ADM

Financial Report Year 20006

COMPANY INFORMATION

Board of Director

Chairman and Chief Executive	Muhammad Faisal Ahmed
Directors	Mrs. Maliha Faisal Muhammad Yousuf Ahmed Muhammad Ali Ahmed Mrs. Hajra Ahmed Iqbal-ur-Rahim Muhammad Ali Halari

Audit Committee

Chairman	Muhammad Yousuf Ahmed
Members	Muhammad Ali Ahmed Mrs. Hajra Ahmed
Company Secretary	S. D. Siddiqui
Chief Financial Officer	Nadeem Ahmed Mazari
Auditors	M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants
Legal Advisor	Monawwer Ghani Advocate
Bankers	Bank Al-Habib Limited National Bank Limited Faisal Bank Limited Allied Bank Limited Habib Bank AG Zurich
Registered Office and Factory	Plot No. 5-9, 23-26, Sector 16, Korangi Industrial Area, Karachi. 111-236-236, Fax No. 5054652 www.artisticdenim.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to the Members that the 14th Annual General Meeting of ARTISTIC DENIM MILLS LIMITED will be held at Moosa D. Dessai Auditorium, ICAP, Chartered Accountants Avenue, Clifton, Karachi, on October 19, 2006 at 3:00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 1st Extra Ordinary General Meeting held on July 27, 2006.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2006 together with Reports of the Directors' and Auditors' thereon.
3. To approve the stock dividend as recommended by the Board of Directors.
4. To appoint Auditors for the Year 2006-2007 and to fix their remuneration.
5. To transact with permission of the Chair any other business which may be transacted at an Annual General Meeting.

By Order of the Board

(S. D. SIDDIQUI)
Company Secretary

Karachi:
September 28, 2006

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 12, 2006 to October 19, 2006 (both days inclusive). Transfers received in order at the Registered Office of the Company by close of business on October 11, 2006 will be treated in time to determine the entitlement of 400 % Bonus recommended by the Board of Directors.
2. A Member entitled to attend, speak and vote at the General Meeting is entitled to appoint another Member as his/her proxy to attend, speak and vote on his/her behalf.
3. Instrument appointing proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power or authority must be deposited at the Registered Office of the Company at least 48 hours before at the time of the meeting and must be duly stamped, signed and witnessed. Form of Proxy is enclosed.
4. A Corporation, which is a member of the Company, may by resolution of its Board of Directors or Governing Body authorize a person to act as its representative at the meeting.

5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No.1 of 2000 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

For Attending the Meeting:

i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or original passport at the time of attending the meeting.

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

For Appointing Proxies:

i. In case of individuals, the account holder or sub-account 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 NIC' numbers shall be mentioned on the form.

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

iv. The proxy shall produce his/her original NIC or original passport at the time of the meeting.

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

6. Members are requested to submit declaration for Zakat on the required format and to advise change in address, if any.

DIRECTORS' REPORT TO THE MEMBERS

The Directors of your Company have the pleasure in presenting the 14th Annual Report along with the audited financial statements for the year ended June 30, 2006.

YEAR UNDER REVIEW

The performance of the Company is as follows

	2006	2005
	Rs. in million	
Sales	2,486	3,196
Gross profit	745	857
Financial charges	117	55
Net profit	470	620
EPS (Rs. per share)	33.55	44.27

The decline in profits and EPS is due to Rs 200 million depreciation charged on new plant and machinery commissioned during the year and Rs 117 million financial charges. However, the company has managed to reduce its cost of production by utilizing its newly installed machinery. The gross profit has increased by 3 % of sales.

The company expects to improve profitability by increasing plant utilization, lowering cost of production, and swapping of high interest long term loans with SBP LTF-EOP. This will results in reducing our financial charges by 50 percent.

SIGNIFICANT CHANGES

- Authorised Capital has been enhanced to Rs.l.0 billion from Rs.140 million.

- Changes and improvements made in the Memorandum and Article of Association with respect to changes in legislation.

- During the year Company has shifted its registered office from 39/A, Block 6, P.E.C.H.S., Karachi to factory premises located on Plot No.5-9, 23-26, Sector 16, Korangi Industrial Area, Karachi.

- Three new members entered in the Board of directors in place of resigned directors.

PRODUCTION

The company currently operates spinning, dyeing, weaving, and finishing units. During the year, the new ring spinning and finishing units came online improving quality and lowering cost. The company produced 15 million kilogram of yarn and 15 million meters of denim during the year.

SALES AND MARKETING

The Company has participated in exhibitions in Europe and US and succeeded in establishing new openings with global jeans brands. The company intends to increase its participation to more exhibitions.

The Directors of the company are pleased to propose 400 % Bonus for the year under review.

FUTURE OUTLOOK

The management is fully conversant with the changes in global environment. In the non-quota environment, business is very competitive. This requires a company to continuously improve product quality, provide customer service, and offer low prices. The company is addressing these goals by enhancing its product quality, establishing overseas offices and improving production efficiency.

The company is investing in a new effluent treatment plant, waste heat recovery plant, new indigo dyeing plant, additional ring frame and weaving machines.

CORPORATE COMPLIANCE

We are pleased to confirm that in compliance with the listing regulation 37 (xix) of the Karachi Stock Exchange (Guarantee) Limited! Code of Corporate Governance, the Board of Directors hereby declares that:

- The financial statements have been drawn up in conformity with the requirements of the Companies Ordinance, 1984 and present fairly state of its affairs, operating results, cash flow and changes equity.
- Proper books for account have been maintained in the manner required under Companies Ordinance, 1984.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- The sound internal control system has been established and is being effectively implemented and monitored.
- There are no significant 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 by the listing regulations.
- The Management is pleased to provide you with information as under:
- Key financial and operating data for the last six years in summarized form is annexed.
- Numbers of Board meetings held during the year July 1, 2005 to June 30, 2006 were thirteen. The attendance of the directors is as under:

Name of Directors	Meeting Attended
Mr. Faisal Ahmed	12
Mrs. Maliha Faisal	3
Mr. Yousuf Ahmed	10
Mr. Ali Ahmed	10
Mrs. Hajra Ahmed	10
Mr. Iqbal ur Rahim	1
Mr. Muhammad Ali Halari	1
Mr. Yaqoob Ahmed	5
Mr. Iqbal Ahmed	6
Mr. Javed Ahmed	6

- However, Leave of absence granted to directors who were unable to attend the meeting and applied for.
- Pattern of shareho1ding is annexed.
- During the fiscal year July 1, 2005 to June 30, 2006 the trading in the shares of the Company by the Directors, CEO, CPO, Company Secretary and their spouses and minor children is annexed.

AUDITORS

The present auditors M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and are eligible for re-appointment.

The Board Audit Committee has recommended the reappointment of M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as auditors of the Company for the year 2006 - 2007.

ACKNOWLEDGEMENT

We wish to express our sincere thanks to our shareholders and financial institutions for their continued support and cooperation. We would also like to thank all our valued customers and suppliers for rendering their patronage to the Company.

We are confident that with the untiring efforts and dedication of management and employees, your Company will Inshallah continue to grow and prosper.

ON BEHALF OF THE BOARD

Faisal Ahmed
Chairman & Chief Executive

Karachi: September 16, 2006

YEAR WISE STATISTICAL SUMMARY

	Rupees in "000"					
	2006	**2005**	**2004**	**2003**	**2002**	**2001**
ASSETS EMPLOYED						
Fixed assets	**2,497,553**	1,084,329	723,162	558,337	519,925	334,471
Capital work-in-progress	**211,052**	987,000	84,160	1,488	3,588	71,866
Long term loan	**3,939**	1,879	180	260	-	-
Long term deposits	**467**	447	1,595	1,403	1,388	829
Net current Asseets/Liabilities	**60,937**	(79,542)	(166,532)	4,510	(34,270)	70,389
Total Assets Employed	**2,773,948**	1,994,112	642,565	565,998	490,631	477,555
FINANCED BY						
Shareholderrs Equity	**1,716,806**	1,359,108	592,799	477,997	365,171	321,153
Long term financing	**925,000**	417,143	40,598	75,482	105,456	131,211
Long term murabaha	**300,000**	257,857	-	-	-	-
Deferred Liabilities	**12,698**	10,005	9,168	12,519	20,004	25,191
	2,954,504	2,044,113	642,565	565,998	490,631	477,555
SALES & PROFITS						
Sales	**2,485,949**	3,196,198	1,342,805	1,324,444	1,095,819	917,190
Gross profit	**745,022**	856,539	259,898	325,270	147,280	130,888
Operating profit	**608,876**	687,311	192,526	245,987	122,341	108,228
Profit before taxation	**500,490**	651,798	180,189	217,044	90,641	79,896
Net profit after taxation	**469,698**	619,724	170,802	210,826	86,018	55,395
Bonus / Dividend %	**400**	80	40	70	30	20
Un-appropriated profit	**1,576,806**	1,219,108	347,799	232,997	120,171	76,153

ARTISTIC DENIM MILLS LIMITED

Pattern of Shareholdings

Number of Shareholders	Shareholdings From	Shareholdings To	Total Number of Share Held
24	1	100	2,400
81	101	500	33,700
16	501	1,000	13,600
12	1,001	5,000	35,100
4	5,001	10,000	29,543
2	10,001	15,000	22,300
5	15,001	20,000	90,900
4	20,001	25,000	97,000
2	25,001	30,000	55,600
1	40,001	45,000	40,200
1	50,001	55,000	50,500
1	60,001	65,000	62,400
1	70,001	75,000	71,900
1	195,001	200,000	200,000
1	200,001	205,000	200,043
1	290,001	295,000	294,500
1	410,001	415,000	412,400
1	600,001	605,000	600,900
1	995,001	1,000,000	1,000,000
1	2,240,001	2,245,000	2,240,600
1	8,445,001	8,450,000	8,446,414
162			14,000,000

Detail of trading by the Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children.

