

October 04, 2021

The General Manager,
Pakistan Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

Re: SUBMISSION OF ANNUAL AUDITED ACCOUNTS FOR THE YEAR ENDED
JUNE 30, 2021

Dear Sir,

In compliance with the provisions of Section 237 of the Companies Act, 2017, read with PSX Notice No. PSX/N-4207 dated July 13, 2018 and PSX/N-4952 dated August 29, 2018, we are please to submit electronically through PUCARS Annual Audited Accounts for the year ended June 30, 2021.

Further, please find attached Statement of Free Float of Shares duly signed by the Chief Executive Officer and Company Secretary of the Company along with Independent Reasonable Assurance Report on Statement of Free Float of Shares dated September 25, 2021 issued by Reanda Haroon Zakaria & Company, Chartered Accountants, the external auditors of the Company.

Sincerely,
For Artistic Denim Mills Limited


MUHAMMAD FAISAL AHMED
Chief Executive

Encl: As above.

ARTISTIC DENIM MILLS LIMITED

FREE - FLOAT WORKING

AS OF SEPTEMBER 30, 2020, DECEMBER 31, 2020, MARCH 31, 2021 AND JUNE 30, 2021

| Description | No. of Shares | | | |
|---|---------------|-------------|-------------|-------------|
| | Quarter - 1 | Quarter - 2 | Quarter - 3 | Quarter - 4 |
| Total Outstanding Shares | 84,000,000 | 84,000,000 | 84,000,000 | 84,000,000 |
| Less: Government Holdings | - | - | - | - |
| Less: Shares held by Directors / Sponsors / Senior Management Officers and their Associates | 78,825,311 | 78,695,211 | 78,481,211 | 78,480,711 |
| Less: Shares in Physical Form | 66,316 | 66,316 | 66,316 | 66,316 |
| Less: Shares held by Associate Companies / Group Companies (Cross Holdings) | 1,410,200 | 1,410,200 | 1,410,200 | 1,410,200 |
| Less: Shares issued under Employees Stock Option Schemes that can not be sold in the open market in normal course | - | - | - | - |
| Less: Treasury shares | - | - | - | - |
| Less: Any other category that are barred from selling at the review date | - | - | - | - |
| | 80,301,827 | 80,171,727 | 79,957,727 | 79,957,227 |
| Free Float | 3,698,173 | 3,828,273 | 4,042,273 | 4,042,773 |

Basis of Preparation: This Statement is prepared in accordance with the requirements of Regulation No. 5.7.2. (b)(ii) of Pakistan Stock Exchange Limited Regulations (PSX Regulations).

Artistic Denim Mills Ltd

[Signature]
Company Secretary

Artistic Denim Mills Ltd.

[Signature]
Chief Executive

RHZCO
Reanda Haroon & Co



INDEPENDENT REASONABLE ASSURANCE REPORT ON STATEMENT OF FREE FLOAT OF ORDINARY SHARES

To the Chief Executive Officer of Artistic Denim Mills Limited

1. Introduction

We have been engaged to perform a reasonable assurance engagement on the annexed Statement of Free Float of Ordinary Shares (the 'Statement') of Artistic Denim Mills Limited (the Company) as of June 30, 2021, March 31, 2021, December 31, 2020 and September 30, 2020.

2. Applicable Criteria

The criteria against which the Statement is assessed is Regulation No. 5.7.2 (b) (ii) of Pakistan Stock Exchange Limited Regulations (PSX Regulations) which requires every listed company/modaraba/mutual fund to submit directly to Pakistan Stock Exchange (PSX) an annual Free-Float Certificate duly verified by the auditor along with the annual audited accounts as prescribed under regulation 5.6.9(a) of the PSX Regulations.

3. Management's Responsibility

Management is responsible for the preparation of the Statement as of June 30, 2021, March 31, 2021, December 31, 2020 and September 30, 2020 in accordance with the applicable criteria. This responsibility includes maintaining adequate records and internal controls as determined necessary to enable the preparation of the Statements such that it is free from material misstatement, whether due to fraud or error.

4. Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

5. *Our responsibility and summary of work performed*

Our responsibility is to carry out an independent reasonable assurance engagement and to express an opinion as to whether the Statement is prepared in accordance with the applicable criteria, based on the procedures we have performed and the evidence we have obtained.

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), '*Assurance Engagements other than audits or reviews of historical financial statements*' (ISAE 3000) (Revised) issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable level of assurance about whether the Statement is free from material misstatement.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the free float of shares and related information in the Statement. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error, in the Statement. In making those risk assessments, we considered internal control relevant to Artistic Denim Mills Limited's preparation of the Statement. A reasonable assurance engagement also includes assessing the applicable criteria used and significant estimates made by management, as well as, evaluating the overall presentation of the Statement.

We have carried out the procedures considered necessary for the purpose of providing reasonable assurance on the Statement. Our assurance procedures performed included verification of information in the Statement with the underlying data and record comprising of Central Depository Company statements, forms submitted by the Company with Securities & Exchange Commission of Pakistan relating to its pattern of shareholding and other related information. Verification that the computation of free float of shares is in accordance with the PSX Regulations also forms part of our assurance procedures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

6. *Opinion*

In our opinion, the Statement as of June 30, 2021, March 31, 2021, December 31, 2020 and September 30, 2020 is prepared, in all material respects, in accordance with the PSX Regulations.

7. *Restriction on use and distribution*

This report is issued in relation to the requirements as stipulated under Regulation No. 5.7.2 (b) (ii) of the PSX Regulations and is not to be used or distributed for any other purpose. This report is restricted to the facts stated herein and the attachments.

Reanda Haroon Zakaria & Co
Reanda Haroon Zakaria & Company
Chartered Accountants

Place: Karachi

Dated: 25-09-2021

ADM

ARTISTIC DENIM MILLS



ANNUAL REPORT 2021

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Form of Proxy

Company Information

✦ **Board of Directors**

Chief Executive
Chairman
Directors

Mr. Muhammad Faisal Ahmed
Mr. Muhammad Iqbal Ahmed
Mr. Muhammad Yousuf Ahmed
Mr. Muhammad Ali Ahmed
Ms. Zahra Faisal Ahmed
Mr. Yazdani Zia
Mr. Muneer Ahmed

✦ **Audit Committee**

Chairman
Members

Mr. Yazdani Zia
Mr. Muhammad Iqbal Ahmed
Mr. Muhammad Ali Ahmed

✦ **Human Resource and Remuneration Committee**

Chairman
Members

Mr. Yazdani Zia
Mr. Muhammad Faisal Ahmed
Ms. Zahra Faisal Ahmed

✦ **Chief Financial Officer**

Mr. Sagheer Ahmed

✦ **Company Secretary**

Mr. Muhammad Ozair Qureshi

✦ **Chief Internal Auditor**

Mr. Salman Arif

✦ **Auditors**

M/s. Reanda Haroon Zakaria & Company
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
Meezan 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 29th Annual General Meeting ("AGM") of the Members of **Artistic Denim Mills Limited** (the Company) will be held on Monday, October 25, 2021 at 4:00 p.m. via Video Conferencing to transact the following business.

Ordinary Business

1. To confirm the Minutes of the Extra Ordinary General Meeting held on November 23, 2020.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2021, together with the Directors' and the Auditors' Reports thereon.
3. To approve and declare the final cash dividend @ Rs. 2.00 per share i.e. (20%) for the financial year ended June 30, 2021 as recommended by the Board of Directors.
4. To appoint Auditors and fix their remuneration for the year ending June 30, 2022. The present auditors M/s. Reanda Haroon Zakaria & Company, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.
5. To transact any other business of the Company with the permission of the Chair.

By Order of the Board of Directors



Muhammad Ozair Qureshi
Company Secretary

Karachi: October 04, 2021

Notes:

1. COVID-19 Related Contingency Planning for AGM:

In view of the prevailing & worsening situation and ensuring the health safety of our shareholder due to pandemic COVID-19 and in line with the direction issued to listed companies by the Securities & Exchange Commission of Pakistan, vide its Circular No.4 of 2021 dated February 15, 2021 and subsequent Circular No.6 of 2021 dated March 03, 2021, the Company intends to convene this AGM virtually via video conference facility while ensuring compliance with the quorum requirements and request to the Members to consolidate their attendance and voting at the AGM through proxies.

The special arrangement for attending the AGM through electronic means will be as under:

- a) AGM will be held through Zoom application via a video link facility.
- b) Shareholders / Proxy holders interested in attending the AGM through Zoom application are hereby requested to get themselves registered with the Company Secretary office by sending an e-mail with subject: "Registration for AGM" at the earliest but not later than Thursday, October 21, 2021 on E-mail: (meetinginfo@admdenim.com) along with a valid copy of both sides of CNIC.

Shareholders / Proxy holders are advised to mention their Name, Folio / CDC Account Number, CNIC Number and cell number.

NOTICE OF ANNUAL GENERAL MEETING

Upon receipt of the above information from the interested shareholders, the Company will send the login credentials at their email address. On the date of AGM, shareholders will be able to login and participate in the AGM proceedings through their smart phones / computer devices. The login facility will be opened at 3:30 p.m. on October 25, 2021 enabling the participants to join the proceedings which will start at 4:00 p.m. sharp.

2. Closure of Shares Transfer Books:

The share transfer books of the Company will remain closed from October 17, 2021 to October 25, 2021 (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 16, 2021 will be treated in time for the entitlement of final cash dividend and to attend and vote at the Meeting.

3. 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.

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) 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.

4. 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.

5. 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 currently, the deduction of withholding tax on the amount of dividend paid by the companies 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. | Total No. of 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 16, 2021 otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Shareholder(s).

The shareholders seeking to avail exemption or are eligible for deduction at a reduce rate U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate or necessary documentary evidence as the case may be, 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.

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. Postal Ballot:

Pursuant to the Companies (Postal Ballot) Regulations, 2018, members will be allowed to exercise their right to vote through postal ballot that is voting by post or through any electronic mode subject to requirements of Section 143 to Section 145 of the Companies Act, 2017 and procedure contained in the aforesaid Regulations.

9. 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 # on Zakat Declarations at relevant place.

10. Deposit of Physical Shares in CDC Accounts:

As per Section 72 of the Companies Act, 2017 every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the SECP, within a period not exceeding four years from the commencement of the Companies Act, 2017.

NOTICE OF ANNUAL GENERAL MEETING

The shareholders having physical shareholding may please be open CDC sub-account with any of the brokers or investors account directly with CDC to place their physical shares into scrip less form.

For any query / information, the investors may contact the Company's Share Registrar.

11. Unclaimed Dividend:

Shareholders, whose dividends still remain unclaimed are available with the Company, are hereby once again requested to approach the Company to claim their outstanding dividend amounts.

12. Submission of CNIC or Passport:

Shareholders are requested to provide photocopy of their CNIC or passport (in case of foreigner), unless it has been provided earlier, enabling the Company to comply with relevant laws.

13. Change of Address:

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

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 requirements of the Companies Act, 2017 and Listed Companies Code of Corporate Governance Regulations, 2019, 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 and its committees' overall performance and effectiveness for the year ended June 30, 2021. 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. Areas that require improvement were duly considered and suitable action plans were framed.

As the Chairman of the Board, I want to ensure that the Company is being managed effectively, in a way that helps it to achieve its objectives whilst also safeguarding the integrity of the Company and the interests of its stakeholders.

I am pleased to report that the overall performance of the Board and its committees 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 & its committees 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 / DIRECTOR

Karachi: September 25, 2021

DIRECTORS' REPORT TO THE MEMBERS

The Directors of Artistic Denim Mills Limited (the Company) are pleased to present the Annual Report and the Audited Financial Statements for the year ended June 30, 2021.

OPERATING FINANCIAL RESULTS

The financial highlights of the Company are as under:-

| | Rs. in ('000') |
|--|----------------|
| Profit for the year before taxation | 456,356 |
| Taxation | (102,454) |
| Net Profit for the year | 353,902 |
| Un-appropriated profit brought forward | 5,771,620 |
| Other comprehensive income | 13,996 |
| Profit available for appropriation | 6,139,518 |

Appropriations:

| | |
|---|-----------|
| Final Dividend for year ended June 30, 2020 | |
| Cash | (252,000) |
| Un-appropriated profit carried forward | 5,887,518 |

PERFORMANCE REVIEW

Financial Year 2020-21 was a arduous year for businesses world-wide. During the year under review, the net sales of the Company increase by 23.58% from Rs. 7,941 million last year to Rs. 9,813 million. The increase in sales was driven primarily by product mix and aggressive marketing efforts.

Gross profit for the year increased from Rs. 626.542 million to Rs. 1,111.733 million in absolute terms and from 7.89% to 11.33% as a percentage of net sales despite rise in raw cotton cost, revision in gas tariff along with supply issue in winter season and adverse impact of coronavirus pandemic.

Other operating expenses recorded at Rs. 121.316 million as against last year Rs. 53.431 million due to unfavorable USD/PKR parity. The exchange rate at the beginning of the year was Rs. 168 then Rs. 162 in December 2020 and then Rs. 153 in March 2021. This reduced the top and bottom line of the Company.

Finance cost increased from Rs. 166.747 million to Rs. 221.689 million due to increase in working capital requirement and availing SBP's LTFF/TERF Scheme for value addition and technological advancements.

Due to the reasons elucidated above, net profit after tax registered a healthy increase of 211% to Rs. 353.902 million, from Rs. 113.689 million of the corresponding last year. This translated into earnings per share of Rs. 4.21 as against Rs. 1.35 of the last year.

ECONOMIC REVIEW

COVID-19 has emerged as one of the biggest challenges to global and domestic economy, bringing economic activities to a standstill. The situation was more challenging for manufacturing sector of Pakistan due to two reasons: First, many manufacturing jobs are on-site and cannot be carried out remotely. Second, slowdown of manufacturing activities due to high trade & production linkages with the hardest hit countries.

Economy of Pakistan rebounded strongly in FY2021 and posted growth of 3.94 percent which is not only substantially higher than the previous two years (-0.47 and 2.08 percent in FY2020 and FY2019 respectively) but also surpassed the target (2.1 percent for FY2021).

Textile is the most important manufacturing sector of Pakistan and has the longest production chain, with inherent potential for value addition at each stage of processing, from cotton to ginning, spinning, fabric, dyeing and finishing, made-ups and garments. This sector is considered one of the most vital for Pakistan's economic growth. This sector contributes nearly one-fourth of industrial value-added and provides employment to about 40 percent of industrial labor force. Barring seasonal and cyclical fluctuations, textiles products have maintained an average share of about 60 percent in national exports. The sector has struggled due to high manufacturing cost and energy shortages.

According to the international trade-related statistics released by the Pakistan Bureau of Statistics (PBS) on its website, Pakistan's total textile exports witnessed a recorded increase of 23% Year-on-Year basis (YoY) in the outgoing fiscal year 2021 to the US Dollars 15.42 billion compared to US Dollars 12.53 billion in the Fiscal Year 2020.

DIVIDEND

The Board of Directors has proposed a final cash dividend of Rs. 2.00/= per share for the financial year ended June 30, 2021 (June 30, 2020: Rs. 3.00/= 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. 168.000 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.

CAPITAL EXPENDITURE

Sensing huge potential and positive outlook, the Company continues to invest in latest production technologies and in value addition which is an ongoing process, in order to stay competitive in the market and utilize new opportunities created by technological advancements. The Company made capital expenditure of Rs. 2,178 million during the year by utilizing SBP's LTFF/TERF Scheme. These new moves are expected to increase the value addition and thereby enhance the revenue of the Company.

SALES AND MARKETING

With a track record of over 29 years of experience, ADM prides itself at providing its customers the best possible denim brands. The pandemic has re-engineered our working strategy and on the way ahead, digitalization will come as main element in business world. The Company has brought in changes during pandemic situation via connecting with customers through online meetings and conference calls. The Company continues to be the leading producer, reliable supplier and provider of quality product coupled with providing customer pivotal solutions. ADM has strong customer relationships, built up over many years. This is because customers come first at ADM. ADM focusing on adding more customers by expanding footprint across the America, Europe and Asia.

As part of sustainable development initiatives, ADM is focusing on following six key areas to achieve sustainability work which are important to us as well as to our customers:

- Water
- Energy
- Chemicals (dyes and processing chemicals)
- Cotton
- People
- Packaging

The management is driving sustainable cost savings initiatives by adapting improved process efficiencies. 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. ADM is an active adopter of new technology across production, quality assurance and research & development. It helps us reduce conversion costs and defects. It has also resulted higher production flexibility, quality, efficiency and capacity utilization. We are able to work with flexibility in responding to customer demands.

In a highly complex and ever-changing marketplace, we ensure our products meet consumer expectations. The company has well equipped modern & state-of-art innovation, quality testing & development equipment, managed by a operation team of qualified and experienced professionals. We have latest technological equipment.

Innovation is integral to ADM, the strength that has enabled the Company to develop the widest range of products in HyperStretch, Promodal®, XFIT LYCRA®, Organic Denim Series, LYCRA®dualFX™, TOUGH MAX™ LYCRA®, Pure Dark Indigo Series (PDI), Medallion Series, Tined Series, Flat Series, Recycled Cotton and LYCRA®T400® Fiber. Innovation is steered by the needs of the customers who increasingly demand differentiated products to respond to new trends and consumer preferences. ADM Continues to strengthen competitive advantage through innovation differentiated product offerings and enhanced operational efficiencies. Every new innovation at ADM is tested to precision to evaluate and establish effectiveness before implementation.

FUTURE OUTLOOK

Nevertheless, a fourth and more contagious wave of the pandemic has begun spreading in the country, which may smother this economic recovery. Fortunately, vaccination drive has played a significant role in mitigating the virus-uncertainty this time and has given a sigh of relief to business community. Although economic recovery continues despite Pakistan grappling with the fourth and more contagious wave of COVID-19

Despite positive future outlook, the three main challenges that the textile sector is currently facing are:

- o **Policy Issue:** unpredictable, inconsistent, and non-inclusive
- o **Raw Material:** poor quality, falling production, absence of R&D
- o **Energy Issues:** unending worries about tariff shift, transmission, and supply issues

We expect that business will grow and receiving new good order from existing / new customer from across the globe in view of trade war between US and China.

We will continue to augment on our competencies and review our plan / policies to ensure that they remain relevant and befitting, in line with changing dynamics in the global marketplace. The Company is putting together all efforts to improve profitability through innovation, improving efficiency and cost effectiveness initiatives.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

In compliance with the provisions of the Listing Regulations of the Pakistan Stock Exchange, the Board members are pleased to place the following statements on record:

- The financial statements for the year ended June 30, 2021, 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 of the Company have been maintained;
- 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 are no doubts 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;
- The 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;
- One director on the Board has already attended the directors training course, whereas two directors are exempted from such course on account of the experience and qualification. Directors elected during the year will be trained within the time lines provided in Regulations. All the Directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies.

MATERIAL CHANGES

There have been no material changes since June 30, 2021 to date of the Audited Financial Statements and the company has not entered into any commitment during this period, which would have an adverse impact on the financial position of the Company.

