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COMPANY INFORMATION

Board of Director

Chief Executive
Chairperson
Directors

Faisal Ahmed
Maliha Faisal
Muhammad Yousuf Ahmed
Muhammad Ali Ahmed
Mrs. Hajra Ahmed
Iqbal-ur-Rahim
Muhammad Ali Halari

Audit Committee

Chairman
Members

Muhammad Yousuf Ahmed
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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to the Members that the 16th Annual General Meeting of ARTISTIC DENIM MILLS LIMITED will be held at MOOSA DE. DESSAI Auditorium, ICAP, Chartered Accountants Avenue, Clifton, Karachi, on October 25, 2008 at 1900 hrs to transact the following business:

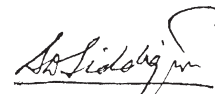
ORDINARY BUSINESS

1. To confirm the minutes of the 15th Annual General Meeting held on October 20, 2007.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2008 together with Reports of the Directors' and Auditors' thereon.
3. To approve the cash dividend as recommended by the Board of Directors.
4. To appoint Auditors for the Year 2008 - 2009 and to fix their remuneration. In pursuance of section 253 (2) of the Companies ordinance, 1984 the members are hereby notified that the Company has received a notice from a member under section 253 (1) of Companies ordinance, 1984 proposing the name of M/s Rehman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants for the year ended June 30, 2008 as auditors in place of existing auditor.
5. To elect seven directors in place of following directors retiring on November 22, 2008 for a term of three years in accordance with the provision of section 178 of the Companies Ordinance, 1984
 - (1) Faisal Ahmed
 - (2) Maliha Faisal
 - (3) Muhammad Yousuf Ahmed
 - (4) Muhammad Ali Ahmed
 - (5) Mrs. Hajra Ahmed
 - (6) Muhammed Iqbal-ur-Rahim
 - (7) Muhammad Ali Halari

Under section 178(1) of the Companies Ordinance, 1984 the number of Directors has been fixed at seven (7). The retiring directors shall be eligible to offer themselves for re-election.

6. 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: October 4, 2008

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 16, 2008 to October 25, 2008 (both days inclusive). Transfers received in order at the Registered Office of the Company by close of business on October 15, 2008 will be treated in time to determine the entitlement of cash 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 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 16th Annual Report along with the audited financial statements for the year ended June 30, 2008.

YEAR UNDER REVIEW

The performance of the Company is as follows

	2008	2007
	Rs. in million	
Sales	2,436	2,488
Gross profit	638	741
Financial charges	165	172
Net profit	350	406
EPS (Rs. per share)	4.16	4.84

The management of the Company is satisfied with the results during the most challenging operating year. The overall performance of the Company remains almost consistent with the last year inspite of unfavourable situation in the country. These include continued increase in utility and production cost, law and order problems leading to eventual production losses. Political and economical environment impact especially in the third quarter of the year, where the Company suffers loss of production and shipments as against fixed value sales contracts booked in advance before this period. Worst still, devaluation in Pak rupees V/S US\$ monitored at 12.37%, interest rate at 41.62% and general index inflation at 25% dealt badly on overall textile sector. These factors are beyond management's control.

The Company intends to reduce cost by increased production, more penetration in value added products and repaying high interest bearing loans.

PRODUCTION

During the year, The Company commissioned new ring spinning and roving frames, Auto coner machines, finishing units and Gas Generator to increase production and lowering fixed cost and to meet 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 cash dividend @ 20 % for the year under review.

FUTURE OUTLOOK

The company is addressing its goals of product quality, customer satisfaction and low prices by enhancing its product quality, diversify its product range with improved production efficiency.

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, 2007 to June 30, 2008 were five. The attendance of the directors is as under:

Name of Directors	Meeting Attended
Faisal Ahmed	5
Maliha Faisal	5
Muhammad Yousuf Ahmed	5
Muhammad Ali Ahmed	5
Mrs. Hajra Ahmed	5
Muhammed Iqbal ur Rahim	4
Muhammad Ali Halari	4

- However, Leave of absence granted to directors who were unable to attend the meeting and applied for.
- Pattern of shareholding is annexed.
- During the fiscal year July 1, 2007 to June 30, 2008 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 for the year 2008-2009.

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
Chief Executive

Karachi: September 26, 2008

YEAR WISE STATISTICAL SUMMARY

	2008	2007	2006	2005	2004	2003
(Rupees in '000).....					
ASSETS EMPLOYED						
Fixed assets	2,863,087	2,686,790	2,497,553	1,084,330	723,162	558,337
Capital work-in-progress	397,681	428,249	211,052	987,000	84,160	1,488
Long term loan	4,365	3,820	3,939	1,879	180	260
Long term deposits	798	800	467	447	1,595	1,403
Net current Asseets/Liabilities	65,160	(99,398)	60,937	(79,542)	(166,532)	4,510
Total Assets Employed	3,331,091	3,020,261	2,773,948	1,994,113	642,565	565,998
FINANCED BY						
Shareholderrs Equity	2,472,836	2,123,252	1,716,806	1,359,108	592,799	477,997
Long term financing	799,889	810,138	811,111	367,143	40,598	75,482
Long term murabaha	42,498	70,830	233,333	257,857	-	-
Deferred Liabilities	15,868	16,041	12,698	10,005	9,168	12,519
	3,331,091	3,020,261	2,773,948	1,994,113	642,565	565,998
SALES & PROFITS						
Sales	2,436,268	2,488,086	2,485,949	3,196,198	1,342,805	1,324,444
Gross profit	638,014	741,492	745,022	856,539	259,898	325,270
Profit before taxation	373,722	438,286	500,490	651,798	180,189	217,044
Net profit after taxation	349,584	406,446	469,698	619,724	170,802	210,826
Bonus / Dividend %	20	400	80	40	70	30
Un-appropriated profit	1,632,836	1,423,252	1,471,806	1,114,108	347,799	232,997

PATTERN OF SHAREHOLDING

as on June 30, 2008

Number of Shareholders	Shareholdings		Total Number of Share Held
	From	To	
170	1	100	10,585
380	101	500	130,710
317	501	1,000	255,444
427	1,001	5,000	1,010,851
64	5,001	10,000	474,830
19	10,001	15,000	237,220
10	15,001	20,000	179,100
10	20,001	25,000	238,480
4	25,001	30,000	108,500
9	30,001	35,000	296,100
2	35,001	40,000	77,060
1	40,001	45,000	42,858
2	45,001	50,000	95,300
2	50,001	55,000	102,600
1	55,001	95,000	60,000
4	95,001	115,000	400,000
2	115,001	130,000	240,000
2	130,001	145,000	265,320
2	145,001	170,000	296,400
2	170,001	195,000	346,900
1	195,001	225,000	200,000
1	225,001	250,000	228,600
1	250,001	310,000	253,600
2	310,001	445,000	622,858
1	445,001	455,000	450,000
1	455,001	495,000	455,400
1	495,001	585,000	500,000
1	585,001	635,000	587,800
1	635,001	700,000	637,100
1	700,001	1,760,000	703,800
1	1,760,001	1,765,000	1,760,500
1	1,765,001	1,815,000	1,767,000
1	1,815,001	1,960,000	1,819,700
1	1,960,001	3,290,000	1,962,700
1	3,290,001	9,600,000	3,294,600
1	9,600,001	14,395,000	9,603,600
1	14,395,001	32,880,000	14,400,600
1	32,880,001	39,885,000	39,883,884
1,449			84,000,000