Name of Director	No. of Shares			
	Opening Balance	Purchased	Sold	Closing Balance
Mr. Faisal Ahmed	3,406,214	7,041,400	300	10,447,314
Mrs. Maliha Faisal	100	-	-	100
M. Iqbal-ur-Rahim	100	-	-	100
Muhammad Ali Halari	100	-	-	100

Categpries of Shareholders	Number	Shares held	Percentage
Associated Companies, Undertakings and Related Parties	-	-	-
NIT and ICP	1	500	0.004
Directors, CEO & their Spouses and Minor Children			
Mr. Muhammad Faisal Ahmed		10,447,314	74.62
Mr. Muhammad Yousuf Ahmed		2,240,600	16.00
Mr. M\uhammad Ali Ahmed		7,143	0.05
Mrs. Hajra Ahmed		200,043	1.43
Mrs. Maliha Faisal		100	0.00
Mr. Iqbal-ur-Rahim		100	0.00
Mr. Muhammed Ali Halari		100	0.00
Total	7	12,895,400	92.11
Executives	-	-	-
Public Sector Companies and Corporation	-	-	-
Bank, Development Finance Institution, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds			
Pak Kuwait Investment Company (Pvt) Ltd.		200,000	1.43
Pakistan Premier Fund Limited		24,400	0.17
Meezan Islamic Fund		62,400	0.45
Pakistan Stock Market Fund		15,900	0.11
Pakistan Capital Market Fund		27,700	0.20
Al-Meezan Mutual Fund		50,500	0.36
Golden Arrow Selected Stock Fund		19,900	0.14
EFU General Insurance Limited		18,500	0.13
State Life Insurance Corp., of Pakistan		294,500	2.10
Sigma Leasing Corporation Limited		5,000	0.04
General Inves. & Securities (Pvt) Ltd		1,000	0.01
First Dawood Mutual Fund		1,000	0.01
Total	12	720,800	5.15
Shareholders holding ten percent or more voting interest in the Company			
Mr. Muhammad Faisal Ahmed		10,447,314	74.62
Mr. Muhammad Yousuf Ahmed		2,240,600	16.00

ARTISTIC DENIM MILLS LIMITED

Pattern of Shareholdings

Shareholders Category	Number of Shareholders	Number of Shares Held	Percentage
Financial Institutions	1	200,000	1.43%
Individuals	148	13,267,200	94.77%
Insurance Company	2	313,000	2.24%
Joint Stock Companies	1	1,000	0.01%
Leasing Companies	1	5,000	0.04%
Mutual Fund	7	201,800	1.44%
Investment Company	1	500	0.00%
Others	1	11,500	0.08%
	162	14,000,000	100%

PERFORMANCE AT A GLANCE

FINANCIAL RATIOS

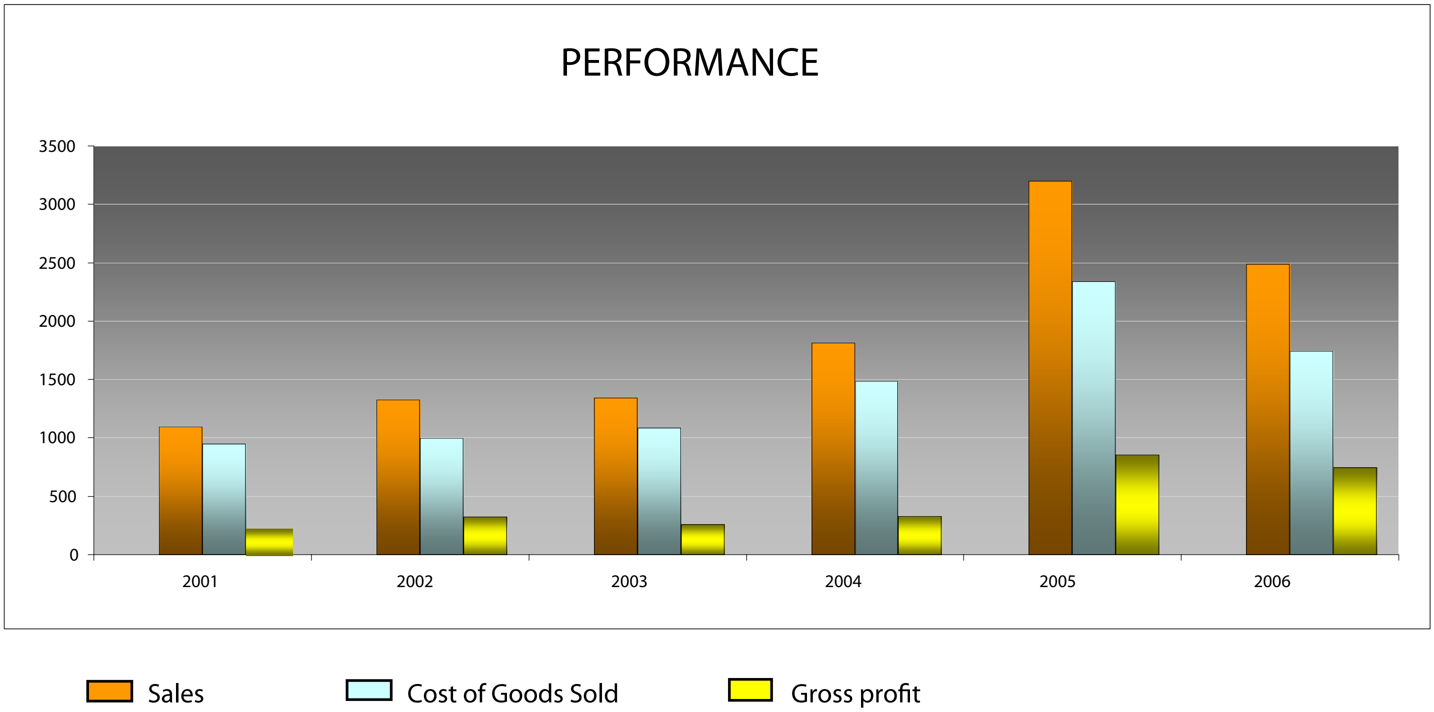
	2006	2005
Gross Profit - % of sales	**29.97**	26.80
Operating Profit - % of sales	**24.49**	21.50
Profit before taxation - % of sales	**20.13**	20.39
Net Profit after taxation - % of sales	**18.89**	19.39
Basic Earning per share	**33.55**	44.27
Increase / Decrease in sale - %	**(22.22)**	76.32
Raw and Packing Materials - % of sales	**50.92**	61.40
Labour - % of sales	**5.73**	3.26
Other Cost of goods manufactured - % of sales	**13.02**	8.67
Administrative expenses - % of sales	**1.57**	0.94
Distribution costs - % of sales	**2.84**	3.28
Finance costs - % of sales	**4.69**	1.73
Taxation - % of sales	**1.24**	1.00
Inventory turnover period (days)	**75**	**47**
Receivable turn over period (days)	**30**	**24**

