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COMPANY INFORMATION

Board of Director

Chairman and Chief Executive	Faisal Ahmed
Directors	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 Allied Bank Limited National Bank Limited Habib Metropolitan Bank Limited Faysal Bank Limited
Registered Office and Factory	Plot No. 5-9, 23-26, Sector 16, Korangi Industrial Area, Karachi. 111-236-236, Fax No. 5054652 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

"VIEW OF OUR CORPORATE BUILDING LOCATED AT MAIN KORANGI ROAD, KARACHI"

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to the Members that the 15th Annual General Meeting of ARTISTIC DENIM MILLS LIMITED will be held at Moosa G. Dessai Auditorium, ICAP, Chartered Accountants Avenue, Clifton, Karachi, on October 20, 2007 at 3:00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 14th Annual General Meeting held on October 19, 2006.

2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2007 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 2007-2008 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 25, 2007

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 12, 2007 to October 20, 2007 (both days inclusive). Transfers received in order at the Registered Office of the Company by close of business on October 11, 2007 will be treated in time to determine the entitlement of 20% stock dividend 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 Computerised original National Identity Card (CNIC) or original passport at the time of attending the meeting.

ii. In case of corporate entity, the Board of Directors' resolution/power of attorney 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 15th Annual Report along with the audited financial statements for the year ended June 30, 2007.

YEAR UNDER REVIEW

The performance of the Company is as follows:

	Rs. in million	
	2007	2006
Sales	2,488	2,485
Gross profit	741	745
Financial charges	172	117
Net profit	406	470
EPS (Rs. per share)	5.81	6.71

The decline in profits and EPS is due to increase in Financial Charges which were Rs.172 for the year ended June 30, 2007 while these were Rs.117 million for the same period last year.

During the year, the company saw rise in interest rates and input cost which included; cotton prices, wages, energy and freight charges. The company countered these increases by improving efficiencies and increasing value addition.

Moving forward, the company intends to reduce interest cost by repaying loans as most of the capital investments have been completed.

PRODUCTION

The company currently operates spinning, dyeing, weaving, and finishing units. The garment unit is under commissioning and expected to be online by December 2007.

During the year, new ring spinning frames and finishing units came online increasing production and lowering fixed cost. The company also commissioned water and effluent treatment plants meeting highest international standards.

SALES AND MARKETING

The Company has participated in exhibitions in Europe and US and succeeded in establishing new relationships with global jeans brands. The company intends to further these relationships by opening overseas offices.

The Directors of the company are pleased to propose Bonus @ 20 % for the year under review.

FUTURE OUTLOOK

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.

Furthermore, in the last report the company had indicated diversification into Power Generation and Real Estate. I am pleased to report that the company bid for developing 'KPT Port Shopping District' on 20 Acre land at Clifton, Karachi has been qualified.

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 in 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, 2006 to June 30, 2007 were seven. The attendance of the directors is as under:

Name of Directors	**Meeting Attended**
Faisa1 Ahmed	7
Maliha Faisa1	7
Yousuf Ahmed	6
Ali Ahmed	6
Mrs. Hajra Ahmed	6
Iqbal ur Rahim	3
Muhammad Ali Ha1ari	3

- 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, 2006 to June 30, 2007 the trading in the shares of the Company by the Directors, CEO, CFO, 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 2007 - 2008.

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.

By Order of the Board

Faisal Ahmed
Chairman & Chief Executive

Karachi: September 12, 2007

YEAR WISE STATISTICAL SUMMARY

	2007	2006	2005	2004	2003	2002
	..........(Rupees in '000)..........					
ASSETS EMPLOYED						
Fixed assets	2,686,790	2,497,553	1,084,329	723,162	558,337	519,925
Capital work-in-progress	428,249	211,052	987,000	84,160	1,488	3,588
Long term loan	3,820	3,939	1,879	180	260	-
Long term deposits	800	467	447	1,595	1,403	1,388
Net current Assets/Liabilities	(99,398)	60,937	(79,542)	(166,532)	4,510	(34,270)
Total Assets Employed	3,020,261	2,773,948	1,994,113	642,565	565,998	490,631
FINANCED BY						
Shareholders Equity	2,123,252	1,716,806	1,359,108	592,799	477,997	365,171
Long term financing	810,138	811,111	367,143	40,598	75,482	105,456
Long term murabaha	70,830	233,333	257,857	-	-	-
Deferred Liabilities	16,041	12,698	10,005	9,168	12,519	20,004
	3,020,261	2,773,948	1,994,113	642,565	565,998	490,631
SALES & PROFITS						
Sales	2,488,086	2,485,949	3,196,198	1,342,805	1,324,444	1,095,819
Gross profit	741,492	745,022	856,539	259,898	325,270	147,280
Operating profit	596,348	608,876	687,311	192,526	245,987	122,341
Profit before taxation	438,286	500,490	651,798	180,189	217,044	90,641
Net profit after taxation	406,446	469,698	619,724	170,802	210,826	86,018
Bonus / Dividend %	400	80	40	70	30	20
Un-appropriated profit	1,423,252	1,471,806	1,114,108	347,799	232,997	120,171

PATTERN OF SHAREHOLDING
as on June 30, 2007

Number of Shareholders	Shareholdings		Total Number of Share Held
	From	To	
100	1	100	9,133
380	101	500	161,798
308	501	1,000	292,518
379	1,001	5,000	974,345
59	5,001	10,000	466,506
19	10,001	15,000	244,800
13	15,001	20,000	250,000
6	20,001	25,000	145,000
6	25,001	30,000	171,800
1	30,001	35,000	30,500
4	35,001	40,000	145,815
1	40,001	45,000	43,500
5	45,001	50,000	244,200
1	65,001	70,000	67,600
3	75,001	80,000	235,500
2	80,001	85,000	168,300
2	90,001	95,000	187,000
2	95,001	100,000	200,000
2	120,001	125,000	247,000
2	125,001	130,000	257,400
1	135,001	140,000	138,500
1	190,001	195,000	193,400
2	245,001	250,000	500,000
1	285,001	290,000	287,600
1	470,001	475,000	475,000
1	500,001	505,000	500,215
1	645,001	650,000	650,000
1	795,001	800,000	800,000
1	1,195,001	1,200,000	1,200,000
1	1,470,001	1,475,000	1,472,500
1	4,995,001	5,000,000	5,000,000
1	10,000,001	10,005,000	10,003,000
1	11,995,001	12,000,000	12,000,500
1	32,235,001	32,240,000	32,236,570
1,310			**70,000,000**

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
Financial Institutions	2	105,700	0.15%
Individuals	1,252	66,379,094	94.83%
Insurance Companies	2	1,565,000	2.24%
Investment Companies	1	500	0.00%
Joint Stock Companies	41	302,906	0.43%
Mutual funds	9	1,563,400	2.23%
Others	3	83,400	0.12%
	1,310	**70,000,000**	**100.00%**