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
Cooperative Societies	1	80	0.00%
Financial Institutions	4	603,000	0.72%
Individuals	1,380	69,634,930	82.90%
Insurance Companies	2	1,769,880	2.11%
Investment Companies	3	29,700	0.04%
Joint Stock Companies	47	5,933,710	7.06%
Modaraba	1	35,000	0.04%
Mutual funds	8	5,840,700	6.95%
Others	3	153,000	0.18%
	1,449	84,000,000	100.00%

PATTERN OF SHAREHOLDERS AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE

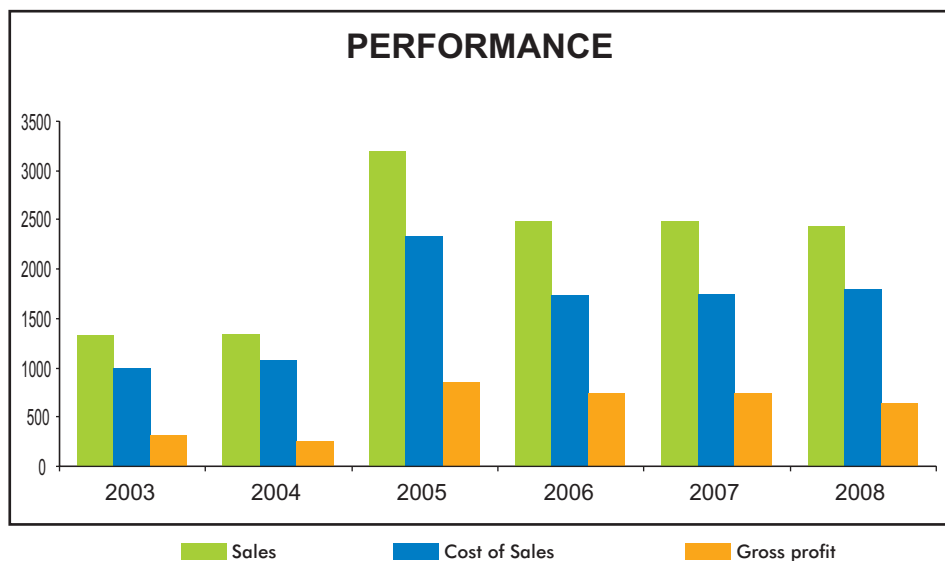
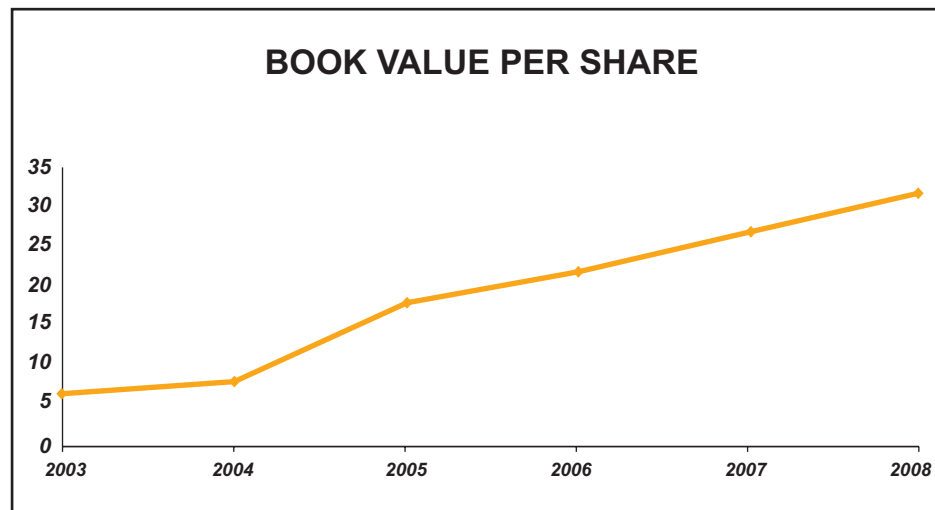
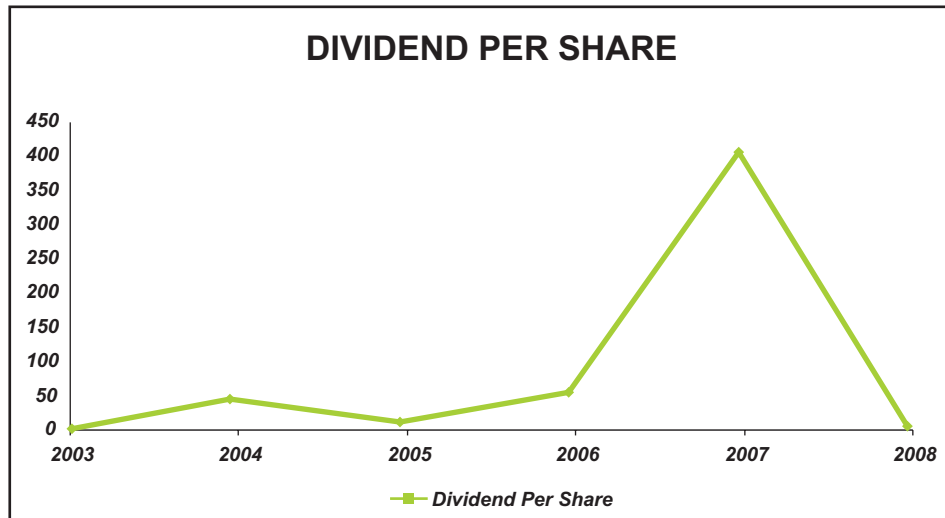
Categories of Shareholders	Number	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties	-	-	-
NIT and ICP	1	500	0.00
Directors, CEO, their Spouses and Minor Children			
Faisal Ahmed		39,883,884	47.48
Maliha Faisal		14,400,600	17.14
Muhammad Yousuf Ahmed		9,603,600	11.43
Muhammad Ali Ahmed		42,858	0.05
Mrs. Hajra Ahmed		310,258	0.37
Iqbal-ur-Rahim		600	0.00
Muhammad Ali Halari		600	0.00
	7	64,242,400	76.48
Executives		-	-
Public Sector Companies and Corporation	-	-	-
Banks, Development Finance Institution, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	66	14,335,370	17.07
Share holders holding ten percent or more voting interest in the Company			
Faisal Ahmed		39,883,884	47.48
Maliha Faisal		14,400,600	17.14
Muhammad Yousuf Ahmed		9,603,600	11.43