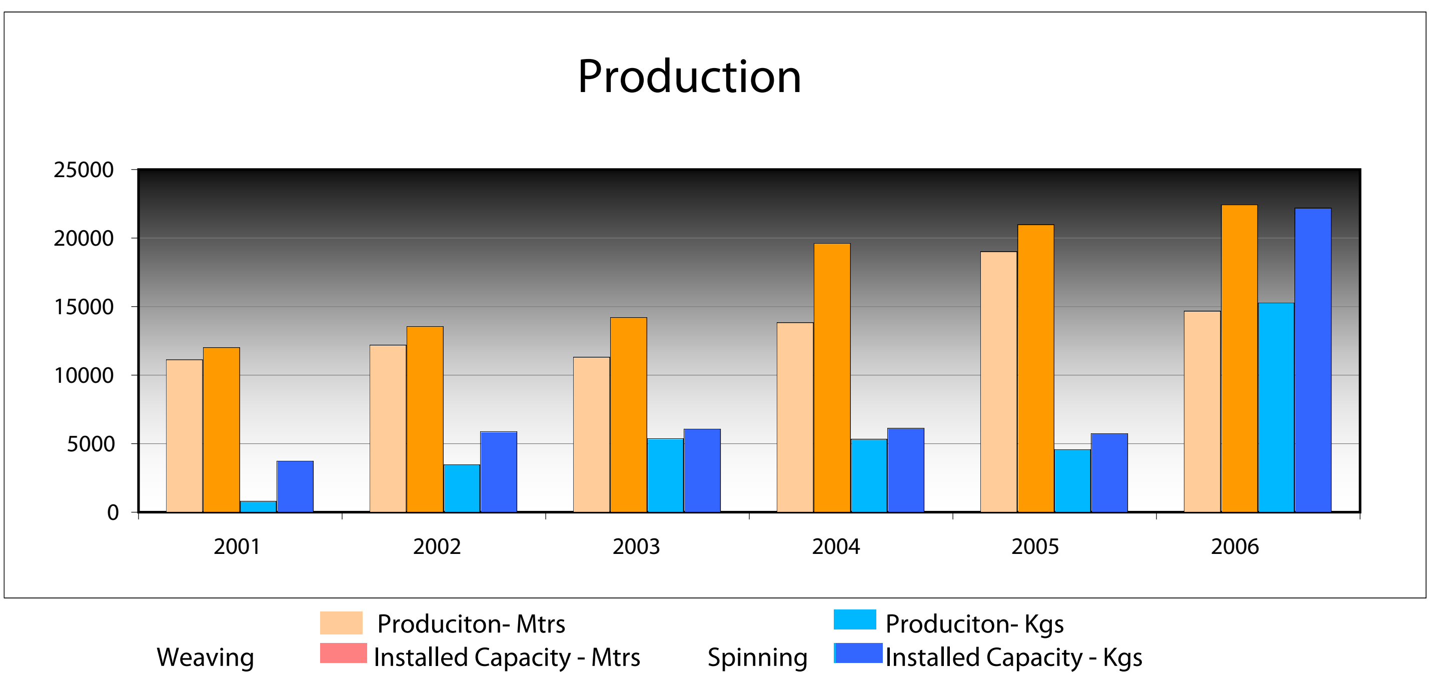
SHORT TERM SOLVENCY

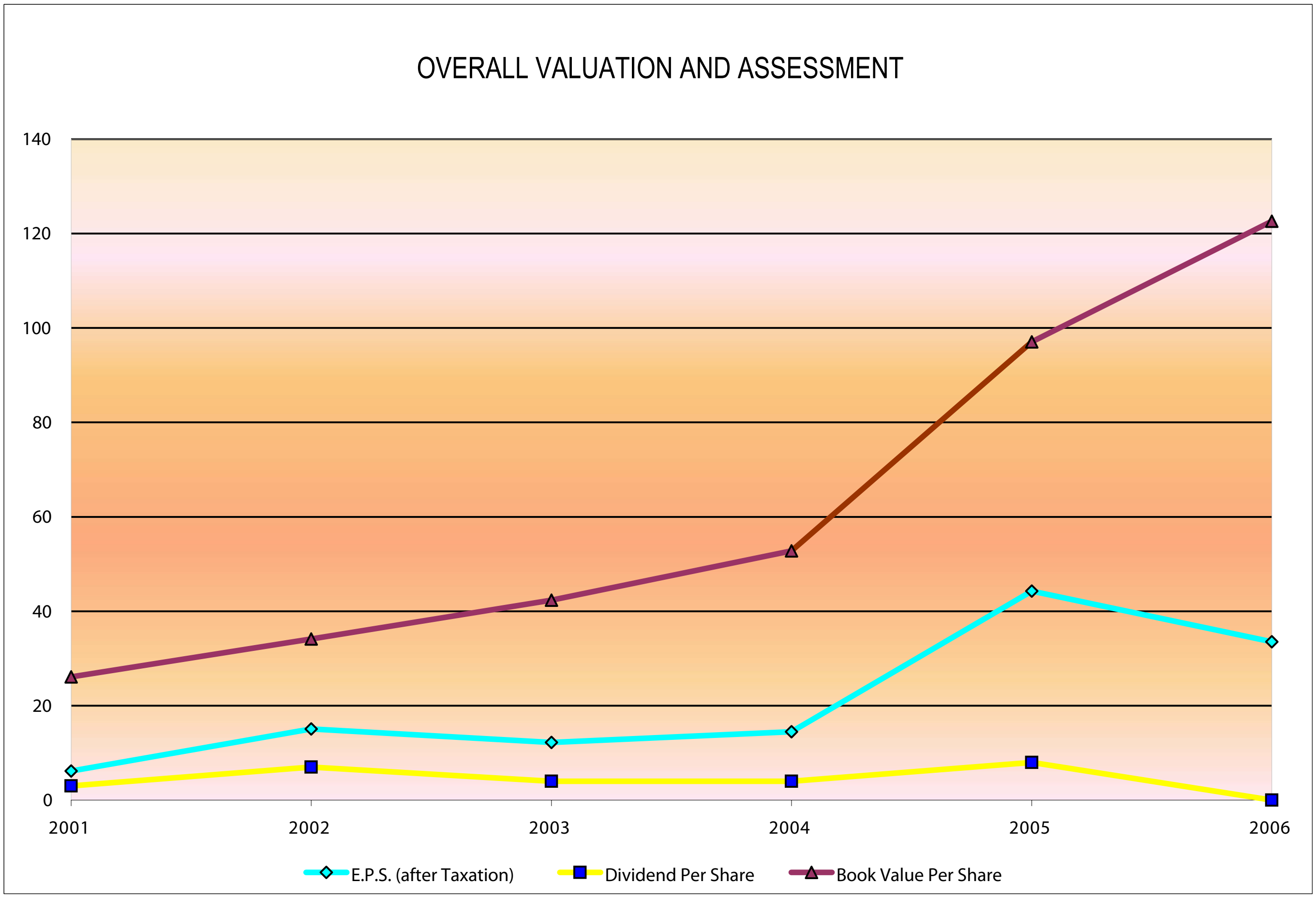
Current Ratio	**1.08**	0.89
Acid test ratio	**0.64**	0.46