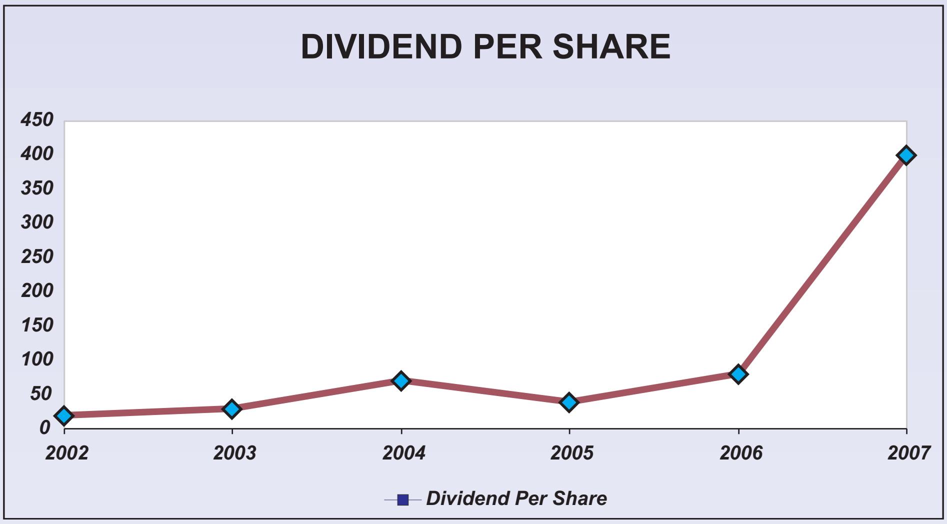
Categories of Shareholders	Number	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties	-	-	-
NIT and ICP	1	500	0.00
Directors, CEO & their Spouses and Minor Children			
Faisal Ahmed		38,236,570	54.62
Maliha Faisal		12,000,500	17.14
Muhammad Yousuf Ahmed		10,003,000	14.29
Muhammad Ali Ahmed		35,715	0.05
Mrs. Hajra Ahmed		500,215	0.71
Iqbal-ur-Rahim		500	0.00
Muhammad Ali Halari		500	0.00
	7	60,777,000	86.82
Executives	-	-	-
Public Sector Companies and Corporation	-	-	-
Bank, Development Finance Institution, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	57	3,620,406	5.17
Share holders holding ten percent or more voting interest in the Company			
Faisal Ahmed		38,236,570	54.62
Muhammad Yousuf Ahmed		10,003,000	14.29
Maliha Faisal		12,000,500	17.14

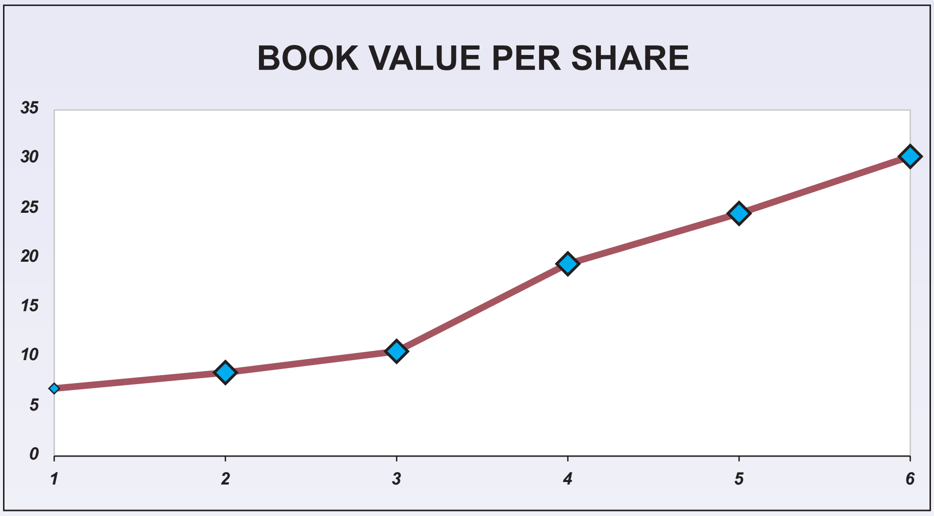
Detail of trading by the Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children.

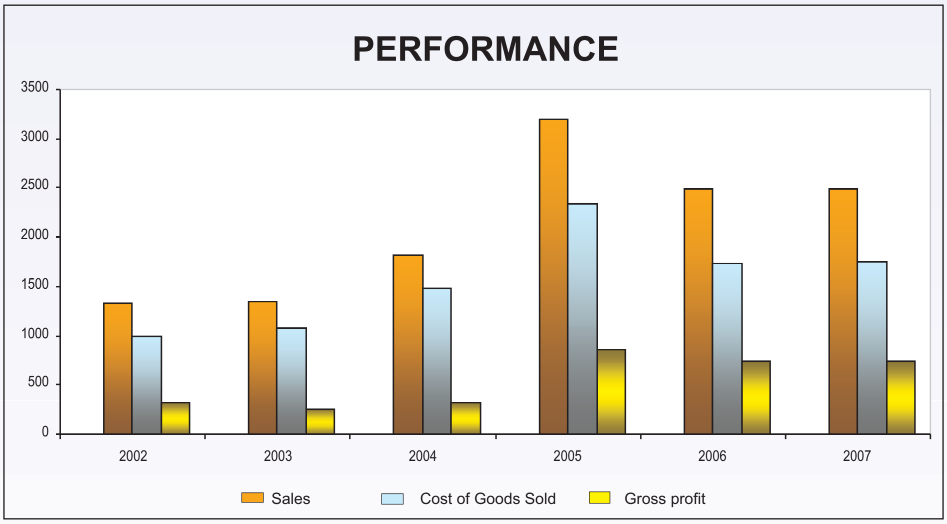
Name of Director	No. of Shares				
	Opening Balance	Bonus	Purchased / Gift	Sold / Gift	Closing Balance
Faisal Ahmed	10,447,314	-	-	400,000	10,047,314
Faisal Ahmed	10,047,314	40,189,256	-	12,000,000	38,236,570
Maliha Faisal	100	400	12,000,000	-	12,000,500
Muhammed Yousuf Ahmed	2,240,600	8,962,400	-	1,200,000	10,003,000
Mrs. Hajra Ahmed	200,043	800,172	-	500,000	500,215