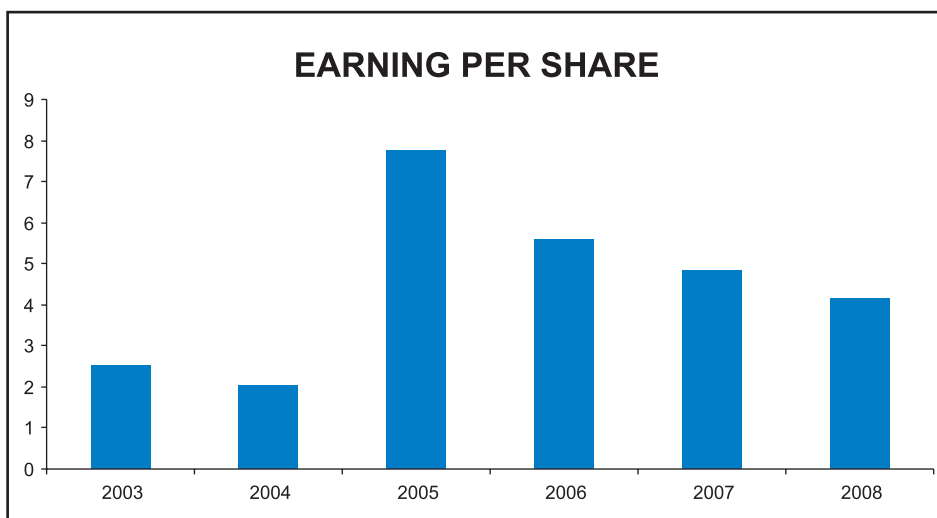
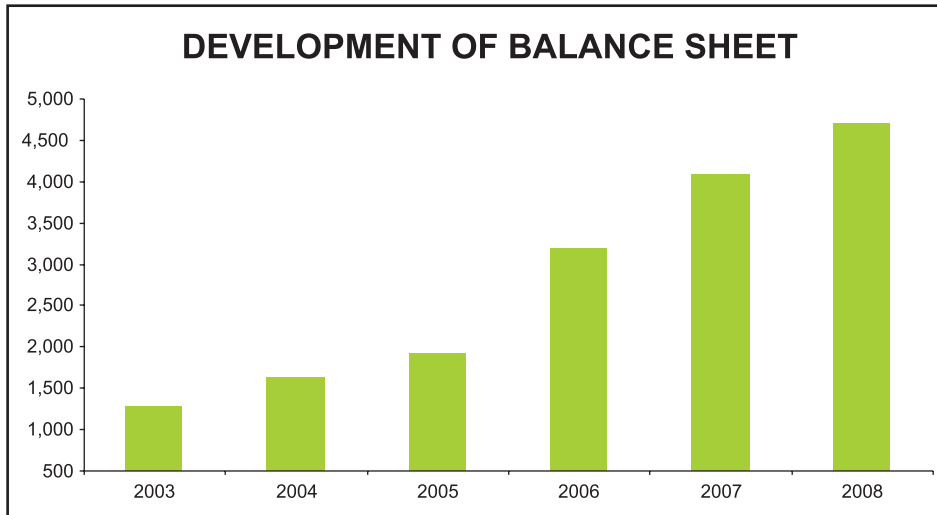
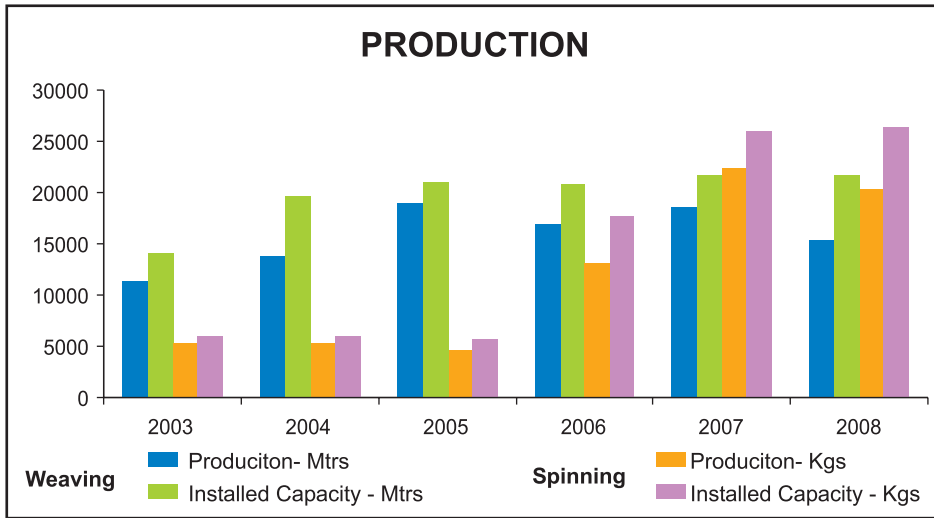
Detail of trading by the Directors, Chief Executive, Chief Financial Officer, Company Secretary, their spouses and minor children.

Name of Director	No. of Shares					
	Opening Balance	Sold	Total	Bonus	Sold	Closing Balance
Faisal Ahmed	38,236,570	(5,000,000)	33,236,570	6,647,314	-	39,883,884
Maliha Faisal	12,000,500	-	12,000,500	2,400,100	-	14,400,600
Muhammad Yousuf Ahmed	10,003,000	(2,000,000)	8,003,000	1,600,600	-	9,603,600
Mrs. Hajra Ahmed	500,215	(200,000)	300,215	60,043	(50,000)	310,258

PERFORMANCE AT A GLANCE

	2008	2007
FINANCIAL RATIOS		
Gross Profit - % of sales	26.19	29.80
Profit before taxation - % of sales	15.34	17.62
Net Profit after taxation - % of sales	14.35	16.34
Basic Earning per share	4.16	4.84
Increase / Decrease in sale - %	(2.08)	0.09
Raw and Packing Materials - % of sales	55.47	52.99
Labour - % of sales	7.86	7.03
Other Cost of goods manufactured - % of sales	10.47	10.35
Distribution costs - % of sales	3.18	2.74
Administrative expenses - % of sales	1.60	1.58
Finance costs - % of sales	6.78	6.92
Taxation - % of sales	1.00	1.28
Inventory turnover period (days)	138	94
Receivable turn over period (days)	59	46
SHORT TERM SOLVENCY		
Current Ratio	1.05	0.92
Acid test ratio	0.39	0.41
OVERALL VALUATION AND ASSESSMENT		
Return on capital employed before taxation (average)	16.18%	20.32%
P.E. Ratio (before Taxation)	10.23	13.43%
Book value per share	29.44	30.33
Long Term debts : equity	25:75	29:71





STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2008

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 NBFIs 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 are conversant with the relevant laws applicable to the Company including the Companies Ordinance, 1984, Listing regulations, Code of Corporate Governance, Company Memorandum and Article of Association and other relevant rules and regulations and are aware of their duties and responsibilities.
10. During the year, Faisal Ahmed, Chairman and Chief Executive resigned in the capacity of Chairman of the board. Board approved and appointed Maliha Faisal as the new Chairperson of the Board. Remuneration and terms and condition of employment determined by the Board. However, there was no new appointment of Chief Financial Officer and Company Secretary.

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 CEO and CFO duly endorsed the financial statements of the Company 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 26, 2008

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, 2008.

Karachi: 26 September 2008

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ARTISTIC DENIM MILLS LIMITED (the Company) as at 30 June 2008 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 been 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 30 June 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi: 26 September 2008

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

BALANCE SHEET

as at June 30, 2008

	Note	June 30, 2008	June 30, 2007
Rupees in '000			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	3,260,768	3,115,039
Long-term loans	5	4,365	3,820
Long-term deposits	6	798	800
CURRENT ASSETS			
Stores and spares	7	32,672	33,546
Stock-in-trade	8	796,552	567,663
Trade debts	9	368,877	424,061
Loans and advances	10	13,735	10,500
Trade deposits and short-term prepayments	11	2,610	610
Other receivables	12	34,970	40,710
Taxation - net	13	162	-
Cash and bank balances	14	67,280	9,859
		1,316,858	1,086,949
TOTAL ASSETS		4,582,789	4,206,608
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Share capital	15	840,000	700,000
Reserve	16	1,632,836	1,423,252
		2,472,836	2,123,252
NON-CURRENT LIABILITIES			
Long-term financing	17	799,889	810,138
Long-term murabaha	18	42,498	70,830
Deferred liability	19	15,868	16,041
CURRENT LIABILITIES			
Trade and other payables	20	160,437	196,856
Accrued mark-up	21	30,866	47,474
Short term borrowings	22	750,000	779,580
Current maturities of long term financing and murabaha	23	296,483	155,555
Unutilised balance of Research and Development Support	24	13,912	4,095
Taxation - net		-	2,787
		1,251,698	1,186,347
CONTINGENCIES AND COMMITMENTS	25		
TOTAL EQUITY AND LIABILITIES		4,582,789	4,206,608

The annexed notes 1 to 45 form an integral part of these financial statements.