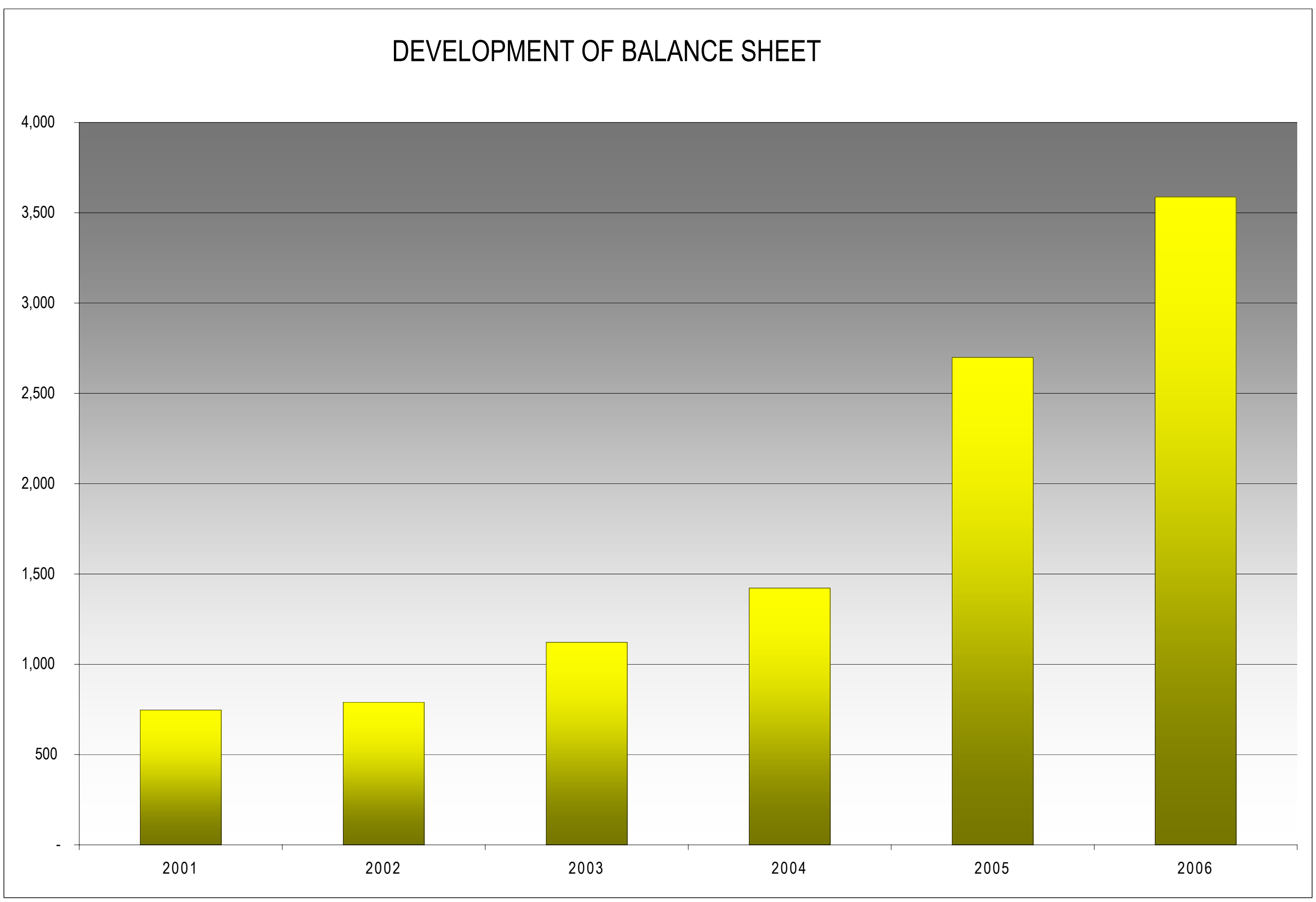
OVERALL VALUATION AND ASSESSMENT

Return on capital employed before taxation (average)	**35.68%**	51.64%
P.E. Ratio (before Taxation)	**6.41**	5.50
Book value per share	**122.63**	97.08
Long Term debts : equity	**38:62**	32:68


PERFORMANCE
3500
3000
2500
2000
1500
1000
500
0
2001
2002
2003
2004
2005
2006
Sales
Cost of Goods Sold
Gross profit


Production
25000
20000
15000
10000
5000
0
2001
2002
2003
2004
2005
2006
Weaving
Produciton- Mtrs
Installed Capacity - Mtrs
Spinning
Produciton- Kgs
Installed Capacity - Kgs


OVERALL VALUATION AND ASSESSMENT
140
120
100
80
60
40
20
0
2001
2002
2003
2004
2005
2006
E.P.S. (after Taxation)
Dividend Per Share
Book Value Per Share


DEVELOPMENT OF BALANCE SHEET
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
-
2001
2002
2003
2004
2005
2006

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2006

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.
The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes five independent non-executive directors.

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.

3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Casual vacancies occurred in the Board during the year but fulfilled according to law.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

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 and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The directors have been provided orientation to apprise them of their duties and responsibilities. Orientation courses are being arranged for new directors.

10. During the year there were new appointments of CEO and Directors. Their remuneration and terms and condition of employment determined by the Board. However, there was no new appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit. Although, the Board has approved remuneration and terms and conditions of employment of

Chief Financial Officer, Company Secretary and Head of Internal Audit, as determined by the CEO.

11. The Directors' report has been prepared in compliance with the requirements of the Code and describes the salient matters required to be disclosed.

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

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises three members, of whom two members are non-executive directors including the Chairman of the Committee.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function.

18. 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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

We confirm that all other material principles contained in the Code have been complied with.

Faisal Ahmed
Chief Executive

Karachi: September 16, 2006

ARTISTIC DENIM MILLS LIMITED

BALANCE SHEET
AS AT JUNE 30, 2006

	Note	June 30, 2006	June 30, 2005
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	3	**2,708,605**	2,071,329
Long term loans	4	**3,939**	1,879
Long term deposits	5	**467**	447
CURRENT ASSETS			
Stores and spares	6	**21,688**	16,479
Stock-in-trade	7	**333,377**	279,011
Trade debts	8	**200,415**	205,306
Loans and advances	9	**8,412**	12,735
Trade deposits and short term prepayments	10	**2,451**	2,123
Other receivables	11	**32,505**	84,947
Taxation - net		**-**	1,791
Cash and bank balances	12	**275,909**	22,919
		874,757	625,311
TOTAL ASSETS		**3,587,768**	2,698,966
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	13	**140,000**	140,000
Reserves	14	**1,576,806**	1,219,108
		1,716,806	1,359,108
NON-CURRENT LIABILITIES			
Long term financing	15	**811,111**	367,143
Long term morabaha	16	**233,333**	257,857
Deferred liability	17	**12,698**	10,005
CURRENT LIABILITIES			
Trade and other payables	18	**111,551**	201,974
Accrued mark-up	19	**15,596**	11,021
Short term borrowings	20	**506,113**	441,858
Current maturities of long term financing and morabaha	21	**180,556**	50,000
Taxation - net	22	**4**	-
		813,820	704,853
TOTAL EQUITY AND LIABILITIES		**3,587,768**	2,698,966
CONTINGENCIES AND COMMITMENTS	23		

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

_________Faisal Ahmed____________
Chief Executive

Yousuf Ahmed
Director

ARTISTIC DENIM MILLS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2006

	Note	June 30, 2006	June 30, 2005
		(Rupees in '000)	
NET SALES	24	**2,485,949**	3,196,198
Cost of sales	25	**(1,740,927)**	(2,339,660)
GROSS PROFIT		**745,022**	856,538
Distribution costs	26	**(70,721)**	(104,762)
Administrative expenses	27	**(39,083)**	(30,160)
Other operating expenses	28	**(26,342)**	(34,305)
		(136,146)	(169,227)
Provision for fuel and power written back		**-**	12,534
Other operating income	29	**8,153**	7,173
		8,153	19,707
		617,029	707,018
Finance cost	30	**(116,539)**	(55,221)
PROFIT BEFORE TAXATION		**500,490**	651,797
Taxation	31	**(30,792)**	(32,073)
NET PROFIT FOR THE YEAR		**469,698**	619,724
EARNINGS PER SHARE - BASIC AND DILUTED (Rs. per share	32	**33.55**	44.27

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

Faisal Ahmed
Chief Executive

Yousuf Ahmed
Director

ARTISTIC DENIM MILLS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2006

	Note	June 30, 2006	June 30, 2005
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33	**733,092**	759,833
Income tax paid		**(28,996)**	(22,762)
Gratuity paid		**(2,617)**	(924)
Financial charges paid		**(111,964)**	(46,912)
Long term deposits – net		**(20)**	1,066
Net cash generated from operating activities		**589,495**	690,301
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(837,923)**	(1,389,567)
Long term loans – net		**(2,061)**	(1,176)
Return on bank deposits received		**-**	384
Sale proceeds of fixed asset		**1,185**	59
Net cash used in investing activities		**(838,799)**	(1,390,300)
CASH FLOW FROM FINANCING ACTIVITIES			
Long-term loan repaid		**(50,000)**	(25,000)
Long-term morabaha acquired		**42,143**	257,857
Long-term loan acquired		**557,857**	342,143
Short term borrowings acquired		**264,255**	211,858
Short term borrowing paid		**(200,000)**	(50,000)
Dividends paid		**(111,961)**	(55,998)
Net cash generated from financing activities		**502,294**	680,860
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**252,990**	(19,139)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**22,919**	42,058
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**275,909**	22,919

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

Faisal Ahmed
Chief Executive

Yousuf Ahmed
Director

ARTISTIC DENIM MILLS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2006

	Share Capital	Capital Reserve	Revenue Reserve	
	Issued, Subscribed and paid-up	Premium on issue of Ordinary shares	Unappropriated profit	Total
	----------------------(Rupees in '000)----------------------			
Balance as at June 30, 2004	140,000	105,000	550,384	795,384
Net profit for the year	-	-	619,724	619,724
Cash dividend @ Rs.2.80 per Ordinary share of Rs.10 each declared on October 23, 2004	-	-	(56,000)	(56,000)
Balance as at June 30, 2005	140,000	105,000	1,114,108	1,359,108
Net profit for the year	-	-	469,698	469,698
Cash dividend @ Rs.5.60 per Ordinary share of Rs.10 each declared on October 22, 2005	-	-	(112,000)	(112,000)
Balance as at June 30, 2006	140,000	105,000	1,471,806	1,716,806

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

Faisal Ahmed
Chief Executive

Yousuf Ahmed
Director

ARTISTIC DENIM MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

1. THE COMPANY AND ITS OPERATIONS

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

During the year, the company has changed its registered office from 39-A, Block 6, PECHS, Karachi, to Plot No. 5 - 9, 23 - 26, Sector 16, Korangi Industrial Area, Karachi.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's policies. The matters involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in respective notes to the financial statements.

