صحت مند بناتا ہے- کمپنی نے غیر محفوظ اور غیر صحت مند کام کے طور طریقوں/ حالات میں کمی کے لئے بامقصد کوششیں کی ہیں- کمپنی نے کام کے دوران یا اس سے ملحقہ یا اس کے نتیجے میں پیدا ہونے والے حادثات اور صحت کے لئے مضر اثرات سے بچاؤ کے لئے مناسب اقدامات کئے ہیں- انتظامیہ کے نمائندے تمام ملازمین کی صحت اور تحفظ کے ذمہ دار ہیں اور صحت اور تحفظاتی عناصر کے اعلیٰ معیار کے نفاذ کے لئے جوابدہ ہیں- ماحولیاتی شور کی جانچ کی سرگرمی وقفے وقفے سے بیرونی تجارتی لیبارٹری سے کروائی جاتی ہے- فائر الارم اور سراغ لگانے والے نظام نصب ہیں اور انہیں چالو حالت میں برقرار رکھنے کے لئے ان کی مناسب دیکھ بھال ومرمت کی جاتی ہے-

سال کے دوران ADM نے مقامی ہوٹل میں منعقد ہونے والے سولہویں سالانہ شاندار ماحولیاتی ایوارڈز میں شاندار ماحولیاتی ایوارڈ جیتا۔ ADM انتظامیہ کی ہر سطح پر ماحولیات، صحت اور تحفظ کے لئے مکمل طور پر کوشاں ہے اور ان حالات میں مزید بہتری اور کمپنی کی پالیسی، مقاصد، اہداف اور اس سلسلے میں پروگرام کی اثر پذیری کی تصدیق کے لئے تسلسل کے ساتھ تشخیص اور جائزہ لئے جاتے ہیں۔

ADM کو مندرجہ ذیل تصدیقات حاصل ہیں:

ISO 45001:2018 OHSAS	(Occupational Health and Safety Assessment Series)
ISO 14001:2015 EMS	(Environmental Management System)
ISO 9001:2015 QMS	(Quality Management System)
BSCI	(Business Social Compliance Initiative)
BCI	(Better Cotton 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- حفاظتی اقدامات

کمپنی کی انتظامیہ کاروبار کو بلا رکاوٹ چلانے کے لئے تحفظ اور حفاظت کی اہمیت سے بخوبی آگاہ ہے اور اس نے ملازمین اور اثاثوں کے تحفظ کے لئے قابل ذکر لاگت برداشت کی ہے جس میں حفاظتی عملہ، حفاظتی پالیساں اور طریقہ کار متعین کئے گئے ہیں۔ کمپنی نے مختلف جگہوں پر CCTV نصب کر کے باریک بین مشاہدے کا انتظام قائم کیا ہے۔

4- گندے پانی کی صفائی کا پلانٹ

پانی ہمارے ملک میں ایک قدرتی وسائل ہے جس کی قلت ہے اور اسے ممکنہ طور پر بہترین انداز سے استعمال کرنا چاہئے۔ کمپنی کے پاس گندے پانی کی صفائی کے لئے EPA پاکستان کے قومی ماحولیاتی کوالٹی کے معیار کے مطابق سہولت موجود ہے۔ چونکہ پانی ایک ایسی شے ہے جس کی قلت ہے اس لئے ایسی ٹیکنالوجی کو اختیار کرنا ناگزیر ہے جو کہ مستعد انداز میں اسے دوبارہ قابل استعمال بنادے۔ ماحولیاتی تحفظ کے معیارات کو برقرار رکھنے کے لئے سیوریج لائن میں چھوڑنے یا دوبارہ استعمال سے قبل گندے پانی کی ٹریٹمنٹ پلانٹ سے صفائی کی جاتی ہے۔

5- یکساں موقع فراہم کرنے والا آجر

کمپنی بنیادی طور پر اس بات پر یقین رکھتی ہے کہ ہر انسان برابر ہے، ADM متنوع ماحول پیدا کرنے کے لئے کوشاں ہے اور مختلف رنگ و نسل کے ملازمین کو کسی معذرت یا جانبداری کے بغیر بھرتی کرنے پر اسے فخر ہے۔

6- عطیہ

ADM وسیع معنوں میں اخلاقی طور پر معاشرے کی بہبود کے لئے کوشاں ہیں اور وہ ملک کے ساتھ دنیا کی سماجی ترقی کے میں معاونت کے لئے پر عزم ہے۔لہذا کمپنی نے ایدھی فاؤنڈیشن اور ایک خیراتی ادارے "واٹر" کو بھاری عطیات دیئے۔

7- سفرِ حج

کمپنی اپنے ملازمین کو ترغیبات دینے اور ان کی حوصلہ افزائی کے لئے پر عزم ہے۔جس کے تحت ہر سال دو ملازمین کو کمپنی کے خرچ پر بیلٹنگ کے ذریعے حج پر بھیجا جاتا ہے۔

از طرف بورڈ

فیصل احمد
چیف ایگزیکٹو

محمد اقبال الرحیم
ڈائریکٹر

کراچی: 25 ستمبر 2019

KEY OPERATING AND FINANCIAL DATA

	2019	2018	2017	2016	2015	2014
	....(Rupees in '000)......................................					
ASSETS EMPLOYED						
Operating fixed assets	**5,043,565**	5,194,049	5,206,444	4,329,562	4,170,718	3,655,456
Capital work-in-progress	**863,627**	110,657	251,270	1,010,673	524,266	698,979
Intangible assets	**4,817**	6,468	8,119	-	-	-
Long term investment	**38,700**	-	-	-	-	-
Long term loans	**5,482**	5,374	2,673	7,864	7,266	8,471
Long term deposits	**1,566**	1,566	1,686	1,698	956	956
Net current assets/(liabilities)	**2,297,183**	1,619,245	1,102,220	864,902	996,063	564,693
Total Assets Employed	**8,254,940**	6,937,359	6,572,412	6,214,699	5,699,269	4,928,555
FINANCED BY						
Shareholders equity	**6,754,159**	6,100,145	5,758,905	5,497,468	5,456,653	4,802,782
Long term financing	**1,444,487**	813,274	813,507	577,560	130,452	39,985
Deferred liability	**56,294**	23,940	-	139,671	112,164	85,788
	8,254,940	6,937,359	6,572,412	6,214,699	5,699,269	4,928,555
SALES & PROFITS						
Net sales / Turnover	**7,767,180**	8,239,986	6,906,526	6,461,983	6,998,644	6,467,591
Gross profit	**888,100**	791,820	739,663	703,437	1,178,342	1,149,130
Profit before taxation	**955,478**	600,077	446,153	399,842	761,917	860,978
Net profit after taxation	**866,820**	516,531	429,437	377,999	743,546	852,497
Proposed Bonus/Dividend %	**30**	25	21	20	40	10
Un-appropriated profit	**5,914,159**	5,260,145	4,918,905	4,657,468	4,616,653	3,962,782

PATTERN OF SHARE HOLDING - FORM "34"
SHAREHOLDERS STATISTICS AS AT JUNE 30, 2019

Number of Share Holders	Share Holdings		Total Shares Held
	From	To	
201	1	100	5,346
128	101	500	49,320
63	501	1000	55,459
143	1001	5000	378,768
33	5001	10000	255,000
9	10001	15000	110,400
5	15001	20000	93,200
2	20001	25000	50,000
1	25001	30000	30,000
1	30001	35000	35,000
1	35001	40000	38,500
1	40001	45000	41,000
1	45001	50000	46,904
1	50001	55000	51,000
1	80001	85000	82,000
2	95001	100000	199,000
1	285001	290000	290,000
1	400001	405000	402,750
1	595001	600000	600,000
1	1410001	1415000	1,410,200
1	1765001	1770000	1,767,000
1	9740001	9745000	9,741,400
1	18145001	18150000	18,146,000
1	50120001	50125000	50,121,753
601			**84,000,000**