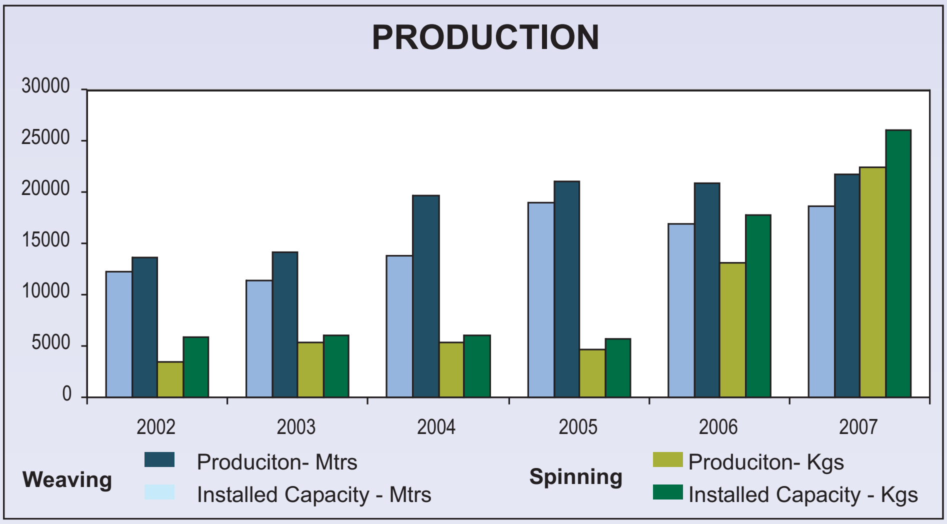
PERFORMANCE AT A GLANCE

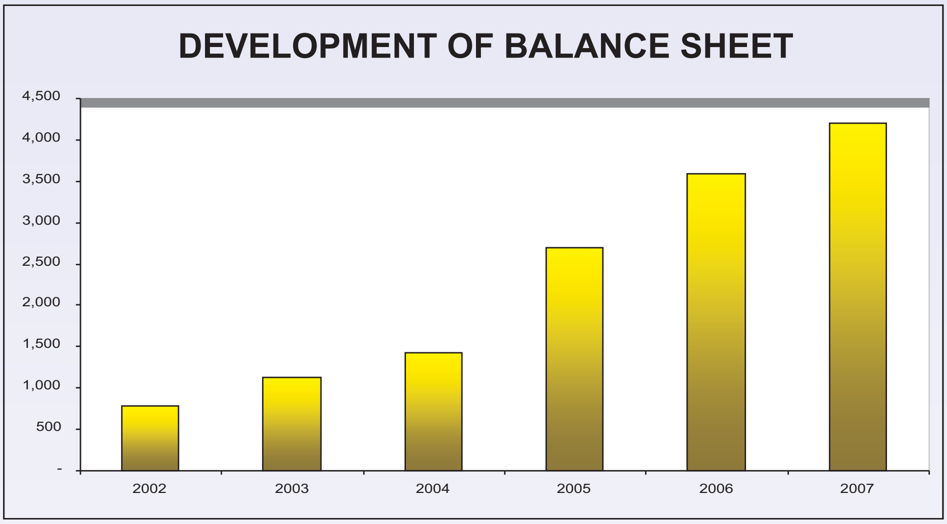
	2007	2006
FINANCIAL RATIOS		
Gross Profit - % of sales	29.80	29.97
Profit before taxation - % of sales	17.62	20.13
Net Profit after taxation - % of sales	16.34	18.89
Basic Earning per share	5.81	6.71
Increase / Decrease in sale - %	0.09	(22.22)
Raw and Packing Materials - % of sales	52.99	50.92
Labour - % of sales	7.03	5.73
Other Cost of goods manufactured - % of sales	10.35	13.02
Distribution costs - % of sales	2.74	2.84
Administrative expenses - % of sales	1.58	1.57
Finance costs - % of sales	6.92	4.69
Taxation - % of sales	1.28	1.24
Inventory turnover period (days)	94	65
Receivable turn over period (days)	46	30
SHORT TERM SOLVENCY		
Current Ratio	0.92	1.07
Acid test ratio	0.41	0.64
OVERALL VALUATION AND ASSESSMENT		
Return on capital employed before taxation (average)	20.32%	22.35%
P.E. Ratio (before Taxation)	13.43	6.41
Book value per share	30.33	24.53
Long Term debts : equity	29:71	38:62

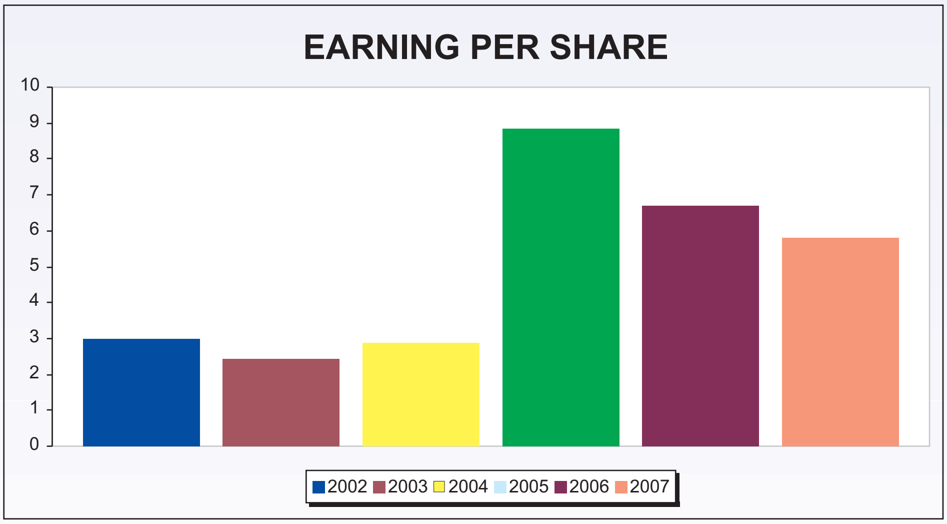

DIVIDEND PER SHARE
450
400
350
300
250
200
150
100
50
0
2002
2003
2004
2005
2006
2007
Dividend Per Share


BOOK VALUE PER SHARE
35
30
25
20
15
10
5
0
1
2
3
4
5
6


PERFORMANCE
3500
3000
2500
2000
1500
1000
500
0
2002
2003
2004
2005
2006
2007
Sales
Cost of Goods Sold
Gross profit


PRODUCTION
30000
25000
20000
15000
10000
5000
0
2002
2003
2004
2005
2006
2007
Weaving
Produciton- Mtrs
Installed Capacity - Mtrs
Spinning
Produciton- Kgs
Installed Capacity - Kgs


DEVELOPMENT OF BALANCE SHEET
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
-
2002
2003
2004
2005
2006
2007


EARNING PER SHARE
10
9
8
7
6
5
4
3
2
1
0
2002 2003 2004 2005 2006 2007

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2007

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. No casual vacancy occurred in the Board during the year.

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 arranged for new directors.

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

Ahmed

Faisal Ahmed
Chairman & Chief Executive

Karachi: September 12, 2007

ERNST & YOUNG

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541
Karachi 75530, Pakistan

Phone: (92-21) 565 0007-11
Fax: (92-21) 568 1965
frsh.khi@pk.ey.com
Office at Lahore & Islamabad
www.ey.com/pk

AUDITORS' REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Artistic Denim Mills Limited to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2007.

Ford Rhodes Sidat Hyder & Co

Karachi: September 12, 2007 — Chartered Accountants

ERNST & YOUNG

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541
Karachi 75530, Pakistan

Phone: (92-21) 565 0007-11
Fax: (92-21) 568 1965
frsh.khi@pk.ey.com
Office at Lahore & Islamabad
www.ey.com/pk

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ARTISTIC DENIM MILLS LIMITED as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984:

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied:

  (ii) the expenditure incurred during the year was for the purpose of the company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company.

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Ford Rhodes Sidat Hyder & Co

Karachi: September 12, 2007 — Chartered Accountants

BALANCE SHEET
as at June 30, 2007

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	3	3,115,039	2,708,605
Long term loans	4	3,820	3,939
Long term deposits	5	800	467
CURRENT ASSETS			
Stores and spares	6	33,546	21,688
Stock-in-trade	7	567,663	333,377
Trade debts	8	424,061	200,415
Loans and advances	9	10,500	8,412
Trade deposits and short term prepayments	10	610	2,451
Other receivables	11	40,710	32,505
Cash and bank balances	12	9,859	275,909
		1,086,949	874,757
TOTAL ASSETS		4,206,608	3,587,768
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	13	700,000	140,000
Reserves	14	1,423,252	1,576,806
		2,123,252	1,716,806
NON-CURRENT LIABILITIES			
Long term financing	15	810,138	811,111
Long term murabaha	16	70,830	233,333
Deferred liability	17	16,041	12,698
CURRENT LIABILITIES			
Trade and other payables	18	196,856	111,551
Accrued mark-up	19	47,474	15,596
Short term borrowings	20	779,580	506,113
Current maturities of long term financing and murabaha	21	155,555	180,556
Unutilised balance of Research and Development Support	22	4,095	-
Taxation - net	23	2,787	4
		1,186,347	813,820
CONTINGENCIES AND COMMITMENTS	24		
TOTAL EQUITY AND LIABILITIES		4,206,608	3,587,768