2.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

Following amendments to existing standards have been published that are mandatory for the company's accounting periods beginning on or after January 01, 2006 or later periods:

i. IAS 1 Presentation of Financial Statements
ii. IAS 19 (Amendments) - Employees Benefits
iii. IAS 39 Financial Instruments: Recognition and Measurement – Fair Value Option

Adoption of the above amendments may only impact the extent of disclosures presented in the financial statements.

In addition to the above, a new series of standards called “International Financial Reporting Standards” (IFRS) have been introduced and seven IFRSs have been issued by IASB. Out of these, the following four IFRS have been adopted by the Institute of Chartered Accountants of Pakistan (ICAP), however, since these have not been adopted by the SECP, the same do not form part of the approved local financial reporting framework:

IFRS – 2 (Share based Payments);
IFRS – 3 (Business Combinations);
IFRS – 5 (Non-current Assets held for Sale and Discontinued Operations); and
IFRS – 6 (Exploration for and Evaluation of Mineral Resources).

The company expects that the adoption of the pronouncements stated above will have no significant impact on the company's financial statements in the period of initial application.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention.

2.4 Property, plant and equipment

(i) Operating fixed assets

These are stated at cost less accumulated depreciation and impairment, if any. Leasehold land is amortised over the period of lease. Depreciation is calculated on a reducing balance method whereby the cost of an asset is written off over its estimated useful life. The rates used are stated in note 3.1 to the financial statements. Full year's depreciation is charged in the year of addition while no depreciation is charged in the year of disposal.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit and loss account in the year the item is derecognised.

The carrying values of tangible fixed 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. The recoverable amount of tangible fixed assets is the greater of net selling price and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the profit

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Maintenance and normal repairs are charged to profit and loss account as and when

Gains and losses on disposal of fixed assets, if any, are taken to income currently.

(ii) Capital work-in-progress

Capital work-in-progress is stated at cost. It consists of expenditure incurred and advances made in respect of tangible fixed assets in the course of their construction and installation.

2.5 Stores and spares

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

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

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date.

2.6 Stock-in-trade

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

Cost of raw and packing materials is determined using first-in-first-out (FIFO) basis except for those in transit which are stated at invoice price plus other charges paid thereon upto the balance sheet date.

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

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

2.7 Trade debts and other receivables

These are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term bank deposits, if any.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

2.9 Trade and other payables

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

2.10 Foreign currency translation

The financial statements are presented in Pak Rupee, which is the company's functional and presentation currency. Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to income currently. 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.

2.11 Staff retirement benefit

The company operates an unfunded gratuity plan (defined benefit scheme) for all its permanent employees. Provision is made annually, to cover obligations under the plan, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation. The latest valuation was carried out as at June 30, 2005. Actuarial gain / loss is recognised on the basis of actuarial recommendation. Projected Unit Credit Method, using following assumptions, is used for valuation of the scheme:

- Expected rate of increase in salaries is 8% per annum.
- Expected discount rate is 9% per annum.

2.12 Actuarial gains and losses

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses exceed 10% of the defined benefit obligation. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

2.13 Compensated absences

The company accounts for compensated absences on the basis of unavailed earned leave balance of each employee at the end of the year.

2.14 Provisions

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

2.15 Taxation

Current

The company falls under the final tax regime under Section 169 of the Income Tax Ordinance, 2001. Provision for tax on other income is based on taxable income at the rates applicable for the current tax year, after considering the rebates and tax credits available, if any. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance, 2001, and whichever is higher is provided in the financial statements.

Deferred

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

2.16 Revenue recognition

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

Specific revenue recognition criteria is as follows:

(i) Sales are recorded when goods are dispatched and invoiced.
(ii) Return on bank deposits is recognised on an accrual basis.
(iii) Duty draw back on export sales is recognised on an accrual basis at the time of making the export sale.

2.17 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account currently.

2.18 Offsetting of financial assets and financial liabilities

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

2.19 Dividends and appropriation to general reserve

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

	Note	June 30, 2006	June 30, 2005
		(Rupees in '000)	
3. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	3.1	**2,497,553**	1,084,329
Capital work-in-progress	3.2	**211,052**	987,000
		2,708,605	2,071,329

3.1 Operating fixed assets

		COST					ACCUMULATED DEPRECIATION / AMORTISATION				WRITTEN DOWN VALUE
	Note	As at July 01, 2005	Additions	(Disposals)	As at June 30, 2006	Period / Rate %	As at July 01, 2005	For the year	(On disposals)	As at June 30, 2006	As at June 30, 2006
		(Rupees in '000)					(Rupees in '000)				
June 30, 2006											
Leasehold land	3.1.1	**434,937**	**405,726**	**-**	**840,663**	**65 to 72 yrs**	**10,822**	**10,823**	**-**	**21,645**	**819,018**
Building on leasehold land	3.1.1	**131,798**	**241,324**	**-**	**373,122**	**10**	**55,396**	**31,773**	**-**	**87,169**	**285,953**
Plant and machinery	3.1.1	**977,817**	**952,107**		**1,929,924**	**10**	**458,347**	**147,158**	**-**	**605,505**	**1,324,419**
Factory equipment	3.1.1	**68,542**	**10,718**	**-**	**79,260**	**10**	**24,212**	**5,505**	**-**	**29,717**	**49,543**
Furniture and fixtures		**6,702**	**445**	**-**	**7,147**	**10**	**2,173**	**498**	**-**	**2,671**	**4,476**
Office equipment, including Computers		**8,508**	**2,176**	**-**	**10,684**	**33**	**6,553**	**1,363**	**-**	**7,916**	**2,768**
Vehicles		**28,338**	**1,374**	**(4,549)**	**25,163**	**20**	**14,810**	**2,843**	**(3,866)**	**13,787**	**11,376**
		1,656,642	**1,613,870**	**(4,549)**	**3,265,963**		**572,313**	**199,963**	**(3,866)**	**768,410**	**2,497,553**

3.1.1 During the current year, the following amounts have been transferred from capital work-in-progress to:

	June 30, 2006	June 30, 2005
	(Rupees in '000)	
Land	**405,726**	**-**
Building on leasehold land	**241,324**	-
Plant and machinery	**952,107**	-
Factory equipment	**10,718**	10,179
	1,609,875	10,179

3.1.2 Depreciation / amortization charge for the year has been allocated as follows:

	Note	June 30, 2006	June 30, 2005
		(Rupees in '000)	
Cost of sales	25	**184,566**	75,746
Distribution cost	26	**400**	164
Administrative expenses	27	**14,997**	6,155
		199,963	82,065

3.1.3 The following assets were disposed of during the year:

Description	Cost	Accumulated Depreciation	Written Down value	Sale Proceed	Mode of disposal	Particulars of Buyer
	Rupees in '000					
Vehicle	690	631	59	210	Negotiation	Sameera Kashif, Karachi
Vehicle	270	252	18	100	Negotiation	Hakim Ali Shah, Karachi
Vehicle	550	476	74	150	Negotiation	Ahmer Wahab, Karachi
Vehicle	539	493	46	150	Negotiation	Bhoolo, Karachi
Vehicle	1,260	996	264	275	Negotiation	Arif, Karachi
Vehicle	765	699	66	125	Negotiation	Mehar-un-Nisa, Karachi
Vehicle	475	319	156	175	Negotiation	Aftab Ahmed, Karachi
June 30, 2006	**4,549**	**3,866**	**683**	**1,185**		
June 30, 2005	**128**	**89**	**39**	**59**		

	COST					ACCUMULATED DEPRECIATION / AMORTISATION				WRITTEN DOWN VALUE
	As at July 01, 2004	Additions	(Disposals)	As at June 30, 2005	Period / Rate %	As at July 01, 2004	For the year	(On disposals)	As at June 30, 2005	As at June 30, 2005
	(Rupees in '000)					(Rupees in '000)				
June 30, 2005										
Leasehold land	53,582	381,355	-	434,937	65 to 72 yrs	4,716	6,106	-	10,822	424,115
Building on leasehold land	131,798	-	-	131,798	10	46,907	8,489	-	55,396	76,402
Plant and machinery	977,817	-	-	977,817	10	400,628	57,719	-	458,347	519,470
Factory equipment	58,363	10,179	-	68,542	10	19,287	4,925	-	24,212	44,330
Furniture and fixtures	6,522	180	-	6,702	10	1,670	503	-	2,173	4,529
Office equipment, including Computers	7,628	880	-	8,508	33	5,590	963	-	6,553	1,955
Vehicles	18,492	9,974	(128)	28,338	20	11,539	3,360	(89)	14,810	13,528
	1,254,202	402,568	(128)	1,656,642		490,337	82,065	(89)	572,313	1,084,329

	Note	June 30, 2006	June 30, 2005
		(Rupees in '000)	
3.2 Capital work-in-progress			
Civil works:			
Building on leasehold land		**650**	157,323
Advances in respect of:			
Leasehold land	3.2.1	**200,000**	-
Plant and machinery		**512**	814,347
Building on leasehold land		**9,890**	15,330
		211,052	987,000

3.2.1 This represents advance given for purchase of land (Refer note 37).

4. LONG TERM LOANS

	Note	June 30, 2006	June 30, 2005
Considered good – secured			
Executives	4.1	**1,867**	650
Employees		**4,750**	2,938
		6,617	3,588
Recoverable within one year shown under current assets			
Executives	9	**(798)**	(300)
Employees	9	**(1,880)**	(1,409)
		(2,678)	(1,709)
		3,939	1,879

The secured loans to executives and employees are either personal loans or given for medical expenses. These are granted in accordance 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 and 4 (2005: 1 and 4) years, and are interest free. These loans have not been discounted to their present value as the financial impact thereof is not material.