PATTERN OF SHAREHOLDING

The Company's shares are traded on the Pakistan Stock Exchange Limited. The pattern of shareholding as on June 30, 2021 and its disclosure is annexed to the Audited Financial Statements.

TRADE IN THE SHARES OF THE COMPANY

During the year July 01, 2020 to June 30, 2021 the trading in Company's shares carried out by its Directors, Chief Executive, Chief Financial Officer, Company Secretary, Head of Internal Audit, Other executives and their spouses or minor children is annexed to the Audited Financial Statements.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Company has fully complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. A statement to this effect is annexed with these Audited Financial Statements.

BOARD OF DIRECTORS

The total numbers of Directors are seven (7) as per the following:

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

The composition of the Board of Directors (the Board) is as follows:

| Category | Numbers | Names |
|---|---------|---|
| a) Independent Directors | 02 | Mr. Yazdani Zia Mr. Mujeebullah Khan * |
| b) Other Non-Executive Directors | | |
| - Male | 03 | Mr. Muhammad Iqbal Ahmed Mr. Muhammad Yousuf Ahmed Mr. Muhammad Ali Ahmed |
| - Female | 01 | Ms. Zahra Faisal Ahmed |
| c) Executive Director | 01 | Mr. Muhammad Faisal Ahmed |

* Elected on Board in the election of Directors held on November 23, 2020 and resigned on June 29, 2021.

During the year, election of Directors was held as per the requirements of the Companies Act, 2017. The Board places on record its appreciation for the valuable contributions made by the outgoing Directors and welcomes the new Directors.

During the year under review, seven 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 | 7 |
| Mr. Muhammad Iqbal Ahmed | 5 |
| Mr. Muhammad Yousuf Ahmed | 7 |
| Mr. Muhammad Ali Ahmed | 4 |
| Ms. Zahra Faisal Ahmed | - |
| Mr. Mujeebullah Khan *** | 3 |
| Mr. Yazdani Zia * | 3 |
| 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

* Elected on Board in the election of Directors held on November 23, 2020.

** Retired on November 23, 2020.

*** Elected on Board in the election of Directors held on November 23, 2020 and resigned on June 29, 2021.

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 directors and one independent director. 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, five meetings of the Audit Committee were held. The attendance record of each director was as follows:

| Name of Director | No. of Meetings Attended |
|------------------------------------|--------------------------|
| Mr. Muhammad Iqbal Ahmed * | 2 |
| Mr. Muhammad Ali Ahmed * | 3 |
| Mr. Mujeebullah Khan *** | 2 |
| Mr. Muhammad Iqbal-ur-Rahim** | 3 |
| Mr. Zafar-ul-Mukhtar Ahmed Khan ** | 3 |

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

* Elected on Board Committee in the Board Meeting held on December 03, 2020.

** Retired on November 23, 2020.

*** Elected on Board in the election of Directors held on November 23, 2020 and resigned on June 29, 2021.

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 directors and one independent director. 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 Faisal Ahmed * | 1 |
| Ms. Zahra Faisal Ahmed * | 1 |
| Mr. Yazdani Zia * | 1 |
| Mr. Muhammad Ali Ahmed*** | - |
| Mr. Muhammad Iqbal-ur-Rahim** | - |
| Mr. Zafar-ul-Mukhtar Ahmed Khan ** | - |

* Elected on Board Committee in the Board Meeting held on December 03, 2020.

** Retired on November 23, 2020.

*** Replaced by new member in the Board Meeting held on December 03, 2020.

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 2021, 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 Company in the normal course of business carries out transactions with its associated companies. 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. Risks are assessed and managed at various levels with a top-down and bottom-up approach covering the enterprise, the business units, the functions and projects.

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, Reanda Haroon Zakaria & Company, Chartered Accountants are retiring at the conclusion of the forthcoming annual general meeting scheduled to be held on October 25, 2021 and being eligible, offer themselves for re-appointment. In accordance with the Listed Companies (Code of Corporate Governance) Regulations, 2019, the Board of Directors endorses the recommendation of the Audit Committee for their re-appointment as the Statutory Auditors of the Company for the financial year ending June 30, 2022, at a mutually agreed fee.

CORPORATE SOCIAL RESPONSIBILITY

1. Energy Conservation

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

In line with the Company's declared commitment towards conservation of natural resources, all business units have continued with their efforts to improve energy usage efficiencies. The Company has Solar Power System to hedge against the rising cost of gas and fuel. Solar power is truly a green source of power utilizing the natural source of energy and contributing significantly to reducing the carbon footprint. The economic importance of this project is that use of renewable energy reduces cost of power and thereby contributing to bottom line while making the best use of the idle and unused rooftops. 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. Natural gas is utilized for power generation through tri-generation facility. Waste heat recovery boilers are used for heat recovery. Waste heat recovery systems make possible the recovery of heat being discharged into the atmosphere as supplemental energy / steam for other processes. Jacket hot water of generators is used to run the absorption chiller. We rely on scientific and technological progress to achieve clean and efficient use of energy. 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.

Fires can lead to personal injury, loss of life and property damage. Fire alarm and detection systems are installed and maintained in proper working order. Fire Equipments are installed as per NFPA Standard 10. The Company has developed Emergency Response Team to action against Fire incident. Fire team is available 24/7 at our facility.

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) |
| • ZDHC | (Zero Discharge of Hazardous Chemicals) |
| • C2C | Cradle to Cradle |
| • HIGG (FEM) | Facility Environmental Module |
| • HIGG (FSLM) | Facility Social Labor Module |
| • SQP | Supplier Qualification Program |
| • 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 SEPA 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 Abdul Sattar Edhi Foundation and Saylani Welfare Trust.

ACKNOWLEDGEMENTS

The Board of Directors wish to express their deepest thanks and gratitude to all the shareholders for their confidence and support. We would like to thank all stakeholders, including but not limited to customers, suppliers, bankers, regulators, who have been associated with us for their support and cooperation and look forward to their continued support in future.

We would like to thank the management and employees for their sincere contributions toward the growth and successful operations of the Company.

ON BEHALF OF THE BOARD OF DIRECTORS



MUHAMMAD FAISAL AHMED
Chief Executive



YAZDANI ZIA
Director

Karachi: September 25, 2021

ڈائریکٹرز رپورٹ برائے ممبران

آرٹسٹک ڈینیم ملز لمیٹڈ (کمپنی) کے ڈائریکٹرز انتہائی مسرت کے ساتھ 30 جون 2021 کو ختم ہونے والے سال کے لئے سالانہ رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

کاروباری مالیاتی نتائج

کمپنی کے مالیاتی نتائج کا خلاصہ درج ذیل ہے:

| روپے "ہزاروں" میں | |
|-------------------|----------------------------------|
| 456,356 | قبل از ٹیکس منافع |
| (102,454) | ٹیکس |
| 353,902 | خالص سالانہ منافع |
| 5,771,620 | غیر مختص شدہ منافع آگے لایا گیا۔ |
| 13,996 | دیگر جامع آمدن |
| 6,139,518 | تخصیص کے لئے دستیاب منافع |

مختص فنڈ:

| 30 جون 2020 کا حتمی منافع منقسمہ | |
|----------------------------------|----------------------------------|
| (252,000) | نقد |
| 5,887,518 | غیر مختص منافع کو آگے بڑھایا گیا |

کارکردگی کا جائزہ

مالیاتی سال 2020-21 دنیا بھر کے کاروباری اداروں کے لئے ایک مشکل سال تھا۔ زیر نظر سال کے دوران کمپنی کی خالص فروخت 23.58 فیصد اضافے کے ساتھ گزشتہ سال 7,941 ملین روپے سے بڑھ کر 9,813 ملین روپے ہو گئی۔ فروخت میں اضافہ بنیادی طور پر پروڈکٹ کس اور چار حانہ مارکیٹنگ کی کوششوں سے ہوا۔ مجموعی سالانہ منافع 626.542 ملین روپے سے بڑھ کر مطلق طور پر 1,111.733 ملین روپے اور خام کپاس کی لاگت میں اضافے کے باوجود خالص فروخت کے فیصد کے طور پر 7.89 فیصد سے بڑھ کر 11.33 فیصد ہو گیا، موسم سرما میں سپلائی کے مسئلے کے ساتھ گیس ٹیرف میں نظر ثانی اور کورونا وائرس وبا کے منفی اثرات مرتب ہوئے۔

دیگر آپریٹنگ اخراجات 121.316 ملین روپے ریکارڈ کیے گئے جبکہ گزشتہ سال امریکی ڈالر اپاک روپے کی ناموافق برابری کی وجہ سے 53.431 ملین روپے کا اضافہ ریکارڈ کیا گیا تھا۔ سال کے آغاز میں شرح تبادلہ 168 روپے پھر دسمبر 2020 میں 162 روپے اور پھر مارچ 2021 میں 153 روپے رہی۔ اس سے کمپنی کی بالائی اور زیریں اہداف کم ہو گئے۔

ورکنگ کپٹیل کی ضرورت میں اضافے اور ویلیو ایڈیشن اور ٹیکسٹائل اینڈ وائسٹ کے لئے اسٹیٹ بینک کی LTFF/TERF اسکیم اپنانے سے فائننس لاگت 166.747 ملین روپے سے بڑھ کر 221.689 ملین روپے ہو گئی۔

اوپر بیان کردہ وجوہات کی بنا پر بعد از ٹیکس خالص منافع 211 فیصد کے صحت مند اضافے کے ساتھ گزشتہ سال کے 113.689 ملین روپے کے مقابلے میں 353.902 ملین روپے ریکارڈ کیا گیا۔ یہ فی شیئر آمدنی میں گزشتہ سال کے 1.35 روپے کے مقابلے میں 4.21 روپے کا معنی خیز اضافہ ظاہر کرتا ہے۔

اقتصادی جائزہ

COVID-19 عالمی اور ملکی معیشت کے لئے سب سے بڑے چیلنجز میں سے ایک بن کر ابھرا ہے جس سے معاشی سرگرمیاں ٹھپ ہو گئی ہیں۔ پاکستان کے صنعتی سیکٹر کے لئے صورتحال دو وجوہات کی بنا پر زیادہ مشکل ہدف تھی: پہلا یہ کہ بہت سی صنعتی ملازمتیں مقام پر موجودگی کی متقاضی ہیں اور انہیں آن لائن انجام نہیں دیا جاسکتا۔ دوسرا، سب سے زیادہ متاثرہ ممالک کے ساتھ اعلیٰ تجارتی پیداواری روابط کی وجہ سے صنعتی سرگرمیوں میں ست روی۔

مالیاتی سال 2021 میں پاکستان کی معیشت میں زبردست تیزی آئی اور اس میں 3.94 فیصد اضافہ ہوا جو نہ صرف گزشتہ دو سالوں (مالیاتی سال 2020 اور مالیاتی سال 2019 میں بالترتیب -0.47 اور 2.08 فیصد) کے مقابلے میں کافی زیادہ ہے بلکہ ہدف (مالیاتی سال 2021 کے لئے 2.1 فیصد) سے بھی آگے نکل گیا۔

ٹیکسٹائل پاکستان کا سب سے اہم صنعتی سیکٹر ہے اور اس میں طویل ترین پروڈکشن چین ہے، جس میں کپاس سے لے کر جنگ، اسپننگ، فیرک، ڈائینگ اور فنشنگ، میڈ اپس اور گارمنٹس تک پروسیسنگ کے ہر مرحلے میں ویلیو ایڈیشن کی فطری صلاحیت موجود ہے۔ یہ شعبہ پاکستان کی معاشی ترقی کے لئے سب سے اہم سمجھا جاتا ہے۔ یہ شعبہ صنعتی ویلیو ایڈ کا تقریباً ایک چوتھائی حصہ شامل کرتا ہے اور صنعتی لیبر فورس کے تقریباً 40 فیصد کو روزگار فراہم کرتا ہے۔ موہی اور پیچیدہ اراتار چڑھاؤ کو چھوڑ کر ٹیکسٹائل مصنوعات نے قومی برآمدات میں اوسطاً 60 فیصد حصہ برقرار رکھا ہے۔ اس شعبے نے زیادہ صنعتی لاگت اور توانائی کی قلت کی وجہ سے جدوجہد کی ہے۔

پاکستان بیورو آف سٹیٹسٹکس (PBS) کی جانب سے اپنی ویب سائٹ پر جاری کردہ بین الاقوامی تجارت سے متعلق اعداد و شمار کے مطابق پاکستان کی مجموعی ٹیکسٹائل برآمدات میں مالیاتی سال 2021 میں سالانہ بنیادوں پر 23 فیصد اضافہ ریکارڈ کیا گیا جو مالیاتی سال 2020 میں 12.53 ارب امریکی ڈالر کے مقابلے میں 15.42 ارب امریکی ڈالر رہا۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 30 جون 2021 (30 جون 2020: - 3.00 روپے فی حصص) ختم ہونے والے مالیاتی سال کے لئے 2.00 روپے فی حصص کے حتمی کیش ڈیویڈنڈ کی تجویز پیش کی ہے جو آئندہ اجلاس عام میں حصص یافتگان کی منظوری سے مشروط ہے۔ حصص یافتگان کو ادا کئے جانے والے منافع منقسمہ کی کل رقم 168.000 ملین روپے ہوگی۔

نقدی کے بہاؤ کا گوشوارہ

کمپنی کے پاس نقد رقم کی آمد و رفت کو پروجیکٹ کرنے اور نقد آمدن اور قلیل مدتی قرضوں کے ذریعے ورکنگ کپٹیل کی ضروریات کو پورا کرنے کے لئے حکمت عملی تیار کرنے کے لئے ایک موثر کیش فلو مینجمنٹ موجود ہے۔

سرمایہ اخراجات

بہت بڑی صلاحیت اور مثبت نقطہ نظر کو بھانپتے ہوئے، کمپنی جدید ترین پیداواری ٹیکنالوجیز اور ویلیو ایڈیشن میں سرمایہ کاری جاری رکھے ہوئے ہے جو ایک جاری عمل ہے، تاکہ مارکیٹ میں مسابقتی رجحان برقرار رہے اور تکنیکی ترقی سے پیدا ہونے والے نئے مواقع سے استفادہ کریں۔ کمپنی نے دوران سال اسٹیٹ بینک کی LTFF/TERF اسکیم کو استعمال کرتے ہوئے 2178 ملین روپے سرمائے کے اخراجات کیے۔ توقع ہے کہ ان نئی حکمت عملی سے ویلیو ایڈیشن میں اضافہ ہوگا اور اس طرح کمپنی کی آمدنی میں بھی اضافہ ہوگا۔

فروخت اور مارکیٹنگ

29 سال سے زیادہ کے تجربے کے ٹریک ریکارڈ کے ساتھ، ADM اپنے صارفین کو بہترین ممکنہ ڈینم براؤڈ فراہم کرنے پر نازاں ہے۔ موجودہ وہاں ہمارے کام کرنے کی حکمت عملی کو نئی جہت دی ہے اور یہ آگے بڑھتے ہوئے ڈیجیٹلائزیشن کاروباری دنیا میں اہم عنصر کے طور پر ظاہر ہوگی۔ کمپنی آن لائن میٹنگز اور کانفرنس کالز کے ذریعے صارفین سے رابطہ قائم کر کے وہاں کی صورتحال کے دوران تبدیلیاں لائی ہے۔ کمپنی کسٹمرز کو اہم حل فراہم کرنے کے ساتھ ساتھ معیاری مصنوعات کا سرکردہ پروڈیوسر، قابل اعتماد سپلائر اور فراہم کنندہ ہے۔ ADM کے کسٹمرز کے ساتھ مضبوط تعلقات وابستہ ہیں، جو کئی سالوں پر محیط ہیں۔ اس کی وجہ یہ ہے کہ صارفین ADM کو ترجیح دیتے ہیں۔ ADM امریکہ، یورپ اور ایشیا میں قدم بڑھا کر مزید صارفین کو شامل کرنے پر توجہ مرکوز کر رہا ہے۔

پائیدار ترقیاتی اقدامات کے حصے کے طور پر، ADM معیاری کام کے حصول کے لئے چھ اہم شعبوں پر عمل کرنے پر توجہ مرکوز کر رہا ہے جو ہمارے ساتھ ساتھ ہمارے صارفین کے لئے بھی اہم ہیں:

- پانی
- توانائی
- کیمیکلز (رنگ اور پروسیسنگ کیمیکلز)
- کپاس
- افراد
- پیکنگ

انتظامیہ بہتر عمل کی استعداد کو تشکیل دے کر لاگت کی بچت کے پائیدار اقدامات کر رہی ہے۔ جدید طریقوں کی ترویج اور صارفین کو مکمل حل فراہم کرنے کے لئے ADM کا ان ہاؤس ریسرچ اینڈ ڈویلپمنٹ ڈیپارٹمنٹ مختص ہے جو نئی مصنوعات کو مقبول عام بنانے میں کردار ادا کر رہا ہے۔ پائیداری ہمارے لئے ایک عہد ہے اور ہم اسے حقیقت بنانے کے لئے اپنے تمام سپلائرز کے ساتھ مل کر کام کر رہے ہیں۔ ADM پیداوار، معیار کی یقین دہانی اور تحقیق کی ترقی میں نئی ٹیکنالوجی کو فعال طور پر اپنانے والا ہے۔ یہ ہمیں تبدیلی کی لاگت اور نقصان کو کم کرنے میں مدد کرتا ہے۔ اس کے نتیجے میں پیداوار میں زیادہ لچک، معیار، کارکردگی اور صلاحیت کا استعمال بھی ہوا ہے۔ ہم کسٹمرز کی مانگ کو پورا کرنے میں لچک کے ساتھ کام کرنے کی صلاحیت رکھتے ہیں۔

ایک انتہائی پیچیدہ اور مسلسل تغیر پذیر مارکیٹ میں، ہم اس بات کو یقینی بناتے ہیں کہ ہماری مصنوعات صارفین کی توقعات پر پورا اتریں۔ کمپنی جدید ترین انداز، معیاری جانچ کے ترقیاتی آلات سے اچھی طرح لیس ہے، جس کا انتظام اہل اور تجربہ کار پیشہ ور افراد کی آپریشن ٹیم کے ذمہ ہے۔ ہم جدید ترین تکنیکی آلات سے آراستہ ہیں۔

جدت ADM کا لازمی جزو ہے، یہ وہ طاقت ہے جس نے کمپنی کو ہائپر اسٹریچ، پروموڈال®، XFIT LYCRA®، آرگینک ڈینیم سیریز، LYCRA® ڈوئل™، FX™، TOUGH MAX™ LYCRA®، پیور ڈارک انڈیگو سیریز (PDI)، میڈلین سیریز، ٹائٹل سیریز، فلیٹ سیریز، ری سائیکلڈ کاٹن اور LYCRA® T400 نامی بھر میں مصنوعات کی وسیع ترین رینج تیار کرنے کے قابل بنایا ہے۔ جدت ان صارفین کی ضروریات سے پروان چڑھتی ہے جو نئے رجحانات اور ترجیحات کو اپنانے کے لئے متنوع مصنوعات کا کثرت سے مطالبہ کرتے ہیں۔ ADM جدید نمایاں مصنوعات کی پیشکشوں اور بڑھتی ہوئی آپریشنل کارکردگی کے ذریعے مسابقتی فوائد کو مستحکم بنانے کی روش پر گامزن ہے۔ ADM میں ہر نئی جدت پر عمل درآمد سے پہلے اثر پذیری کا جائزہ لینے اور اختیار کرنے کے لئے اسکی درستی کا تجزیہ کیا جاتا ہے۔