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

Faisal Ahmed
Chief Executive

Maliha Faisal
Director

PROFIT AND LOSS ACCOUNT

for the year ended June 30, 2007

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
NET SALES	25	2,488,086	2,485,949
Cost of sales	26	(1,746,594)	(1,740,927)
GROSS PROFIT		741,492	745,022
Distribution costs	27	(68,167)	(70,721)
Administrative expenses	28	(39,329)	(39,083)
Other operating expenses	29	(37,648)	(26,342)
Finance costs	30	(172,119)	(116,539)
		(317,263)	(252,685)
		424,229	492,337
Other operating income	31	14,057	8,153
PROFIT BEFORE TAXATION		438,286	500,490
Taxation	32	(31,840)	(30,792)
NET PROFIT FOR THE YEAR		406,446	469,698
EARNINGS PER SHARE - BASIC AND DILUTED (Rs. per share)	33	5.81	6.71

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

Faisal Ahmed
Chief Executive

Maliha Faisal
Director

CASH FLOW STATEMENT

for the year ended June 30, 2007

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	34	413,087	733,092
Taxes paid		(29,053)	(28,996)
Gratuity paid		(1,761)	2,617)
Finance costs paid		(140,241)	(111,964)
Research and development support - net		4,095	-
Long term deposits - net		(333)	(20)
Net cash generated from operating activities		245,794	589,495
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(624,382)	(837,923)
Long term loans - net		120	(2,061)
Sale proceed of fixed assets		27,429	1,185
Net cash used in investing activities		(596,833)	(838,799)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing acquired		142,078	557,857
Long term financing repaid		(302,224)	(50,000)
Long term murabaha repaid		(28,331)	42,143
Short term borrowings acquired		250,000	264,255
Short term borrowing repaid		(6,114)	(200,000)
Dividend paid		-	(111,961)
Net cash generated from financing activities		55,409	502,294
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(295,630)	252,990
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		275,909	22,919
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	35	(19,721)	275,909

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

Faisal Ahmed
Chief Executive

Maliha Faisal
Director

STATEMENT OF CHANGES IN EQUITY

for the year ended June 30, 2007

	Share Capital	Capital Reserve	Revenue Reserve	
	Issued, Subscribed and paid-up	Premium on Issue of Ordinary Shares	Unappropri-ated profit	Total
	..................................(Rupees in '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.8 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**
Net profit for the year	-	-	406,446	406,446
Bonus shares issued @ four Ordinary shares of Rs.10 each for every one held	560,000	(105,000)	(455,000)	-
Balance as at June 30, 2007	**700,000**	**-**	**1,423,252**	**2,123,252**

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

Faisal Ahmed
Chief Executive

Maliha Faisal
Director

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2007

1. THE COMPANY AND ITS OPERATIONS

Artistic Denim Mills Limited (the Company) 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.

The registered office of the Company is situated at 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 Financial Reporting Standards (IFRSs) 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.

2.2 Basis of measurement

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

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

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendement:

IAS- 1 Presentation of Financial Statements -amendments relating to capital disclosures	effective from accounting period beginning on or after January 01, 2007
IAS- 23 (Revised) Borrowing Costs	effective from accounting period beginning on or after January 01, 2009
IAS- 41 Agriculture	effective from accounting period beginning on or after May 22, 2007
IFRS- 2 Share based Payment	effective from accounting period beginning on or after December 06, 2006
IFRS- 3 Business Combinations	effective for business combinations for which agreement date is on or after December 06, 2006
IFRS- 5 Non-current Assets Held for Sale and Discontinued Operations	effective from accounting period beginning on or after December 06, 2006
IFRS- 6 Exploration for and Evaluation of Mineral Resources	effective from accounting period beginning on or after December 06, 2006

In addition, interpretations in relation to certain IFRSs have been issued by the International Accounting Standards Board that are not yet effective.

The Company expects that the adoption of the above standards, amendments and interpretations will have no impact on the Company's financial statements in the period of initial application.

2.4 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

Stock in trade

The Company reviews the net realizable value of stock in trade to assess any diminution in the respective carrying values. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

Trade debts

The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 17 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past.

2.5 Property, plant and equipment

(i) Operating fixed assets

These are stated at cost less accumulated depreciation and impairment, if any. Depreciation on all operating fixed assets except leasehold land, is charged to income, applying the reducing balance method whereby the cost of an asset is written off over its estimated useful life. Leasehold land is depreciated using the straight line method whereby the cost of the leasehold land is written off over its lease term. 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 and loss account.

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 incurred.

(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.

2.6 Investments

Investments at fair value through profit or loss includes investments held for trading and investments designated upon initial recognition as at fair value through profit and loss.

Investments are classified as held for trading if they are acquired for the purpose of selling in the near term.

Gains or losses on investments held for trading are recognised in profit and loss account.

2.7 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.

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

2.8 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 FIFO basis except for those in transit which are stated at invoice price plus other charges incurred thereon up to the balance sheet date.

Finished goods and work-in-process consist of cost of direct materials and 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.

2.9 Trade debts

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

2.10 Loans, advances and other receivables

These are stated at cost less provision for any doubtful receivables.

2.11 Cash and cash equivalents

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

2.12 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.

2.13 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.

2.14 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, 2007. 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 9% per annum.
- Expected discount rate is 10% per annum.

2.15 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.

2.16 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.

2.17 Research and development support

These are recorded on cash basis.

2.18 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.

2.19 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.

2.20 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.
(iv) Dividend income is recognised when the Company's right to receive payment is established.

2.21 Borrowing costs

Borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

2.22 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 expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account currently.

2.23 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.

2.24 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, 2007	June 30, 2006
		Rupees in '000	
3. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	3.1	2,686,790	2,497,553
Capital work-in-progress	3.2	428,249	211,052
		3,115,039	2,708,605

3.1 Operating fixed assets

	Note	COST As at July 01, 2006	Additions	(Disposals)	As at June 30, 2007	Period / Rate %	ACCUMULATED DEPRECIATION / AMORTISATION As at July 01, 2006	For the Year	(On disposal)	As at June 30, 2007	WRITTEN DOWN VALUE As at June 30, 2007
		(Rupees in '000)					(Rupees in '000)				
June 30, 2007											
Leasehold land	3.1.1	840,663	371,000	-	1,211,663	65 to 86 yrs	21,645	15,188	-	36,833	1,174,830
Building on leasehold land	3.1.1	373,122	7,056	-	380,178	10	87,169	29,301	-	116,470	263,708
Plant and machinery		1,929,924	23,974	(77,750)	1,876,148	10	605,505	132,136	(50,715)	686,926	1,189,222
Factory equipment	3.1.1	79,260	2,945	(3,200)	79,005	10	29,717	4,961	(320)	34,358	44,647
Furniture and fixtures		7,147	227	-	7,374	10	2,671	470	-	3,141	4,233
Office equipment, including computers		10,684	1,905	-	12,589	33	7,916	1,542	-	9,458	3,131
Vehicles		25,163	77	(9,630)	15,610	20	13,787	1,755	(6,951)	8,591	7,019
		3,265,963	407,184	(90,580)	3,582,567		768,410	185,353	(57,986)	895,777	2,686,790