PATTERN OF SHAREHOLDING
SHAREHOLDERS STATISTICS AS AT JUNE 30, 2019

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**

PATTERN OF SHAREHOLDING
SHAREHOLDERS STATISTICS AS AT JUNE 30, 2019

Categories of Shareholders		Shares Held	Percentage
OTHERS			
MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SE		408,750	
ZILLION CAPITAL SECURITIES (PVT) LTD.		51,000	
SEVEN STAR SECURITIES (PVT) LTD.		46,904	
DAWOOD FAMILY TAKAFUL LIMITED		25,800	
ASDA SECURITIES (PVT) LIMITED		25,000	
MRA SECURITIES LIMITED - MF		7,000	
HH MISBAH SECURITIES (PVT) LIMITED		5,000	
FIKREES (SMC-PVT) LIMITED		2,300	
SUNRAYS TEXTILE MILLS LIMITED		1,500	
FAWAD YOUSUF SECURITIES (PRIVATE) LIMITED		1,000	
MASMABAR FINANCIAL SERVICES LTD		1,000	
HSZ SECURITIES (PVT) LTD. 43001		80	
Y.S. SECURITIES & SERVICES (PVT) LTD.		80	
MAPLE LEAF CAPITAL LIMITED		1	
	Sub - Total:	**575,415**	**0.69**
INDIVIDUAL			
LOCAL - INDIVIDUALS		11,877,674	
	Sub - Total:	**11,877,674**	**14.14**
	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

FINANCIAL RATIOS	2019	2018
Gross profit - % of net sales	11.43	9.61
Profit before taxation - % of net sales	12.30	7.28
Net Profit after taxation - % of net sales	11.16	6.27
Earnings per share - basic & diluted	10.32	6.15
Increase / (decrease) in net sales - %	(5.74)	19.31
Raw and packing materials - % of net sales	51.10	46.97
Labour - % of net sales	24.18	24.19
Other cost of goods manufactured - % of net sales	14.52	19.71
Distribution costs - % of net sales	2.76	2.41
Administrative expenses - % of net sales	1.65	1.55
Finance costs - % of net sales	1.44	1.12
Taxation - % of net sales	1.14	1.01
Inventory turnover days	110	75
Receivable turnover days	102	73
SHORT TERM SOLVENCY		
Current ratio	1.48	1.51
Acid test ratio	0.92	0.90
OVERALL VALUATION AND ASSESSMENT		
Return on equity (average) %	13.49	8.71
P.E. ratio	4.49	12.16
Book value per share	80.41	72.62
Long term debts : equity	18:82	12:88

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

Artistic Denim Mills Limited
Year Ended June 30, 2019

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 six (6) as per the following:

   a. Male: 6
   b. Female: None. (Mrs. Maliha Faisal has resigned from the Board on 27th June, 2019)

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. Mr. Muhammad Iqbal Ahmed ii. Mr. Muhammad Yousuf Ahmed iii. Mr. Muhammad Ali Ahmed iv. Mr. Muhammad Iqbal-ur-Rahim
c) Executive Director	i. Mr. Muhammad Faisal Ahmed

3. Casual vacancy occurring on the Board as of 27th June, 2019 due to resignation by Mrs. Maliha Faisal, will be filled by the Board within statutory time frame.

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

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

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

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

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. 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.

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

10. Half of the directors on the board have acquired the prescribed certification as mentioned under Regulation Number 20. Following Directors have already gone through Directors' Training program:

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

11. 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.

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

13. 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

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

15. 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

16. 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.

17. 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.

18. 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.

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

On Behalf of the Board of Directors

MUHAMMAD FAISAL AHMED
Chief Executive

Karachi: September 25, 2019

MUHAMMAD IQBAL AHMED
Chairman

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EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: + 9221 111 11 39 37 (EYFR)
Tel: + 9221 3565 0007-11
Fax:+ 9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

INDEPENDENT AUDITOR'S 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 2019** 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 2019**.

EY Ford Rhodes
Chartered Accountants

Place: Karachi

Date: 26 September 2019

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EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: + 9221 111 11 39 37 (EYFR)
Tel: + 9221 3565 0007-11
Fax:+ 9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

INDEPENDENT AUDITOR'S 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 2019**, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity 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 cash flows and the statement of changes in equity 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 2019 and of the profit, the comprehensive income, its cash flows and the changes in equity 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 Auditor’s 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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Chartered Accountants
Progressive Plaza, Beaumont Road
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Pakistan

UAN: + 9221 111 11 39 37 (EYFR)
Tel: + 9221 3565 0007-11
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ey.khi@pk.ey.com
ey.com/pk

Following are the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	**Capital expenditures and related financing**	
	As disclosed in note 6 to the accompanying financial statements, the Company has incurred significant amount of capital expenditure during the year for enhancement of production capacity. To finance the above capital expenditures, the Company has obtained long term financing as disclosed in note 20 to the accompanying financial statements. Capital expenditures incurred during the year represents a significant transactions and involves significant judgments in respect of capitalisation of elements of eligible components of costs, including borrowing costs, as per the applicable reporting standards to determine, when the assets are available for use and estimation of useful lives. Further, financing agreements entail financial and non-financial covenants that the Company is subject to compliance. Accordingly, we have identified the capital expenditures and related financing as a key audit matter.	Our procedures, amongst others, includes the following: Obtained an understanding of the Company's process with respect to capital expenditures including determination of useful lives. We physically verified the newly acquired fixed assets and reviewed the relevant contracts and documents supporting various components of the capitalised cost. We considered whether the items of cost capitalised, including borrowing cost, meet the recognition criteria of an assets in accordance with the applicable financial reporting standards. We also reviewed the timing of capitalisation of assets. We obtained and reviewed the financing agreements executed and inquired from the management with respect to the future compliance of the covenants and tested controls related to such compliance and circularized confirmations to the financial institutions with respect to outstanding loan balances at year end. We assessed the adequacy of the financial statements disclosures as per the requirements set out in the applicable financial reporting framework.

EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
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Pakistan

UAN: + 9221 111 11 39 37 (EYFR)
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ey.com/pk

Following are the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
2	**Stock-in-trade**	
	As disclosed in note 12 to the accompanying financial statements, the stock-in-trade balance constitutes 18.82% of total assets of the Company. We focused on stock-in-trade as it is a significant portion of Company's total assets and it requires management judgement in determining an appropriate costing basis and assessing its valuation.	We performed a range of audit procedures in respect of inventory items including, amongst other physical observation of inventory counts, testing valuation methods and their appropriateness in accordance with the applicable accounting standards. We performed testing on a sample of items to assess the net realisable value (NRV) of the inventories held and evaluated whether any write down to NRV is required in the Company's financial statements. 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.
3	**Revenue from related party transactions and disclosures**	
	The Company generates revenue, from sales to related parties, of Rs. 1,001.6 million which comprises of 13% of total turnover 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 disclosures required for 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 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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Information Other than the Financial Statements and Auditor's 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 auditor's 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.