مستقبل کی پیش بینی

اس کے باوجود کہ ملک میں وبا کی چوٹی اور زیادہ شدید لہر پھیلنا شروع ہو گئی ہے جو اس معاشی بحالی کو متاثر کر سکتی ہے۔ خوش قسمتی سے ویکسینیشن مہم نے اس بار دواؤں کی غیر یقینی صورتحال کو کم کرنے میں اہم کردار ادا کیا ہے اور کاروباری برادری نے سکون کا سانس لیا ہے۔ پاکستان COVID-19 کی چوٹی اور زیادہ متعدد لہروں سے متاثر ہونے کے باوجود یہاں معاشی بحالی کا سفر جاری ہے۔

مستقبل کے مثبت نقطہ نظر کے باوجود ٹیکسٹائل سیکٹر کو اس وقت جن تین اہم چیلنجوں کا سامنا ہے وہ یہ ہیں:

- پالیسی کا مسئلہ: غیر متوقع، غیر موافق اور غیر جامع
- خام مال: ناقص معیار، گرتی ہوئی پیداوار، R&D کی عدم موجودگی
- توانائی کے مسائل: ٹیرف شفٹ، ٹرانسمیشن اور سپلائی کے مسائل کے بارے میں لامحدود تشویش

ہم توقع کرتے ہیں کہ امریکہ اور چین کے درمیان تجارتی جنگ کے پیش نظر کاروبار میں اضافہ ہوگا اور دنیا بھر سے موجودہ نئے کسٹمرز سے نئے اور قابل قدر آرڈر حاصل ہوں گے۔

ہم اپنی صلاحیتوں میں اضافہ کرتے رہیں گے اور عالمی مارکیٹ میں بدلتی ہوئی تبدیلیوں کے مطابق اپنے منصوبے اپالیسیوں کا جائزہ لیتے رہیں گے تاکہ یہ یقینی بنایا جاسکے کہ وہ موزوں اور مناسب ہیں۔ کمپنی جدت طرازی، کارکردگی کو بہتر بنانے اور لاگت کی تاثیر کے اقدامات کے ذریعے منافع کو بہتر بنانے کے لئے تمام تر کوششیں کر رہی ہے۔

ادارتی اور مالیاتی رپورٹنگ فریم ورک

پاکستان اسٹاک ایکسچینج کے لسٹنگ ریگولیشنز کی تعمیل کرتے ہوئے بورڈ اراکین کو مندرجہ ذیل بیانات ریکارڈ پر رکھتے ہوئے مسرت ہو رہی ہے:

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ 30 جون 2021 کو ختم ہونے والے سال کے مالیاتی گوشوارے، اس کی حالیہ صورتحال، اس کے آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیاں شفافیت کے ساتھ پیش کرتے ہیں؛
- کمپنی کے اکاؤنٹ کی مناسب کتابیں برقرار رکھی گئی ہیں؛
- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا مستقل اطلاق کیا گیا ہے اور مالیاتی گوشواروں میں اکاؤنٹنگ پالیسیوں میں کسی بھی تبدیلی کا انکشاف کیا گیا ہے۔ اکاؤنٹنگ کے تخمینے معقول اور دانشمندانہ فیصلوں پر مبنی ہیں؛
- مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیارات کی، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، پیروی کی گئی ہے۔ اور ان سے کسی بھی انحراف کو مناسب طریقے سے ظاہر اور وضاحت کی گئی ہے۔

- انٹرئل کنٹرول کا نظام ڈیزائن میں درست ہے اور اس پر موثر عمل درآمد کیا گیا ہے، باقاعدگی سے جائزہ لیا گیا اور اس کی نگرانی کی گئی ہے۔ انٹرئل کنٹرول کی نگرانی کا عمل ایک مسلسل عمل کے طور پر جاری رہے گا جس کا مقصد نظام میں کنٹرول کو مزید مستحکم کرنا ہے؛
- کمپنی کے کام جاری رکھنے کی اہلیت پر کسی شک و شبہ کی گنجائش نہیں ہے۔
- کارپوریٹ گورننس کے بہترین طریقوں سے کوئی مادی انحراف نہیں کیا گیا، جیسا کہ پاکستان اسٹاک ایکسچینج کی رول بک کے ضوابط میں تفصیل سے بیان کیا گیا ہے؛
- خلاصہ شکل میں پچھلے چھ سالوں کے کلیدی آپریٹنگ اور مالیاتی اعداد و شمار، آڈٹ شدہ مالیاتی گوشواروں کے ساتھ منسلک ہیں؛
- واجب الادا ڈیوٹیز، قانونی چارجز اور ٹیکسز کو، اگر کوئی ہو، آڈٹ شدہ مالیاتی گوشواروں میں باضابطہ طور پر ظاہر کیا گیا ہے؛
- بورڈ میں ایک ڈائریکٹر پہلے ہی ڈائریکٹرز ٹریننگ کورس میں شرکت کر چکا ہے جبکہ تجربے اور اہلیت کی وجہ سے دو ڈائریکٹرز کو اس طرح کے کورس سے مستثنیٰ قرار دیا گیا ہے۔ دوران سال منتخب ہونے والے ڈائریکٹرز کو ضوابط میں فراہم کردہ معین وقت میں تربیت دی جائے گی۔ بورڈ کے تمام ڈائریکٹر کارپوریٹ اداروں کے ڈائریکٹر کی حیثیت سے اپنے فرائض اور ذمہ داریوں سے پوری طرح آگاہ ہیں۔

اہم تبدیلیاں

آڈٹ شدہ مالیاتی گوشواروں کی تاریخ 30 جون 2021 سے اب تک کوئی اہم تبدیلی رونما نہیں ہوئی ہے اور کمپنی نے اس عرصے کے دوران کوئی عہد نہیں کیا ہے جس سے کمپنی کی مالیاتی حالت پر منفی اثرات مرتب ہوں گے۔

شیئر ہولڈنگ کی ساخت

کمپنی کے شیئرز کا کاروبار پاکستان اسٹاک ایکسچینج لمیٹڈ میں ہوتا ہے۔ 30 جون 2021 تک شیئر ہولڈنگ کا پیٹرن اور اس کا انکشاف آڈٹ شدہ مالیاتی گوشواروں میں شامل ہے۔

کمپنی کے شیئرز میں تجارت

سال 01 جولائی 2020 سے 30 جون 2021 کے دوران کمپنی کے شیئرز کی خرید و فروخت اس کے ڈائریکٹرز، چیف ایگزیکٹو، چیف فنانسئل آفیسر، کمپنی سیکرٹری، ہیڈ آف انٹرئل آڈٹ، دیگر ایگزیکٹوز اور ان کے شریک حیات یا نا ببالغ بچوں کے ذریعہ کی گئی خرید و فروخت آڈٹ شدہ مالیاتی گوشواروں میں شامل ہے۔

ادارتی نظم و ضبط کے ضابطہ کی تعمیل کا بیان

کمپنی نے لمیٹڈ کمپنیز کے (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2019 کے تقاضوں کی مکمل تعمیل کی ہے۔ اس سلسلے میں ایک بیان آڈٹ شدہ مالیاتی گوشواروں کے ساتھ منسلک ہے۔

بورڈ آف ڈائریکٹرز

ڈائریکٹرز کی کل تعداد درج ذیل کے مطابق سات (7) ہے:

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

بورڈ آف ڈائریکٹرز (بورڈ) کی تشکیل درج ذیل ہے:

| شمار | درجہ بندی | تعداد | نام |
|------|---------------------------------------|-------|---|
| a | آزاد ڈائریکٹر | 02 | جناب یزدانی ضیاء جناب مجیب اللہ خان* |
| b | دیگر نان ایگزیکٹو ڈائریکٹران - مرد | 03 | جناب محمد اقبال احمد جناب محمد یوسف احمد جناب محمد علی احمد |
| | - خاتون | 01 | مس زہرہ فیصل احمد |
| c | ایگزیکٹو ڈائریکٹر | 01 | جناب محمد فیصل احمد |

* 23 نومبر 2020 کو ہونے والے ڈائریکٹرز کے انتخاب میں بورڈ کیلئے منتخب ہوئے اور 29 جون 2021 کو مستعفی ہو گئے۔
دوران سال کمپنیز ایکٹ 2017 کے تقاضوں کے مطابق ڈائریکٹرز کا انتخاب منعقد ہوا۔ بورڈ سبکدوش ہونے والے ڈائریکٹرز کے قیمتی تعاون پر اپنی تعریف ریکارڈ پر رکھتا ہے اور نئے ڈائریکٹرز کا خیر مقدم کرتا ہے۔
زیر جائزہ سال کے دوران پاکستان میں بورڈ آف ڈائریکٹرز کے ساتھ اجلاس منعقد ہوئے اور ہر ڈائریکٹر کی حاضری درج ذیل تھی:

| ڈائریکٹر کا نام | اجلاسوں میں شرکت کی تعداد |
|----------------------------|---------------------------|
| جناب محمد فیصل احمد | 7 |
| جناب محمد اقبال احمد | 5 |
| جناب محمد یوسف احمد | 7 |
| جناب محمد علی احمد | 4 |
| مس زہرہ فیصل احمد | - |
| جناب مجیب اللہ خان*** | 3 |
| جناب یزدانی ضیاء* | 3 |
| جناب محمد اقبال الرحیم** | 4 |
| جناب ظفر الحقار احمد خان** | 4 |

بورڈ اجلاسوں میں شرکت سے قاصر ڈائریکٹران کو غیر حاضری کی رخصت دے دی گئی۔

* 23 نومبر 2020 کو ہونے والے ڈائریکٹرز کے انتخاب میں بورڈ کیلئے منتخب ہوئے۔

** 23 نومبر 2020 کو مستعفی ہوئے۔

*** 23 نومبر 2020 کو ہونے والے ڈائریکٹرز کے انتخاب میں بورڈ کیلئے منتخب ہوئے اور 29 جون 2021 کو مستعفی ہو گئے۔

بورڈ کی کمیٹیاں

بورڈ آف ڈائریکٹرز نے کارپوریٹ گورننس کے ضابطہ اخلاق کے تقاضوں کے مطابق آڈٹ کمیٹی تشکیل دی ہے۔ آڈٹ کمیٹی تین ارکان، دو نان ایگزیکٹو ڈائریکٹرز اور ایک آزاد ڈائریکٹر پر مشتمل ہے۔ آڈٹ کمیٹی کے چیئرمین ایک آزاد ڈائریکٹر ہیں۔ آڈٹ کمیٹی نے اپنے کام کارپوریٹ گورننس کے ضابطہ کے مطابق اطمینان بخش طریقے سے انجام دیئے ہیں۔

دوران سال آڈٹ کمیٹی کے پانچ اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کاریکارڈ درج ذیل تھا:

| ڈائریکٹر کا نام | اجلاسوں میں شرکت کی تعداد |
|-----------------------------|---------------------------|
| جناب محمد اقبال احمد * | 2 |
| جناب محمد علی احمد * | 3 |
| جناب مجیب اللہ خان *** | 2 |
| جناب محمد اقبال الرحیم ** | 3 |
| جناب ظفر الحقار احمد خان ** | 3 |

بورڈ اجلاسوں میں شرکت سے قاصر ڈائریکٹر ان کو غیر حاضری کی رخصت دے دی گئی۔

* 03 دسمبر 2020 کو منعقدہ بورڈ میٹنگ میں بورڈ کمیٹی کے لیے منتخب ہوئے۔

** 23 نومبر 2020 کو مستعفی ہوئے۔

*** 23 نومبر 2020 کو ہونے والے ڈائریکٹرز کے انتخاب میں بورڈ کیلئے منتخب ہوئے اور 29 جون 2021 کو مستعفی ہو گئے۔

بورڈ آف ڈائریکٹرز نے کارپوریٹ گورننس کے ضابطہ اخلاق کے تقاضوں کے مطابق انسانی وسائل اینڈ معاوضہ کمیٹی (HR&RC) تشکیل دی ہے۔ کمیٹی تین ارکان، دو نان ایگزیکٹو ڈائریکٹرز اور ایک آزاد ڈائریکٹر پر مشتمل ہے۔ کمیٹی کے چیئرمین ایک آزاد ڈائریکٹر ہیں۔ کمیٹی بورڈ آف ڈائریکٹرز کے تعین کے تحت شرائط کے مطابق اپنے فرائض انجام دے رہی ہے۔ دوران سال کمیٹی کا ایک اجلاس منعقد ہوا۔ ہر ڈائریکٹر کی حاضری کاریکارڈ درج ذیل تھا:

| ڈائریکٹر کا نام | اجلاسوں میں شرکت کی تعداد |
|-----------------------------|---------------------------|
| جناب محمد فیصل احمد * | 1 |
| مس زہرہ فیصل احمد * | 1 |
| جناب یزدانی ضیا * | 1 |
| جناب محمد علی احمد *** | - |
| جناب محمد اقبال الرحیم ** | - |
| جناب ظفر الحقار احمد خان ** | - |

* 03 دسمبر 2020 کو منعقدہ بورڈ میٹنگ میں بورڈ کمیٹی کے لیے منتخب ہوئے۔

** 23 نومبر 2020 کو مستعفی ہوئے۔

*** 03 دسمبر 2020 کو منعقدہ بورڈ میٹنگ میں نئے رکن نے جگہ لی۔

نان ایگزیکٹو ڈائریکٹر کی معاوضہ پالیسی

بورڈ / کمیٹی کے اجلاسوں میں شرکت کے لئے ایک نان ایگزیکٹو ڈائریکٹر / آزاد ڈائریکٹر کے مشاہیرے کا تعین وقتاً فوقتاً بورڈ کرے گا۔ نان ایگزیکٹو ڈائریکٹر / انڈیپنڈنٹ ڈائریکٹر کو بورڈ اور ڈائریکٹر کی کمیٹی کے ہر اجلاس کے لئے فیس کے ذریعے معاوضہ ادا کیا گیا جس میں ان کی شرکت ہوئی تھی۔ ڈائریکٹر کو اضافی طور پر اگر ان میں سے کسی کو آڈٹیشن سے کمیٹی کے بورڈ یا عام اجلاس میں شرکت کے لئے آنا پڑے اس طرح کے سفر، بورڈنگ، قیام اور دیگر اخراجات کی ادائیگی ان کے فرائض یا کاروباری کارکردگی کے اعتبار سے مناسب طریقے سے کی جائے گی۔

متعلقہ پارٹی لین دین اور قیمت گری

مالیاتی سال 2021 کے دوران تمام متعلقہ پارٹی لین دین کو آڈٹ کمیٹی اور بورڈ کے سامنے ان کے جائزے اور منظوری کے لئے پیش کیا گیا۔ ان لین دین کو آڈٹ کمیٹی اور بورڈ نے اپنے اپنے اجلاسوں میں باضابطہ طور پر منظور کیا۔ کاروبار کے عام کورس میں کمیٹی اپنی متعلقہ کمپنی کے ساتھ لین دین کرتی ہے۔ متعلقہ فریقوں کے ساتھ لین دین بلند سطح قیمتوں پر کیا گیا تھا جس کے تعین کا موازنہ بے قابو قیمتوں کے طریقہ کار کے مطابق کیا گیا تھا۔

خطرات کا انتظام

کمپنی کے پاس خطرات کے انتظام کا ایک بہترین نظام موجود ہے جو اسے بنیادی خطرے اور غیر یقینی صورتحال کا تدارک کرنے، نگرانی کرنے اور رپورٹ کرنے کے قابل بناتا ہے جو اس کے ترویجی مقاصد کے حصول کی صلاحیت پر اثر انداز ہو سکتا ہے۔ فریم ورک کے تحت کمیٹی نے مناسب جائزہ میکانزم کے ساتھ ساتھ ان خطرات کی فعال نگرانی، انتظام اور انہیں کم کرنے کے لئے طریقہ اور نظام کو شامل کیا ہے۔ مختلف سطحوں پر خطرات کا جائزہ لیا جاتا ہے اور ان کا انتظام کیا جاتا ہے جس میں انٹرپرائز، کاروباری اکائیوں، افعال اور منصوبوں کا احاطہ کرتے ہوئے اتار چڑھاؤ اور چڑھاؤ اتار کا طریقہ کار ہوتا ہے۔

مالیاتی گرفت کا اندرونی نظام

ADM کے پاس ایک جامع مالیاتی گرفت کا اندرونی نظام ہے جو اس کے کاموں کا حجم، پیمانے اور پیچیدگی کے مطابق ہے۔ یہ نظام کمیٹی کے اثاثوں کی حفاظت، مالیاتی لین دین کی مناسب اجازت، تمام قابل اطلاق قوانین اور ضوابط کی تعمیل اور وسائل کے موثر استعمال کو یقینی بنانے کے لئے بڑے طریقہ کار پر محیط ہے۔ کمیٹی کی انتظامیہ قانونی آڈیٹر اور انٹرنل آڈیٹر کی سفارشات پر مناسب غور کرتی ہے اور مناسب کارروائی کرتی ہے۔

آڈیٹرز

موجودہ آڈیٹرز، رینڈا ہارون زکریا اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس 25 اکتوبر 2021 کو ہونے والے آئندہ سالانہ عام اجلاس کے اختتام پر ریٹائر ہو رہے ہیں اور اہل ہونے کے باعث انہوں نے اپنے آپ کو دوبارہ تقرری کیلئے پیش کیا ہے۔ لسنڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2019 کے مطابق بورڈ آف ڈائریکٹرز 30 جون 2022 کو ختم ہونے والے مالیاتی سال کے لئے باہمی طے شدہ معاوضے پر کمیٹی کے قانونی آڈیٹرز کے طور پر دوبارہ تقرری کے لئے آڈٹ کمیٹی کی سفارش کی توثیق کرتا ہے۔

1. توانائى كا تحفظ

كمنى كا انا پاور جنرلشن پلانٲ هـ. پاور پلانٲ اٲنـ تمام مقام كار كى توانائى ضرورىات كو پورا كرتا هـ تاكه اسپننگ، وىونگ اور گارمنٲ جيسـ تمام ڈوپر نزم لاگت كى طاقت كـ ساٲه چلتـ ر هـ. پلانٲ كا آپريشن اور ديكه بھال اعلـ تعليم يافتـ اور اچھى تربيت يافتـ عملـ كرتا هـ۔