The maximum aggregate amount due from executives at the end of any month during the year was Rs.2.200 (2005: Rs.1.020) million.

4.1 Reconciliation		2006	2005
Opening balance		**650**	-
Disbursements during the year		**2,000**	800
		2,650	800
Recoveries made during the year		**(783)**	(150)
		1,867	650

5. LONG TERM DEPOSITS

		2006	2005
Security deposits			
Utilities		**284**	284
Others		**183**	163
		467	447

	June 30, 2006	June 30, 2005
	(Rupees in '000)	

6. STORES AND SPARES

In hand		
Stores	**18,065**	11,716
Spares	**3,623**	4,763
	21,688	16,479

7. STOCK-IN-TRADE

Raw and packing materials		
In hand	**149,278**	164,957
In transit	**13,037**	3,728
	162,315	168,685
Work-in-process	**150,690**	80,984
Finished goods	**20,372**	29,342
	333,377	279,011

8. TRADE DEBTS

Considered good		
Secured – against letters of credit		
Casual Sportwear – a related party	**49,940**	10,829
Others	**90,690**	96,490
	140,630	107,319
Unsecured		
Related parties:		
Artistic Garment Industries (Private) Limited	**65**	1,825
Artistic Milliners	**8,579**	3,768
	8,644	5,593
Others	**51,141**	92,394
	59,785	97,987
	200,415	205,306

	Note	June 30, 2006	June 30, 2005
		(Rupees in '000)	
9. LOANS AND ADVANCES			
Considered good			
Loans			
Secured			
Current portion of long term loans			
Executives	4	**798**	300
Employees	4	**1,880**	1,409
		2,678	1,709
Short term loans			
Executives		**-**	100
Employees		**470**	259
		470	359
Advances			
Suppliers		**4,545**	9,522
Contractors		**719**	1,145
		5,264	10,667
		8,412	12,735

10. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	June 30, 2006	June 30, 2005
Trade deposits			
Security deposits		**550**	117
Margin against letters of credit		**-**	1,641
		550	1,758
Short term prepayments			
Insurance		**52**	341
Export exhibition	10.1	**1,832**	-
Others		**17**	24
		1,901	365
		2,451	2,123

10.1 This represents amount paid to Messe Frankfurt France S.A.S in respect of Export Exhibition to be held in France during September, 2006.

11. OTHER RECEIVABLES

	Note	June 30, 2006	June 30, 2005
Duty draw back on export sales		**4,658**	9,971
Sales tax – net		**19,413**	66,263
Refund of custom duty	11.1	**8,434**	8,434
Miscellaneous		**-**	279
		32,505	84,947

11.1 This represents custom duty paid by the company during the year ended June 30, 2001 on import of certain plant and machinery although the same was exempt from the levy of custom duty. In order to recover the said duty, the company, in prior years, filed an application with the relevant appellate authorities. During the year ended June 30, 2005, the case has been decided in favour of the company and, hence, the said custom duty is expected to be recovered in the foreseeable future.

	Note	June 30, 2006	June 30, 2005
		-------Rupees in '000-------	

12. CASH AND BANK BALANCES

In hand		**429**	11
At banks in			
current accounts		**275,480**	22,908
		275,909	22,919

13. SHARE CAPITAL

Number of shares 2006	Number of shares 2005			
		Authorised share capital		
20,000,000	20,000,000	Ordinary shares of Rs.10 each	**200,000**	200,000
		Issued, subscribed and paid-up capital		
		Ordinary shares of Rs.10 each		
14,000,000	14,000,000	fully paid in cash	**140,000**	140,000

14. RESERVES

Capital reserve			
Premium on issue of Ordinary shares		**105,000**	105,000
Revenue reserve			
Unappropriated profit		**1,471,806**	1,114,108
		1,576,806	1,219,108

15. LONG-TERM FINANCING

Secured			
Term finances from banks	15.1	**925,000**	417,143
Current maturity shown under current liabilities	21	**(113,889)**	(50,000)
		811,111	367,143

15.1 The term finances comprise the following:

(a) a local currency loan, amounting to Rs.25.00 (2005: Rs.75.00) million, out of the total facility of Rs.100.00 million, arranged by the company from a bank for a period of two years. The loan is repayable in four equal half-yearly installments, commencing April 15, 2005 to October 15, 2006 and is secured against the first equitable mortgage charge over factory land, building and hypothecation of specific machinery, aggregating to Rs.200.00 million, along with a demand promissory note provided by the company in favour of the bank, amounting to Rs.139.545 million. It carries markup at the Base Rate (3 year Pakistan Investment Bond Cut-off yield) plus 1% per annum, payable quarterly, on the principal sum of the loan and other dues, if any, outstanding from time to time.

(b) a local currency loan, amounting to Rs.400.00 (2005: Rs.342.143) million, for the purposes of capital expenditure and rationalizing the financial structure of the company. The loan is repayable in 9 equal half-yearly installments, commencing December 14, 2006 to December 14, 2010. The loan carries mark-up at 6 months KIBOR plus 1.5% per annum, payable half yearly, and is secured against first equitable mortgage over immovable property of the company and hypothecation of plant and machinery, aggregating to Rs.534.00 million. The mark-up rate will be set on the 1st day of every six months mark-up period and will remain valid for the whole six months.

(c) a local currency loan, amounting to Rs.500.00 (2005: Rs.Nil) million, arranged by the company during the current year, for the purposes of capital expenditure and rationalizing the financial structure of the company. The loan is repayable in six equal half-yearly installments, commencing June, 2008 to December, 2010. The loan carries mark-up at 6 months KIBOR plus 1.5% per annum, payable half yearly, and is secured against first equitable mortgage over immovable property of the company and hypothecation of plant and machinery, aggregating to Rs.800.054 million. The mark-up rate will be set on the 1st day of every six months mark-up period and will remain valid for the whole six months.

	Note	June 30, 2006	June 30, 2005
		(Rupees in '000)	
16. LONG-TERM MORABAHA			
Secured	16.1	**300,000**	257,857
Current maturity shown under current liabilities	21	**(66,667)**	-
		233,333	257,857

16.1 This represents a long-term morabaha facility, amounting to Rs.300.00 million (2005: Rs.257.857) million, obtained for the purposes of capital expenditure. It is repayable in 9 equal half-yearly installments, commencing December 14, 2006 to December 14, 2010. It carries mark-up at the rate of KIBOR plus 1.5% per annum, payable half yearly, and is secured against the mortgage of immovable property and hypothecation of the movable property, aggregating to Rs.400.00 million. The mark-up rate will be set on the 1st day of every six months mark-up period and will remain valid for the whole six months.