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

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 auditor's 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:

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

- the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity 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;

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

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EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
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- 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 auditor's report is **Tariq Feroz Khan.**

EY Ford Rhodes
Chartered Accountants

Place: Karachi

Date: 26 September 2019

STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Note	June 30, 2019	June 30, 2018
ASSETS		.... Rupees in '000	....
NON-CURRENT ASSETS			
Property, plant and equipment	6	**5,907,192**	5,304,706
Intangible assets	7	**4,817**	6,468
Long term investment	8	**38,700**	-
Long term loans - secured	9	**5,482**	5,374
Long term deposits	10	**1,566**	1,566
		5,957,757	5,318,114
CURRENT ASSETS			
Stores and spares	11	**221,935**	215,128
Stock-in-trade	12	**2,445,741**	1,717,868
Trade debts - considered good	13	**2,520,485**	1,807,006
Loans and advances	14	**21,181**	51,970
Trade deposits	15	**1,501**	7,699
Other receivables	16	**150,572**	407,618
Sales tax refundable		**105,111**	112,074
Taxation - net		**376,717**	375,168
Cash and bank balances	17	**1,196,961**	86,896
		7,040,204	4,781,427
		12,997,961	10,099,541
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
100,000,000 (2018: 100,000,000) ordinary shares of Rs 10/- each	18	**1,000,000**	1,000,000
Issued, subscribed and paid-up	18	**840,000**	840,000
Reserves	19	**5,914,159**	5,260,145
		6,754,159	6,100,145
NON-CURRENT LIABILITIES			
Long term financing	20	**1,444,487**	813,274
Deferred liability	21	**56,294**	23,940
		1,500,781	837,214
CURRENT LIABILITIES			
Trade and other payables	22	**1,538,856**	1,487,539
Unclaimed dividend		**2,451**	2,100
Accrued mark-up	23	**30,836**	16,927
Short term borrowings - secured	24	**3,065,000**	1,570,000
Current maturity of long-term financing	20	**105,878**	85,616
		4,743,021	3,162,182
CONTINGENCIES AND COMMITMENTS	25		
		12,997,961	10,099,541

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

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

STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2019

	Note	June 30, 2019	June 30, 2018
		.... Rupees in '000	
TURNOVER	26	**7,767,180**	8,239,986
Cost of sales	27	**(6,879,080)**	(7,448,166)
GROSS PROFIT		**888,100**	791,820
Distribution costs	28	**(214,006)**	(198,557)
Administrative expenses	29	**(128,308)**	(127,802)
Other operating expenses	30	**(60,457)**	(40,475)
Other income	31	**581,993**	267,579
		179,222	(99,255)
OPERATING PROFIT		**1,067,322**	692,565
Finance costs	32	**(111,844)**	(92,488)
PROFIT BEFORE TAXATION		**955,478**	600,077
Taxation	33	**(88,658)**	(83,546)
NET PROFIT FOR THE YEAR		**866,820**	516,531
		(Rs. Per share)	
EARNINGS PER SHARE - Basic and Diluted	34	**10.32**	6.15

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, 2019

	Note	June 30, 2019	June 30, 2018
		.... Rupees in '000	
Net profit for the year		**866,820**	516,531
Other comprehensive (loss) / income			
Items that may not be reclassified subsequently to statement of profit or loss			
Actuarial (loss) / gain on defined benefit plan	21	**(2,806)**	1,109
Total comprehensive income for the year		**864,014**	517,640

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, 2019

	Note	June 30, 2019	June 30, 2018
		.... Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	35	**460,607**	752,936
Taxes paid		**(90,209)**	(93,951)
Gratuity paid		**(4,764)**	(725)
Finance costs paid		**(97,935)**	(90,789)
Long-term deposits		**-**	120
Net cash generated from operating activities		**267,699**	567,591
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(1,075,263)**	(314,961)
Long-term loans		**(108)**	(3,654)
Long term investment		**(38,700)**	-
Sale proceeds from disposal of operating fixed assets		**19,611**	4,168
Net cash used in investing activities		**(1,094,460)**	(314,447)
CASH FLOW FROM FINANCING ACTIVITIES			
Long-term financing repaid		**(101,217)**	(38,392)
Long-term financing acquired		**752,692**	85,383
Short-term borrowings acquired / (repaid) - net		**1,495,000**	(100,000)
Dividend paid		**(209,649)**	(176,471)
Net cash generated from / (used in) financing activities		**1,936,826**	(229,480)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,110,065**	23,664
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**86,896**	63,232
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	17	**1,196,961**	86,896

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

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

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2019

	Issued, subscribed and paid-up capital	Revenue Reserves			Total equity
		Unappro-priated Profit	Acturial gain/(loss) on defined benefit plan	Total	
	.... Rupees in '000				
Balance as at July 01, 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**
Net profit for the year	**-**	**866,820**	**-**	**866,820**	**866,820**
Other comprehensive loss	**-**	**-**	**(2,806)**	**(2,806)**	**(2,806)**
Total comprehensive income for the year	**-**	**866,820**	**(2,806)**	**864,014**	**864,014**
Cash dividend paid @ Rs.2.50 per ordinary share of Rs.10 each for the year ended June 30, 2018	**-**	**(210,000)**	**-**	**(210,000)**	**(210,000)**
Balance as at June 30, 2019	**840,000**	**5,949,790**	**(35,631)**	**5,914,159**	**6,754,159**

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

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 BASIS OF PREPARATION

2.1 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 (IFRSs), 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.

2.2 Basis of Measurement

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

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS APPLICABLE TO FINANCIAL STATEMENTS

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

3.1 New Standards, Interpretations and Amendments effective during the year

The Company has adopted the following accounting standards, interpretations and amendments of IFRSs which became effective for the current year:

IFRS 2 Share-based Payments: Classification and Measurement of Share Based Payments Transactions (Amendments)

IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts with Customers
IAS 40 Investment Property: Transfers of Investment Property
IFRIC 22 Foreign Currency Transactions and Advance Consideration

Improvements to IFRSs Issued by IASB in December 2016

IAS 28 — Investment in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss in an investment-by-investment choice.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the Company's financial statements except for IFRS 15 and IFRS 9. The impact of adoption of IFRS 15 and IFRS 9 are described below:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company elected the modified retrospective method and applied the standard retrospectively to only the most current period presented in the unconsolidated financial statements. Accordingly, the information presented for the previous corresponding period has not been restated.

The Company generates its revenue from sale of goods. The Company's contracts with customers for the sale of goods generally include one performance obligation and do not provide customers with a right of return and volume rebate. The Company has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods, and variable consideration did not have any impact on the revenue recognised by the Company. Therefore, the adoption of IFRS 15 did not have any material impact on the timing of revenue recognition and the amount of revenue recognized.

Further, due to application of the above standard, the Company has revised its policies and incorporate disclosures in accordance with the requirements of the above standard in these financial statements.

IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after July 01, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The Company has applied IFRS 9 retrospectively, with the initial application date of July 01, 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP).

The Company's financial assets mainly includes long term investments, loans, deposits, trade debts, other receivables, cash and bank balances held with commercial banks.

Classification and measurement

IFRS 9 retain but simplifies the measurement model and establishes the measurement categories of financial asset: amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. The Company's trade debts and other financial assets previously classified as loans and receivables are now measured at amortised cost.

The classification and measurement of IFRS 9, as described above did not have a significant impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

Financial instruments by category

	June 30, 2019	June 30, 2018
	.... Rupees in '000	
Financial assets as per statement of financial position		
Financial assets at amortised cost		
- Long term investments	**38,700**	-
- Long term loans	**5,482**	5,374
- Long term deposits	**1,566**	1,566
- Trade debts	**2,520,485**	1,807,006
- Loans, deposits and other receivables	**156,144**	417,587
- Cash and bank balances	**1,196,961**	86,896
	3,919,338	2,318,429
Financial liabilities as per statement of financial position		
Financial liabilities measured at amortised cost		
- Long term financing	**1,444,487**	813,274
- Trade and other payables	**1,538,856**	1,487,539
- Unclaimed dividend	**2,451**	2,100
- Accrued mark-up	**30,836**	16,927
- Short term borrowings	**3,065,000**	1,570,000
- Current portion of long term financing	**105,878**	85,616
	6,187,508	3,975,456

Impairment

The adoption of IFRS 9 has changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking expected credit loss (ECL) approach.

ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Considering the nature of the financial assets, the Company has calculated ECL based on life time ECL, wherever applicable.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

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

The following standards, interpretations and amendments 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 3	Definition of a Business (Amendments)	January 1, 2020
IFRS 3	Business Combinations: Previously held interests in a joint operation	January 1, 2019
IFRS 9	Prepayment Features with Negative Compensation (Amendments)	January 1, 2019
IFRS 10 / IAS 28	Consolidated Financial Statements and Investment in Associates and Joint Ventures -Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11	Joint Arrangements: Previously held interests in a joint operation	January 1, 2019
IFRS 16	Leases	January 1, 2019
IAS 1 / IAS 8	Definition of Material (Amendments)	January 1, 2020
IAS 12	Income Taxes: Income tax consequences of payments on financial instruments classified as equity	January 1, 2019
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)	January 1, 2019
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalisation	January 1, 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

The above standards and interpretations are not expected to have any material impact on the Company's financial statements in the period of initial application except for IFRS 16 – Leases. The Company is currently evaluating the 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 2017. Such improvements are generally effective for accounting periods beginning on or after 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 1	First time adoption of IFRSs	January 1, 2004
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 17	Insurance Contracts	January 1, 2021

4 Significant accounting judgements, estimates and assumptions

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

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

- Property, plant and equipment (Note 5.1);
- impairment of inventories / adjustment of inventories to their net realisable value (Note 5.3);
- recognition of staff retirement benefits (Note 5.13);
- recognition of taxation and deferred taxation (Note 5.14) ;
- impairment of financial assets (Note 5.3); and
- contingencies and commitments (Note 25).

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Property, plant and equipment

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 statement of profit or loss, applying the reducing balance method whereby the cost of an asset, less their residual value, is written off over its estimated useful life. Leasehold land is amortised using the straight line method over its lease term. The rates used are stated in note 6.1 to the financial statements.

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

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

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

Capital work-in-progress

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

5.2 Intangible assets

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

Amortisation is charged to statement of profit or loss applying the straight line method whereby the cost of the intangible less their residual value, is written off over its estimated useful life, at the rates disclosed in note 7 to the financial statements.

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

5.3 Impairment – non financial assets

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

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

5.4 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.5 Stores and spares

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

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

5.6 Stock-in-trade

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

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

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

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

5.7 Financial Instruments

During the year, the Company has adopted IFRS 9 which became applicable on July 01, 2018. This has resulted in change in accounting policies of the Company for its financial instruments. The changes are discussed in note 3.1 to these financial statements. The new accounting policy for financial instruments are as follows:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

Under IFRS 9, financial assets are classified, at initial recognition, and subsequently measured at following:

(a) at amortised cost
(b) at fair value through profit or loss (FVTPL); and
(c) at fair value through other comprehensive income (FVTOCI).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them.

A financial asset is measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. However the Company is not having any investment in equity instruments.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

- Financial assets at fair value through profit or loss

Derecognition

A financial asset is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are 90 to 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities includes trade and other payables, unclaimed dividend, loans and borrowings and accrued mark-up on loans and borrowings.

After initial recognition, the Company's financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the unconsolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Contract liabilities

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liability are recognised as revenue when the Company performs under the contract.

5.8 Advances, deposits, and prepayments

These are stated at cost less provision for doubtful balance, if any.

5.9 Share Capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

5.10 Unclaimed dividend

Dividend declared and remain unpaid for the period of more than three years from the date it is due and payable.

5.11 Cash and cash equivalents

These are carried in the statement of financial position at cost. For the purpose of the statement of cash flows, cash and cash equivalents comprises of cash at bank and cash in hand.

5.12 Provisions

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

5.13 Staff gratuity – Defined Benefit Plan

The Company operates an un-approved and unfunded defined gratuity scheme for all permanent employees who have completed the minimum qualifying year of service for entitlement of gratuity. The contributions to the scheme are made in accordance with the independent actuarial valuation. Actuarial gains and losses are recognized in full in the period in which they occur in the other comprehensive income. All the past service costs are recognised at the earlier of when the amendments or curtailment occurs and when the Company has recognised related restructuring or terminations benefits. The latest actuarial valuation was carried out as of June 30, 2019 using Projected Unit Credit method.

5.14 Taxation

Current

The Company falls under the final tax regime in accordance with 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.

5.15 Revenue recognition

During the year, the Company has adopted IFRS 15 which became applicable on July 01, 2018. This has resulted in change in accounting policies of the Company for revenue recognition. The changes are discussed in note 3.2 to these financial statements. The new accounting policy for revenue recognition are as follows:

Revenue is recognised at amounts that reflect the consideration that the Company expects to be entitled to in exchange for transferring goods or services to a customer. Revenue is measured at the fair value of the consideration received or receivable, and is recognised on the following basis:

Revenue from sale of goods is recognised when control of goods have been transferred to a customer at a point in time when the performance obligations are met. The credit term ordinarily ranges from 90 to 120 days.

5.16 Other income

Return on treasury call account and investments at amortised cost are accounted for using the effective interest rate method.

5.17 Foreign currency translation

Foreign currency transactions 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 date. Gains and losses on translation are taken to statement of 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.

5.18 Dividends and appropriation to reserve

Dividend and appropriation to reserve are recognized in the financial statements in which these are approved. Transfer between reserves made subsequent to the statement of financial position date is considered as a non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

5.19 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.20 Contingencies

Contingencies are disclosed when the Company has a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

5.21 Operating segment

These financial statements have been prepared on the basis of a single reportable segment.
-Revenue from export sales represents 95.74% (2018: 93.33%) of the total gross revenue of the Company.
-All non-current assets of the Company at June 30, 2019 are located in pakistan.
-Sales made by the Company to two customers which constitutes 23% and 10%, respectively.

5.22 Functional and presentation currency

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

6 PROPERTY, PLANT AND EQUIPMENT	Note	June 30, 2019	June 30, 2018
		.... Rupees in '000	
Operating fixed assets	6.1	**5,043,565**	5,194,049
Capital work-in-progress	6.2	**863,627**	110,657
		5,907,192	5,304,706

6.1 OPERATING FIXED ASSETS

	COST					ACCUMULATED DEPRECIATION / AMORTISATION				WRITTEN DOWN VALUE
	As at July 01, 2018	Additions / Transfers*	(Disposals)	As at June 30, 2019	Period / Rate %	As at July 01, 2018	For the Year	(On disposals)	As at June 30, 2019	As at June 30, 2019
	......Rupees in '000......					......Rupees in '000......				
June 30, 2019										
Leasehold land	1,211,663	-	-	**1,211,663**	65 to 86 yrs	203,901	15,188	-	**219,089**	**992,574**
Building on leasehold land	2,285,651	82,282 *	-	**2,367,933**	10	908,546	142,416	-	**1,050,962**	**1,316,971**
Plant and machinery	5,078,001	193,400 *	(31,279)	**5,240,122**	10	2,555,841	259,339	(25,999)	**2,789,181**	**2,450,941**
Factory equipment	316,150	15,333 *	-	**331,483**	10	136,822	18,951	-	**155,773**	**175,710**
Furniture and fixtures	43,366	723	-	**44,089**	10	15,508	2,828	-	**18,336**	**25,753**
Office equipment, including computers	39,840	2,610	(75)	**42,375**	33	30,794	3,462	(24)	**34,232**	**8,143**
Vehicles	145,203	16,178 11,767 *	(19,118)	**154,030**	20	74,413	17,137	(10,993)	**80,557**	**73,473**
	9,119,874	**322,293**	**(50,472)**	**9,391,695**		**3,925,825**	**459,321**	**(37,016)**	**4,348,130**	**5,043,565**

	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**

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

	Note	June 30, 2019	June 30, 2018
		.... Rupees in '000	
6.1.2 Depreciation charge for the year has been allocated as follows:			
Cost of Sales	27	**423,953**	429,732
Distribution cost	28	**919**	934
Administrative expenses	29	**34,449**	34,910
		459,321	465,576