قدرتى وساىل كـ تحفظ كـ لئـ كمنى كـ اعلانيـ عزم كـ مطابق تمام كاروبارى يونسـ نـ توانائى كـ استعمال كى كار كر دى كو بھتر بنانـ كـ لئـ اٲنى كاوشسـ جارى ركھى هـ. كمنى كـ پاس گيسـ اور ايندھن كى بڑھتى ہوئى لاگت سـ بچاؤ كـ لئـ شمسى توانائى كا نظام موجود هـ۔ شمسى توانائى ھيٲتا توانائى كـ قدرتى ماخذ كو استعمال كرنـ اور كاربن فٲ پرنٲ كو كم كرنـ ميں اھم كردار ادا كرنـ والى بھلى كا متبادل ذريعـ هـ۔ اس منصوبـ كى معاشى اھميت يـ هـ كه قابل تبديل توانائى كـ استعمال سـ بھلى كى لاگت ميں كمى آئـ گى اور اس طرح بـ كار اور غير استعمال شدہ چھتوں كا بھترين استعمال كرتـ ہوئـ ٲھلى سطح پر حصـ ڈالا جائـ گا۔ كمنى پروسيس مشينرى ميں ترميم، ٲھنكى ترقى كـ نفاذ، نئـ طريقوں كى ترويج، ديكه بھال، فضلہ، حرارت كى بحالى وغيرہ كـ ذريعـ توانائى كـ تحفظ كـ مسلسل عمل ميں مصروف هـ۔ قدرتى گيسـ كو سہ پيداوارى سھولت كـ ذريعـ بھلى كى پيداوار كـ لئـ استعمال كيا جاتا هـ۔ فضلہ حرارت بحالى كـ بواكر حرارت كى بحالى كـ لئـ استعمال كيـ جاتـ هـ۔ فضلہ حرارت كى بحالى كـ نظام وديگر عمل كـ لئـ ضمنى توانائى / بھاپ كـ طور پر ماحول ميں خارج ہونـ والى حرارت كى بحالى كو ممكـ بناتـ هـ۔ جنريٲ كا جيڪٲ گرم پانى جذب چلر چلانـ كـ لئـ استعمال كيا جاتا هـ۔ ہم توانائى كـ صاف اور موثر استعمال كـ حصول كـ لئـ سانسى اور ٲھنكى ترقى پر انھصار كرتـ هـ۔ يـ اقدامات توانائى، پيداوارى لاگت اور وقت كـ لحاظ سـ بچت كا باعث بنـتـ هـ۔

2. ماحوليات، صحت اور حفاظت

ADM نـ صحت، تحفظ اور ماحوليات كـ نظام كو دستاويزى شكل دى هـ تاكه يـ يقينى بنايا جاسكـ كه ADM كا پورا احاطہ اور ماحول اٲنـ تمام ملازمين، صارفين، اسٲك ہولڈرز، ٲھكيداروں، زائرين اور سپلائرز كـ لئـ محفوظ اور صحت مند ہو۔ كمنى نـ غير محفوظ اور مضرت طريقـ كار / حالات كو كم كرنـ كـ لئـ معروضى بنياؤ پر كوشش كى هـ۔ كمنى نـ كام كـ دوران پيدا ہونـ والـ، اس سـ وابستـ يا ممكـ صحت كو ٲنچنـ والـ حادثات اور چوٲ سـ ٲنچنـ كـ لئـ مناسب اقدامات كيـ هـ۔ انتظامى نمائندـ تمام اٲكاروں كى صحت اور حفاظت كـ ذمى دار هـ اور اعلـ معيارى صحت اور حفاظتى اقدامات كـ نفاذ كـ لئـ جوابدہ هـ۔ باھركى تجارتى ليبارٲرى كـ ذريعـ وقتاً فوقتاً ماحولياتى شور كى جانچ بھج سـ گرمى سـ كى جاتى هـ۔

آگ، زخم، جان اور املاك كـ نقصان كا باعث ہو سكتى هـ۔ فائر الارم اور ڈيٲيكشن سسٲم كو مناسب وركنگ آرڈر ميں نصب اور برقرار ركھا جاتا هـ۔ NFPA اسٲينڈرڈ 10 كـ مطابق فائر ايكوپمنٲ نصب هـ۔ كمنى نـ ممكـ آگ كـ واقـ كـ خلاف كارروائى كـ لئـ اميرضى رسٲانس ٲيم تيار كى هـ۔ فائر ٲيم ہماری سھولت كيلئـ 24/7 دستياب هـ۔

ADM انتظامى كى ہر سطح پر ماحوليات، صحت كى حفاظت كـ لئـ كمى عزم كو يقينى بناتى هـ اور موجودہ حالات ميں مزيد بھترى كو يقينى بنانـ اور اس سلسلـ ميں كمنى كى ٲاليسى، مقاصد، اھداف اور پروگراموں كى تاثير كى تصديق كرنـ كـ لئـ باقاعده تفتيش اور جائزـ كرتا هـ۔

ADM مندرجہ ذیل تصدیقات کا حامل ہے:

| | |
|--|-----------------------|
| (Occupational Health and Safety Assessment Series) | ISO 45001:2018 OHSAS |
| (Environmental Management System) | ISO 14001:2015 EMS |
| (Quality Management System) | ISO 9001:2015 QMS |
| (Business Social Compliance Initiative) | BSCI |
| (Better Cotton Initiative) | BCI |
| (Worldwide Responsible Accreditation Production) | WRAP |
| (Supplier Ethical Data Exchange) | SEDEX |
| (Global Organic Textile Standard) | GOTS |
| (Organic Content Standard) | OCS |
| (Recycled Claim Standard) | RCS |
| (Global Recycled Standard) | GRS |
| (Customs-Trade Partnership against Terrorism) | C-TPAT |
| (Zero Discharge of Hazardous Chemicals) | ZDHC |
| Cradle to Cradle | C2C |
| Facility Environmental Module | HIGG (FEM) |
| Facility Social Labor Module | HIGG (FSLM) |
| Supplier Qualification Program | SQP |
| | OEKO-TEX Standard 100 |

3. حفاظتی اقدامات

کمپنی کی انتظامیہ آپریشنز کو سہل انداز میں چلانے کے لئے حفاظت اور تحفظ کی اہمیت سے پوری طرح آگاہ ہے اور سیورٹی اہلکاروں، سیکورٹی پالیسیز اور طریقہ کار کے نفاذ کے ذریعے ملازمین اور اثاثوں کے تحفظ کے لئے خاطر خواہ لاگت برداشت کر رہی ہے۔ کمپنی نے مختلف مقامات پر سی سی ٹی وی کیمروں کی تنصیب کے ذریعے نگرانی کا نظام قائم کیا ہے۔

4. استعمال شدہ پانی کی صفائی کا پلانٹ

پانی ہمارے ملک کے لئے ایک نایاب قدرتی وسیلہ ہے اور اس کا بہترین طریقے سے انتظام کیا جانا چاہئے۔ کمپنی کے پاس SEPA پاکستان کے قومی ماحولیات کے معیار کو پورا کرنے کے لئے استعمال شدہ پانی کے علاج کی سہولت ہے۔ چونکہ پانی ایک نایاب شے ہے، لہذا ایسی ٹیکنالوجی اختیار کرنا ضروری ہے جس کی ذریعے اسے موثر انداز میں دوبارہ استعمال کیا جاسکے۔ استعمال شدہ پانی کے علاج کے پلانٹس میں استعمال شدہ پانی کا علاج ماحولیاتی تحفظ کے معیارات کے مطابق مرکزی سیوریج لائنوں میں ڈسچارج یا دوبارہ استعمال ہونے سے پہلے کیا جاتا ہے۔

5. مساوی موقع آجر

کمپنی کی بنیادی پالیسی کے مطابق ہر انسان برابر ہے، ADM متنوع ماحول بنانے کے لیے پرعزم ہے اور اسے کسی بھی تعصب یا تعصب کے بغیر مختلف رنگ و نسل ملازمین کی خدمات حاصل کرنے پر فخر ہے۔

6. عطیات

ADM بڑے پیمانے پر معاشرے کے ساتھ اخلاقی طور پر کام کرنے کے لیے پرعزم ہے اور اس کا مقصد ملک کے ساتھ ساتھ دنیا میں سماجی ترقی میں حصہ ڈالنا ہے۔ اس کے مطابق، کمپنی عبدالستار ایدھی فاؤنڈیشن اور سیلانی ویلفیئر ٹرسٹ کو بڑے عطیات دیتی ہے۔

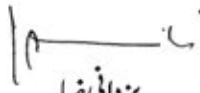
اعتراف

بورڈ آف ڈائریکٹرز تمام شیئر ہولڈرز کے اعتماد اور حمایت اور تعاون کے لیے ان کا تہہ دل سے شکریہ ادا کرنا چاہتے ہیں۔ ہم تمام اسٹیک ہولڈرز کا شکریہ ادا کرنا چاہیں گے، بشمول صارفین، سپلائرز، بینکرز، ریگولیٹرز، جنہوں نے مدد اور تعاون کو ہمارے ساتھ وابستہ کیا ہے اور مستقبل میں ان کی مسلسل حمایت اور تعاون کے منتظر ہیں۔ ہم کمپنی کی ترقی اور کامیاب کارگزاریوں میں انتظامیہ اور ملازمین کا ان کے مخلصانہ تعاون پر شکریہ ادا کرنا چاہتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز



محمد فیصل احمد
چیف ایگزیکٹو



یزدانی ضیا
ڈائریکٹر

کراچی - 25 ستمبر 2021

KEY OPERATING AND FINANCIAL DATA

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|------------------------------------|----------------------------|-----------|-----------|-----------|-----------|-----------|
| |(Rupees in '000)..... | | | | | |
| ASSETS EMPLOYED | | | | | | |
| Operating fixed assets | 5,577,115 | 5,452,914 | 5,043,565 | 5,194,049 | 5,206,444 | 4,329,562 |
| Capital work-in-progress | 2,168,764 | 625,402 | 863,627 | 110,657 | 251,270 | 1,010,673 |
| Intangible assets | 1,513 | 3,165 | 4,817 | 6,468 | 8,119 | - |
| Long term investment | - | - | 38,700 | - | - | - |
| Long term loans | 28,350 | 14,407 | 5,482 | 5,374 | 2,673 | 7,864 |
| Long term deposits | 1,732 | 1,572 | 1,566 | 1,566 | 1,686 | 1,698 |
| Net current assets / (liabilities) | 1,811,299 | 2,482,967 | 2,297,183 | 1,619,245 | 1,102,220 | 864,902 |
| Total Assets Employed | 9,588,773 | 8,580,427 | 8,254,940 | 6,937,359 | 6,572,412 | 6,214,699 |
| FINANCED BY | | | | | | |
| Shareholders equity | 6,727,518 | 6,611,620 | 6,754,159 | 6,100,145 | 5,758,905 | 5,497,468 |
| Long term financing | 2,722,173 | 1,866,912 | 1,444,487 | 813,274 | 813,507 | 577,560 |
| Deferred liability | 139,082 | 101,895 | 56,294 | 23,940 | - | 139,671 |
| | 9,588,773 | 8,580,427 | 8,254,940 | 6,937,359 | 6,572,412 | 6,214,699 |
| SALES & PROFITS | | | | | | |
| Net sales / Turnover | 9,813,176 | 7,940,571 | 7,767,180 | 8,239,986 | 6,906,526 | 6,461,983 |
| Gross profit | 1,111,733 | 626,542 | 888,100 | 791,820 | 739,663 | 703,437 |
| Profit before taxation | 456,356 | 222,352 | 955,478 | 600,077 | 446,153 | 399,842 |
| Net profit after taxation | 353,902 | 113,690 | 866,820 | 516,531 | 429,437 | 377,999 |
| Proposed Dividend % | 20 | 30 | 30 | 25 | 21 | 20 |
| Un-appropriated profit | 5,887,518 | 5,771,620 | 5,914,159 | 5,260,145 | 4,918,905 | 4,657,468 |

PATTERN OF SHARE HOLDING - FORM "34" SHAREHOLDERS STATISTICS AS AT JUNE 30, 2021

| Number of Shareholders | Share Holding | | Total Shares Held |
|------------------------------|---------------|------------|----------------------|
| | From | To | |
| 211 | 1 | - 100 | 5,644 |
| 263 | 101 | - 500 | 116,788 |
| 185 | 501 | - 1000 | 179,008 |
| 295 | 1001 | - 5000 | 761,802 |
| 51 | 5001 | - 10000 | 379,800 |
| 10 | 10001 | - 15000 | 119,200 |
| 3 | 15001 | - 20000 | 54,000 |
| 3 | 20001 | - 25000 | 68,501 |
| 1 | 25001 | - 30000 | 28,500 |
| 4 | 30001 | - 35000 | 134,404 |
| 1 | 35001 | - 40000 | 40,000 |
| 1 | 40001 | - 45000 | 41,000 |
| 1 | 50001 | - 55000 | 52,000 |
| 1 | 80001 | - 85000 | 82,000 |
| 1 | 95001 | - 100000 | 99,000 |
| 1 | 285001 | - 290000 | 290,000 |
| 1 | 595001 | - 600000 | 600,000 |
| 1 | 1410001 | - 1415000 | 1,410,200 |
| 1 | 1765001 | - 1770000 | 1,767,000 |
| 1 | 9740001 | - 9745000 | 9,741,400 |
| 1 | 68025001 | - 68030000 | 68,029,753 |
| 1,037 | | | 84,000,000 |

PATTERN OF SHAREHOLDING

SHAREHOLDERS STATISTICS AS AT JUNE 30, 2021

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

INSURANCE COMPANIES

STATE LIFE INSURANCE CORP. OF PAKISTAN

| | | |
|---------------------|------------------|-------------|
| | 1,767,000 | |
| Sub - Total: | 1,767,000 | 2.10 |

DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN

MR. MUHAMMAD FAISAL AHMED

68,029,753

MR. MUHAMMAD IQBAL AHMED

2,000

MR. MUHAMMAD YOUSUF AHMED

99,000

MR. MUHAMMAD ALI AHMED

858

MS. ZAHRA FAISAL AHMED

500

MR. MUJEEBULLAH KHAN

500

MR. YAZDANI ZIA

500

| | | |
|---------------------|-------------------|--------------|
| Sub - Total: | 68,133,111 | 81.11 |
|---------------------|-------------------|--------------|

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, 2021

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

OTHERS

| | | |
|--|----------------|-------------|
| MRA SECURITIES LIMITED - MF | 52,000 | |
| SEVEN STAR SECURITIES (PVT.) LTD. | 34,904 | |
| BAWA SECURITIES (PVT) LTD. - MF | 23,500 | |
| MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES LTD. - MF | 16,000 | |
| CREATIVE CAPITAL SECURITIES (PRIVATE) LIMITED - MF | 10,000 | |
| ZILLION CAPITAL SECURITIES (PVT) LTD. | 3,000 | |
| N. U. A. SECURITIES (PRIVATE) LIMITED - MF | 3,000 | |
| FIKREES (PRIVATE) LIMITED | 2,206 | |
| PAKISTAN MEMON EDUCATIONAL & WELFARE SOC | 2,000 | |
| ASKARI SECURITIES LIMITED - MF | 1,000 | |
| PROGRESSIVE INVESTMENT MANAGEMENT (PRIVATE) LIMITED | 500 | |
| ASAD AHMED MOHIUDDIN | 500 | |
| MSMANIAR FINANCIALS (PVT) LTD. | 500 | |
| Y.S. SECURITIES & SERVICES (PVT) LTD. | 80 | |
| HSZ SECURITIES (PVT.)LTD.43001 | 80 | |
| MAPLE LEAF CAPITAL LIMITED | 1 | |
| Sub - Total: | 149,271 | 0.18 |

INDIVIDUAL

| | | |
|---------------------|-------------------|---------------|
| LOCAL - INDIVIDUALS | 12,539,918 | |
| Sub - Total: | 12,539,918 | 14.93 |
| Grand Total: | 84,000,000 | 100.00 |

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE

| Name of Shareholders | Shares Held | Percentage |
|-----------------------|-------------------|--------------|
| MUHAMMAD FAISAL AHMED | 68,029,753 | |
| SADIA ZAIN | 9,741,400 | |
| Total: | 77,771,153 | 92.58 |

PERFORMANCE AT A GLANCE

| FINANCIAL RATIOS | 2021 | 2020 |
|---|--------------|-------------|
| Gross profit - % of net sales | 11.33 | 7.89 |
| Profit before taxation - % of net sales | 4.65 | 2.80 |
| Net Profit after taxation - % of net sales | 3.61 | 1.43 |
| Earnings per share | 4.21 | 1.35 |
| Increase / (decrease) in net sales - % | 23.58 | 2.23 |
| Raw and packing materials - % of net sales | 49.22 | 44.13 |
| Labour - % of net sales | 26.81 | 28.61 |
| Other cost of goods manufactured - % of net sales | 13.68 | 21.41 |
| Distribution costs - % of net sales | 2.61 | 3.10 |
| Administrative expenses - % of net sales | 1.63 | 1.72 |
| Finance costs - % of net sales | 2.26 | 2.10 |
| Taxation - % of net sales | 1.04 | 1.37 |
| Inventory turnover days | 174 | 141 |
| Receivable turnover days | 103 | 109 |

SHORT TERM SOLVENCY

| | | |
|-----------------|-------------|------|
| Current ratio | 1.23 | 1.41 |
| Acid test ratio | 0.55 | 0.84 |

OVERALL VALUATION AND ASSESSMENT

| | | |
|------------------------------|--------------|-------|
| Return on equity (average) % | 5.31 | 1.70 |
| P.E. ratio | 21.58 | 36.22 |
| Book value per share | 80.09 | 78.71 |
| Long term debts : equity | 29:71 | 22:78 |

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

| Name of Director | No. of Shares | | | |
|---------------------------------|-----------------|-----------|---------|------------|
| | Opening Balance | Purchased | Sold | Closing |
| Mr. Muhammad Faisal Ahmed | 68,229,753 | - | 200,000 | 68,029,753 |
| Mr. Muhammad Iqbal Ahmed | 146,000 | - | 144,000 | 2,000 |
| Mr. Zafar-ul-Mukhtar Ahmed Khan | 500 | - | 500 | - |

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company: **Artistic Denim Mills Limited**
Year ended: **June 30, 2021**

The Company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) in the following manner:

1. The total number of directors are Seven (7) as per the following:

- a. Male: 06 (Refer para 3)
- b. Female: 01

2. The composition of the Board of Directors (the Board) is as follows:

| Category | Numbers | Names |
|---|---------|---|
| a) Independent Directors | 02 | Mr. Yazdani Zia Mr. Mujeebullah Khan (Refer Para 3) |
| b) Other Non-Executive Directors | | |
| - Male | 03 | Mr. Muhammad Iqbal Ahmed Mr. Muhammad Yousuf Ahmed Mr. Muhammad Ali Ahmed |
| - Female | 01 | Ms. Zahra Faisal Ahmed |
| c) Executive Director | 01 | Mr. Muhammad Faisal Ahmed |

3. Casual Vacancy occurring on the Board as of 29th June, 2021 due to resignation by Mr. Mujeebullah Khan, 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 seven listed companies, including this Company;
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 the 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 have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations;
10. One director on the Board has acquired the prescribed certification as mentioned under Regulation Number 19, whereas two directors are exempted from such course on account of the experience and qualification. Directors elected during the year will be trained within the time lines provided in these Regulations. Following Director has already gone through Directors' Training program:

Mr. Muhammad Faisal Ahmed

11. The Board has approved appointment of Chief Financial Officer, 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. Chief Financial Officer and Chief Executive Officer (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. Mujeebullah Khan (Refer para 3) | Chairman |
| Mr. Muhammad Iqbal Ahmed | Member |
| Mr. Muhammad Ali Ahmed | Member |

b) HR and Remuneration Committee:

| Name of Director | Designation |
|---------------------------|-------------|
| Mr. Yazdani Zia | Chairman |
| Mr. Muhammad Faisal Ahmed | Member |
| Ms. Zahra Faisal Ahmed | 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 committees 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 who are considered suitably qualified and experienced for the purpose 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 and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on the Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head on internal audit, company secretary or director of the Company;
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 requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

On Behalf of the Board



MUHAMMAD FAISAL AHMED
Chief Executive



MUHAMMAD IQBAL AHMED
Chairman

Karachi: September 25, 2021

TO THE MEMBERS OF ARTISTIC DENIM MILLS LIMITED

Review Report on The Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Artistic Denim Mills Limited** (the Company) for the year ended June 30, 2021 in accordance with the requirements of regulation 36 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. 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.