	Note	COST: As at July 01, 2005	Additions	(Disposals)	As at June 30, 2006	Period / Rate %	ACCUMULATED DEPRECIATION / AMORTISATION: As at July 01, 2005	For the Year	(On disposal)	As at June 30, 2006	WRITTEN DOWN VALUE: As at June 30, 2006
		...(Rupees in '000)...					...(Rupees in '000)...				
June 30, 2006											
Leasehold land		434,937	405,726	-	840,663	65 to 86 yrs	10,822	10,823	-	21,645	819,018
Building on leasehold land		131,798	241,324	-	373,122	10	55,396	31,773	-	87,169	285,953
Plant and machinery		977,817	952,107	-	1,929,924	10	458,347	147,158	-	605,505	1,324,419
Factory equipment		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:

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
Leasehold land		371,000	405,726
Building on leasehold land		7,056	241,324
Plant and machinery		-	952,107
Factory equipment		2,945	10,718
		381,001	1,609,875

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

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
Cost of sales	26.1	171,080	184,566
Distribution costs	27	371	400
Administrative expenses	28	13,902	14,997
		185,353	199,963

3.1.3 The following assets were disposed off during the year:

Description	Cost	Accumulated Depreciation	Written Down Value	Sale Proceed	Mode of disposal	Particulars of Buyer
	......................(Rupees in '000)......................					
Plant and machinery						
	20,000	14,918	5,082	897	Negotiation	Afzal Karim, Karachi
	57,750	35,800	21,950	19,500	Negotiation	Mekotex (Private) Limited, Karachi
Factory equipment						
	3,200	320	2,880	2,500	Negotiation	Artistic Apparels, Karachi - (a related party)
Vehicles						
	150	30	120	150	Negotiation	Abbas, Karachi
	783	464	319	500	Negotiation	Abdul Khalid Qazi, Karachi
	470	350	120	160	Negotiation	Adnan, Karachi
	332	196	136	175	Negotiation	Akhtar Hussain, Karachi
	779	575	204	375	Negotiation	Arshad Hussain, Karachi
	475	350	125	160	Negotiation	Faisal Raza, Karachi
	546	491	55	160	Negotiation	Mohammad Akram, Karachi
	399	195	204	300	Negotiation	Qamar Ahmed, Karachi
	825	487	338	500	Negotiation	Rana Muneer, Karachi
	160	-	160	160	Negotiation	Salman Haider, Karachi
	765	712	53	350	Negotiation	Shafi-ur-Rehman, Karachi
	475	350	125	160	Negotiation	Sharfuddin, Karachi
	550	491	59	160	Negotiation	Shafi-ur-Rehman, Karachi
	329	195	134	179	Negotiation	Mehfooz Alam, Karachi
	320	259	61	136	Negotiation	Agha Naeem Ullah, Karachi
Others (written down values not exceeding Rs.50,000 each)	2,272	1,803	469	907	Negotiation	Various
June 30, 2007	**90,580**	**57,986**	**32,594**	**27,429**		
June 30, 2006	4,549	3,866	683	1,185		

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
3.2 Capital work-in-progress			
Civil works - Building on leasehold land		138,471	650
Plant and machinery		266,124	-
Factory equipment		2,342	-
Advances in respect of:			
Leasehold land		-	200,000
Building on leasehold land		11,774	9,890
Plant and machinery		9,538	512
		428,249	211,052

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
4. LONG TERM LOANS			
Considered good - secured			
Executives	4.1	4,025	1,867
Employees		2,986	4,750
		7,011	6,617
Recoverable within one year shown under current assets			
Executives		(1,782)	(798)
Employees		(1,409)	(1,880)
	9	(3,191)	(2,678)
		3,820	3,939

The secured loans extended 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 (2006: 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 considered material.

The maximum aggregate amount due from executives at the end of any month during the year was Rs.7.264 (2006: Rs.2.200) million.

	Note	June 30, 2007	June 30, 2006
4.1 Reconciliation			
Opening balance		1,867	650
Disbursements / adjustments during the year		4,541	2,000
		6,408	2,650
Recoveries made during the year		(2,383)	(783)
		4,025	1,867
5. LONG TERM DEPOSITS			
Security deposits			
Utilities		497	284
Others		303	183
		800	467
6. STORES AND SPARES			
In hand			
Stores		21,075	18,065
Spares		12,471	3,623
		33,546	21,688
7. STOCK-IN-TRADE			
Raw and packing materials			
In hand	26.1.1	231,353	149,278
In transit		14,911	13,037
		246,264	162,315
Work-in-process		296,870	150,690
Finished goods	26	24,529	20,372
		567,663	333,377

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
8. TRADE DEBTS			
Considered good			
Secured - against letters of credit			
Related parties			
Artistic Apparels		12,094	-
Casual Sportswear		-	49,940
		12,094	49,940
Others		226,995	90,690
		239,089	140,630
Unsecured			
Related parties:			
Artistic Apparels		23	-
Casual Sportswear		79,011	-
Artistic Garment Industries (Private) Limited		-	65
Artistic Milliners		-	8,579
		79,034	8,644
Others		105,938	51,141
		184,972	59,785
		424,061	200,415
9. LOANS AND ADVANCES			
Considered good			
Loans - secured			
Current portion of long term loans			
Executives		1,782	798
Employees		1,409	1,880
	4	3,191	2,678
Short term loans			
Executives		322	-
Employees		297	470
		619	470
Advances			
Suppliers		6,370	4,545
Contractors		320	719
		6,690	5,264
		10,500	8,412

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
10. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits			
Security deposits		155	550
Short term prepayments			
Insurance		77	52
Export exhibition		-	1,832
Internet services from Fascom Network Services Limited - a related party		240	-
Others		138	17
		455	1,901
		610	2,451
11. OTHER RECEIVABLES			
Duty draw back on export sales		5,282	4,658
Sales tax - net		26,994	19,413
Refund of custom duty	11.1	8,434	8,434
		40,710	32,505

11.1 This represents custom duty paid by the Company during the year ended June 30, 2001 on import of certain plant and machinery even though these were exempt from the levy of custom duty. In order to recover the said duty, the Company, in prior years, filed an appeal with the relevant appellate authorities, which during the year ended June 30, 2005 was decided in favour of the Company. The said custom duty is expected to be recovered in the near future.

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
12. CASH AND BANK BALANCES			
Cash			
In hand		107	429
At banks in			
current accounts		9,752	275,480
		9,859	275,909

13. SHARE CAPITAL

No. of Shares June 30, 2007	No. of Shares June 30, 2006		Note	June 30, 2007	June 30, 2006
				(Rupees in '000)	
		Authorized share capital			
100,000,000	20,000,000	Ordinary shares of Rs.10 each		1,000,000	200,000
		Issued, subscribed and paid-up capital			
14,000,000	14,000,000	Ordinary shares of Rs.10 each fully paid in cash		140,000	140,000
56,000,000	-	Ordinary shares of Rs.10 each issued as fully paid bonus shares during the current year		560,000	-
70,000,000	14,000,000			700,000	140,000

14. RESERVES

	Note	June 30, 2007	June 30, 2006
Capital reserve			
Premium on issue of Ordinary shares	14.1	-	105,000
Revenue reserve			
Unappropriated profit		1,423,252	1,471,806
		1,423,252	1,576,806

14.1 This was utilised to issue bonus shares during the current year (note 13).

15. LONG TERM FINANCING

	Note	June 30, 2007	June 30, 2006
Secured			
Term finances from banks	15.1	374,837	925,000
Term finances from banks under the State Bank of Pakistan's scheme for Export Oriented Projects	15.2	562,524	-
		937,361	925,000
Current maturities shown under current liabilities			
Term finances from banks		(7,906)	(113,889)
Term finances from banks under the State Bank of Pakistan's scheme for Export Oriented Projects		(120,127)	-
	21	(127,223)	(113,889)
		810,138	811,111

15.1 Term finances from banks

The balance outstanding of Rs.374.837 million at the end of the year comprises of the following two (2006: three) separate local currency loans:

(a) Rs.24.837 (2006: Rs.400.000) million obtained by the Company for the purpose of capital expenditure and ratoinalizing the financial structure of the Company. The said loan is repayable in 9 equal half-yearly installments, commencing December 14, 2006 to December 14, 2010. It carries mark-up at 6 months KIBOR plus 1.5% per annum, payable half yearly, and is secured against the first equitable mortgage over immovable property of the Company and hypothecation of plant and machinery, aggregating to Rs.534.000 million.