6.1.3 The following fixed assets were disposed off during the year:

Description	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of Buyer
	.... Rupees in '000						
Plant & Machinery	17,146	13,006	4,140	2,991	(1,149)	Negotiation	Muaaz Embroidery, 22 KM OFF Ferozpur Road, Lahore
Plant & Machinery	14,133	12,993	1,140	1,709	569	Negotiation	Albeen Textiles (Private) Limited, Club Road, Faisalabad
Vehicle	2,594	1,518	1,076	1,850	774	Negotiation	Rana Munir, Karachi.
Vehicle	1,940	440	1,500	1,900	400	Negotiation	Wahid Baig, Karachi.
Vehicle	1,530	485	1,045	1,520	475	Negotiation	Kamran Ali, Karachi.
Vehicle	1,147	408	739	1,025	286	Negotiation	Noman Jamal, Employee, Karachi
Vehicle	1,116	384	732	1,000	268	Negotiation	Raza Meraj, Karachi
Vehicle	1,034	403	631	955	324	Negotiation	Musab Vohra, Exemployee, Karachi.
Vehicle	736	589	147	450	303	Negotiation	Zulfiqar, Karachi
Vehicle	735	646	89	475	386	Negotiation	Imran Saif, Karachi.
Vehicle	702	320	382	702	320	Negotiation	S.M. Shoaib Farooqi, Employee, Karachi
Vehicle	695	453	242	500	258	Negotiation	Zain Bin Faisal, Employee, Karachi.
Vehicle	695	453	242	450	208	Negotiation	Umair Mehmood, Employee, Karachi.
Vehicle	680	472	208	480	272	Negotiation	Adnan Dilawer, Karachi.
Vehicle	674	587	87	340	253	Negotiation	Quddos Ullah, Employee, Karachi
Vehicle	674	591	83	401	318	Negotiation	Muhammad Sadiq, Employee, Karachi.
Vehicle	674	600	74	400	326	Negotiation	Muhammad Shoukat, Employee, Karachi.
Vehicle	630	552	78	350	272	Negotiation	Ashfaq Kayani, Employee, Karachi.
Vehicle	630	543	87	500	413	Negotiation	Farhan Arshad, Employee, Karachi.
Vehicle	630	543	87	500	413	Negotiation	Muhammad Hashim, Employee, Karachi.
Vehicle	630	545	85	480	395	Negotiation	Adnan Ali Khan, Employee, Karachi.
Vehicle	120	8	112	120	8	Negotiation	Tehseen, Karachi
Vehicle	80	4	76	80	4	Negotiation	Muhammad Sadiq, Employee, Karachi.
Vehicle	80	8	72	80	8	Negotiation	Hasham ahmed, Karachi.
Laptop	75	24	51	57	6	Insurance claim	Adamjee Insurance
Vehicle	54	3	51	52	1	Negotiation	Siraj, Employee, Karachi.
Vehicle	54	13	41	54	13	Negotiation	Owais Ahmed, Employee, Karachi.
Vehicle	48	8	40	48	8	Negotiation	Sohail Iqbal, Employee, Karachi.
Vehicle	47	32	15	15	-	Negotiation	Zahid Hussain
Vehicle	46	34	12	12	-	Negotiation	Rizwan, Karachi.
Vehicle	46	34	12	15	3	Negotiation	Muhammad Deen, Karachi
Vehicle	46	34	12	15	3	Negotiation	Munir Raza, Karachi.
Vehicle	46	35	11	12	1	Negotiation	Aziz Akhlaq, Karachi.
Vehicle	46	31	15	22	7	Negotiation	Muhammad Wajid, Employee, Karachi.
Vehicle	44	37	7	8	1	Insurance claim	Shamim Akhter, Employee, Karachi
Vehicle	44	37	7	8	1	Negotiation	Ayub, Karachi.
Vehicle	44	37	7	8	1	Negotiation	Arshad Ali, Employee, Karachi
Vehicle	44	37	7	8	1	Negotiation	Ab. Saeed, Employee, Karachi
Vehicle	44	37	7	7	-	Negotiation	Muhammad Hanif, Employee, Karachi.
Vehicle	43	34	9	12	3	Negotiation	Kamran , Employee, Karachi
June 30, 2019	**50,476**	**37,018**	**13,458**	**19,611**	**6,153**		
June 30, 2018	6,602	4,209	2,393	4,168	1,775		

6.2 CAPITAL WORK-IN-PROGRESS

	Vehicles	Civil works	Plant & machinery	Advances	Factory equipment	Total
	.... Rupees in '000'					
As at July 01, 2018	-	18,883	24,368	67,406	-	110,657
Additions during the year	-	51,511	940,302	49,706	14,233	1,055,752
Transferred to operating fixed assets	(11,767)	(82,282)	(193,400)	-	(15,333)	(302,782)
Transferred from advances	11,767	30,215	-	(43,082)	1,100	-
June 30, 2019	**-**	**18,327**	**771,270**	**74,030**	**-**	**863,627**
June 30, 2018	-	18,883	24,368	67,406	-	110,657

6.2.1 Includes borrowing costs incurred in respect of plant and machinery capitalized during the year amounting to Rs. 7.134 (2018: Rs. 0.735) million.

7 INTANGIBLES ASSETS

June 30, 2019	COST			ACCUMULATED AMORTISATION			WRITTEN DOWN VALUE	
	As at July 01, 2018	Additions	As at June 30, 2019	As at July 01, 2018	Charge for the year	As at June 30, 2019	As at June 30, 2019	AMORTISATION RATE
	(Rupees in '000)							
Computer software	8,257	-	8,257	1,789	1,651	3,440	4,817	20%

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%

	Note	June 30, 2019	June 30, 2018
		.... Rupees in '000	
7.1 Amortization charge for the year has been allocated as follows:			
Cost of sales	27.1	**1,519**	1,519
Administrative expenses	29	**132**	132
		1,651	1,651
8 Long term investment			
At amortised cost			
Sales tax refund bonds		**38,700**	-

This represents the 181 and 206 no. of sales tax refund bonds of Rs.100,000 each issued by the FBR Refund Settlement Company (Private) Limited on May 31, 2019 and June 30, 2019 respectively, in lieu of payments of sales tax. These bonds carry profit @10% per annum and maturity latest by May 31, 2022 and June 30, 2022 respectively.

		June 30, 2019	June 30, 2018
9 LONG TERM LOANS - secured	**Note**	.... **Rupees in '000**	....
Considered good			
Executives	9.2 & 9.3	**6,581**	4,505
Employees		**2,972**	3,139
	9.1	**9,553**	7,644
Current portion			
Executives	14	**(3,155)**	(1,184)
Employees	14	**(916)**	(1,086)
		(4,071)	(2,270)
		5,482	5,374

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 (2018: 1 to 5) years, and are interest free. These loans have not been discounted to their present value as the financial impact thereof is not considered material.

9.2 The maximum aggregate amount due from executives at the end of any month during the period was Rs. 6.581 (2018: Rs. 4.851) million.

	June 30, 2019	June 30, 2018
	.... **Rupees in '000**	....
9.3 Reconciliation of carrying amount of loans to executives		
Opening balances	**4,505**	2,018
Disbursements during the year	**3,850**	3,000
	8,355	5,018
Recovered during the year	**(1,774)**	(513)
	6,581	4,505

	June 30, 2019	June 30, 2018
	.... **Rupees in '000**	....
10 LONG TERM DEPOSITS		
Security deposits		
Utilities	**1,279**	1,279
Others	**287**	287
	1,566	1,566
11 STORES AND SPARES		
Stores		
In hand	**99,054**	98,546
Spares		
In hand	**113,865**	110,080
In transit	**9,016**	6,502
	122,881	116,582
	221,935	215,128

		Note	June 30, 2019	June 30, 2018
			.... Rupees in '000	
12	**STOCK-IN-TRADE**			
	Raw and packing materials			
	In hand	27.1.1	**1,175,079**	794,921
	In transit		**10,265**	96,529
			1,185,344	891,450
	Work-in-process	27.1	**969,046**	630,600
	Finished goods	27	**291,351**	195,818
			2,445,741	1,717,868
13	**TRADE DEBTS - considered good**			
	Secured - against letters of credit			
	Related parties:			
	Artistic Fabric & Garment Industries (Pvt). Limited		**2,983**	-
	Others		**1,416,349**	1,054,249
			1,419,332	1,054,249
	Unsecured			
	Related parties:			
	DL1961 Premium Denim Inc.		**368,101**	178,793
	Casual Sports Wear		**102,852**	92,625
	Artistic Fabric & Garment Industries (Pvt). Limited		**-**	23,184
	Premium Distributors		**15,779**	856
			486,732	295,458
	Others		**614,421**	457,299
			2,520,485	1,807,006
13.1	**Trade debt - ageing**			
	Related parties			
	Neither past due nor impaired		**273,259**	272,274
	Past due but not impaired within 120 days		**216,457**	23,184
			489,716	295,458
	Others			
	Neither past due nor impaired		**1,870,187**	1,407,607
	Past due but not impaired within 120 days		**160,582**	103,941
			2,030,769	1,511,548
			2,520,485	1,807,006

13.2 The maximum aggregate amount due from the related parties at the end of any month during the year was Rs. 489.716 million (2018: Rs. 525.451 million).