Faisal Ahmed
Chief Executive



Maliha Faisal
Chairperson

PROFIT AND LOSS ACCOUNT

for the year ended June 30, 2008

	Note	June 30, 2008	June 30, 2007
Rupees in '000			
NET SALES	26	2,436,268	2,488,086
Cost of sales	27	(1,798,254)	(1,746,594)
GROSS PROFIT		638,014	741,492
Distribution costs	28	(77,551)	(68,167)
Administrative expenses	29	(38,882)	(39,329)
Other operating expenses	30	(29,187)	(37,648)
Other operating income	31	46,511	14,057
		(99,109)	(131,087)
OPERATING PROFIT		538,905	610,405
Finance costs	32	(165,183)	(172,119)
PROFIT BEFORE TAXATION		373,722	438,286
Taxation	33	(24,138)	(31,840)
NET PROFIT FOR THE YEAR		349,584	406,446
EARNINGS PER SHARE - BASIC AND DILUTED (Rs. per share)	34	4.16	4.84

The annexed notes 1 to 45 form an integral part of these financial statements.


Faisal Ahmed
 Chief Executive


Maliha Faisal
 Chairperson

CASH FLOW STATEMENT

for the year ended June 30, 2008

	Note	June 30, 2008	June 30, 2007
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	35	507,327	413,087
Taxes paid		(27,087)	(29,053)
Gratuity paid		(5,383)	(1,761)
Finance costs paid		(181,792)	(140,241)
Research and development support - net		9,817	4,095
Long term deposits - net		2	(333)
Net cash generated from operating activities		302,884	245,794
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(317,804)	(624,382)
Long term loans - net		(545)	120
Sale proceeds of operating fixed assets		119	27,429
Net cash used in investing activities		(318,230)	(596,833)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing acquired		257,986	142,078
Long term financing repaid		(127,307)	(302,224)
Long term murabaha repaid		(28,332)	(28,331)
Short term borrowings acquired		-	250,000
Short term borrowing repaid		-	(6,114)
Net cash generated from financing activities		102,347	55,409
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		87,001	(295,630)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(19,721)	275,909
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	36	67,280	(19,721)

The annexed notes 1 to 45 form an integral part of these financial statements.


Faisal Ahmed
 Chief Executive


Maliha Faisal
 Chairperson

STATEMENT OF CHANGES IN EQUITY

for the year ended June 30, 2008

	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, 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
Net profit for the year	-	-	349,584	349,584
Bonus shares issued @ one Ordinary share of Rs.10 each for every five held	140,000	-	(140,000)	-
Balance as at June 30, 2008	840,000	-	1,632,836	2,472,836

The annexed notes 1 to 45 form an integral part of these financial statements.


Faisal Ahmed
Chief Executive


Maliha Faisal
Chairperson

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2008

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. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretations.

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 - Borrowings Costs (Revised)	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IFRS 3 - Business Combinations	January 01, 2009
IFRS 7 - Financial Instruments: Disclosures	July 01, 2008
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 12 - Service Concession Arrangements	January 01, 2009
IFRIC 13 - Customer Loyalty Programs	July 01, 2008
IFRIC 14 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interactions	January 01, 2008

The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than certain changes and enhancements in presentation and disclosures.

3.3 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.

Stores and spares

The Company reviews the net realizable value of stores and spares 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 19 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.

3.4 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 amortised 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 4.1 to the financial statements.

In respect of additions and deletions of assets during the year, depreciation is charged from the month of acquisition and up to the month preceding the deletion respectively (note 4.1.4).

An item of operating fixed assets 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 operating 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 operating 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 operating fixed assets in the course of their construction and installation.

3.5 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.

3.6 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.

3.7 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.

3.8 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.

3.9 Loans, advances and other receivables

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

3.10 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.

3.11 Interest / Mark-up bearing loans and borrowings

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

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

Gains and losses are recognized in profit and loss account when the liabilities are derecognized as well as through amortization process.

3.12 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.

3.13 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.

3.14 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.

3.15 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.

3.16 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.

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

3.17 Research and development support

These are recorded on cash basis.

3.18 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.

3.19 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.

3.20 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) Duty draw back on export sales is recognised on an accrual basis at the time of making the export sale.
- (iii) Dividend income is recognised when the Company's right to receive payment is established

3.21 Borrowing costs

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

3.22 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.

3.23 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 transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.24 Related party transactions

Related party transactions are stated at arm's length basis substantiated in the manner given in note 41 to the financial statements.

3.25 Dividends and appropriation to reserve

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

4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work-in-progress

Note	June 30, 2008	June 30, 2007
	Rupees in '000	
4.1	2,863,087	2,686,790
4.2	397,681	428,249
	<u>3,260,768</u>	<u>3,115,039</u>

4.1 Operating fixed assets

Note	C O S T				Period / Rate %	ACCUMULATED DEPRECIATION / AMORTISATION			WRITTEN DOWN VALUE		
	As at July 01, 2007	Additions	(Disposals)	As at June 30, 2008		As at July 01, 2007	For the Year	(On disposal)	As at June 30, 2008	As at June 30, 2008	
.....(Rupees in '000).....											
June 30, 2008											
		1,211,663	-	1,211,663	65 to 86 yrs	36,833	15,188	-	52,021	1,159,642	
		380,178	4,444	-	384,622	10	116,470	26,641	-	143,111	241,511
		1,876,148	332,923	-	2,209,071	10	686,926	121,834	-	808,760	1,400,311
		79,005	4,959	-	83,964	10	34,358	4,615	-	38,973	44,991
		7,374	138	-	7,512	10	3,141	433	-	3,574	3,938
		12,589	1,634	-	14,223	33	9,458	1,269	-	10,727	3,496
		15,610	4,275	(187)	19,698	20	8,591	1,975	(66)	10,500	9,198
		<u>3,582,567</u>	<u>348,373</u>	<u>(187)</u>	<u>3,930,753</u>		<u>895,777</u>	<u>171,955</u>	<u>(66)</u>	<u>1,067,666</u>	<u>2,863,087</u>

Note	C O S T				Period / Rate %	ACCUMULATED DEPRECIATION / AMORTISATION			WRITTEN DOWN VALUE		
	As at July 01, 2006	Additions	(Disposals)	As at June 30, 2007		As at July 01, 2006	For the Year	(On disposal)	As at June 30, 2007	As at June 30, 2007	
.....(Rupees in '000).....											
June 30, 2007											
		840,663	371,000	-	1,211,663	65 to 86 yrs	21,645	15,188	-	36,833	1,174,830
		373,122	7,056	-	380,178	10	87,169	29,301	-	116,470	263,708
		1,929,924	23,974	(77,750)	1,876,148	10	605,505	132,136	(50,715)	686,926	1,189,222
		79,260	2,945	(3,200)	79,005	10	29,717	4,961	(320)	34,358	44,647
		7,147	227	-	7,374	10	2,671	470	-	3,141	4,233
		10,684	1,905	-	12,589	33	7,916	1,542	-	9,458	3,131
		25,163	77	(9,630)	15,610	20	13,787	1,755	(6,951)	8,591	7,019
		<u>3,265,963</u>	<u>407,184</u>	<u>(90,580)</u>	<u>3,582,567</u>		<u>768,410</u>	<u>185,353</u>	<u>(57,986)</u>	<u>895,777</u>	<u>2,686,790</u>