(b) Rs.350.000 (2006: Rs.500.000) million obtained by the Company for the purpose of capital expenditure and ratoinalizing the financial structure of the Company. The said loan is repayable in 6 equal half-yearly installments, commencing June, 2008 to December, 2010. It carries mark-up at 6 months KIBOR plus 1.5% per annum, payable half yearly, and is secured against the first equitable mortgage over immovable property of the Company and hypothecation of plant, machinery and equipment, aggregating to Rs.667.000 million.

15.2 Term finances from banks under the State Bank of Pakistan (SBP's) scheme for Export Oriented Projects (EOP)

The balance outstanding of Rs.562.524 million at the end of the year comprises of the following four (2006: Nil) separate local currency loans:

(a) Rs.286.274 million (2006: Nil) refinanced by the Company during the current year, after the introduction of a one time opportunity given by SBP to the textile sector to get the outstanding fixed term loans, against the import of eligible plant and machinery, refinanced under the SBP's LTF-EOP Scheme, as announced by SBP in their SMED circular No.19 dated September 04, 2006.

The said loan along with the portion of long term finance under term finance arrangement [note 15.1(a)] is secured against the first equitable mortgage over immovable property of the Company and hypothecation of plant and machinery, aggregating to Rs.534.000 million.

The loan is repayable in 9 equal half-yearly installments, commencing December 14, 2006 to December 14, 2010, carrying mark-up rate at the SBP ERF rate for 3 to 7.5 years (i.e, 5%) plus 2%, which is payable half yearly on the principal sum of loans outstanding from time to time.

(b) Rs.134.172 million (2006: Nil) refinanced by the Company during the current year under the SBP's LTF-EOP Scheme, as announced by SBP in their SMED, circular No. 19, dated September 04, 2006.

The said loan along with the portion of long term murabaha (note 16) is secured against the first equitable mortgage over immovable property of the Company and hypothecation of specific machinery, aggregating to Rs.400.000 million.

The loan is repayable in 9 equal half-yearly installments, commencing December 14, 2006 to December 14, 2010, carrying mark-up rate at the SBP ERF rate for 3 to 7.5 years (i.e. 5%) plus 2%, which is payable quarterly on the principal sum of loans outstanding from time to time.

(c) Rs.124.796 million (2006: Nil) obtained by the Company during the current year from a bank under the SBP's LTF-EOP Scheme, against the import of eligible plant and machinery.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs.130.000 million.

The loan is repayable in 22 equal quarterly installments, commencing September 21, 2008 to December 21, 2013, carrying mark-up rate at the SBP ERF rate for 3 to 7.5 years (i.e. 5%) plus 1%, which is payable quarterly on the principal sum of loans and other dues, if any, outstanding from time to time.

(d) Rs.17.282 million (2006: Nil) obtained by the Company during the current year from a bank under the SBP's LTF-EOP Scheme, against the import of eligible plant and machinery.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs.18.000 million.

The loan is repayable in 22 equal quarterly installments, commencing March 25, 2009 to June 25, 2014, carrying mark-up rate at the SBP ERF rate for 3.0 to 7.5 years (i.e. 5%) plus 1%, which is payable quarterly on the principal sum of loans and other dues, if any, outstanding from time to time.

The total facilities of term finances under the State Bank of Pakistan's Scheme for Export Oriented Projects (note 15.2) amounted to Rs.688.573 million against the outstanding balance of Rs.562.524 million at the end of the year.

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
16. LONG TERM MURABAHA			
Secured murabaha financing	16.1	99,162	300,000
Current maturity shown under current liabilities	21	(28,332)	(66,667)
		70,830	233,333

16.1 The facility of long term murabaha financing amounted to Rs.127.494 (2006: Rs.300.000) million at the end of the year. The said financing is repayable in nine equal half-yearly installments, commencing December 14, 2006 to December 14, 2010. The murabaha along with the portion of long term finance [note 15.2 (b)] is secured against the first equitable mortgage over immovable property of the Company and hypothecation of specific machinery, aggregating to Rs.400.000 million. The loan carries mark-up at 6 months KIBOR plus 1.5% per annum, payable half yearly.

17. DEFERRED LIABILITY

Staff gratuity	17.1	16,041	12,698

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
17.1 Staff gratuity			
Opening balance		12,698	10,005
Charge for the year	17.1.1	5,104	5,310
		17,802	15,315
Payments		(1,761)	(2,617)
	17.1.2	16,041	12,698
17.1.1 Charge for the year			
Current service cost		3,086	3,404
Interest cost		1,678	1,475
Recognition of actuarial loss		340	431
		5,104	5,310
17.1.2 Reconciliation of defined benefit liability			
Present value of defined benefit obligation		18,013	18,646
Benefits due but unpaid		-	2
Unrecognised net actuarial loss		(1,972)	(5,950)
		16,041	12,698
18. TRADE AND OTHER PAYABLES			
Creditors		120,488	56,112
Accrued expenses		32,758	22,615
Advance payments		6,353	3,323
Retention money		4,357	2,677
Workers' Profit Participation Fund	18.1	23,538	26,342
Workers' Welfare Fund	29	8,945	-
Tax deducted at source		213	278
Unpaid and unclaimed dividend		204	204
		196,856	111,551
18.1 Workers' Profit Participation Fund			
Balance at the beginning of the year		26,342	34,305
Allocation for the year	29	23,538	26,342
		49,880	60,647
Payments made during the year		(26,342)	(34,305)
		23,538	26,342
19. ACCRUED MARK-UP			
Mark-up accrued on secured:			
Long term financing		32,278	2,974
Long term murabaha		559	1,474
Short term running finances		1,860	2,001
Short term loans		12,777	9,147
		47,474	15,596

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
20. SHORT TERM BORROWINGS			
From banks - secured			
Short term loans	20.1	750,000	506,113
Short term running finances	20.2	29,580	-
		779,580	506,113
20.1 Short term loans			
Export refinance - II	20.1.1	250,000	-
Export refinance - II	20.1.2	500,000	500,000
Export refinance - Dollar based		-	6,113
		750,000	506,113

20.1.1 The Company arranged a new facility for short-term loan under export refinance, amounting to Rs.250.000 million (2006: Nil), from a commercial bank on mark-up basis, during the current year, repayable by March 31, 2008. It is secured against the first pari passu specific charge on land, building and plant and machinery of Company, aggregating to Rs.800.000 million, and a demand promissory note of Rs.291.188 million.