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 June 30, 2021.

Reanda Haroon Zakaria QED

Reanda Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Dated: September 25, 2021

Engagement Partner
Muhammad Iqbal

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 June 30, 2021, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the 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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters

| S. No. | Key audit matters | How the matter was addressed in our audit |
|-------------------|---|---|
| 1 | Capital expenditures and related financing | |
| | <p>(Refer note 4 to the accompanying financial statements)</p> <p>The Company has incurred capital expenditure of Rs. 2,177.743 million under balancing, modernization and replacement for value addition and to enhance the production capacity. To finance the aforesaid expenditure, the Company has obtained long term financing as disclosed in note 18 to the accompanying financial statements.</p> <p>Capital expenditures incurred during the year represents significant transactions and involves significant judgements in respect of capitalization of elements of eligible components of costs, as per the applicable reporting standards to determine, when the assets are available for use and estimation of useful lives. Further, financing agreement entail financial and non-financial covenants that the Company is subject to compliance.</p> <p>Accordingly, we have identified the capital expenditures and related financing as a key audit matter.</p> | <p>Our audit procedures to address the matter, amongst others, includes the following:</p> <ul style="list-style-type: none"> • we obtained understanding of the Company's process with respect to capital expenditure 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 capitalized cost and the impact of BMR over production capacities; • we considered whether the capital expenditure incurred meets the recognition criteria of an asset in accordance with the applicable financial reporting framework; • we reviewed the underlying financing agreements 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. |

| S. No. | Key audit matters | How the matter was addressed in our audit |
|-------------------|--|---|
| 2 | <p>Stock-in-trade</p> <p>(Refer note 9 to the accompanying financial statements)</p> <p>The stock-in-trade balance constitutes 29.07% of total assets of the Company.</p> <p>We focused on stock-in-trade as it is a significant portion of the Company's total assets and it requires management judgement in determining an appropriate costing basis and assessing its valuation. Accordingly, we have considered this as a key audit matter.</p> | <p>Our audit procedures to address the matter, amongst others, includes the following:</p> <ul style="list-style-type: none"> • we performed a range of audit procedures in respect of inventory items including physical observation of inventory counts, testing valuation methods and their appropriateness in accordance with the applicable financial reporting framework; • we performed testing on a sample of items to assess the net realizable value (NRV) of the inventories held and evaluated whether any write down to NRV is required in the Company's financial statements; and • we assessed the adequacy of the related disclosures made in accordance with the applicable financial reporting framework. |
| 3 | <p>Revenue from related party transactions and disclosures</p> <p>(Refer note 37 to the accompanying financial statements)</p> <p>The Company generates revenue, from sales to related parties, of Rs. 2,489.384 million which comprises of 24.93% of total turnover.</p> <p>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.</p> | <p>Our audit procedures to address the matter, amongst others, includes the following:</p> <ul style="list-style-type: none"> • we have evaluated management's process for identifying and recording related party transactions; • we have reviewed minutes of the meetings of audit committee and those charged with governance for recommendation and approval of transactions with related parties respectively; • we have inspected invoices, on sample basis, and obtained direct confirmation from related parties and also ensured satisfactory subsequent realization; • we have obtained written representation from management concerning completeness of information provided regarding the identification of related parties; and • we have assessed the adequacy and appropriateness of the disclosures made in respect of the related parties balances and transactions in accordance with the applicable financial reporting framework. |

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.

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 year 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:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Iqbal**.

Reanda Haroon Zakaria QED

Reanda Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Dated: September 25, 2021

STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

| | | 2021 | 2020 |
|---|-------------|------------------------------------|-------------------|
| ASSETS | Note | Rupees in '000' | |
| Non-Current Assets | | | |
| Property, plant and equipment | 4 | 7,745,879 | 6,078,316 |
| Intangible assets | 5 | 1,513 | 3,165 |
| Long term loans | 6 | 28,350 | 14,407 |
| Long term deposits | 7 | 1,732 | 1,572 |
| | | 7,777,474 | 6,097,460 |
| Current Assets | | | |
| Stores and spares | 8 | 306,079 | 238,475 |
| Stock-in-trade | 9 | 5,100,011 | 3,219,581 |
| Trade debts | 10 | 3,299,540 | 2,242,433 |
| Loans and advances | 11 | 64,121 | 43,638 |
| Trade deposits | 12 | 17,455 | 3,546 |
| Other receivables | 13 | 95,305 | 98,969 |
| Short term investments | 14 | 96,033 | 1,311,832 |
| Sales tax refundable | | 118,296 | 166,434 |
| Taxation - net | | 301,464 | 372,732 |
| Cash and bank balances | 15 | 370,701 | 884,428 |
| | | 9,769,005 | 8,582,068 |
| | | 17,546,479 | 14,679,528 |
| EQUITY AND LIABILITIES | | | |
| Share Capital and Reserves | | | |
| Authorised capital | | | |
| 100,000,000 ordinary shares of Rs 10/- each | 16 | 1,000,000 | 1,000,000 |
| Issued, subscribed and paid-up | 16 | 840,000 | 840,000 |
| Reserves | 17 | 5,887,518 | 5,771,620 |
| | | 6,727,518 | 6,611,620 |
| Non-Current Liabilities | | | |
| Long term financing | 18 | 2,722,173 | 1,866,912 |
| Deferred liability | 19 | 139,082 | 101,895 |
| | | 2,861,255 | 1,968,807 |
| Current Liabilities | | | |
| Trade and other payables | 20 | 2,178,835 | 1,776,981 |
| Unclaimed dividend | | 2,930 | 2,794 |
| Accrued mark-up | 21 | 55,087 | 42,781 |
| Short term borrowings | 22 | 5,500,605 | 4,226,828 |
| Current maturity of long-term financing | 18 | 220,249 | 49,717 |
| | | 7,957,706 | 6,099,101 |
| Contingencies and Commitments | 23 | 17,546,479 | 14,679,528 |

The annexed notes 1 to 41 form an integral part of these financial statements.



Faisal Ahmed
Chief Executive Officer



Sagheer Ahmed
Chief Financial Officer



Yazdani Zia
Director

STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2021

| | | 2021 | 2020 |
|--------------------------------|-------------|-----------------------------------|-------------|
| | Note | Rupees in '000'..... | |
| Turnover | 24 | 9,813,176 | 7,940,571 |
| Cost of sales | 25 | (8,701,443) | (7,314,029) |
| Gross Profit | | 1,111,733 | 626,542 |
| Distribution costs | 26 | (256,003) | (246,227) |
| Administrative expenses | 27 | (160,349) | (136,882) |
| Other operating expenses | 28 | (121,316) | (53,431) |
| Other income | 29 | 103,980 | 199,097 |
| | | (433,688) | (237,443) |
| Operating Profit | | 678,045 | 389,099 |
| Finance costs | 30 | (221,689) | (166,747) |
| Profit Before Taxation | | 456,356 | 222,352 |
| Taxation | 31 | (102,454) | (108,662) |
| Net Profit For The Year | | 353,902 | 113,690 |
| | | (Rs. Per share) | |
| Earnings Per Share | 32 | 4.21 | 1.35 |

The annexed notes 1 to 41 form an integral part of these financial statements.


Faisal Ahmed
Chief Executive Officer

Sagheer Ahmed
Chief Financial Officer

Yazdani Zia
Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2021

| | Note | 2021 Rupees in '000' | 2020 |
|--|------|-------------------------------|---------------|
| Net profit for the year | | 353,902 | 113,690 |
| Other comprehensive loss | | | |
| Items that will not be reclassified subsequently to statement of profit or loss | | | |
| Actuarial gain / (loss) on defined benefit plan | 19.1 | 13,996 | (4,229) |
| Total comprehensive income for the year | | 367,898 | 109,461 |

The annexed notes 1 to 41 form an integral part of these financial statements.



Faisal Ahmed
Chief Executive Officer



Sagheer Ahmed
Chief Financial Officer



Yazdani Zia
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2021

| | Revenue Reserves | | | | |
|---|---|-------------------------------|--|-------------------|------------------|
| | Issued, subscribed and paid-up capital | Unappro- priated Profit | Actuarial (loss) / gain on defined benefit plan | Total Reserves | Total |
| Rupees in '000 | | | | | |
| Balance as at July 01, 2019 | 840,000 | 5,949,790 | (35,631) | 5,914,159 | 6,754,159 |
| Net profit for the year | - | 113,690 | - | 113,690 | 113,690 |
| Other comprehensive loss | - | - | (4,229) | (4,229) | (4,229) |
| Total comprehensive income for the year | - | 113,690 | (4,229) | 109,461 | 109,461 |
| Transactions with owners | | | | | |
| Cash dividend paid @ Rs. 3.00 per ordinary share of Rs.10 each for the year ended June 30, 2019 | - | (252,000) | - | (252,000) | (252,000) |
| Balance as at June 30, 2020 | 840,000 | 5,811,480 | (39,860) | 5,771,620 | 6,611,620 |
| Net profit for the year | - | 353,902 | - | 353,902 | 353,902 |
| Other comprehensive income | - | - | 13,996 | 13,996 | 13,996 |
| Total comprehensive income for the year | - | 353,902 | 13,996 | 367,898 | 367,898 |
| Transactions with owners | | | | | |
| Cash dividend paid @ Rs. 3.00 per ordinary share of Rs.10 each for the year ended June 30, 2020 | - | (252,000) | - | (252,000) | (252,000) |
| Balance as at June 30, 2021 | 840,000 | 5,913,382 | (25,864) | 5,887,518 | 6,727,518 |

The annexed notes 1 to 41 form an integral part of these financial statements.


Faisal Ahmed
 Chief Executive Officer


Sagheer Ahmed
 Chief Financial Officer


Yazdani Zia
 Director

STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

| | Note | 2021 Rupees in '000' | 2020 |
|---|-----------|-------------------------------------|--------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 33 | (1,402,672) | 607,663 |
| Taxes paid | | (31,185) | (104,676) |
| Gratuity paid | 19.1 | (4,147) | (5,041) |
| Finance costs paid | | (209,384) | (154,803) |
| Long term deposits | | (160) | (6) |
| Net cash (used in)/generated from operating activities | | (1,647,548) | 343,137 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Capital expenditure | 4.1 & 4.2 | (2,177,743) | (682,816) |
| Long term investment | | - | 38,700 |
| Short term investments - net | | 1,212,934 | (1,341,290) |
| Dividend received | 29 | 42,196 | 22,127 |
| Sale proceeds from disposal of operating fixed assets | 4.1.3 | 8,728 | 31,174 |
| Net cash used in investing activities | | (913,885) | (1,932,105) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Long term financing repaid | 18 | (44,512) | (81,048) |
| Long term financing acquired | 18 | 1,070,305 | 447,312 |
| Short term borrowings acquired - net | 33.1 | 1,273,777 | 1,161,828 |
| Dividend paid | | (251,864) | (251,657) |
| Net cash generated from financing activities | | 2,047,706 | 1,276,435 |
| Net decrease in cash and cash equivalents | | (513,727) | (312,533) |
| Cash and cash equivalents at the beginning of the year | 15 | 884,428 | 1,196,961 |
| Cash and cash equivalents at the end of the year | | 370,701 | 884,428 |

The annexed notes 1 to 41 form an integral part of these financial statements.



Faisal Ahmed
Chief Executive Officer



Sagheer Ahmed
Chief Financial Officer



Yazdani Zia
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

1 STATUS AND NATURE OF BUSINESS

Artistic Denim Mills Limited (the Company) was incorporated in Pakistan on May 18, 1992 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) 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 Standards Board (IASB) as notified under the 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 except otherwise stated. Further, accrual basis of accounting is followed in the preparation of these financial statements except for cash flow information.

2.3 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan which are effective in current period

The following amendments to accounting standards are effective for the year ended June 30, 2021 except as explained otherwise, these standards and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

| | Effective for period beginning on or after |
|---|---|
| Amendments to IFRS 3 'Business Combinations': Amendments to clarify the definition of a business | January 1, 2020 |
| Amendments to IFRS 16 'Leases': Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification | June 1, 2020 |
| Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': Amendments regarding the definition of material | January 1, 2020 |

Effective for period beginning on or after

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

January 1, 2020

Certain annual improvements have also been made to a number of standards, which have not been enumerated here for brevity.

2.4 Amendments to standards and IFRS interpretations that are not yet effective

The following amendments to accounting standards and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

Effective from accounting period beginning on or after

Amendments to IFRS 4 'Insurance Contracts': Amendments regarding the expiry date of the deferral approach

January 1, 2023

Amendments to IFRS 4 'Insurance Contracts', IFRS 7 'Financial Instruments: Disclosures', IFRS 9 'Financial Instruments', IFRS 16 'Leases', IAS 39 'Financial Instruments: Recognition and Measurement': Amendments regarding replacement issues in the context of the IBOR reform

January 1, 2021

Amendments to IFRS 16 'Leases': Amendment to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification

April 1, 2021

Amendments to IAS 1 'Presentation of Financial Statements': Amendments regarding the classification of liabilities and disclosure of accounting policies

January 1, 2023

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': Amendments regarding the definition of accounting estimates

January 1, 2023

Amendments to IAS 16 'Property, Plant and Equipment': Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use

January 1, 2022

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets': Amendments regarding the costs to include when assessing whether a contract is onerous

January 1, 2022

Certain annual improvements have also been made to a number of standards, which have not been enumerated here for brevity.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1 - First Time Adoption of International Financial Reporting Standards
IFRS 17 - Insurance Contracts

2.5 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with the accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies and commitments at the end of the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about the judgements made by the management in the application of the accounting policies, that have the most significant effect on the amount recognized in these financial statements, assumptions and estimation uncertainty with significant risk of material adjustment to the carrying amount of assets and liabilities in future period are described in following note:

- Review of useful lives and residual values of property, plant and equipment (note 3.1 and 4.1);
- Review of useful life, residual values and amortisation method of intangible assets (note 3.2 & 5);
- Impairment of inventories / adjustment of inventories to their net realisable value (note 3.6);
- Recognition of staff retirement benefits (note 3.13);
- Provisions (note 3.12);
- Recognition of taxation and deferred taxation (note 3.14) ;
- Revenue recognition (note 3.15);
- Valuation of short term investments (note 3.7);
- Impairment of financial assets (note 3.7.4); and
- Contingencies and commitments (note 3.19).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

3.1.1 Operating fixed assets

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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 is written off over its estimated useful life. Leasehold land is amortized using the straight line method over its lease term. The rates used are stated in note 4.1 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.

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

3.1.2 Capital work-in-progress

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

3.2 Intangible assets

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Amortisation is charged to statement of profit or loss applying the straight line method whereby the cost of the intangible asset is written off over its estimated useful life, at the rate disclosed in note 5 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.

3.3 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 recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

3.4 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.

3.5 Stores and spares

Stores and spares are valued at lower of cost and net realizable value, 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.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

3.6 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value. Cost is determined as follows:

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

Finished goods and work in process are valued at manufacturing cost which is comprised of direct raw material consumed on FIFO basis and proportionate production overheads and labour cost incurred.

Net realizable 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.

3.7 Financial Instruments

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.

3.7.1 Initial recognition and measurement

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

- (a) at amortized cost
- (b) at fair value through profit or loss (FVTPL); and
- (c) at fair value through other comprehensive income (FVOCI)

A financial asset is measured at amortized 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 financial asset is measured 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 amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized 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.

3.7.2 Subsequent measurement

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

- Financial assets at amortized 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.

3.7.3 Derecognition

A financial asset is primarily derecognized (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' arrangements 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 recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes 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.

3.7.4 Impairment of financial assets

Expected credit losses (ECLs) are recognized 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).

Credit risk on a financial asset is assumed to be increased significantly if it is more than past due for a reasonable period of time as decided by the senior management of the Company. Further, the Company considers information based on Company's historical experience and the impact of forward looking information that is available without undue cost. 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.

3.7.5 Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or financial liability measured at amortized cost, as appropriate.

All financial liabilities are recognized 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 amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in statement of profit or loss when the liabilities are derecognized as well as through the EIR amortisation process.

Amortized 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.

3.7.6 Derecognition

A financial liability is derecognized 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 recognized in the statement of profit or loss.

3.7.7 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 recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

3.7.8 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 recognized when the payment is made or the payment is due (whichever is earlier). Contract liability are recognized as revenue when the Company performs under the contract.

3.8 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost after deducting allowance for uncollectable amounts, if any.

The Company applies the IFRS 9 simplified approach to measure the expected credit losses (ECL) which uses a lifetime expected loss allowance for trade and other receivables. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. 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. Trade debts and other receivables considered irrecoverable are written off.

3.9 Advances, deposits, and prepayments

Advances and prepayments are stated at cost less provision for doubtful balances, if any. Deposits are recognized initially at fair value and subsequently measured at amortized cost after deducting allowance for uncollectable amounts, if any. Advances, deposits and prepayments considered irrecoverable are written off.

3.10 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.

3.11 Cash and cash equivalents

Cash and bank balances consist of cash in hand and cash at banks in current accounts at amortized cost. For the purpose of the statement of cash flows, cash and cash equivalents comprises of cash at bank and cash in hand.

3.12 Provisions

Provisions are recognized 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.

3.13 Staff gratuity - Defined Benefit Plan

The Company operates an un-approved and unfunded 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 current and any past service costs are recognized in the profit or loss at the earlier of when the amendments or curtailment occurs and when the Company has recognized related restructuring or terminations benefits. The amount recognized in the statement of financial position represents present value of defined benefit obligation. The latest actuarial valuation was carried out as of June 30, 2021 using Projected Unit Credit method.

3.14 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.

3.15 Revenue recognition

Revenue is recognized 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 recognized on the following basis:

Sale of goods

Revenue from sale of goods is measured based on the consideration specified in a contract with a customer and is recognized when control of goods have been transferred to a customer at a point in time when the performance obligations are met. The transaction price of Company's contracts with customers for the sale of goods does not include any variable consideration, any significant financing component, any non cash consideration or any consideration payable to its customers. The credit term ordinarily ranges from 90 to 120 days, however, in wake of COVID - 19 pandemic and resulting global economic meltdown the management extends the credit term ranges offered to its customers from 90 to 120 days and 120 to 180 days.