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

Note	June 30, 2008	June 30, 2007
Rupees in '000		
Leasehold land	-	371,000
Building on leasehold land	4,444	7,056
Plant and machinery	332,923	-
Factory equipment	4,959	2,945
	<u>342,326</u>	<u>381,001</u>

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

	Note	June 30, 2008	June 30, 2007
Rupees in '000			
Cost of sales	27.1	158,714	171,080
Distribution costs	28	344	371
Administrative expenses	29	12,897	13,902
		<u>171,955</u>	<u>185,353</u>

4.1.3 The following assets were disposed off during the year

Description	Cost	Accumulated Depreciation	Written Down Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of Buyer
.....(Rupees in '000).....							
Vehicles							
	41	20	21	12	(9)	Negotiation	Mr. Muhammed Shahid, Karachi
	44	38	6	6	-	Negotiation	Mr. Shariq Rehman, Karachi
	51	7	44	50	6	Insurance claim	EFU General Insurance Limited
	51	1	50	51	1	Insurance claim	EFU General Insurance Limited
June 30, 2008	187	66	121	119	(2)		
June 30, 2007	90,580	57,986	32,594	27,429	(5,165)		

4.1.4 Change in Accounting Estimate

During the current year, the Company changed its previous practice of charging full year's depreciation in the year of addition, with no depreciation charged in the year of disposal, to charging the same from the month of acquisition to the month preceding the deletion to systematically allocate the depreciation charge.

This change has been accounted for as a change in Accounting Estimate, in accordance with the revised IAS-8 "Accounting Policies, Changes in Accounting Estimate and Errors".

The change has resulted in depreciation charge for the current year to be lower by Rs.31.473 million and profit before taxation for the year to be higher by Rs.31.189 million.

	Civil works	Plant & machinery	Factory equipment	Advances	Total
..... Rupees in '000'					

4.2 Capital work-in-progress

As at July 01, 2007	138,471	266,124	2,342	21,312	428,249
Additions during the year	59,555	192,883	10,380	48,940	311,758
Transfer to operating fixed assets	(4,444)	(332,923)	(4,959)	-	(342,326)
Transfer from advances	6,254	3,147	-	(9,401)	-
June 30, 2008	199,836	129,231	7,763	60,851	397,681
June 30, 2007	138,471	266,124	2,342	21,312	428,249

5. LONG TERM LOANS

	Note	June 30, 2008	June 30, 2007
Rupees in '000			
Considered good - secured			
Executives	5.1	2,949	4,025
Employees		4,553	2,986
		7,502	7,011
Recoverable within one year shown under current assets			
Executives		(1,518)	(1,782)
Employees	10	(1,619)	(1,409)
		(3,137)	(3,191)
		4,365	3,820
Outstanding for a period exceeding three years		820	344
Others		3,545	3,476
		4,365	3,820

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 (2007: 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.5.631 (2007: Rs.7.264) million.

5.1 Reconciliation

	Note	June 30, 2008	June 30, 2007
Rupees in '000			
Opening balance		4,025	1,867
Disbursements during the year		1,538	4,541
		5,563	6,408
Recoveries made during the year		(2,614)	(2,383)
		2,949	4,025

6. LONG TERM DEPOSITS

Security deposits

Utilities	497	497
Others	301	303
	798	800

Note	June 30, 2008	June 30, 2007
Rupees in '000		
7. STORES AND SPARES		
Stores		
In hand	20,493	21,075
In transit	212	-
	20,705	21,075
Spares		
In hand	11,929	12,471
In transit	38	-
	11,967	12,471
	<u>32,672</u>	<u>33,546</u>
8. STOCK-IN-TRADE		
Raw and packing materials		
In hand	315,860	231,353
In transit	15,089	14,911
	330,949	246,264
Work-in-process	441,265	296,870
Finished goods	24,338	24,529
	<u>796,552</u>	<u>567,663</u>
9. TRADE DEBTS		
Considered good		
Secured - against letters of credit		
Related party		
Artistic Apparels	641	12,094
Others	168,201	226,995
	168,842	239,089
Unsecured		
Related parties:		
Artistic Apparels	12	23
Casual Sportswear	87,863	79,011
	87,875	79,034
Others	112,160	105,938
	200,035	184,972
	<u>368,877</u>	<u>424,061</u>

	Note	June 30, 2008	June 30, 2007
Rupees in '000			
10. LOANS AND ADVANCES			
Considered good			
Loans - secured			
Current portion of long term loans			
Executives		1,518	1,782
Employees		1,619	1,409
	5	3,137	3,191
Short term loans			
Executives		15	322
Employees		229	297
	10.1	244	619
Advances - unsecured			
Suppliers		9,348	6,370
Labour contractors		875	320
Others		131	-
		10,354	6,690
		<u>13,735</u>	<u>10,500</u>

10.1 These are interest free personal loans given to the employees and executives of the Company. These are secured against the gratuity balances of concerned employees.

11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Trade deposits

Security deposits	111	155
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Short-term prepayments

Insurance	2,403	77
Internet services from Fascom Network Services Limited - a related party	-	240
Others	96	138
	2,499	455
	<u>2,610</u>	<u>610</u>

12. OTHER RECEIVABLES

Duty draw back on export sales		6,906	5,282
Sales tax - net		19,621	26,994
Refund of custom duty	12.1	8,434	8,434
Insurance claim		9	-
		<u>34,970</u>	<u>40,710</u>

- 12.1** This represents custom duty paid by the Company during the year ended June 30, 2001 on the 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 advisor of the Company has recently taken up this matter with the Custom Authorities and expects the recovery of the said refund in the near future.

	Note	June 30, 2008	June 30, 2007
Rupees in '000			
13. TAXATION - Net			
Provision for income tax - current	33	(24,679)	(30,000)
Advance income tax		24,841	27,213
		<u>162</u>	<u>(2,787)</u>
14. CASH AND BANK BALANCES			
Cash			
In hand		128	107
At banks in			
current accounts		<u>67,152</u>	<u>9,752</u>
		<u>67,280</u>	<u>9,859</u>

15. SHARE CAPITAL

No. of Shares				
June 30, 2008	June 30, 2007	Note	June 30, 2008	June 30, 2007
			(Rupees in '000)	
			Authorized share capital	
<u>100,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs.10 each	<u>1,000,000</u>	<u>1,000,000</u>
			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
		Ordinary shares of Rs.10 each issued as fully paid bonus shares including each issued during the year as bonus shares	700,000	560,000
<u>70,000,000</u>	<u>56,000,000</u>		<u>840,000</u>	<u>700,000</u>
<u>84,000,000</u>	<u>70,000,000</u>			

16. RESERVE

Revenue reserve		
Unappropriated profit	<u>1,632,836</u>	<u>1,423,252</u>

17. LONG-TERM FINANCING

	Note	June 30, 2008	June 30, 2007
Rupees in '000			
From Banking Companies and Financial Institutions - secured			
Term finances from banks	17.1	617,740	374,837
Term finances from banks under the State Bank of Pakistan's scheme for Export Oriented Projects	17.2	450,300	562,524
		1,068,040	937,361
Current maturities shown under current liabilities			
Term finances from banks		(123,763)	(7,096)
Term finances from banks under the State Bank of Pakistan's (SBP's) scheme for Export Oriented Projects		(144,388)	(120,127)
	23	(268,151)	(127,223)
		<u>799,889</u>	<u>810,138</u>