The said export refinance carries mark-up at the rate of 0.5% above the SBP's Minimum Export Refinance rate, payable quarterly.

20.1.2 This represents a separate export refinance facility, amounting to Rs.500.000 (2006: Rs.500.000) million, arranged by the Company from a bank, repayable by September 30, 2007 and is secured against the export proceed realization and registered charge over stock-in-trade, stores and spares and book debts, aggregating to Rs.1,200.000 million, and a demand promissory note of 580.000 million.

The loan carries mark-up at the rate of 0.25% plus SBP refinance rate, payable quarterly.

20.2 This represents a running finance facility, amounting to Rs.200.000 (2006: Rs.200) million, arranged by the Company from a bank, during the current year, repayable by September 30, 2007 and is secured against the registered charge over stock-in-trade, amounting to Rs.200.000 million, and a demand promissory note of Rs.232.000 million.

The running finance carries mark-up at the rate of 0.75% plus 3 Month KIBOR of the preceding 6 working days to be reviewed on the 1st working day of each quarter, payable quarterly.

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
21. CURRENT MATURITIES OF LONG TERM FINANCING AND MURABAHA			
Current maturities of:			
Long term financing	15	127,223	113,889
Long term murabaha	16	28,332	66,667
		155,555	180,556

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
22. UNUTILISED BALANCE OF RESEARCH AND DEVELOPMENT SUPPORT			
Support received on account of Research and Development	22.1	16,809	-
Expenses incurred thereagainst:			
Product development		5,496	-
Upgrade of information technology		157	-
Professional consultancy		740	-
Market research		4,029	-
Participation in exhibitions		2,292	-
		12,714	-
		4,095	-

22.1 This represents Research and Development Support received by the Company from the Ministry of Textile Industry, Government of Pakistan, during the current year, in accordance with SRO 803(I)/2006, dated August 04, 2006, amended through SRO 1128(I)/2006, dated November 11, 2006, to encourage research and development in the value added textile sectors.

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
23. TAXATION - Net			
Provision for income tax - current	32	30,000	29,487
Advance income tax		(27,213)	(28,999)
Income tax refundable		-	(484)
		2,787	4
24. CONTINGENCIES AND COMMITMENTS			
Contingencies			
24.1 Inland bills discounted		5,128	1,121
24.2 Foreign bills discounted		88,928	189,328
24.3 Outstanding counter guarantees		123,325	39,735

Commitments

24.4 Commitments in respect of building on leasehold land at the end of the current year amounted to Rs.113.430 million (2006: Rs.Nil).

24.5 Outstanding letters of credit at the end of the current year amounted to Rs.51.510 (2006: Rs.76.160) million.

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
25. NET SALES			
Exports	25.1	2,442,738	2,463,034
Local		56,792	28,520
		2,499,530	2,491,554
Returns		(1,517)	(101)
Commission		(9,927)	(5,504)
		2,488,086	2,485,949

25.1 Included herein is a sum of Rs.779.357 (2006: Rs.770.468) 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.

26. COST OF SALES

	Note	June 30, 2007	June 30, 2006
Opening stock - finished goods		20,372	29,342
Cost of goods manufactured	26.1	1,750,751	1,731,957
		1,771,123	1,761,299
Closing stock - finished goods	7	(24,529)	(20,372)
		1,746,594	1,740,927

26.1 Cost of goods manufactured

	Note	June 30, 2007	June 30, 2006
Raw and packing materials consumed	26.1.1	1,318,354	1,265,837
Stores and spares consumed	26.1.2	23,632	55,167
Salaries, wages and other benefits	26.1.3	41,515	45,421
Contract wages		133,458	97,124
Fuel and power		163,400	121,874
Weaving and sarning charges		8,225	489
Repairs and maintenance		5,917	7,114
Printing and stationery		1,812	1,217
Postage and photocopy		335	564
Telephone and telex		902	769
Conveyance		44	85
Rent, rates and taxes		881	2,402
Insurance		5,356	4,877
Water charges		19,911	12,830
Depreciation	3.1.2	171,080	184,566
Security charges		1,713	820
Traveling and lodging		54	164
Miscellaneous		342	343
		1,896,931	1,801,663
Opening work-in-process		150,690	80,984
Closing work-in-process		(296,870)	(150,690)
		1,750,751	1,731,957

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
26.1.1 Raw and packing materials consumed			
Opening stock	7	149,278	164,957
Purchases		1,411,732	1,262,786
Duty draw back on export sales		(11,303)	(12,628)
		1,400,429	1,250,158
		1,549,707	1,415,115
Closing stock	7	(231,353)	(149,278)
		1,318,354	1,265,837
26.1.2 Stores and spares consumed			
Opening stock	6	21,688	16,479
Purchases		35,490	60,376
		57,178	76,855
Closing stock	6	(33,546)	(21,688)
		23,632	55,167

26.1.3 Included herein is a sum of Rs.3.319 (2006: Rs.3.761) million in respect of staff retirement benefits.

27. DISTRIBUTION COSTS

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
Salaries, allowances and other benefits	27.1	2,899	3,548
Insurance		2,440	2,441
Freight and transportation		39,605	39,166
Export development surcharge and clearing charges		9,396	9,466
Postage and stamps		6,414	7,516
Advertisement, publicity and exhibitions		4,200	2,668
Depreciation	3.1.2	371	400
Travelling and lodging		2,622	4,835
Bad debts written off		-	322
Telephone and telex		54	95
Miscellaneous		166	264
		68,167	70,721

27.1 Included herein is a sum of Rs.0.271 (2006: Rs.0.365) million in respect of staff retirement benefits.

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	28.1	16,147	16,190
Rent, rates and taxes		144	109
Depreciation	3.1.2	13,902	14,997
Legal and professional charges		1,755	2,109
Auditors' remuneration	28.2	706	549
Vehicle running expenses		607	740
Travelling and lodging		255	-
Printing and stationery		219	194
Insurance		102	229
Advertisement and publication		221	217
Conveyance		105	75
Repairs and maintenance		32	526
Telephone and telex		217	636
Electricity charges		27	308
Postage and telegrams		244	222
Fees and subscriptions		2,985	109
Donations	28.3	1,619	1,433
Miscellaneous		42	440
		39,329	39,083

28.1 Included herein is a sum of Rs.1.514 (2006: Rs.1.163) million in respect of staff retirement benefits.

28.2 Auditors' remuneration

Audit fee		300	300
Fee for half yearly review		80	80
Special certifications		157	50
Tax services		100	80
Out-of-pocket expenses		69	39
		706	549

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

29. OTHER OPERATING EXPENSES

Workers' Profits Participation Fund	18.1	23,538	26,342
Workers' Welfare Fund		8,945	-
Loss on sale of fixed assets	3.1.3	5,165	-
		37,648	26,342

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
30. FINANCE COSTS			
Mark-up on secured:			
Long term financing		93,016	39,453
Long term murabaha		22,451	28,427
Short term running finances		4,508	8,939
Short term loans		42,343	32,858
		162,318	109,677
Bills discounting charges		999	1,138
Federal excise duty on services		235	-
Bank charges		8,567	5,724
		172,119	116,539
31. OTHER OPERATING INCOME			
Scrap sales		11,235	6,015
Exchange gain - net		348	1,636
Gain on sale of investments held for trading		2,474	-
Gain on sale of fixed assets	3.1.3	-	502
		14,057	8,153
32. TAXATION			
Current	23	30,000	29,487
Prior		1,840	1,305
		31,840	30,792

The income tax assessments of the Company have been finalised up to and including tax year 2005. The return in respect of the tax year 2006 has been filed, which 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.