Other income

- Return on treasury call account at amortized cost are accounted for using the effective interest rate method.
- Unrealized gains / (losses) arising on revaluation of securities classified as financial assets at fair value through profit or loss are included in profit or loss in the period in which they arise.
- Dividend income is recognized in the statement of profit or loss on the date on which the Company's right to receive the dividend is established.
- Scrap sales and gains / (losses) arising on disposal of fixed assets and investments are included in income currently and are recognized on the date when the transaction takes place.

3.16 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.

3.17 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.

3.18 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.

3.19 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 recognized 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.

3.20 Operating segment

These financial statements have been prepared on the basis of a single reportable segment.

- Revenue from export sales represents 95% (2020: 95%) of the total gross revenue of the Company.
- All non-current assets of the Company at June 30, 2021 are located in Pakistan.
- Sales made by the Company to two customers which constitutes 18% and 10% (2020: 16% and 6%), respectively.

3.21 Functional and presentation currency

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

| | | 2021 | 2020 |
|--------------------------|--------------------------------------|------------------------------------|-------------|
| | Note | Rupees in '000' | |
| 4 | PROPERTY, PLANT AND EQUIPMENT | | |
| Operating fixed assets | 4.1 | 5,577,115 | 5,452,914 |
| Capital work-in-progress | 4.2 | 2,168,764 | 625,402 |
| | | 7,745,879 | 6,078,316 |

4.1 OPERATING FIXED ASSETS

| | C O S T | | | | Period / Rate % | ACCUMULATED DEPRECIATION / AMORTISATION | | | WRITTEN DOWN VALUE | |
|--|---------------------------|---------------------------|-------------|---------------------------|--------------------|---|-----------------|----------------|---------------------------|---------------------------|
| | As at July 01, 2020 | Additions / Transfers* | (Disposals) | As at June 30, 2021 | | As at July 01, 2020 | For the Year | (On disposals) | As at June 30, 2021 | As at June 30, 2021 |
| |Rupees in '000..... | | | | |Rupees in '000..... | | | | |
| Leasehold land | 1,211,663 | - | - | 1,211,663 | 65 to 86 yrs | 234,277 | 15,189 | - | 249,466 | 962,197 |
| Building on leasehold land | 2,442,178 | 38,624 * | - | 2,480,802 | 10 | 1,185,241 | 128,315 | - | 1,313,556 | 1,167,246 |
| Plant and machinery | 5,946,731 | 540,564 * | (37,704) | 6,449,591 | 10 | 3,029,010 | 319,981 | (33,046) | 3,315,945 | 3,133,646 |
| Factory equipment | 372,058 | 40,954 * | - | 413,012 | 10 | 174,549 | 21,378 | - | 195,927 | 217,085 |
| Furniture and fixtures | 46,715 | 7,690 | - | 54,405 | 10 | 20,952 | 2,767 | - | 23,719 | 30,686 |
| Office equipment, including computers | 43,644 | 5,216 | - | 48,860 | 33 | 37,174 | 2,863 | - | 40,037 | 8,823 |
| Vehicles | 159,446 | 1,333 | (3,797) | 156,982 | 20 | 88,318 | 14,282 | (3,050) | 99,550 | 57,432 |
| 2021 | 10,222,435 | 634,381 | (41,501) | 10,815,315 | | 4,769,521 | 504,775 | (36,096) | 5,238,200 | 5,577,115 |

| | C O S T | | | | Period / Rate % | ACCUMULATED DEPRECIATION / AMORTISATION | | | | WRITTEN DOWN VALUE |
|--|---------------------------|---------------------------|-------------|---------------------------|--------------------|---|-----------------|----------------|---------------------------|---------------------------|
| | As at July 01, 2019 | Additions / Transfers* | (Disposals) | As at June 30, 2020 | | As at July 01, 2019 | For the Year | (On disposals) | As at June 30, 2020 | As at June 30, 2020 |
| |Rupees in '000..... | | | | |Rupees in '000..... | | | | |
| Leasehold land | 1,211,663 | - | - | 1,211,663 | 65 to 86 yrs | 219,089 | 15,188 | - | 234,277 | 977,386 |
| Building on leasehold land | 2,367,933 | 74,245 * | - | 2,442,178 | 10 | 1,050,962 | 134,279 | - | 1,185,241 | 1,256,937 |
| Plant and machinery | 5,240,122 | 786,041 * | (79,432) | 5,946,731 | 10 | 2,789,181 | 305,367 | (65,538) | 3,029,010 | 2,917,721 |
| Factory equipment | 331,483 | 40,575 * | - | 372,058 | 10 | 155,773 | 18,776 | - | 174,549 | 197,509 |
| Furniture and fixtures | 44,089 | 2,626 | - | 46,715 | 10 | 18,336 | 2,616 | - | 20,952 | 25,763 |
| Office equipment, including computers | 42,375 | 1,269 | - | 43,644 | 33 | 34,232 | 2,942 | - | 37,174 | 6,470 |
| Vehicles | 154,030 | 10,960 5,325 * | (10,869) | 159,446 | 20 | 80,557 | 16,239 | (8,478) | 88,318 | 71,128 |
| 2020 | 9,391,695 | 921,041 | (90,301) | 10,222,435 | | 4,348,130 | 495,407 | (74,016) | 4,769,521 | 5,452,914 |

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

4.1.2 Depreciation charge for the year has been allocated as follows:

| | Note | 2021 Rupees in '000' | 2020 |
|-------------------------|------|-------------------------------------|----------------|
| Cost of Sales | 25.1 | 465,907 | 457,261 |
| Distribution cost | 26 | 1,010 | 991 |
| Administrative expenses | 27 | 37,858 | 37,155 |
| | | 504,775 | 495,407 |

4.1.3 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 | 14,050 | 12,427 | 1,623 | 2,250 | 627 | Negotiation | United Textile |
| Plant & Machinery | 23,654 | 20,619 | 3,035 | 4,250 | 1,215 | Negotiation | United Textile |
| Vehicles (having WDV of less than Rs. 500,000) | 3,797 | 3,050 | 747 | 2,228 | 1,481 | Negotiation | Various |
| 2021 | 41,501 | 36,096 | 5,405 | 8,728 | 3,323 | | |
| 2020 | 90,301 | 74,016 | 16,285 | 31,174 | 14,889 | | |

4.2 CAPITAL WORK-IN-PROGRESS

| | Vehicles | Civil works | Plant & machinery | Advances | Factory equipment | Total |
|---------------------------------------|-----------------------------|-------------|-------------------|-----------|-------------------|-----------|
| Note | Rupees in '000' | | | | | |
| As at July 01, 2020 | - | 45,715 | 375,419 | 204,268 | - | 625,402 |
| Additions during the year | - | 548,985 | 983,691 | 592,824 | 38,004 | 2,163,504 |
| Transferred to operating fixed assets | 4.1 | (38,624) | (540,564) | - | (40,954) | (620,142) |
| Transferred from advances | - | 147,085 | 117,219 | (267,254) | 2,950 | - |
| June 30, 2021 | - | 703,161 | 935,765 | 529,838 | - | 2,168,764 |

| | Vehicles | Civil works | Plant & machinery | Advances | Factory equipment | Total |
|---------------------------------------|-----------------------------|-------------|-------------------|----------|-------------------|-----------|
| Note | Rupees in '000' | | | | | |
| As at July 01, 2019 | - | 18,327 | 771,270 | 74,030 | - | 863,627 |
| Additions during the year | - | 44,769 | 376,487 | 207,380 | 39,325 | 667,961 |
| Transferred to operating fixed assets | 4.1 | (5,325) | (74,245) | - | (40,575) | (906,186) |
| Transferred from advances | - | 5,325 | 56,864 | 13,703 | 1,250 | - |
| June 30, 2020 | - | 45,715 | 375,419 | 204,268 | - | 625,402 |

4.2.1 Includes borrowing costs incurred in respect of plant and machinery capitalized during the year amounting to Nil (2020: Rs. 4.2) million.

5 INTANGIBLES ASSETS

| Description | C O S T | | | ACCUMULATED AMORTISATION | | | WRITTEN DOWN VALUE | AMORTISATION RATE |
|-------------------|------------------------------|-----------|---------------------------|---------------------------|------------------------|---------------------------|---------------------------|----------------------|
| | As at July 01, 2020 | Additions | As at June 30, 2021 | As at July 01, 2020 | Charge for the year | As at June 30, 2021 | As at June 30, 2021 | |
| | | | | | | | | |
| June 30, 2021 | ----- (Rupees in '000) ----- | | | | | | | |
| Computer software | 8,257 | - | 8,257 | 5,092 | 1,652 | 6,744 | 1,513 | 20% |

| Description | C O S T | | ACCUMULATED AMORTISATION | | | WRITTEN DOWN VALUE | | AMORTISATION RATE |
|-------------------|------------------------------|-----------|--------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| | As at July 01, 2019 | Additions | As at June 30, 2020 | As at July 01, 2019 | Charge for the year | As at June 30, 2020 | As at June 30, 2020 | |
| June 30, 2020 | ----- (Rupees in '000) ----- | | | | | | | |
| Computer software | 8,257 | - | 8,257 | 3,440 | 1,652 | 5,092 | 3,165 | 20% |

2021 **2020**
Note Rupees in '000'

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

| | | | |
|-------------------------|------|--------------|-------|
| Cost of sales | 25.1 | 1,520 | 1,520 |
| Administrative expenses | 27 | 132 | 132 |
| | | 1,652 | 1,652 |

6 LONG TERM LOANS

- secured

| | | | |
|------------------------|-----------|-----------------|----------|
| Considered good | | | |
| Executives | 6.2 & 6.3 | 28,827 | 17,400 |
| Employees | | 11,125 | 7,096 |
| | 6.1 | 39,952 | 24,496 |
| Current portion | | | |
| Executives | 11 | (5,829) | (6,983) |
| Employees | 11 | (5,773) | (3,106) |
| | | (11,602) | (10,089) |
| | | 28,350 | 14,407 |

6.1 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 (2020: 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.

6.2 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 30.019 (2020: Rs. 17.400) million.

2021 **2020**
Note Rupees in '000'

6.3 Reconciliation of carrying amount of loans to executives:

| | | |
|-------------------------------|----------------|---------|
| Opening balances | 17,400 | 6,581 |
| Disbursements during the year | 17,402 | 13,948 |
| | 34,802 | 20,529 |
| Recovered during the year | (5,975) | (3,129) |
| | 28,827 | 17,400 |

7 LONG TERM DEPOSITS**Security deposits**

| | | |
|-----------|--------------|-------|
| Utilities | 1,279 | 1,279 |
| Others | 453 | 293 |
| | 1,732 | 1,572 |

8 STORES AND SPARES**Stores**

| | | |
|---------|----------------|---------|
| in hand | 167,248 | 102,462 |
|---------|----------------|---------|

Spares

| | | |
|------------|----------------|---------|
| in hand | 138,831 | 129,121 |
| in transit | - | 6,892 |
| | 138,831 | 136,013 |
| | 306,079 | 238,475 |

9 STOCK-IN-TRADE**Raw and packing materials**

| | | | |
|-----------------|--------|------------------|-----------|
| in hand | 25.1.1 | 2,902,694 | 1,989,109 |
| in transit | | 477,794 | 9,005 |
| | | 3,380,488 | 1,998,114 |
| Work-in-process | 25.1 | 1,165,487 | 769,080 |
| Finished goods | 25 | 554,036 | 452,387 |
| | | 5,100,011 | 3,219,581 |

| | 2021 | 2020 |
|---|-----------------------------|-----------|
| | Rupees in '000' | |
| 10 TRADE DEBTS | | |
| - Considered good | | |
| Secured - against letters of credit | | |
| Related parties: | | |
| Artistic Fabric & Garment Industries (Pvt.) Limited - Indirect export | 7,792 | - |
| Artistic Fabric Mills (Pvt.) Limited - Indirect export | 60,967 | - |
| | 68,759 | - |
| Others | 645,376 | 557,837 |
| | 714,135 | 557,837 |
| Unsecured | | |
| Related parties: | | |
| DL1961 Premium Denim Inc. - Export | 118,751 | 598,930 |
| Premium Distributors - Export | 29,151 | 23,659 |
| Regency Brands LLC. - Export | 1,701,656 | - |
| Casual Sports Wear (SMC-Private) Limited | 2,386 | 7,503 |
| Casual Sports Wear Inc. | - | 62,181 |
| Artistic Fabric & Garment Industries (Pvt.) Limited | 26 | - |
| | 1,851,970 | 692,273 |
| Others | 733,435 | 992,323 |
| | 3,299,540 | 2,242,433 |
| 10.1 Trade debt - ageing | | |
| Related parties | | |
| Neither past due nor impaired | 1,901,159 | 165,166 |
| Past due but not impaired within 180 (2020: 180) days | 19,570 | 527,107 |
| | 1,920,729 | 692,273 |
| Others | | |
| Neither past due nor impaired | 1,080,918 | 858,429 |
| Past due but not impaired within 180 (2020: 180) days | 297,893 | 691,731 |
| | 1,378,811 | 1,550,160 |
| | 3,299,540 | 2,242,433 |

10.2 The maximum aggregate amount due from the related parties at the end of any month during the year was Rs. 1,920.729 (2020: Rs. 692.273) million being year end balances.

| | | 2021 | 2020 |
|------------------------------------|------|-----------------------------|--------|
| | Note | Rupees in '000' | |
| 11 LOANS AND ADVANCES | | | |
| Considered good | | | |
| Loans | | | |
| Current portion of long term loans | | | |
| Executives | 6 | 5,829 | 6,983 |
| Employees | 6 | 5,773 | 3,106 |
| | | 11,602 | 10,089 |
| Advances - unsecured | | | |
| Suppliers | 11.1 | 46,442 | 32,400 |
| Workers / Employees | | 5,019 | - |
| Others | | 1,058 | 1,149 |
| | | 52,519 | 33,549 |
| | | 64,121 | 43,638 |

11.1 This includes an amount of Rs. 30.95 (2020: Rs. 10.32) million paid to foreign vendors located at United States, Turkey, China, Singapore, Bangladesh, Hong Kong, Germany, Dubai and Vietnam at the settled terms.

| | | 2021 | 2020 |
|--|------|-----------------------------|--------|
| | Note | Rupees in '000' | |
| 12 TRADE DEPOSITS | | | |
| Container deposits | | 6,860 | 2,530 |
| Bank margin | | 10,595 | 1,016 |
| | | 17,455 | 3,546 |
| 13 OTHER RECEIVABLES | | | |
| Duty draw back on export sales and other rebates | | 89,104 | 91,798 |
| Related Party - DL1961 Premium Denim Inc. | 13.1 | 6,201 | 4,427 |
| Dividend receivable | | - | 2,744 |
| | | 95,305 | 98,969 |
| Related party - associated company | | | |
| Past due but not impaired within 90 days | 13.1 | 6,201 | 4,427 |

13.1 These represents receivable against expenses incurred by the company under the trade policy of the Company. The maximum aggregate amount due from the related party at the end of any month during the year was Rs. 14.686 (2020: Rs. 8.435) million.

| | | 2021 | 2020 |
|--|------|-----------------------------|-----------|
| | Note | Rupees in '000' | |
| 14 SHORT TERM INVESTMENTS | | | |
| - At fair value through profit or loss | | | |
| In units of mutual funds | 14.1 | 733 | 1,212,402 |
| In Quoted securities | | | |
| Carrying value | | 98,165 | 94,902 |
| (Loss) / gain on remeasurement of investment | 28 | (2,865) | 4,528 |
| | 14.2 | 95,300 | 99,430 |
| | | 96,033 | 1,311,832 |

14.1 Mutual Funds

| 2021 | 2020 | | 2021 | 2020 |
|-----------------|------------|---------------------------------|-----------------|-----------|
| Number of units | | | Rupees in '000' | |
| 10,566 | 11,020,615 | Al - Meezan Rozana Aamdani Fund | 528 | 551,031 |
| 20,497 | 66,137,087 | NBP Islamic Daily Dividend Fund | 205 | 661,371 |
| 31,063 | 77,157,703 | | 733 | 1,212,402 |

14.2 Quoted Shares

| 2021 | 2020 | | 2021 | 2020 |
|------------------|-----------|------------------------------------|--------------|--------|
| Number of shares | | | Market Value | |
| - | 612,000 | Fauji Cement Company Limited | - | 10,331 |
| 180,500 | 180,500 | Oil & Gas Development Company Ltd. | 17,153 | 19,675 |
| 900,000 | 800,000 | Pakistan Petroleum Limited | 78,147 | 69,424 |
| 1,080,500 | 1,592,500 | | 95,300 | 99,430 |

| Note | 2021 | 2020 |
|------|-----------------|------|
| | Rupees in '000' | |

15 CASH AND BANK BALANCES

| | | | |
|------------------|------|---------|---------|
| Cash in hand | | 4,077 | 2,812 |
| Cash in banks | | | |
| Current accounts | 15.1 | 366,624 | 881,616 |
| | | 370,701 | 884,428 |

15.1 This includes balance of Rs. 107.424 (2020: Rs. 302.967) million in treasury call account having effective interest rate of 5.50% (2020: 11.35%).

16 SHARE CAPITAL

16.1 Authorised capital

| 2021 | 2020 | | 2021 | 2020 |
|------------------|-------------|-------------------------------|-----------------|-----------|
| Number of shares | | | Rupees in '000' | |
| 100,000,000 | 100,000,000 | Authorised Share Capital | 1,000,000 | 1,000,000 |
| | | Ordinary shares of Rs.10 each | | |

16.1.1 During the year, as mandated in law the Company initiated the procedure for increase of its authorised capital from Rupees one billion to five billion, however, certain minority shareholders filed JCM 32 of 2020 before the Honourable High Court of Sindh which, vide its interim order dated November 26, 2020 suspended the increase in authorized share capital as approved in the Annual General Meeting held on October 24, 2020. The Company has filed its response and is waiting adjudication of the said JCM.

| 16.2 | Issued, subscribed and paid-up capital | | 2021 | 2020 |
|------|--|-------------------|---|----------------|
| | | | Rupees in '000' | |
| | 2021 | 2020 | | |
| | Number of shares | | Fully paid ordinary shares of Rs. 10/- each | |
| | 14,000,000 | 14,000,000 | - Issued for cash | 140,000 |
| | 70,000,000 | 70,000,000 | - Issued as fully paid bonus shares | 700,000 |
| | <u>84,000,000</u> | <u>84,000,000</u> | | <u>840,000</u> |

- 16.3 The share holders are entitled to receive all distribution to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the Company. All the shares carry "one vote" per share without any restriction.

| | | 2021 | 2020 |
|--|----------|-----------------------------|------------------|
| | Note | Rupees in '000' | |
| 17 | RESERVES | | |
| Unappropriated profit | 17.1 | 5,913,382 | 5,811,480 |
| Actuarial loss on defined benefit plan | | (25,864) | (39,860) |
| | | <u>5,887,518</u> | <u>5,771,620</u> |

- 17.1 Unappropriated profits can be utilized for reinvestments, for distribution of profit by way of dividend and any other purpose that Board may deem appropriate.

| | | 2021 | 2020 |
|---|-------------------------------|-----------------------------|------------------|
| | Note | Rupees in '000' | |
| 18 | LONG TERM FINANCING - secured | | |
| Term finances from banks under the State Bank of Pakistan's (SBP's) scheme for Export Oriented Projects (EOP) and Long-Term Financing Facility (LTFF) | | | |
| Commercial bank - I | 18.1 | 773,503 | 457,634 |
| Commercial bank - II | 18.2 | 1,560,025 | 989,045 |
| Commercial bank - III | 18.3 | 608,894 | 469,950 |
| | | <u>2,942,422</u> | <u>1,916,629</u> |
| Current maturities shown under current liabilities | | (220,249) | (49,717) |
| | | <u>2,722,173</u> | <u>1,866,912</u> |

- 18.1 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 June 11, 2031, carrying mark-up at the SBP Refinance rate for 5 to 10 years (i.e. 2% plus 0.7%) 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.903.5279 (2020: Rs. 653.257) million.