		Note	June 30, 2019	June 30, 2018
			.... Rupees in '000	
14	**LOANS AND ADVANCES**			
	Considered good			
	Loans			
	Current portion of long term loans			
	Executives	9	**3,155**	1,184
	Employees	9	**916**	1,086
			4,071	2,270
	Advances - unsecured			
	Suppliers	14.1	**13,980**	47,389
	Contractors		**1,443**	2,071
	Others		**1,687**	240
			17,110	49,700
			21,181	51,970

14.1 This includes an amount of Rs. 5.49 million (2018: 40.30 million) paid to foreign vendors located at United States, Turkey, China, Singapore, Bangladesh, Hong Kong, Germany, Dubai and Vietnam at the settled terms.

		June 30, 2019	June 30, 2018
		.... Rupees in '000	
15	**TRADE DEPOSITS**		
	Container deposits	**1,290**	5,199
	L/C Margin	**211**	2,051
	Others	**-**	449
		1,501	7,699
16	**OTHER RECEIVABLES**		
	Duty draw back on export sales and other rebates	**132,906**	403,947
	Related Party - DL1961 Premium Denim Inc.	**17,666**	-
	Others	**-**	3,671
		150,572	407,618
16.1	Related party		
	Past due but not impaired within 90 days	**17,666**	-

The maximum aggregate amount due from the related party at the end of any month during the year was Rs. 17.666 million (2018: Rs. Nil).

		Note	June 30, 2019	June 30, 2018
			.... Rupees in '000	
17	**CASH AND BANK BALANCES**			
	Cash in hand		**5,817**	1,731
	Cash in banks			
	Current accounts	17.1	**1,191,144**	85,165
			1,196,961	86,896

17.1 This includes balance of Rs. 725.982 million (2018: Rs. 208.861 million) in treasury call account having effective interest rate of 11% (2018:Nil).

18 SHARE CAPITAL

18.1 Authorised capital

2019	2018		June 30, 2019	June 30, 2018
Number of shares			.... Rupees in '000	
		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

2019	2018			
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

19 RESERVES

Unappropriated profit	5,949,790	5,292,970
Actuarial loss on defined benefit plan	(35,631)	(32,825)
	5,914,159	5,260,145

20 LONG TERM FINANCING - secured

	Note	June 30, 2019	June 30, 2018
		.... Rupees in '000	
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	325,560	339,526
Commercial bank - II	20.2	848,349	559,364
Commercial bank - III	20.3	376,456	-
		1,550,365	898,890
Current maturities shown under current liabilities		(105,878)	(85,616)
		1,444,487	813,274

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 April 05, 2029, 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. 389.383 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 October 10, 2017 to February 14, 2029, 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 3%) 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. 980.216 million.

20.3 Represents loans obtained from commercial bank - III, 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 April 23, 2021 to April 15, 2029, with the grace period of 2 years carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2%) plus (0.60%) 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. 488 million.

	Note	June 30, 2019	June 30, 2018
		.... Rupees in '000	
21 DEFERRED LIABILITY			
Employees' Gratuity	21.1	**56,294**	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, 2019, using the "Projected Unit Credit Method".

	Gratuity	
	June 30, 2019	June 30, 2018
	.... Rupees in '000	
(a) Movement in the present value of defined benefit obligation		
Provision at July 01, 2018	**23,940**	-
Expense for the year	**34,312**	25,774
	58,252	25,774
Benefit paid	**(4,764)**	(725)
Actuarial loss / (gain) on defined benefit plan	**2,806**	(1,109)
Provision as at June 30, 2019	**56,294**	23,940
(b) The amount charged in the statement of profit or loss is as follows		
Current service cost	**32,143**	25,774
Interest cost	**2,169**	-
Expense for the year	**34,312**	25,774
(c) Principle acturial assumptions		
Discount rate	**14.5%**	10%
Salary increase	**14.5%**	10%
Normal retirement age of employees	**60**	60

(d) Comparison for five years

As at June 30,	2019	2018	2017	2016	2015
	....	....	Rupees in '000	....	....
Present value of defined benefit obligation	**56,294**	23,940	-	139,671	112,164
Experience adjustment					
Acturial loss / (gain) on obligation	**2,806**	(1,109)	-	1,184	5,675

(e) Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation	
	1% increase	1% decrease
	------ (Rupees in '000) ------	
Assumptions		
Effect of change in discount rate	**48,929**	**63,972**
Effect of change in future salary increase	**64,172**	**4,866**

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

21.3 As of June 30, 2019, a total of 504 employees have been covered under the above scheme.

21.4 As per the recommendation of the actuary, the charge for the year ending June 30, 2020 amounts to Rs. 42.279 million.

22 TRADE AND OTHER PAYABLES	Note	June 30, 2019	June 30, 2018
		.... Rupees in '000	....
Creditors	22.1	**278,382**	406,586
Accrued liabilities		**1,141,993**	988,584
Advances from customers - unsecured		**22,234**	22,720
Advance against expenses			
- DL1961 Premium Denim Inc. - unsecured	22.2	**-**	5,072
Advance against expenses		**4,423**	-
Staff contribution for vehicle		**24,417**	15,120
Workers' Profit Participation Fund	22.3	**50,656**	31,936
Workers' Welfare Fund	22.4	**12,306**	12,026
Tax deducted at source		**4,445**	5,495
		1,538,856	1,487,539

22.1 This includes balance with Artistic Fabric & Garment Industries (Private) Limited amounting to Rs. 0.241 million.

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

22.3 Workers' Profits Participation Fund	Note	June 30, 2019	June 30, 2018
		.... Rupees in '000	....
Balance at the beginning of the year		**31,936**	23,759
Allocation for the year	30	**50,655**	31,935
Interest on WPPF	30	**2,838**	1,856
		85,429	57,550
Payments made during the year		**(34,773)**	(25,614)
		50,656	31,936
22.4 Workers' Welfare Fund			
Balance at the beginning of the year		**12,026**	10,605
Allocation for the year	30	**6,964**	6,684
		18,990	17,289
Payments made during the year		**(6,684)**	(5,263)
		12,306	12,026
23 ACCRUED MARK-UP			
Long-term finance – SBP's EOP and LTFF		**11,290**	7,120
Short-term loans		**19,546**	9,807
		30,836	16,927

	Note	June 30, 2019	June 30, 2018
		.... Rupees in '000	
24 SHORT TERM BORROWINGS - secured			
Short term loans	24.1	**3,065,000**	1,570,000
24.1 Short term loans			
Export refinance-II	24.1.1	**550,000**	550,000
Export refinance-II	24.1.2	**400,000**	420,000
Export refinance-II	24.1.3	**600,000**	-
Export refinance-II	24.1.4	**250,000**	250,000
Export refinance-II	24.1.5	**1,265,000**	350,000
		3,065,000	1,570,000

24.1.1 During the year, the Company arranged a facility for short-term loan under export refinance, amounting to Rs. 550 million (2018: Rs. 550 million), from a commercial bank on mark-up basis, repayable by August 31, 2019. 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 1% per annum (2018: 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. 400 million (2018: Rs. 420), from a commercial bank on mark-up basis, repayable by August 31, 2019. 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 (2018: 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.600 million (2018: Rs. Nil), from a commercial bank on mark-up basis, repayable by August 31, 2019. 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 (2018: 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 (2018: Rs. 250 million), from a commercial bank on mark-up basis, repayable by August 31, 2019. 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 1% per annum (2018: 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.1,265 million (2018: Rs. 350 million), from a commercial bank on mark-up basis, repayable by August 31, 2019. 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.1,587.5 million.