17.1 Term finances from banks

The balance outstanding of Rs.617.740 million at the end of the current year comprises of the following four (2007: two) separate local currency loans:

- (a) Rs.17.740 (2007: Rs.24.837) million obtained by the Company for the purposes of capital expenditure and rationalizing 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. The said loan along with the portion of term finance from banks under the SBP's scheme for export Oriented Projects (note: 17.2(a)) is secured against the first equitable mortgage over the immovable property of the Company and hypothecation of plant and machinery, aggregating to Rs.534.000 million.
- (b) Rs.350.000 (2007: Rs.350.000) million obtained by the Company for the purposes of capital expenditure and rationalizing the financial structure of the Company. The said loan is repayable in 6 equal half-yearly installments, commencing December 28, 2008 to December 28, 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 the immovable property of the Company and hypothecation of plant, machinery and equipment, aggregating to Rs.467.000 million.
- (c) Rs.100.000 million (2007: Nil) obtained by the Company during the current year for the purposes of capital expenditure and rationalizing the financial structure of the Company. The said loan is repayable in 16 equal quarterly installments, commencing September 18, 2009 to June 17, 2013. It carries mark-up at 3 months KIBOR plus 1.75% per annum, payable quarterly, and is secured

against the first equitable mortgage over the immovable property of the Company and hypothecation of plant and machinery, aggregating to Rs.134.000 million.

- (d) Rs.150.000 million (2007: Nil) obtained by the Company during the current year for the purposes of capital expenditure and rationalizing the financial structure of the Company. The said loan is repayable in 16 equal quarterly installments, commencing September 30, 2009 to June 29, 2013. It carries mark-up at 3 months KIBOR plus 1.25% per annum, payable quarterly, and is secured against the first equitable mortgage over the immovable property of the Company and hypothecation of plant and machinery aggregating to Rs.200.000 million.

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

The balance outstanding of Rs.450.300 million at the end of the current year comprises of the following six (2007: four) separate local currency loans:

- (a) Rs.204.482 (2007: Rs.286.274) million obtained by the Company after the introduction of a one time opportunity given by the SBP to the textile sector to get the outstanding fixed term loans against the import of eligible plant and machinery, under the SBP's LTF-EOP Scheme, as announced by the SBP in their SMED, circular No. 19, dated September 04, 2006.

The said loan along with the portion of long term finance under the term finance arrangement [note: 17.1 (a)] is secured against the first equitable mortgage over the immovable property of the Company and hypothecation of plant & 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 Refinance rate for 3 to 7.5 years (i.e. 5%) plus 2% (2007: 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.

- (b) Rs.95.837 (2007: Rs.134.172) million obtained against the import of eligible plant and machinery by the Company under the SBP's LTF-EOP Scheme, as announced by the SBP in their SMED, circular No.19, dated September 04, 2006.

The said loan along with the portion of long term murahaba (note: 18.1) is secured against the first equitable mortgage over the immovable property of the Company and the 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 Refinance rate for 3 to 7.5 years (i.e. 5%) plus 2% (2007: 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 (2007: Rs.124.796) million obtained against the import of eligible plant and machinery, by the Company, against the import of eligible plant and machinery, refinanced under the SBP's LTF-EOP Scheme, as announced by the SBP in their SMED circular No.19 dated September 04, 2006.

The said loan is secured against the hypothecation of specific plant & 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 Refinance rate for 3 to 7.5 years (i.e., 5%) plus 1%, which is payable quarterly on the principal sum of loans outstanding from time to time.

- (d) Rs.17.282 (2007: 17.282) million obtained against the import of eligible plant and machinery, by the Company under the SBP's LTF-EOP Scheme, as announced by the SBP in their SMED, circular No.19, dated September 04, 2006.

The said loan is secured against the hypothecation of specific plant & 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 Refinance rate for 3 to 7.5 years (i.e. 5%) plus 1% (2007: 3 to 7.5 years (i.e. 5%) plus 1%), which is payable quarterly on the principal sum of loans outstanding from time to time.

- (e) Rs.4.010 million (2007: Nil) refinanced by the Company against the import of eligible plant and machinery, 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 & machinery, aggregating to Rs.4.090 million

The loan is repayable in 22 equal quarterly installments, commencing September 26, 2009 to December 26, 2014, carrying mark-up rate at the SBP Refinance 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.

- (f) Rs.3.893 million (2007: Nil) refinanced by the Company against the import of eligible plant and machinery, 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 & machinery, aggregating to Rs.3.890 million

The loan is repayable in 22 equal quarterly installments, commencing August 15, 2009 to November 15, 2014, carrying mark-up rate at the SBP Refinance 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 17.2) amounted to Rs.707.835 million against the outstanding balance of Rs.450.300 million at the end of the year.

18. LONG-TERM MURABAHA

	Note	June 30, 2008	June 30, 2007
		Rupees in '000	
Secured murabaha financing	18.1	70,830	99,162
Current maturity shown under current liabilities	23	(28,332)	(28,332)
		42,498	70,830

- 18.1 The facility of long term murabaha financing from a bank amounted to Rs.70.830 (2007: Rs.99.162) million at the end of the current 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: 17.2(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% (2007: 6 months KIBOR plus 1.5%) per annum, payable half yearly.

19. DEFERRED LIABILITY

Note	June 30, 2008	June 30, 2007
	Rupees in '000	
Employees' Gratuity	15,868	16,041

19.1 In accordance with the requirements of IAS-19 "Employee Benefits", actuarial valuation was carried out as at June 30, 2007, using the "Projected Unit Credit Method". Provision has been made in the financial statements to cover obligations in accordance with the actuarial recommendations. Following significant assumptions were used for the valuation of above-mentioned schemes.

Discount rate	10%	10%
Salary increase	9%	9%

Necessary disclosures in respect of defined benefit plans are as follows:

(a) The amount finalized in the profit and loss account is determined as follows:

Current service cost	3,394	3,086
Interest cost	1,802	1,678
Recognised actuarial (gains) / losses	14	340
Expense for the year	5,210	5,104

(b) Movement in the liability finalized in the balance sheet

Provision at July 01, 2007	16,041	12,698
Expense for the year	5,210	5,104
Benefits paid	(5,383)	(1,761)
Provision as at June 30, 2008	15,868	16,041

(c) Reconciliation

Present value of defined benefit obligation	17,826	18,013
Actuarial losses un recognised	(1,958)	(1,972)
Provision as at June 30, 2008	15,868	16,041

(d) Amounts for the current and previous four years are as follows:

As at June 30	2008	2007	2006	2005	2004
(Rupees in '000').....				
Present value of defined benefit obligation	17,826	18,013	16,645	16,384	9,751
Experience adjustment					
Actuarial loss on obligation	14	340	431	160	169

19.2 The Company operates an unfunded gratuity scheme, hence, no planned assets are available.

20. TRADE AND OTHER PAYABLES

Note	June 30, 2008	June 30, 2007
	Rupees in '000	
Trade Creditors	85,715	120,488
Other payables		
Accrued expenses	25,481	32,758
Advances from customers	7,782	6,353
Retention money	4,000	4,357
Workers' Profit Participation Fund	20,093	23,538
Workers' Welfare Fund	16,982	8,945
Tax deducted at source	180	213
Unclaimed dividend	204	204
	74,722	76,368
	<u>160,437</u>	<u>196,856</u>