- 18.2** 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 June 11, 2031, 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. 2,228.1630 (2020: Rs. 1,177.850) million.

- 18.3** 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 and under the SBP's TERF scheme, as announced by SBP in their IH & SMEFD, circular No.1, dated March 17, 2020.

The loans are repayable in 32 equal quarterly installments, commencing and ranging from April 24, 2021 to June 24, 2031, carrying mark-up at the SBP Refinance rate for 5 to 10 years ranging from (i.e. ranging from 1% to 2%) plus (ranging between 0.6% to 1.25%) 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. 900.070 (2020: Rs. 527.170) million.

| | | 2021 | 2020 |
|------------------------------|--|-----------------|---------|
| | Note | Rupees in '000' | |
| 19 DEFERRED LIABILITY | | | |
| Defined benefit obligation | 19.1 | 139,082 | 101,895 |
| 19.1 | The Company operates an unfunded gratuity scheme for all its eligible employees. Latest actuarial valuation was carried out as at June 30, 2021, using the "Projected Unit Credit Method". | | |

| | | Gratuity | | | |
|---|---|-----------------------------|---------|---------|------|
| | | 2021 | 2020 | | |
| | | Rupees in '000' | | | |
| (a) | Movement in the present value of defined benefit obligation | | | | |
| | Provision at July 01, | 101,895 | 56,294 | | |
| | Expense for the year | 55,330 | 46,413 | | |
| | | 157,225 | 102,707 | | |
| | Benefit paid | (4,147) | (5,041) | | |
| | Actuarial (gain) / loss on defined benefit plan | (13,996) | 4,229 | | |
| | Provision as at June 30, | 139,082 | 101,895 | | |
| (b) | The amount charged in the statement of profit or loss is as follows | | | | |
| | Current service cost | 46,145 | 38,658 | | |
| | Interest cost | 9,185 | 7,755 | | |
| | Expense for the year | 55,330 | 46,413 | | |
| (c) | Principle actuarial assumptions | | | | |
| | Discount rate | 10.25% | 9.25% | | |
| | Salary increase | 11.25% | 10.25% | | |
| | Normal retirement age of employees | 60 | 60 | | |
| (d) | Comparison for five years | | | | |
| As at June 30, | 2021 | 2020 | 2019 | 2018 | 2017 |
| | Rupees in '000' | | | | |
| Present value of defined benefit obligation | 139,082 | 101,895 | 56,294 | 23,940 | - |
| Experience adjustment | | | | | |
| Actuarial (gain) / loss on obligation | (13,996) | 4,229 | 2,806 | (1,109) | - |

(e) Sensitivity analysis for actuarial assumptions

The sensitivity analysis is prepared using same computation model and assumptions as used to determine defined benefit obligation based on Projected Credit Unit Model. There is no change from prior year in respect of methods and assumptions used to prepare sensitivity analysis.

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

| Assumptions | Impact on defined benefit obligation | |
|--|---|--------------------|
| | 1% increase | 1% decrease |
| | ----- (Rupees in '000) ----- | |
| Effect of change in discount rate | 123,419 | 153,735 |
| Effect of change in future salary increase | 153,414 | 123,419 |

- 19.2** The Company operates an unfunded gratuity scheme, hence, no plan assets are available.
- 19.3** As of June 30, 2021, a total of 619 (2020: 535) employees have been covered under the above scheme.
- 19.4** As per the recommendation of the actuary, the charge for the year ending June 30, 2022 amounts to Rs. 61.345 million.
- 19.5** The weighted average duration of the defined benefit obligation as at June 30, 2021 is 11.05 (2020: 11.31) years.
- 19.6** Risks Associated with Defined Benefit Plans

Longevity Risk:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary Increase Risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal Risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

| | | 2021 | 2020 |
|-------------------------------------|-------------|------------------|------------------|
| | Note | Rupees in '000' | |
| 20 TRADE AND OTHER PAYABLES | | | |
| Creditors | 20.1 & 20.2 | 680,983 | 366,195 |
| Accrued liabilities | 20.3 | 1,360,438 | 1,275,229 |
| Advances from customers - unsecured | | 55,992 | 76,399 |
| Advance against expenses | 20.4 | 3,102 | - |
| Staff contribution for vehicle | | 29,921 | 27,169 |
| Workers' Profits Participation Fund | 20.5 | 24,424 | 12,135 |
| Workers' Welfare Fund | 20.6 | 13,032 | 13,558 |
| Withholding tax | | 10,943 | 6,296 |
| | | 2,178,835 | 1,776,981 |

- 20.1** This includes balance with Artistic Fabric & Garment Industries (Private) Limited - related party amounting to Rs. 17.268 (2020: Rs. 1.901) million.
- 20.2** This includes foreign bills payable amounting to Rs. 58.862 (2020: Rs. 73.327) million.
- 20.3** This includes provisions of Rs. 1,209.630 (2020: Rs. 1,162.979) million prudently recorded against increase in tariff / levies by utility company and government authority which are subjudice in the Honourable Courts of Laws, hence the relevant details are not disclosed.

During the year, Honourable Supreme Court of Pakistan (SCP) has, in its original decision and decision against the review petition, ordered Industrial Gas Consumers to Pay GID Cess (included in aforementioned provision as per GIDC Act, 2015) in accordance with the parameters mentioned therein. Being aggrieved, the Company has filed suit before Honourable High Court of Sindh against billing of GID Cess by the Gas company (at captive power rates instead of industrial rates) considering it to be in contrast with the decision of SCP. Accordingly, the payment of GID Cess is dependant on the decision of the said case which is pending till the reporting date.

20.4 This represents amount received from Regency Brands LLC - related party for reimbursable expenses.

| | | 2021 | 2020 |
|---|-------------|------------------------------------|-------------|
| | Note | Rupees in '000' | |
| 20.5 Workers' Profits Participation Fund | | | |
| Balance at the beginning of the year | | 12,135 | 50,656 |
| Allocation for the year | 28 | 24,424 | 12,135 |
| Interest on WPPF | 28 | 1,092 | 3,622 |
| | | 37,651 | 66,413 |
| Payments made during the year | | (13,227) | (54,278) |
| | | 24,424 | 12,135 |
| 20.6 Workers' Welfare Fund | | | |
| Balance at the beginning of the year | | 13,558 | 12,306 |
| Allocation for the year | 28 | 7,690 | 8,216 |
| | | 21,248 | 20,522 |
| Payments made during the year | | (8,216) | (6,964) |
| | | 13,032 | 13,558 |
| 21 ACCRUED MARK-UP | | | |
| Long term financings | | 20,211 | 12,572 |
| Short term borrowings | | 34,876 | 30,209 |
| | | 55,087 | 42,781 |
| 22 SHORT TERM BORROWINGS | | | |
| Short term loans - secured | 22.1 | 4,723,000 | 4,226,828 |
| Short term running finances under FE-25 | 22.2 | 777,605 | - |
| | | 5,500,605 | 4,226,828 |
| 22.1 Short term loans | | | |
| Export refinance II | 22.1.1 | 550,000 | 550,000 |
| Export refinance II | 22.1.2 | 900,000 | 400,000 |
| Export refinance II | 22.1.3 | 765,000 | 765,000 |
| Export refinance II | 22.1.4 | 250,000 | 250,000 |
| Export refinance II | 22.1.5 | 1,265,000 | 1,265,000 |
| Export refinance I | 22.1.6 | 993,000 | 996,828 |
| | | 4,723,000 | 4,226,828 |

22.1.1 The Company arranged a facility for short-term loan under export refinance amounting to Rs. 550 (2020: Rs. 550) million, from a commercial bank on mark-up basis, the outstanding loan is repayable by August 31, 2021. 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. 937.500 million.

The said export refinance carries mark-up at the rate of 1% per annum (2020: 1% per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.

22.1.2 The Company arranged a facility for short-term loan under export refinance amounting to Rs. 900 (2020: Rs. 400) million, from a commercial bank on mark-up basis, the outstanding loan is repayable by August 31, 2021. 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 0.75% to 1% per annum (2020: 0.75% per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.

22.1.3 The Company arranged a facility for short-term loan under export refinance amounting to Rs. 765 (2020: Rs. 765) million, from a commercial bank on mark-up basis, the outstanding loan is repayable by August 31, 2021. 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. 4,100 (Rs. 1,377) million.

The said export refinance carries mark-up at the rate of 0.60% per annum (2020: 0.40% to 1% per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.

22.1.4 The Company arranged a facility for short-term loan under export refinance amounting to Rs. 250 (2020: 250) million from a commercial bank on mark-up basis, the outstanding loan is repayable by August 31, 2021. 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. 312.500 million.

The said export refinance carries mark-up at the rate of 1% per annum (2020: 1 % per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.

22.1.5 The Company arranged a facility for short-term loan under export refinance amounting to Rs. 1,265 (2020: Rs. 1,265) million, from a commercial bank on mark-up basis, the outstanding loan is repayable by August 31, 2021. 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. 1,587.500 million.

The said export refinance carries mark-up at the rate of 1% per annum (2020: 1% per annum) above the SBP's Minimum Export Refinance rate, payable quarterly.

22.1.6 The Company arranged a facility for running musharakah under islamic export refinance, amounting to Rs. 993.000 million (2020: 996.828), from a commercial bank on mark-up basis, repayable by August 31, 2021. The said islamic export refinance facility is secured against the first pari passu registered hypothecation charge on present & future current assets of the Company, aggregating to Rs. 1,875 million.

The said islamic export refinance carries mark-up at the rate of 1% per annum (2020: 1%) above the SBP's Minimum Islamic Export Refinance rate, payable quarterly.

22.2 During the year, the Company has also borrowed short-term running finances under Foreign Exchange Circular No.25, dated June 20, 1998 for the purpose of meeting import requirements. The facilities availed are for an amount of USD 5.00 million equivalent to Rs. 777.605 (2020: Rs. nil) million. The rates of mark-up on these finances range between 1.40% and 1.75% (2020: nil) per annum. These facilities are secured against the first pari passu hypothecation charge over the movables and receivables mentioned in note 22.1.1 and 22.1.3.

23 CONTINGENCIES AND COMMITMENTS**23.1 Contingencies**

The Company is a respondent in J.C.M. Nos. 29 and 32, proceedings filed by the minority shareholders 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 declaration 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 litigations.

- 23.2** On July 25, 2019, SECP had issued a show cause notice under section 256 of the companies Act, 2017 and also a notice of hearing dated 19.9.2019 due to the complaints and insistence of certain minority shareholders on misplaced allegations pertaining to the manner in which the business of the company is being managed and seeking certain declaration. However, before the hearing of the show cause notice or an inspection or investigation was ordered/initiated, the company filed suit no. 1506 of 2019 before the Honourable High Court of Sindh which, vide its order dated 25.09.2019 was pleased to restrain SECP from further proceedings in pursuance to the aforementioned notices. The Honourable High Court further directed SECP to maintain status quo.

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 litigation.

| | 2021 | 2020 |
|--|------------------------------------|-------------|
| | Rupees in '000' | |
| 23.3 Outstanding counter guarantees | 295,152 | 240,252 |
| 23.4 Foreign bills discounted | 258,064 | - |

23.5 Commitments

- 23.5.1** Commitments in respect of Building on leasehold land at the end of the period amounted to Rs. 698.851 (2020: Rs. 44.992) million.

- 23.5.2** Outstanding letters of credit at the end of the period amounted to Rs. 2,810.855 (2020: Rs. 189.372) million.

- 23.5.3** Post dated cheques issued in favour of Custom Authorities aggregating to Rs. 406.330 (June 30, 2020: Rs. 276.418) million, against various statutory notifications.

- 23.5.4** Outstanding foreign currency forward contracts of Rs. 2,584.648 million (June 30, 2020: Rs. Nil million).

| | | 2021 | 2020 |
|-----------------------------------|------|-----------------------------|------------------|
| | Note | Rupees in '000' | |
| 24 TURNOVER | | | |
| Exports | 24.1 | 9,394,082 | 7,776,307 |
| Local | | 793,789 | 523,405 |
| | | 10,187,871 | 8,299,712 |
| Sales tax | | (204,069) | (203,052) |
| Sales commission / trade discount | | (170,626) | (156,089) |
| | | (374,695) | (359,141) |
| | | 9,813,176 | 7,940,571 |

24.1 Included herein is a sum of Rs. 479.237 (2020: Rs.747.337) million, representing indirect exports made by the Company during the current year, by arranging inland letters of credit from certain direct exporters in favour of the Company, pursuant to the Banking Policy and Regulation Department's (BPRD) Circulars No.24 and 31 dated June 28, 1999 and August 13, 1999 respectively, issued by the State Bank of Pakistan.

| | | 2021 | 2020 |
|--------------------------------|------|-----------------------------|------------------|
| | Note | Rupees in '000' | |
| 25 COST OF SALES | | | |
| Opening stock - finished goods | | 452,387 | 291,351 |
| Cost of goods manufactured | 25.1 | 8,803,092 | 7,475,065 |
| | | 9,255,479 | 7,766,416 |
| Closing stock - finished goods | 9 | (554,036) | (452,387) |
| | | 8,701,443 | 7,314,029 |

25.1 Cost of goods manufactured

| | | | |
|--|--------|------------------|------------------|
| Raw and packing materials consumed | 25.1.1 | 4,829,704 | 3,503,831 |
| Stores and spares consumed | 25.1.2 | 316,675 | 237,924 |
| Salaries, wages and other benefits | 25.1.3 | 2,630,665 | 2,271,508 |
| Fuel and power | | 643,271 | 582,499 |
| Weaving, stitching, finishing and printing charges | | 31,789 | 24,679 |
| Repairs and maintenance | | 56,614 | 31,472 |
| Printing, stationery and postage | | 10,232 | 7,493 |
| Fees and subscription | | 25,908 | 5,188 |
| Telephone and telex | | 5,443 | 5,041 |
| Rent, rates and taxes | | 6,367 | 3,973 |
| Insurance | | 22,092 | 12,567 |
| Water charges | | 122,522 | 87,001 |
| Transportation | | 20,632 | 24,724 |
| Depreciation | 4.1.2 | 465,907 | 457,261 |
| Amortisation | 5.1 | 1,520 | 1,520 |
| Security charges | | 8,399 | 8,289 |
| Travelling, boarding and lodging | | 697 | 8,539 |
| Miscellaneous | | 1,062 | 1,590 |
| | | 9,199,499 | 7,275,099 |
| Opening work-in-process | | 769,080 | 969,046 |
| Closing work-in-process | 9 | (1,165,487) | (769,080) |
| | | 8,803,092 | 7,475,065 |

| | | 2021 | 2020 |
|--|------|-----------------------------|-------------|
| | Note | Rupees in '000' | |
| 25.1.1 Raw and packing materials consumed | | | |
| Opening stock | | 1,989,109 | 1,175,079 |
| Purchases | | 5,852,391 | 4,679,303 |
| Duty draw back on export sales and other rebates | | (109,102) | (361,442) |
| | | 5,743,289 | 4,317,861 |
| | | 7,732,398 | 5,492,940 |
| Closing stock | 9 | (2,902,694) | (1,989,109) |
| | | 4,829,704 | 3,503,831 |
| 25.1.2 Stores and spares consumed | | | |
| Opening stock | | 231,583 | 212,919 |
| Purchases | | 391,171 | 256,588 |
| | | 622,754 | 469,507 |
| Closing stock | 8 | (306,079) | (231,583) |
| | | 316,675 | 237,924 |

25.1.3 Included herein a sum of Rs. 46.116 (2020: Rs. 37.955) million is respect of staff retirement benefits.

26 DISTRIBUTION COSTS

| | | | |
|---|-------|---------|---------|
| Salaries, allowances and other benefits | 26.1 | 20,627 | 23,243 |
| Insurance | | 2,132 | 1,373 |
| Freight and transportation | | 91,466 | 78,419 |
| Export development surcharge and clearing charges | | 48,777 | 38,616 |
| Postage, courier and stamps | | 33,808 | 29,914 |
| Depreciation | 4.1.2 | 1,010 | 991 |
| Travelling, boarding and lodging | | 4,733 | 27,583 |
| Sales promotion expenses | | 13,930 | 13,107 |
| Sales office expenses | | 15,789 | 13,007 |
| Testing / Quality control charges | | 22,574 | 18,496 |
| Miscellaneous | | 1,157 | 1,478 |
| | | 256,003 | 246,227 |

26.1 Included herein a sum of Rs. 2.280 (2020: Rs. 2.530) million is respect of staff retirement benefits.

| | | 2021 | 2020 |
|---|-------|-----------------------------|----------------|
| | Note | Rupees in '000' | |
| 27 ADMINISTRATIVE EXPENSES | | | |
| Salaries, allowances and other benefits | 27.1 | 63,158 | 57,095 |
| Depreciation | 4.1.2 | 37,858 | 37,155 |
| Amortisation | | 132 | 132 |
| Legal and professional charges | | 18,482 | 18,771 |
| Fees and subscription | | 23,059 | 6,030 |
| Auditors' remuneration | 27.2 | 1,782 | 2,946 |
| Donations | 27.3 | 10,907 | 8,643 |
| Miscellaneous | | 4,971 | 6,110 |
| | | 160,349 | 136,882 |

27.1 Included herein a sum of Rs. 6.934 (2020: Rs. 5.927) million is respect of staff retirement benefits.

27.2 Auditors' remuneration

EY Ford Rhodes

| | | |
|---|---|-------|
| Audit fee | - | - |
| Fee for half yearly review | - | 250 |
| Special certification and advisory services | - | 17 |
| Tax services | - | 950 |
| Out-of-pocket expenses | - | 171 |
| Related sindh sales tax | - | 260 |
| | - | 1,648 |

Reanda Haroon Zakaria & Company

| | | |
|---|--------------|--------------|
| Audit fee | 1,210 | 1,100 |
| Fee for half yearly review | 250 | 198 |
| Special certification and advisory services | 50 | - |
| Out-of-pocket expenses | 151 | - |
| Related sindh sales tax | 121 | - |
| | 1,782 | 1,298 |
| | 1,782 | 2,946 |

27.3 Includes amounts of Rs. 5.520 million and Rs. 3.881 million paid to Abdul Sattar EDHI Foundation and Saylani Welfare Trust respectively. Directors or their spouses do not have any interest in the donees to whom donations were made.