The said export refinance carries mark-up at the rate of 0.40% per annum (2018: 0.40 % per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.

25 CONTINGENCIES AND COMMITMENTS

Contingencies

25.1 The Company is a respondent in J.C.M. Nos. 29 and 32, proceedings filed by the minority shareholder of the Company in the Honorable High Court of Sindh inter alia challenging the manner in which the business is being managed and seeking certain declarations and restraining order in this regard. The Company believes that there is no merit in the aforesaid proceedings and based on the view of the legal advisor there appears to be no liability expected on the Company on account of the above proceedings.

		June 30, 2019	June 30, 2018
		.... Rupees in '000	....
25.2	Outstanding counter guarantees	**242,222**	299,069

Commitments

25.3 Commitments in respect of Building on leasehold land at the end of the period amounted to Rs. 58.534 million (2018: Rs. 29 million).

25.4 Outstanding letters of credit at the end of the year amounted to Rs. 317.279 (2018: Rs.334.599 million).

25.5 Post dated cheques issued in favour of Custom Authorities aggregating to Rs. 138.522 million (2018: Rs.315.925 million), against various statutory notifications.

		Note	June 30, 2019	June 30, 2018
			.... Rupees in '000	....
26	**TURNOVER**			
	Exports	26.1	**7,588,252**	7,813,569
	Local		**337,446**	558,698
			7,925,698	8,372,267
	Sales tax		**(1,182)**	(279)
	Sales commission / trade discount		**(157,336)**	(132,002)
			(158,518)	(132,281)
			7,767,180	8,239,986

26.1 Included herein is a sum of Rs. 852.340 million (2018: Rs. 711.962 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, 2019	June 30, 2018
			.... Rupees in '000	
27	**COST OF SALES**			
	Opening stock - finished goods		**195,818**	155,928
	Cost of goods manufactured	27.1	**6,974,613**	7,488,056
			7,170,431	7,643,984
	Closing stock - finished goods	12	**(291,351)**	(195,818)
			6,879,080	7,448,166
27.1	**Cost of goods manufactured**			
	Raw and packing materials consumed	27.1.1	**3,968,899**	3,870,412
	Stores and spares consumed	27.1.2	**275,997**	294,087
	Salaries, wages and other benefits	27.1.3	**1,878,217**	1,993,233
	Fuel and power		**571,323**	660,394
	Weaving, stitching, finishing and printing charges		**4,039**	19,202
	Repairs and maintenance		**29,279**	33,407
	Printing and stationery		**13,640**	7,846
	Telephone and telex		**4,525**	4,946
	Rent, rates and taxes		**4,222**	3,613
	Insurance		**11,638**	10,717
	Water charges		**86,304**	100,033
	Transportation		**22,172**	23,629
	Depreciation	6.1.2	**423,953**	429,732
	Amortization	7.1	**1,519**	1,519
	Security charges		**8,146**	7,823
	Travelling, boarding and lodging		**7,360**	189
	Miscellaneous		**1,826**	7,291
			7,313,059	7,468,073
	Opening work-in-process		**630,600**	650,583
	Closing work-in-process	12	**(969,046)**	(630,600)
			6,974,613	7,488,056
27.1.1	**Raw and packing materials consumed**			
	Opening stock		**794,921**	488,756
	Purchases		**4,463,979**	4,442,265
	Duty draw back on export sales and other rebates		**(114,922)**	(265,688)
			4,349,057	4,176,577
			5,143,978	4,665,333
	Closing stock	12	**(1,175,079)**	(794,921)
			3,968,899	3,870,412
27.1.2	**Stores and spares consumed**			
	Opening stock		**208,626**	167,551
	Purchases		**280,290**	335,162
			488,916	502,713
	Closing stock		**(212,919)**	(208,626)
			275,997	294,087

27.1.3 Included herein a sum of Rs.27.670 million (2018: Rs.21.036 million) is respect of staff retirement benefits.

		Note	June 30, 2019	June 30, 2018
			.... Rupees in '000	....
28	**DISTRIBUTION COSTS**			
	Salaries, allowances and other benefits	28.1	**20,005**	10,818
	Insurance		**1,608**	2,191
	Freight and transportation		**67,530**	81,312
	Export development surcharge and clearing charges		**29,350**	29,645
	Postage, courier and stamps		**31,271**	28,445
	Depreciation	6.1.2	**919**	934
	Travelling, boarding and lodging		**21,428**	14,536
	Advertisement and publicity		**16,382**	8,154
	Sales office expenses		**9,803**	8,375
	Testing / Quality control charges		**14,437**	9,063
	Miscellaneous		**1,273**	5,084
			214,006	198,557

28.1 Included herein a sum of Rs.1.783 million (2018: Rs.0.813 million) is respect of staff retirement benefits.

29	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances and other benefits	29.1	**56,328**	52,312
	Depreciation	6.1.2	**34,449**	34,910
	Amortization	7	**132**	132
	Legal and professional charges		**7,439**	19,401
	Auditors' remuneration	29.2	**2,609**	1,829
	Donations	29.3	**19,826**	5,580
	Miscellaneous		**7,525**	13,638
			128,308	127,802

29.1 Included herein a sum of Rs.4.859 million (2018: Rs.3.923 million) is respect of staff retirement benefits.

29.2	**Auditors' remuneration**		
	Audit fee	**1,006**	875
	Fee for half yearly review	**167**	125
	Special certification and advisory services	**316**	270
	Tax services	**700**	240
	Out-of-pocket expenses	**247**	180
	Related sindh sales tax	**173**	139
		2,609	1,829

29.3 Includes amount of Rs. 14.01 million and Rs.5.520 million paid to Charity global and Abdul Sattar EDHI Foundation respectively. Directors or their spouses do not have any interest in the donees to whom donations were made.

		Note	June 30, 2019	June 30, 2018
			.... Rupees in '000	
30	**OTHER OPERATING EXPENSES**			
	Workers' Profits Participation Fund (WPPF)	22.3	**50,655**	31,935
	Workers' Welfare Fund	22.4	**6,964**	6,684
	Interest on WPPF	22.3	**2,838**	1,856
			60,457	40,475
31	**OTHER INCOME**			
	Scrap sales		**29,352**	29,204
	Gain on sale of fixed assets		**6,153**	1,775
	Exchange gain - net		**506,266**	236,600
	Profit on treasury call account		**40,222**	-
			581,993	267,579
32	**FINANCE COSTS**			
	Mark-up on secured			
	Long term financing		**27,925**	27,611
	Short term running finances		**744**	205
	Short term borrowings		**54,964**	34,474
			83,633	62,290
	Bank charges		**28,211**	30,198
			111,844	92,488
33	**TAXATION**			
	Current		**88,658**	83,546

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% (2018: 1%) on total sales, including scrap sales.