20.1 Workers' Profit Participation Fund

Balance at the beginning of the year		23,538	26,342
Allocation for the year	30	20,093	23,538
Interest on WPPF	30	1,055	-
		<u>44,686</u>	<u>49,880</u>
Payments made during the year		<u>(24,593)</u>	<u>(26,342)</u>
		<u>20,093</u>	<u>23,538</u>

20.2 Workers' Welfare Fund

Balance at the beginning of the year		8,945	-
Allocation for the year	30	8,037	8,945
		<u>16,982</u>	<u>8,945</u>

21. ACCRUED MARK-UP

Note	June 30, 2008	June 30, 2007
Rupees in '000		
Accrued mark-up on:		
Long term financing	2,374	32,278
Long term murabaha	478	559
Long term finance - Export Oriented Projects	8,406	-
Short term running finances	5,809	1,860
Short term loans	13,799	12,777
	<u>30,866</u>	<u>47,474</u>

22. SHORT TERM BORROWINGS - secured

From Banking Companies

Short term loans	22.1	750,000	750,000
Short term running finances		-	29,580
		<u>750,000</u>	<u>779,580</u>

22.1 Short term loans

Export refinance - II	22.1.1	250,000	250,000
Export refinance - II	22.1.2	500,000	500,000
		<u>750,000</u>	<u>750,000</u>

22.1.1 The Company arranged a facility for short-term loan under export refinance, amounting to Rs.250.000 (2007: Rs.250.000) million, from a commercial bank on mark-up basis, during the year ended June 30, 2007, repayable by August 31, 2009. It is secured against the first pari passu specific charge on land, building and plant and machinery of Company, aggregating to Rs.333.000 million, and a demand promissory note of Rs.250.000 million.

The said export refinance carries mark-up at the rate of 1% (2007: 0.5%) above the SBP's Minimum Export Refinance rate, payable quarterly.

22.1.2 This represents a separate export refinance facility, amounting to Rs.500.000 (2007: Rs.500.000) million, arranged by the Company from a bank, during the year ended June 30, 2007, repayable by August 31, 2009 and is secured against the export proceed realization and registered charge over stock-in-trade, stores and spares and book debts, aggregating to Rs.667.000 million, and a demand promissory note of 500.000 million.

The said export refinance carries mark-up at the rate of 1% (2007: 0.25%) above the SBP's Minimum Export Refinance rate, payable quarterly.

23. CURRENT MATURITIES OF LONG TERM FINANCING AND MURABAHA

Note	June 30, 2008	June 30, 2007
	Rupees in '000	
Current maturities of:		
Long term financing	17 268,151	127,223
Long term murabaha	18 28,332	28,332
	296,483	155,555
24. UNUTILISED BALANCE OF RESEARCH AND DEVELOPMENT SUPPORT		
Opening balance	4,095	-
Support received on account of Research and Development	24.1 47,096	16,809
	51,191	16,809
Less: Expenses incurred there against:		
Product development	18,615	5,496
Upgrade of information technology	98	157
Professional consultancy	547	740
Market research	15,699	4,029
Participation in exhibitions	2,320	2,292
	37,279	12,714
	13,912	4,095

24.1 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.

25. CONTINGENCIES AND COMMITMENTS

Contingencies

25.1 Inland bills discounted	-	5,128
25.2 Foreign bills discounted	215,258	88,928
25.3 Outstanding counter guarantees	63,325	123,325

Commitments

- 25.4** Commitments in respect of building on leasehold land at the end of the current year amounted to Rs.Nil (2007: Rs.113.430 million).
- 25.5** Outstanding letters of credit at the end of the current year amounted to Rs.129.892 (2007: Rs.51.510) million.

26. NET SALES

	Note	June 30, 2008	June 30, 2007
Rupees in '000			
Exports	26.1	2,359,844	2,442,738
Local		102,021	56,792
		<u>2,461,865</u>	<u>2,499,530</u>
Returns		(154)	(1,517)
Commission		(25,443)	(9,927)
		<u>2,436,268</u>	<u>2,488,086</u>

26.1 Included herein is a sum of Rs.402.035 (2007: Rs.779.357) 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.

27. COST OF SALES

Opening stock - finished goods		24,529	20,372
Cost of goods manufactured	27.1	1,798,063	1,750,751
		<u>1,822,592</u>	<u>1,771,123</u>
Closing stock - finished goods		(24,338)	(24,529)
		<u>1,798,254</u>	<u>1,746,594</u>

27.1 Cost of goods manufactured

Raw and packing materials consumed	27.1.1	1,351,383	1,318,354
Stores and spares consumed	27.1.2	48,517	23,632
Salaries, wages and other benefits	27.1.3	44,541	41,515
Contract wages		146,947	133,458
Fuel and power		148,307	163,400
Weaving and sarning charges		6,008	8,225
Repairs and maintenance		7,021	5,917
Printing and stationery		1,762	1,812
Postage and photocopy		141	335
Telephone and telex		890	902
Conveyance		64	44
Rent, rates and taxes		1,008	881
Insurance		5,588	5,356
Water charges		18,883	19,911
Transportation		170	-
Depreciation	4.1.2	158,714	171,080
Security charges		2,184	1,713
Traveling and lodging		13	54
Miscellaneous		317	342
		<u>1,942,458</u>	<u>1,896,931</u>
Opening work-in-process		296,870	150,690
Closing work-in-process		(441,265)	(296,870)
		<u>1,798,063</u>	<u>1,750,751</u>

27.1.1 Raw and packing materials consumed

Note	June 30, 2008	June 30, 2007
	Rupees in '000	
Opening stock	231,353	149,278
Purchases	1,449,681	1,411,732
Duty draw back on export sales	(13,791)	(11,303)
	1,435,890	1,400,429
	1,667,243	1,549,707
Closing stock	(315,860)	(231,353)
	1,351,383	1,318,354

27.1.2 Stores and spares consumed

Opening stock	33,546	21,688
Purchases	47,393	35,490
	80,939	57,178
Closing stock	(32,422)	(33,546)
	48,517	23,632

27.1.3 Included herein is a sum of Rs.3.367 (2007: Rs.3.319) million in respect of staff retirement benefits.

28. DISTRIBUTION COSTS

Salaries, allowances and other benefits	28.1	2,544	2,899
Insurance		2,930	2,440
Freight and transportation		54,407	39,605
Export development surcharge and clearing charges		10,167	9,396
Postage and stamps		4,202	6,414
Advertisement, publicity and exhibitions		32	4,200
Depreciation	4.1.2	344	371
Travelling and lodging		2,741	2,622
Telephone and telex		59	54
Miscellaneous		125	166
		77,551	68,167

28.1 Included herein is a sum of Rs.0.229 (2007: Rs.0.271) million in respect of staff retirement benefits.

29. ADMINISTRATIVE EXPENSES

	Note	June 30, 2008	June 30, 2007
Rupees in '000			
Salaries, allowances and other benefits	29.1	17,917	16,147
Rent, rates and taxes		147	144
Depreciation	4.1.2	12,897	13,902
Legal and professional charges		2,153	1,755
Auditors' remuneration	29.2	706	706
Vehicle running expenses		590	607
Travelling and lodging		78	255
Printing and stationery		325	219
Insurance		39	102
Advertisement and publication		217	221
Conveyance		186	105
Repairs and maintenance		18	32
Telephone and telex		317	217
Electricity charges		-	27
Postage and telegrams		162	244
Fees and subscriptions		1,070	2,985
Donations	29.3	2,045	1,619
Miscellaneous		15	42
		38,882	39,329