33. 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.

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
Net profit for the year		406,446	469,698
		Number of shares	
Number of Ordinary shares		70,000,000	70,000,000
		(Rupees)	
Earnings per shares - basic and diluted		5.81	6.71

The number of shares for the prior year has been adjusted to incorporate the effect of bonus shares issued during the current year.

34. CASH GENERATED FROM OPERATIONS

Profit before taxation		438,286	500,490
Adjustments for non-cash charges and other items:			
Depreciation		185,353	199,963
Provision for gratuity		5,104	5,310
Finance costs		172,119	116,539
Loss / (gain) on disposal of fixed assets		5,165	(502)
		367,741	321,310
Profit before working capital changes		806,027	821,800
(Increase) / Decrease in current assets			
Stores and spares		(11,858)	(5,209)
Stock-in-trade		(234,286)	(54,366)
Trade debts		(223,647)	4,891
Loans and advances		(2,088)	4,324
Trade deposits and short term prepayments		1,839	(328)
Other receivables		(8,205)	52,442
		(478,245)	1,754
(Decrease) / Increase in current liabilities			
Trade and other payables		85,305	(90,462)
Cash generated from operations		413,087	733,092

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
35. CASH AND CASH EQUIVALENTS			
Cash and bank balances	12	9,859	275,909
Short term running finance	20.2	(29,580)	-
		(19,721)	275,909
36. UNAVAILED CREDIT FACILITIES			
Short term running finances		220,420	250,000
Long term financing		57,922	-
Export re-finance facility		-	193,887

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2007			2006		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	....(Rupees in '000)....................................					
Managerial remuneration	3,974	2,537	8,253	1,478	1,357	3,107
Medical	397	253	822	-	-	-
Bonus	182	116	369	156	233	389
House rent	-	-	-	662	608	1,386
Conveyance	-	-	-	-	-	-
Utilities	-	-	-	147	135	308
Retirement benefits	-	-	-	321	307	683
	4,553	2,906	9,444	2,764	2,640	5,873
Number of persons	1	1	9	1	1	3

37.1 A Director and few Executives are provided with free use of the Company maintained cars.

38. FINANCIAL INSTRUMENTS

38.1 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, 2007
	(Rupees in '000)						
June 30, 2007							
FINANCIAL ASSETS							
Loans and advances	-	-	-	3,810	3,820	7,630	7,630
Trade deposits	-	-	-	155	800	955	955
Trade debts	-	-	-	424,061	-	424,061	424,061
Cash and bank balances	-	-	-	9,859	-	9,859	9,859
	-	-	-	437,885	4,620	442,505	442,505
FINANCIAL LIABILITIES							
Long term financing	127,223	810,138	937,361	-	-	-	937,361
Long term murabaha	28,332	70,830	99,162	-	-	-	99,162
Short term borrowings	779,580	-	779,580	-	-	-	779,580
Trade and other payables	-	-	-	158,020	-	158,020	158,020
	935,135	880,968	1,816,103	158,020	-	158,020	1,974,123

	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, 2006
	(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 murabaha	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

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

38.2 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.442.505 (2006: Rs.484.428) million, the financial assets which are subject to credit risk amounted to Rs.432.646 (2006: Rs.208.519) 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.

38.3 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.

38.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. As at June 30, 2007, the total foreign currency risk exposure was Rs.146.215 (2006: Rs.92.749) 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.

38.5 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.

39. 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, 2007, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2006: 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:

	Note	June 30, 2007	June 30, 2006
		Rupees in '000	
Artistic Garments Industries (Private) Limited	39.1		
Associated undertaking/Common directorship			
Sales		-	212,204
Services received		-	60
Artistic Milliners	39.1		
Associated undertaking/Common management			
Sales		-	148,353
Services rendered		-	1,196
Purchases		-	140,897
Services received		-	3,453
Telephone and utilities		-	1,035
Casual Sportswear			
Associated undertaking/Common directorship			
Sales		213,935	194,893
Artistic Apparels			
Associated undertaking/Common management			
Sales		15,890	-
Telephone and utilities		28	-
Proceed from sale of fixed asset		2,500	-
Fascom Network Services Limited			
Associated undertaking/Common directorship			
Services received		240	280
Faisal Ahmed			
CEO of the Company			
Advance given		-	200,000
Purchase of land		350,000	390,000
Compensation of key management personnel			
Short-term employee benefits		7,459	3,943
Termination benefits		-	519
Total compensation to key management personnel		-	4,462

39.1 Due to the change in the directors of the Company, Artistic Milliners and Artistic Garments Industries (Private) Limited ceased to be the related parties of the company.

	Note	June 30, 2007	June 30, 2006
40. PLANT CAPACITY AND PRODUCTION			
Spinning			
Number of rotors installed		864	864
Number of spindles installed		11,160	11,160
Capacity of yarn (Lbs.)		26,097,500	17,702,500
Production of yarn (Lbs.)		22,372,407	13,063,943
Under utilisation of available capacity was due to quality change down time and machine maintenance.			
Weaving			
Number of looms installed		146	160
Capacity of fabric (meters)		21,727,000	20,797,800
Production of fabric (meters)		18,549,336	16,947,289
Under utilisation of available capacity was due to quality change down time and machine maintenance.			

41. MOVEMENT BETWEEN RESERVES AND PROPOSED DIVIDEND

In the meeting held on September 12, 2007, the Board of Directors of the Company recommended issue of bonus shares @ 20%, for approval of the members at the Annual General Meeting.

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on September 12, 2007, by the Board of Directors of the Company.

43. GENERAL

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

Faisal Ahmed
Chief Executive

Maliha Faisal
Director

FORM OF PROXY

15th Annual General Meeting

The Company Secretary,
Artistic Denim Mills Limited,
Plot No. 5-9, 23-26, Sector 16,
Korangi Industrial Area, Karachi.

I, ____

of ____

being a members of ARTISTIC DENIM MILLS LIMITED and a holder of ____________ ordinary

shares as per Share Registrar Folio No. ______ and / or CDC Participant I.D. No. __________

and Sub Account No. __________________ hereby appoint ____________________

of ____

who is also member of ARTISTIC DENIM MILLS LIMITED as my Proxy to attend and vote for me on my behalf at the 15th Annual General Meeting of the Company to be held on Saturday, October 20, 2007 at 3:00 p.m. and at any adjournment thereof.

Signed this day of 2007.

WITNESS :

1. Signature ____________________
   Name ____________________
   Address ____________________
   ____
   NIC or ____________________
   Passport No. ____________________

2. Signature ____________________
   Name ____________________
   Address ____________________
   ____
   NIC or ____________________
   Passport No. ____________________

Note :

1. The proxy order to be valid must be signed across a Five Rupees Revenue Stamp and should be deposited in the Registered Office of the Company not later than 48 hours before the time of holding the Meeting.
2. No person shall act as proxy unless he is a member of the Company.
3. Signature should agree with the specimen signature registered with the Company.
4. CDC Shareholders and their Proxies must attach either an attested photocopy of their National Identity Card or Passport with this Proxy Form.

AFFIX
CORRECT
POSTAGE

The Company Secretary,
Artistic Denim Mills Limited,
Plot No. 5-9, 23-26, Sector 16,
Korangi Industrial Area, Karachi.

Fold : Here

Fold : Here

Fold : Here

Fold : Here