34 EARNINGS PER SHARE - BASIC AND DILUTED

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

	June 30, 2019	June 30, 2018
Net profit (Rupees in '000)	**866,820**	516,531
Number of Ordinary shares (Shares in '000)	**84,000**	84,000
Earnings per shares - basic and diluted (Rupees)	**10.32**	6.15

35 CASH GENERATED FROM OPERATIONS

	Note	June 30, 2019	June 30, 2018
		.... Rupees in '000	
Profit before tax		**955,478**	600,077
Adjustments for non cash charges and other items:			
Depreciation/amortisation		**460,972**	467,227
Provision for gratuity		**34,312**	25,774
Finance costs		**111,844**	92,488
Gain on disposal of operating fixed assets		**(6,153)**	(1,775)
		600,975	583,714
Profit before working capital changes		**1,556,453**	1,183,791
(Increase) / decrease in current assets			
Stores and spares		**(6,807)**	(47,046)
Stock-in-trade		**(727,873)**	(356,753)
Trade debts		**(713,479)**	(311,452)
Loans and advances		**30,789**	6,291
Trade deposits		**6,198**	(3,095)
Other receivables		**257,046**	(121,852)
Sales tax refundable		**6,963**	87,807
		(1,147,163)	(746,100)
Increase in current liabilities			
Trade and other payables		**51,317**	315,245
Cash generated from operations		**460,607**	752,936

35.1 Changes in liabilities from financing activities

	01 July 2018	Cash Flows	30 June 2019
	.... Rupees in '000		
Long term financing	**813,274**	**631,213**	**1,444,487**
Current maturity of long-term financing	**85,616**	**20,262**	**105,878**
Short term borrowings - secured	**1,570,000**	**1,495,000**	**3,065,000**
	2,468,890	**2,146,475**	**4,615,365**

36 UNAVAILED CREDIT FACILITIES

Cash Short term running finances	**1,250,000**	1,250,000

37. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2019			2018		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	.... Rupees in '000					
Managerial remuneration	**6,626**	-	**50,424**	6,606	-	41,140
Medical	**654**	-	**5,042**	654	-	4,112
Bonus	**600**	-	**4,474**	600	-	3,590
Retirement benefits	**600**	-	**4,598**	600	-	3,078
	8,480	-	**64,538**	8,460	-	51,920
Number of persons	**1**	-	**27**	1	-	26

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. 0.420 million (2018: Rs. 0.460 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 and financial instruments.

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: foreign currency risk and interest rate 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 or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. Since, the Company has availed finance under the export refinance scheme which has a fixed interest rate therefore the Company is not exposed to any interest rate risk.

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, 2019	June 30, 2018
	.... Rupees in '000	
Trade debts	**2,341,297**	1,627,853
Cash and bank balances	**232,645**	6,362
Trade and other payables	**(85,014)**	(62,691)
	2,488,928	1,571,524
The following significant exchange rates have been applied at the reporting dates:		
Exchange rates (PKR/USD)	**164**	121.40

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, 2019	**+10**	**248,893**
	-10	**(248,893)**
June 30, 2018	+10	157,152
	-10	(157,152)

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 seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	Note	June 30, 2019	June 30, 2018
		.... Rupees in '000	
Long term investments	8	**38,700**	-
Long-term loans	9	**9,553**	7,644
Long term deposits	10	**1,566**	1,566
Trade debts	13	**2,520,485**	1,807,006
Trade deposits	15	**1,501**	7,699
Other receivables	16	**17,666**	3,671
Bank balances	17	**1,191,144**	85,165
		3,780,615	1,912,751

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, 2019	June 30, 2018
		.... Rupees in '000	
Trade debts			
Neither past due nor impaired		**2,143,446**	1,679,881
Past due but not impaired within 120 days		**377,039**	127,125
		2,520,485	1,807,006
Bank Balances			
A1+	PACRA	**1,181,962**	76,600
A-1+	JCR - VIS	**8,410**	8,081
F1	FITCH	**773**	484
		1,191,145	85,165

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 (2018: 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	**-**	**37,226**	**112,221**	**896,829**	**716,816**	**1,763,092**
Trade & other payables *	**257,341**	**380,031**	**18,313**	**-**	**-**	**655,685**
Unclaimed dividend	**2,451**	**-**	**-**	**-**	**-**	**2,451**
Accrued mark-up	**-**	**30,835**	**-**	**-**	**-**	**30,835**
Short term borrowings	**-**	**3,076,331**	**-**	**-**	**-**	**3,076,331**
2019	**259,792**	**3,524,423**	**130,534**	**896,829**	**716,816**	**5,528,394**
Long term financing	-	25,271	87,253	540,528	370,846	1,023,898
Trade & other payables *	236,185	508,535	11,340	-	-	756,060
Unclaimed dividend	2,100	-	-	-	-	2,100
Accrued mark-up	-	16,927	-	-	-	16,927
Short term borrowings	-	1,575,661	-	-	-	1,575,661
2018	238,285	2,126,394	98,593	540,528	370,846	3,374,646

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

* This excludes government levies amounting to Rs. 789.11 million (2018: Rs. 654.23 million).

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, 2019 and June 30, 2018.

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, 2019	June 30, 2018
	.... Rupees in '000	
Long term financing	1,444,487	813,274
Current maturities of long-term financing	105,878	85,616
Short term borrowings	3,065,000	1,570,000
Cash and bank balances	(1,196,961)	(86,896)
Net debt	**3,418,404**	2,381,994
Issued, subscribed and paid up capital	840,000	840,000
Reserves	5,914,159	5,260,145
Total capital	**6,754,159**	6,100,145
Capital and net debt	**10,172,563**	8,482,139
Gearing ratio	33.60%	28.08%

39 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise associated companies, directors, major shareholders of the Company and key management personnel. All the transactions with related parties are entered into at agreed terms in the normal course of business as approved by the Board of Directors of the Company. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	June 30, 2019	June 30, 2018
	.... Rupees in '000	
Associated companies / Common directorship		
Sales	1,001,628	1,549,269
Reimbursement of expenses	51,435	74,822
Purchases	46,958	3,694
Services rendered	7,760	36,365
Other	116	-
Key management personnel		
Dividend paid to directors	170,923	105,392

39.1 Detail of compensation to key management personnel comprising of chief executive officer, directors and executives is disclosed in note 37.

39.2 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

39.3 Associated Companies Incorporated Outside Pakistan

S.No.	Name & Address	Basis of Association	Country of incorporation
1	DL1961 Premium Denim Inc.	Common Directorship	United States
2	Premium Distributors	Common Directorship	United Arab Emirates

40 FAIR VALUE MEASUREMENT

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 asset or liabilities carried at fair value that required categorization in Level 1, Level 2 and Level 3.

	June 30, 2019	June 30, 2018
	.... Units	
41 PLANT CAPACITY AND ACTUAL PRODUCTION		
Spinning		
Number of rotors installed	**864**	864
Number of spindles installed	**20,448**	20,448
Capacity of yarn (Lbs.)	**18,232,500**	18,232,500
Actual production of yarn (Lbs.)	**16,763,198**	17,235,279
Weaving		
Number of looms installed	**160**	160
Capacity of fabric (meters)	**20,426,250**	19,970,250
Actual production of fabric (meters)	**17,781,470**	19,114,648

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, low demand and type of quality produced.

42 NUMBER OF EMPLOYEES	**June 30, 2019**	**June 30, 2018**
Total number of employees	504	499
Average number of employees	502	480

43 GENERAL

43.1 Subsequent to year ended June 30, 2019, the Board of Directors in its meeting held on September 25, 2019 has proposed final cash dividend at the rate of Rs. 3.00 per share, amounting to Rs. 252 million (2018: Rs. 2.50/- per share amounting to Rs. 210 million) for approval of the members at the Annual General Meeting.

43.2 These financial statements have been authorised for issue on September 25, 2019 by the Board of Directors of the Company.

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

43.4 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 27th ANNUAL GENERAL MEETING of the Company to be held on Saturday, October 19, 2019 at 04:00 PM and at any adjournment thereof.

Signed this_______________day of _____________ 2019.

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.

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

19

CONTACT US

Plot No. 5-9, 23-26, Sector-16,
Korangi Industrial Area,
74900 Karachi, Pakistan.

Tel: +92 21 111 236 236
Fax: +92 21 3505 4652
Email: sales@admdenim.com