17. DEFERRED LIABILITY

	Note	June 30, 2006	June 30, 2005
Staff gratuity	17.1	**12,698**	10,005

17.1 Staff gratuity

	Note	June 30, 2006	June 30, 2005
Opening balance		**10,005**	7,016
Charge for the year	17.1.1	**5,310**	3,913
		15,315	10,929
Paid during the year		**(2,617)**	(924)
	17.1.2	**12,698**	10,005

17.1.1 Charge for the year

	June 30, 2006	June 30, 2005
Current service cost	**3,404**	2,973
Interest cost	**1,475**	780
Recognition of actuarial loss	**431**	160
Expense chargeable	**5,310**	3,913

	Note	June 30, 2006	June 30, 2005
		(Rupees in '000)	
17.1.2 Reconciliation of defined benefit liability			
Present value of defined benefit obligation		**18,646**	16,384
Benefits due but unpaid		**2**	2
Unrecognised net actuarial loss		**(5,950)**	(6,381)
		12,698	10,005

18. TRADE AND OTHER PAYABLES

	Note	June 30, 2006	June 30, 2005
Creditors		**56,112**	132,166
Accrued expenses		**22,615**	21,908
Advance payments		**3,323**	9,341
Unpaid and unclaimed dividend		**204**	165
Other payables			
Retention money		**2,677**	3,686
Workers' Profit Participation Fund	18.1	**26,342**	34,305
Tax deducted at source		**278**	403
		29,297	38,394
		111,551	201,974

18.1 Workers' Profits Participation Fund

	Note	June 30, 2006	June 30, 2005
Balance at the beginning of the year		**34,305**	11,455
Allocation for the year	28	**26,342**	34,305
		60,647	45,760
Payments made during the year		**(34,305)**	(11,455)
		26,342	34,305

19. ACCRUED MARK-UP

	Note	June 30, 2006	June 30, 2005
Mark-up accrued on secured:			
long term financing		**2,974**	2,033
long term morabaha		**1,474**	723
short term running finances		**2,001**	2,224
short term loans		**9,147**	6,041
		15,596	11,021

20. SHORT TERM BORROWINGS

	Note	June 30, 2006	June 30, 2005
From banks – secured			
Short term loans	20.1	**506,113**	430,000
Short term running finances		**-**	11,858
		506,113	441,858

20.1 Short term loans

	Note	June 30, 2006	June 30, 2005
Export refinance – I		**-**	200,000
Export refinance - Dollar based	20.1.1	**6,113**	-
Export refinance – II	20.1.2	**500,000**	230,000
		506,113	430,000

20.1.1 This represents dollar based finance facility, which is sub-limit of Export Refinance - I, amounting to $2.00 million, arranged by the company during the current year from a bank, repayable by August 12, 2006.

The loan carries mark-up at the rate of 0.4% above LIBOR, determined on first date of drawdown / renewal and will remain valid for whole period till adjustment against export proceeds realisation.

20.1.2 This represents another export refinance facility, amounting to Rs.500.00 million, arranged by the company from a bank, repayable by August 31, 2006.

The loan carries mark-up at the rate of 0.25% above the Minimum Export Refinance rate, determined on monthly basis and payable quarterly.

These loans are secured against the export proceed realisation and registered charge over stock-in-trade, stores and spares and book debts, aggregating to Rs.1,266.00 million, and promissory note of Rs.930.00 million.

	Note	June 30, 2006	June 30, 2005
		(Rupees in '000)	
21. CURRENT MATURITIES OF LONG TERM FINANCING AND MORABAHA			
Current maturities of:			
Long term financing	15	**113,889**	50,000
Long term morabaha	16	**66,667**	-
		180,556	50,000
22. TAXATION - net			
Provision for income tax		**29,487**	-
Advance income tax		**(28,999)**	-
Income tax refundable		**(484)**	-
		4	-
23. CONTINGENCIES AND COMMITMENTS			
Contingencies			
23.1 Inland bills discounted		**1,121**	37,470
23.2 Foreign bills discounted		**189,328**	281,668
23.3 Outstanding counter guarantees		**39,735**	16,641

Commitments

23.4 Commitments in respect of building on leasehold land and plant and machinery at the end of the current year amounted to Rs. Nil (2005: Rs.15.787 million), respectively.

23.5 Outstanding letters of credit at the end of the year amounted to Rs. 76.162 (2005: Rs.115.242) million.

	Note	June 30, 2006	June 30, 2005
		(Rupees in '000)	

24. NET SALES

	Note	2006	2005
Local		**28,520**	24,880
Exports	24.1	**2,463,034**	3,180,494
		2,491,554	3,205,374
Returns		**(101)**	(2,650)
Commission		**(5,504)**	(6,526)
		2,485,949	3,196,198

24.1 Included herein is a sum of Rs. 770.468 (2005: Rs.829.672) million, representing indirect exports made by the company during the current year, either by arranging inland letters of credit or standardised purchase orders from certain direct exporters in favour of the company, pursuant to the Banking Policy and Regulation Department (BPRD) Circulars No.24 and 31 dated June 28, 1999 and August 13, 1999 respectively, issued by the State Bank of Pakistan.

25. COST OF SALES

	Note	2006	2005
Opening stock – finished goods		**29,342**	25,175
Cost of good manufactured	25.1	**1,731,957**	2,343,827
		1,761,299	2,369,002
Closing stock – finished goods		**(20,372)**	(29,342)
		1,740,927	2,339,660

25.1 Cost of goods manufactured

	Note	2006	2005
Raw and packing materials consumed	25.2	**1,265,837**	1,962,583
Stores and spares consumed	25.3	**55,167**	59,060
Salaries, wages and other benefits	25.4	**45,421**	38,101
Contract wages		**97,124**	66,127
Fuel and power		**121,874**	74,225
Weaving and sarning charges		**489**	48,113
Repairs and maintenance		**7,114**	8,068
Printing and stationery		**1,217**	703
Postage and photocopy		**564**	541
Telephone and telex		**769**	952
Conveyance		**85**	32
Rent, rates and taxes		**2,402**	926
Insurance		**4,877**	4,001
Water charges		**12,830**	5,248
Transportation		**-**	158
Depreciation	3.1.2	**184,566**	75,746
Security charges		**820**	505
Traveling and lodging		**164**	860
Miscellaneous		**343**	315
		1,801,663	2,346,264
Opening work-in-process		**80,984**	78,547
Closing work-in-process		**(150,690)**	(80,984)
		1,731,957	2,343,827

25.2 Raw and packing materials consumed

	Note	2006	2005
Opening stock		**164,957**	120,659
Purchases		**1,262,786**	2,026,187
Duty draw back on export sales		**(12,628)**	(19,306)
		1,250,158	2,006,881
		1,415,115	2,127,540
Closing stock		**(149,278)**	(164,957)
		1,265,837	1,962,583

	Note	June 30, 2006	June 30, 2005
		(Rupees in '000)	
25.3 Stores and spares consumed			
Opening stock		**16,479**	5,025
Purchases		**60,376**	70,514
		76,855	75,539
Closing stock		**(21,688)**	(16,479)
		55,167	59,060

25.4 Included herein is a sum of Rs.3.761 (2005: Rs.2.701) million in respect of staff retirement benefits.

26. DISTRIBUTION COSTS

	Note	June 30, 2006	June 30, 2005
Salaries, allowances and other benefits	26.1	**3,548**	2,704
Insurance		**2,441**	4,014
Freight and transportation		**39,166**	65,988
Export development surcharge and clearing charges		**9,466**	15,202
Postage and stamps		**7,516**	6,688
Advertisement, publicity and exhibitions		**2,668**	4,728
Export quota		**-**	2,484
Depreciation	3.1.2	**400**	164
Travelling and lodging		**4,835**	2,288
Bad debts written off		**322**	123
Telephone and telex		**95**	84
Miscellaneous		**264**	295
		70,721	104,762

26.1 Included herein is a sum of Rs.0.365 (2005: Rs.0.254) million in respect of staff retirement benefits.

27. ADMINISTRATIVE EXPENSES

	Note	June 30, 2006	June 30, 2005
Salaries, allowances and other benefits	27.1	**16,190**	15,607
Rent, rates and taxes		**109**	234
Depreciation	3.1.2	**14,997**	6,155
Legal and professional charges		**2,109**	4,117
Auditors' remuneration	27.2	**549**	401
Vehicle running expenses		**740**	661
Travelling and lodging		**-**	118
Printing and stationery		**194**	200
Insurance		**229**	238
Advertisement and publication		**217**	300
Conveyance		**75**	77
Repairs and maintenance		**526**	256
Telephone and telex		**636**	234
Electricity charges		**308**	250
Postage and telegrams		**222**	225
Fees and subscriptions		**109**	327
Donations	27.3	**1,433**	358
Miscellaneous		**440**	402
		39,083	30,160

27.1 Included herein is a sum of Rs.1.163 (2005: Rs.0.958) million in respect of staff retirement benefits.

	Note	June 30, 2006	June 30, 2005
		(Rupees in '000)	

27.2 Auditors' remuneration

Audit fee		**300**	210
Fee for half yearly review		**80**	80
Special certification		**50**	81
Tax services		**80**	-
Out-of-pocket expenses		**39**	30
		549	401

27.3 Donations do not include any donee in whom any director or his spouse has any interest.

28. OTHER OPERATING EXPENSES

Workers' Profits Participation Fund	18.1	**26,342**	34,305

29. OTHER OPERATING INCOME

Scrap sales		**6,015**	6,430
Exchange gain – net		**1,636**	338
Return on bank deposits		**-**	384
Gain on sale of fixed assets		**502**	21
		8,153	7,173

30. FINANCE COST

Mark-up on secured:			
long-term financing		**39,453**	16,103
long-term morabaha		**28,427**	7,931
short-term running finances		**8,939**	3,765
short-term loans		**32,858**	16,688
		109,677	44,487
Bills discounting charges		**1,138**	1,447
Bank charges		**5,724**	9,287
		116,539	55,221

31. TAXATION

Current		**29,487**	32,091
Prior		**1,305**	(18)
		30,792	32,073

The income tax assessments of the company have been finalised up to and including tax year 2004. Further, return in respect of the tax year 2005 has also been filed and the same is deemed to be assessed under the provisions of the Income Tax Ordinance, 2001.