28 OTHER OPERATING EXPENSES

| | | | |
|--|------|----------------|---------------|
| Workers' Profits Participation Fund (WPPF) | 20.5 | 24,424 | 12,135 |
| Interest on WPPF | 20.5 | 1,092 | 3,622 |
| Workers' Welfare Fund | 20.6 | 7,690 | 8,216 |
| Capital loss on disposal of short term investments | | - | 29,458 |
| Unrealized loss on remeasurement of investments | 14 | 2,865 | - |
| Exchange loss - net | | 85,245 | - |
| | | 121,316 | 53,431 |

| | Note | 2021 Rupees in '000' | 2020 |
|--|---|-------------------------|----------------|
| 29 OTHER INCOME | | | |
| Income from non financial assets | | | |
| Scrap sales - net | 29.1 | 50,413 | 31,710 |
| Gain on sale of fixed assets | | 3,323 | 14,889 |
| | | 53,736 | 46,599 |
| Income from financial assets | | | |
| Exchange gain - net | | - | 61,214 |
| Profit on treasury call account | | 7,106 | 61,885 |
| Dividend income | | 42,196 | 24,871 |
| Capital gain on disposal of investments | | 942 | - |
| Unrealized gain on remeasurement of investments 14 | | - | 4,528 |
| | | 50,244 | 152,498 |
| | | 103,980 | 199,097 |
| 29.1 | This amount is net of sales tax amounting to Rs. 7.704 (2020: 4.851) million. | | |
| 30 FINANCE COSTS | | | |
| Mark-up on secured | | | |
| Long term financing | | 64,796 | 43,654 |
| Short term running finances | | 973 | 369 |
| Short term borrowings | | 125,868 | 95,356 |
| | | 191,637 | 139,379 |
| Bank charges | | 30,052 | 27,368 |
| | | 221,689 | 166,747 |
| 31 TAXATION | | | |
| Current | | 102,454 | 108,662 |

- 31.1** The relationship between income tax expense and accounting profit has not been presented in these financial statements as the total income of the Company excluding only interest income falls under the final tax regime and is taxed at a rate of 1% (2020: 1%) on total sales, including scrap sales.

32 EARNINGS PER SHARE

Basic earnings per share

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

| | 2021 | 2020 |
|--|---------|---------|
| Net profit (Rupees in '000) | 353,902 | 113,690 |
| Number of Ordinary shares (Shares in '000) | 84,000 | 84,000 |
| Earnings per shares - basic (Rupees) | 4.21 | 1.35 |

Diluted earnings per share

Diluted earnings per share has not been computed because there are no dilutive potential ordinary shares.

| | Note | 2021 Rupees in '000' | 2020 |
|--|-------|-------------------------------------|-----------|
| 33 CASH GENERATED FROM OPERATIONS | | | |
| Profit before tax | | 456,356 | 222,352 |
| Adjustments for non cash charges and other items: | | | |
| Depreciation | 4.1.2 | 504,775 | 495,407 |
| Amortisation | 5.1 | 1,652 | 1,652 |
| Provision for gratuity | 19.1 | 55,330 | 46,413 |
| Capital loss on disposal of investments | 28 | - | 29,458 |
| Unrealized loss on remeasurement of investment | 14 | 2,865 | - |
| Dividend income | 29 | (42,196) | (24,871) |
| Gain on disposal of operating fixed assets | 29 | (3,323) | (14,889) |
| Finance costs | 30 | 221,689 | 166,747 |
| | | 740,792 | 699,917 |
| Profit before working capital changes | | 1,197,148 | 922,269 |
| (Increase) / decrease in current assets | | | |
| Stores and spares | | (67,604) | (16,540) |
| Stock-in-trade | | (1,880,430) | (773,840) |
| Trade debts | | (1,057,107) | 278,052 |
| Loans and advances | | (34,426) | (31,382) |
| Trade deposits | | (13,909) | (2,045) |
| Other receivables | | 3,664 | 54,347 |
| Sales tax refundable | | 48,138 | (61,323) |
| | | (3,001,674) | (552,731) |
| Increase in current liabilities | | | |
| Trade and other payables | | 401,854 | 238,125 |
| Cash generated from operations | | (1,402,672) | 607,663 |

| | July 01, 2020 | Cash Flows | June 30, 2021 |
|--|---------------|-----------------------------|---------------|
| | | Rupees in '000' | |
| 33.1 Changes in liabilities from financing activities | | | |
| Long term financing - secured | 1,866,912 | 855,261 | 2,722,173 |
| Current maturity of long - term financing | 49,717 | 170,532 | 220,249 |
| Short term borrowings - secured | 4,226,828 | 1,273,777 | 5,500,605 |
| | 6,143,457 | 2,299,570 | 8,443,027 |

34 UNAVAILED CREDIT FACILITIES

| | 2021 | 2020 |
|----------------------------------|-----------------------------|------------------|
| | Rupees in '000' | |
| Cash short term running finances | <u>2,950,000</u> | <u>1,250,000</u> |

35. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

| | 2021 | | | 2020 | | |
|-------------------------------------|-----------------------------|----------|----------------|-----------------|----------|---------------|
| | Chief Executive | Director | Executives | Chief Executive | Director | Executives |
| | Rupees in '000' | | | | | |
| Short term employee benefits | | | | | | |
| Managerial remuneration | 7,986 | - | 100,155 | 5,719 | - | 56,621 |
| Medical | 785 | - | 10,015 | 572 | - | 5,662 |
| Bonus | 578 | - | 7,850 | 572 | - | 5,326 |
| Post-employment benefits | | | | | | |
| Gratuity | 780 | - | 9,371 | 600 | - | 5,652 |
| | <u>10,129</u> | <u>-</u> | <u>127,391</u> | <u>7,463</u> | <u>-</u> | <u>73,261</u> |
| Number of persons | <u>1</u> | <u>-</u> | <u>56</u> | <u>1</u> | <u>-</u> | <u>30</u> |

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

35.2 Aggregate amount charged in these financial statements in respect of fee for attending meetings to Non-Executive Directors was Rs. 0.780 (2020: Rs. 0.500) million.

| | 2021 | 2020 |
|--|-----------------------------|------|
| | Rupees in '000' | |

36 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT
36.1 Financial Instrument by Category**Financial Assets****- Fair value through profit or loss**

| | | | |
|-----------------------|----|--------|-----------|
| Short term investment | 14 | 96,033 | 1,311,832 |
|-----------------------|----|--------|-----------|

- At amortized cost

| | | | |
|-------------------------------------|----|------------------|------------------|
| Long term loans | 6 | 28,350 | 14,407 |
| Long term deposits | 7 | 1,732 | 1,572 |
| Trade debts | 10 | 3,299,540 | 2,242,433 |
| Current maturity of long term loans | 11 | 11,602 | 10,089 |
| Trade deposits | 12 | 17,455 | 3,546 |
| Other receivables | 13 | 95,305 | 98,969 |
| Cash and bank balances | 15 | 370,701 | 884,428 |
| | | <u>3,920,718</u> | <u>4,567,276</u> |

Financial Liabilities**- At amortized cost**

| | | | |
|---|----|------------------|------------------|
| Long term financing | 18 | 2,722,173 | 1,866,912 |
| Trade and other payables | 20 | 831,791 | 478,445 |
| Unclaimed dividend | | 2,930 | 2,794 |
| Accrued mark-up | 21 | 55,087 | 42,781 |
| Short term borrowings | 22 | 5,500,605 | 4,226,828 |
| Current maturity of long-term financing | 18 | 220,249 | 49,717 |
| | | <u>9,332,835</u> | <u>6,667,477</u> |

36.2 Financial risk management

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 price 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:

36.3 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: interest rate risk, foreign currency risk and equity risk.

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

36.3.1 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's interest rate risk arises only from short term investment in units of mutual funds amounting to Rs. 0.733 (2020: 1,212.402) million and bank deposit in treasury call account amounting to Rs. 107.424 (2020: Rs. 302.967) million.

Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change of 100 basis points in interest rates at the reporting date, with all other variables held constant, of the Company's profit before tax.

| | Change in interest rate (%) | Effect on profit / (loss) Rupees in '000 |
|-----------------------------|-----------------------------------|--|
| <u>June 30, 2021</u> | +1 | 1,082 |
| | -1 | (1,082) |
| <u>June 30, 2020</u> | +1 | 15,154 |
| | -1 | (15,154) |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year, equity and assets of the Company.

36.3.2 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:

| | 2021 | 2020 |
|--|------------------------------------|-------------|
| | Rupees in '000' | |
| Trade debts | 3,023,143 | 2,180,082 |
| Cash and bank balances | 203,597 | 471,556 |
| Short-term running finance under FE-25 | (777,605) | - |
| Trade and other payables | (64,999) | (25,675) |
| | 2,384,136 | 2,625,963 |

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

| | | |
|----------------------------|---------------|--------|
| Exchange rates (PKR / USD) | 157.80 | 168.25 |
|----------------------------|---------------|--------|

Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change of 10% in the US Dollar exchange rate at the reporting date, with all other variables held constant, of the Company's profit before tax.

| | Change in US Dollar rate (%) | Effect on profit / (loss) Rupees in '000 |
|-----------------------------|---|---|
| <u>June 30, 2021</u> | +10 | 238,414 |
| | -10 | (238,414) |
| <u>June 30, 2020</u> | +10 | 262,596 |
| | -10 | (262,596) |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year, equity and assets of the Company.

36.3.3 Equity price risk

The Company is exposed to equity price risk, which arises from short term investments listed securities both measured at fair value through profit or loss. The management monitors the proportion of equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change of 10% in the market price at the reporting date, with all other variables held constant, of the Company's profit before tax.

| | Change in market price (%) | Effect on profit / (loss) Rupees in '000 |
|-----------------------------|---|---|
| <u>June 30, 2021</u> | +10 | 9,530 |
| | -10 | (9,530) |
| <u>June 30, 2020</u> | +10 | 9,943 |
| | -10 | (9,943) |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year, equity and assets of the Company.

36.4 Credit risk

Credit risk is the risk that counter 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:

| | | 2021 | 2020 |
|--------------------|------|-----------------------------|------------------|
| | Note | Rupees in '000' | |
| Long term loans | 6 | 39,952 | 24,496 |
| Long term deposits | 7 | 1,732 | 1,572 |
| Trade debts | 10 | 3,299,540 | 2,242,433 |
| Trade deposits | 12 | 17,455 | 3,546 |
| Other receivables | 13 | 6,201 | 4,427 |
| Bank balances | 15 | 366,624 | 881,616 |
| | | 3,731,504 | 3,158,090 |

36.4.1 Credit quality of financial assets

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

Trade debts

Customer credit risk is managed by senior management subject to the Board's established policy, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions. For any balances if considered doubtful of recovery, the management makes allowance for expected credit loss in accordance with Company's policy. Overall credit risk is expected to be low as at reporting date.

The Company evaluates the concentration of risk with respect to trade debts as low, as its customers are located in several jurisdictions.

| | | 2021 | 2020 |
|---|-------|-----------------------------|------------------|
| | | Rupees in '000' | |
| Ageing of trade debts | | | |
| Neither past due nor impaired | | 2,982,077 | 1,023,595 |
| Past due but not impaired within 180 days | | 317,463 | 1,218,838 |
| | | 3,299,540 | 2,242,433 |
| Bank Balances | | | |
| A1+ | PACRA | 354,006 | 806,851 |
| A-1+ | VIS | 15,045 | 71,561 |
| F1+ | FITCH | 3,798 | 3,204 |
| | | 372,849 | 881,616 |

Other financial assets

Other financial assets includes long term loans, long term deposits, trade deposits and other receivables. The Company evaluates the credit risk with respect to other financial assets as low, as all material amounts are secured and there is no history of credit defaults in the past.

36.5 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. 2,950 (2020: 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 | - | 52,175 | 168,074 | 1,482,541 | 1,239,632 | 2,942,422 |
| Trade & other payables | - | 831,791 | - | - | - | 831,791 |
| Unclaimed dividend | 2,930 | - | - | - | - | 2,930 |
| Accrued mark-up | - | 55,087 | - | - | - | 55,087 |
| Short term borrowings | - | 4,723,000 | 777,605 | - | - | 5,500,605 |
| 2021 | 2,930 | 5,662,053 | 945,679 | 1,482,541 | 1,239,632 | 9,332,835 |
| Long term financing | - | - | 49,717 | 1,015,189 | 851,723 | 1,916,629 |
| Trade & other payables | - | 478,445 | - | - | - | 478,445 |
| Unclaimed dividend | 2,794 | - | - | - | - | 2,794 |
| Accrued mark-up | - | 42,781 | - | - | - | 42,781 |
| Short term borrowings | - | 4,226,828 | - | - | - | 4,226,828 |
| 2020 | 2,794 | 4,748,054 | 49,717 | 1,015,189 | 851,723 | 6,667,477 |

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

36.6 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, 2021 and June 30, 2020.

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.

| | 2021 | 2020 |
|---|-----------------------------|-------------------|
| | Rupees in '000' | |
| Long term financing | 2,722,173 | 1,866,912 |
| Current maturities of long-term financing | 220,249 | 49,717 |
| Short term borrowings | 5,500,605 | 4,226,828 |
| Cash and bank balances | (370,701) | (884,428) |
| Net debt | 8,072,326 | 5,259,029 |
| Issued, subscribed and paid up capital | 840,000 | 840,000 |
| Reserves | 5,887,518 | 5,771,620 |
| Total capital | 6,727,518 | 6,611,620 |
| Capital and net debt | 14,799,844 | 11,870,649 |
| Gearing ratio | 54.54% | 44.30% |

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

37 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:

| | 2021 | 2020 |
|--|-----------------------------|---------|
| | Rupees in '000' | |
| Associated companies / undertakings | | |
| Sales | 2,440,704 | 941,714 |
| Reimbursement of expenses | 79,140 | 83,042 |
| Purchases | 53,440 | 64,613 |
| Services rendered | 48,680 | 171 |
| Other | - | - |
| Key management personnel | | |
| Dividend paid to directors | 205,432 | 205,432 |

- 37.1** The above transactions are at arm's length using admissible valuation methods.
- 37.2** Detail of compensation to key management personnel comprising of chief executive, directors and executives is disclosed in note 35 to these financial statements.
- 37.3** Following are the associated companies / undertakings with whom the Company had entered into transactions or have arrangement / agreement in place:

| S. No. | Name of associated companies / undertakings | Basis of Relationship | Aggregate % of shareholding |
|--------|---|------------------------|-----------------------------|
| 1 | Casual sportswear (SMC-Private) Limited | Common directorship | NIL |
| 2 | Artistic Apparels (Private) Limited | Common directorship | NIL |
| 3 | DL1961 Premium Denim Inc. | Spouse of a director | NIL |
| 4 | Artistic Fabric & Garments Industries (Private) Limited | Common directorship | NIL |
| 5 | Artistic Fabric Mills (Private) Limited | Common directorship | NIL |
| 6 | Premium Distributors | Common directorship | NIL |
| 7 | ITextile (Private) Limited | Common directorship | NIL |
| 8 | Regency Brands LLC. | Daughter of a director | NIL |

37.4 Associated Companies Incorporated Outside Pakistan

| S. No. | Name | Basis of Relationship | Country of incorporation |
|--------|---------------------------|------------------------|--------------------------|
| 1 | DL1961 Premium Denim Inc. | Spouse of a director | United States |
| 2 | Premium Distributors | Common directorship | United Arab Emirates |
| 3 | Regency Brands LLC. | Daughter of a director | United States |

38 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 prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable).

Details of the Company's short term investments in terms of fair value hierarchy, explained above, at June 30, 2021 is as follows:

| | Level 1 | Level 2 | Level 3 |
|--|----------------------------|-------------|----------|
| | Rupees in '000 | | |
| Assets measured at fair value - 2021 | | | |
| Short term investments- at fair value through profit or loss | <u>96,033</u> | <u>-</u> | <u>-</u> |
| Assets measured at fair value - 2020 | | | |
| Short term investments- at fair value through profit or loss | <u>1,311,832</u> | <u>-</u> | <u>-</u> |
| | 2021 | 2020 | |
| | Units | | |

39 PLANT CAPACITY AND ACTUAL PRODUCTION**Spinning**

| | | |
|----------------------------------|-------------------|-------------------|
| Capacity of yarn (Lbs.) | <u>20,377,500</u> | <u>19,305,000</u> |
| Actual production of yarn (Lbs.) | <u>15,342,293</u> | <u>14,513,760</u> |

Weaving

| | | |
|--------------------------------------|-------------------|-------------------|
| Capacity of fabric (meters) | <u>21,143,150</u> | <u>20,898,750</u> |
| Actual production of fabric (meters) | <u>14,222,737</u> | <u>13,729,859</u> |

Garments

| | | |
|-------------------------------------|------------------|------------------|
| Capacity of garments (Pcs) | <u>6,000,000</u> | <u>6,000,000</u> |
| Actual production of garments (Pcs) | <u>5,666,673</u> | <u>3,043,079</u> |

Under utilisation of available capacity for spinning, weaving and garments was due to Covid-19 lockdown, normal maintenance, variation in production mix, run length of order lots, global recession and type of quality produced.

| | 2021 | 2020 |
|-------------------------------|------------|------------|
| 40 NUMBER OF EMPLOYEES | | |
| Total number of employees | <u>619</u> | <u>535</u> |
| Average number of employees | <u>570</u> | <u>528</u> |

41 GENERAL

- 41.1** Subsequent to year ended June 30, 2021, the Board of Directors in its meeting held on September 25, 2021 has proposed final cash dividend at the rate of Rs. 2.00 per ordinary share of Rs. 10 each, amounting to Rs. 168 million (2020: Rs. 3.00/- per share amounting to Rs. 252 million) for approval of the members at the Annual General Meeting.
- 41.2** These financial statements have been authorised for issue on September 25, 2021 by the Board of Directors of the Company.
- 41.3** Figures in these financial statements have been rounded off to the nearest thousands of rupees.



Faisal Ahmed
Chief Executive Officer



Sagheer Ahmed
Chief Financial Officer



Yazdani Zia
Director

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 29th ANNUAL GENERAL MEETING of the
Company to be held on Monday, October 25, 2021 at 04:00 PM and at any adjournment thereof.

Signed this _____ day of _____ 2021.

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

**Rs 5/-
Revenue
Stamp**

2. Signature _____ Signature _____
Name: _____ (Signature should agree with the specimen
Address: _____ signature registered with the Company).
CNIC or Passport No. _____ CNIC or Passport No. _____

IMPORTANT

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

For CDC Account Holders/Corporate Entities:

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

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



**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



HEAD OFFICE + FACTORY

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

Tel: +92 21 111-236-236 | Fax: +92 21 3505 4652

Email: sales@admdenim.com | hr@admdenim.com