29.1 Included herein is a sum of Rs.1.614 (2007: Rs.1.514) million in respect of staff retirement benefits.

29.2 Auditors' remuneration

Audit fee	400	300
Fee for half yearly review	80	80
Special certifications	50	157
Tax services	80	100
Out-of-pocket expenses	96	69
	706	706

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

30. OTHER OPERATING EXPENSES

Workers' Profits Participation Fund	20.1	20,093	23,538
Interest on WPPF	20.1	1,055	-
Workers' Welfare Fund	20.2	8,037	8,945
Loss on sale of operating fixed assets	4.1.3	2	5,165
		29,187	37,648

31. OTHER OPERATING INCOME

Scrap sales		10,068	11,235
Exchange gain - net		32,600	348
Gain on sale of investments held for trading		3,230	2,474
Dividend received		613	-
		46,511	14,057

32. FINANCE COSTS**Mark-up on secured:**

Long term financing
 Long term murabaha
 Short term running finances
 Short term loans

Bills discounting charges
 Federal excise duty on services
 Bank charges

Note	June 30, 2008	June 30, 2007
	Rupees in '000	
	75,639	93,016
	10,565	22,451
	11,989	4,508
	55,585	42,343
	153,778	162,318
	962	999
	281	235
	10,162	8,567
	<u>165,183</u>	<u>172,119</u>
33. TAXATION		
Current	24,679	30,000
Prior	(541)	1,840
	<u>24,138</u>	<u>31,840</u>

The income tax assessments of the Company have been finalised up to and including tax year 2006. The return in respect of the tax year 2007 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% (2007: 1.25%) on total sales, including scrap sales.

34. EARNING PER SHARE-BASIC & DILUTED

Net profit for the year

Number of Ordinary shares

Earnings per shares - basic and diluted

Note	June 30, 2008	June 30, 2007
	Rupees in '000	
	<u>349,584</u>	<u>406,446</u>
	Number of shares	
	<u>84,000,000</u>	<u>84,000,000</u>
	(Rupees)	
	<u>4.16</u>	<u>4.84</u>

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

35. CASH GENERATED FROM OPERATIONS

Note	June 30, 2008	June 30, 2007
	Rupees in '000	
Profit before taxation	373,722	438,286
Adjustments for non-cash charges and other items:		
Depreciation	171,955	185,353
Provision for gratuity	5,210	5,104
Finance costs	165,183	172,119
Loss on disposal of operating fixed assets	2	5,165
	342,350	367,741
Profit before working capital changes	716,072	806,027
in current assets		
Stores and spares	874	(11,858)
Stock-in-trade	(228,889)	(234,286)
Trade debts	55,184	(223,647)
Loans and advances	(3,235)	(2,088)
Trade deposits and short term prepayments	(2,000)	1,839
Other receivables	5,740	(8,205)
	(172,326)	(478,245)
(Increase)/Decrease in current liabilities		
Trade and other payables	(36,419)	85,305
Cash generated from operations	507,327	413,087

36. CASH AND CASH EQUIVALENTS

Cash and bank balances	14	67,280	9,859
Short term running finance		-	(29,580)
		67,280	(19,721)

37. UNAVAILED CREDIT FACILITIES

Short term running finances		400,000	220,420
Long term financing		-	57,922

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2008			2007		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
(Rupees in '000).....					
Managerial remuneration	3,974	2,537	8,232	3,974	2,537	8,253
Medical	397	253	813	397	253	822
Bonus	182	116	286	182	116	369
Retirement benefits	-	-	2,861	-	-	-
	4,553	2,906	12,192	4,553	2,906	9,444
Number of persons	1	1	11	1	1	9

A director and few Executives are provided with free use of Company maintained cars.

39. FINANCIAL INSTRUMENTS

	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, 2008
.....(Rupees in '000).....							
June 30, 2008							
FINANCIAL ASSETS							
Loans and advances	-	-	-	3,382	4,365	7,747	7,747
Trade deposits	-	-	-	111	799	910	910
Trade debts	-	-	-	368,877	-	368,877	368,877
Cash and bank balances	-	-	-	67,280	-	67,280	67,280
	-	-	-	439,650	5,164	444,814	444,814
FINANCIAL LIABILITIES							
Long term financing	268,151	799,889	1,068,040	-	-	-	1,068,040
Long term murabaha	28,332	42,498	70,830	-	-	-	70,830
Short term borrowings	750,000	-	750,000	-	-	-	750,000
Trade and other payables	-	-	-	115,580	-	115,580	115,580
	1,046,483	842,387	1,888,870	115,580	-	115,580	2,004,450

	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

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

40.1 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 respective notes indicates their effective interest / mark-up rates at the balance sheet date and the periods in which they will re-price or mature.

40.2 Capital management

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

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

No changes were made in the objectives, policies or processes during the years ended June 30, 2008 and June 30, 2007.

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

Note	June 30, 2008	June 30, 2007
	Rupees in '000	
Long-term financing	799,889	810,138
Long-term murabaha	42,498	70,830
Trade and other payables	160,437	196,856
Accrued mark-up	30,866	47,474
Current maturities of long-term financing and murabaha	296,483	155,555
Cash and cash equivalent	(67,280)	19,721
Net debt	1,262,893	1,300,574
Issued, subscribed and paid-up capital	840,000	700,000
Reserves	1,632,836	1,423,252
Total capital	2,472,836	2,123,252
Capital and net debt	3,735,729	3,423,826
Gearing ratio	33.81%	37.98%

40.3 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.444.814 (2007: Rs.442.505) million, the financial assets which are subject to credit risk amounted to Rs.377.534

(2007: Rs.432.646) million. The Company manages credit risk in trade receivables by limiting significant exposure to any individual customers, by obtaining advance against sales and by securing other receivable against letters of credit.

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.

40.4 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.

40.5 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. As at June 30, 2008, the total foreign currency risk exposure was Rs.198.097 (2007: Rs.146.215) 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.

40.6 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.

41. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. 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, 2008, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2007: 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, 2008	June 30, 2007
Rupees in '000			
Casual Sportswear			
Associated undertaking / Common directorship			
Sales		312,083	213,935
Artistic Apparels			
Associated undertaking / Common management			
Sales		10,435	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
Sui Southern Gas Company Limited			
Associated undertaking / Common directorship			
Services received		136,861	-
Mr. Muhammad Faisal Ahmed - CEO of the Company			
Purchase of land		-	350,000
Compensation of key management personnel			
Short-term employee benefits		-	7,459
42. PLANT CAPACITY AND PRODUCTION			
Spinning			
Number of rotors installed		864	864
Number of spindles installed		13,392	11,160
Capacity of yarn (Lbs.)		26,373,500	26,097,500
Production of yarn (Lbs.)		20,374,358	22,372,407
Under utilisation of available capacity was due to quality change down time, machine maintenance and power break down			
Weaving			
Number of looms installed		146	146
Capacity of fabric (meters)		21,727,000	21,727,000
Production of fabric (meters)		15,396,167	18,549,336
Under utilisation of available capacity was due to quality change down time, machine maintenance power break down and machine stoppage.			

43. MOVEMENT BETWEEN RESERVES AND PROPOSED DIVIDEND

In the meeting held on September 26, 2008, the Board of Directors of the Company recommended a final cash dividend for the year at the rate of Rs. 2 per ordinary share of Rs. 10 each amounting to Rs. 168,000,000/- out of the Company's profit, to the members at the Annual General Meeting for their approval.

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on September 26, 2008 by the Board of Directors of the Company.

45. GENERAL

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



Faisal Ahmed
Chief Executive



Maliha Faisal
Chairperson