The relationship between income tax expense and accounting profit has not been presented in these financial statements as the total income of the company falls under the final tax regime and is taxed at a rate of 1.25% on total sales including scrap sales.

32. EARNINGS PER SHARE - BASIC AND DILUTED

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

	June 30, 2006	June 30, 2005
	(Rupees in '000)	
Net profit for the year	**469,698**	619,724
	Number of shares	
Number of Ordinary shares	**14,000**	14,000
	(Rupees)	
Earnings per shares - basic and diluted	**33.55**	44.27

33. CASH GENERATED FROM OPERATIONS

Profit before taxation	**500,490**	651,797
Adjustments for non-cash charges and other items:		
Depreciation	**199,963**	82,065
Provision for gratuity	**5,310**	3,913
Financial charges	**116,539**	55,221
Return on bank deposits	**-**	(385)
Gain on disposal of fixed assets	**(502)**	(21)
Provision for fuel and power	**-**	(12,534)
	321,310	128,259
Profit before working capital changes	**821,800**	780,056
(Increase) / Decrease in current assets		
Stores and spares	**(5,209)**	(7,596)
Stock-in-trade	**(54,366)**	17,100
Trade debts	**4,891**	5,471
Loans and advances	**4,324**	(4,501)
Trade deposits and short term prepayments	**(328)**	(1,173)
Other receivables	**52,442**	(6,779)
	1,754	2,522
Decrease in current liabilities		
Trade and other payables	**(90,462)**	(22,745)
Cash generated from operations	**733,092**	759,833

33. CASH AND CASH EQUIVALENTS

Cash and bank balances	**275,909**	22,919

	June 30, 2006	June 30, 2005
	(Rupees in '000)	

34. UNAVAILED CREDIT FACILITIES

Short term running finances	**250,000**	213,142
Long term morabaha	**-**	42,143
Long term financing	**-**	57,857
Export re-finance facility	**193,887**	-

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2 0 0 6			2 0 0 5		
	Chief Executive	Director	Executive	Chief Executive	Director	Executive
	(Rupees in '000)					
Managerial remuneration	**1,478**	**1,357**	**3,107**	1,426	1,593	2,823
Bonus	**156**	**233**	**389**	184	205	346
House rent	**662**	**608**	**1,386**	637	713	1,257
Conveyance	**-**	**-**	**-**	-	-	-
Utilities	**147**	**135**	**308**	142	158	279
Retirement benefits	**321**	**307**	**683**	268	300	529
	2,764	**2,640**	**5,873**	2,657	2,969	5,234
Number of persons	**1**	**1**	**3**	1	1	3

35.1 A Director and few Executives are provided with free use of the company maintained cars.

36. FINANCIAL INSTRUMENTS

36.1 Interest / mark-up rate risk management

Interest / mark-up rate risk arise from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, the following table indicates their effective interest / mark-up rates at the balance sheet date and the periods in which they will re-price or mature:

	Interest / Markup bearing			Non-Interest / Markup bearing			Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	June 30, 2 0 0 6
	(Rupees in '000)						
June 30, 2006							
FINANCIAL ASSETS							
Loans and advances	-	-	-	3,148	3,939	7,087	7,087
Trade deposits	-	-	-	550	467	1,017	1,017
Trade debts	-	-	-	200,415	-	200,415	200,415
Cash and bank balances	-	-	-	275,909	-	275,909	275,909
	-	-	-	480,022	4,406	484,428	484,428
FINANCIAL LIABILITIES							
Long term financing	113,889	811,111	925,000	-	-	-	925,000
Long term morabaha	66,667	233,333	300,000	-	-	-	300,000
Short term borrowings	506,113	-	506,113	-	-	-	506,113
Trade and other payables	-	-	-	81,886		81,886	81,886
	686,669	1,044,444	1,731,113	81,886	-	81,886	1,812,999

	Interest / Markup bearing			Non-Interest / Markup bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	June 30, 2005
	(Rupees in '000)						
June 30, 2005							
FINANCIAL ASSETS							
Loans and advances	-	-	-	2,068	1,879	3,947	3,947
Trade deposits	-	-	-	117	447	564	564
Trade debts	-	-	-	205,306	-	205,306	205,306
Other receivables	-	-	-	279	-	279	279
Cash and bank balances	-	-	-	22,919	-	22,919	22,919
	-	-	-	230,689	2,326	233,015	233,015
FINANCIAL LIABILITIES							
Long term financing	50,000	367,143	417,143	-	-	-	417,143
Long term morabaha	-	257,857	257,857	-	-	-	257,857
Short term borrowings	441,858	-	441,858	-	-	-	441,858
Trade and other payables	-	-	-	168,781		168,781	168,781
	491,858	625,000	1,116,858	168,781	-	168,781	1,285,639

The effective interest / mark-up rates for monetary financial assets and liabilities are mentioned in the respective notes to the financial statements.

36.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 484.428 (2005: Rs. 233.015) million, the financial assets which are subject to credit risk amounted to Rs. 208.519 (2005: Rs.210.098) million. The company manages credit risk in trade receivables by limiting significant exposure to any individual customers, by obtaining advance against sales.

The company is exposed to credit risk on loans, advances, deposits, trade debts and other receivables. The company seeks to minimise the credit risk exposure through dealings with customers considered credit worthy and obtaining securities where applicable.

36.3 Liquidity risk

Liquidity risk reflects the company's inability in raising funds to meet commitments. Management closely monitors the company's liquidity and cashflow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the over all funding mix and avoidance of undue reliance on large individual customer.

36.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. As at June 30, 2006, the total foreign currency risk exposure was Rs.92.749 (2005: Rs.98.768) million in respect of trade debts. However, due to the declining trend in the local currency, management of the company believes that it is not exposed to major foreign exchange risk.

36.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

37. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings, staff provident fund, staff gratuity fund, directors and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, amounts due from executives and remuneration of directors and executives are disclosed in the relevant notes.

Terms and conditions of transactions with related parties

The transactions with the related parties are made at normal market prices. Outstanding balances are disclosed in the respective notes. There have been no guarantees provided or received for any related party receivables or payables. For the year ended June 30, 2006, the company has not made any provision for doubtful debts relating to amounts owed by related parties (2005: Nil). An assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. Other material transactions with related parties are given below:

	June 30, 2006	June 30, 2005
	(Rupees in '000)	
Artistic Garments Industries (Private) Limited - Associated undertaking / Common directorship		
Sales	**212,204**	74,795
Services received	**60**	45
Artistic Milliners - Associated undertaking / Common management		
Sales	**148,353**	244,200
Services rendered	**1,196**	39,077
Purchases	**140,897**	741,777
Services received	**3,453**	3,583
Telephone and utilities	**1,035**	871
Casual Sportwear - Associated undertaking / Common directorship		
Sales	**194,893**	183,586
Fascom Network Services Limited - Associated undertaking / Common directorship		
Services received	**280**	260
Mr. Muhammad Faisal Ahmed Chief Executive Officer of the company		
Advance given	**200,000**	-
Purchase of land	**390,000**	-
Compensation of key management personnel		
Short-term employee benefits	**3,943**	3,432
Termination benefits	**519**	385
Total compensation to key management personnel	**4,462**	3,817

38. PLANT CAPACITY AND PRODUCTION

Spinning		
Number of rotors installed	**864**	864
Number of spindles installed	**11,700**	-
Capacity after conversion into 7 count (Kgs.)	**22,204,204**	5,767,125
Actual production of yarn after conversion into 7 count (Kgs.)	**15,297,105**	4,599,951
Under utilisation of available capacity was due to quality change down time, machine maintenance and power break down		
Weaving		
Number of looms installed	**124**	124
Capacity after conversion into 39.50 picks (meters)	**22,448,329**	20,996,379
Actual production of yarn after conversion into 39.50 picks (meters)	**14,658,909**	19,041,657
Under utilisation of available capacity was due to quality change down time, machine maintenance power break down and machine stoppage		

39. MOVEMENT BETWEEN RESERVES AND PROPOSED DIVIDEND

In the meeting held on ____________, the Board of Directors of the company recommended a final cash dividend of Rs.___ per share for the year ended ________, amounting to Rs._____ million, for approval of the members at the Annual General Meeting.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on ________________________ by the Board of Directors of the company.

41. GENERAL

Figures have been rounded off to the nearest rupee.

________Faisal Ahmed_____________
Chief Executive

_____Yousuf Ahmed__________
Director