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Company Information

Board of Director

Chairperson
Chief Executive
Directors

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

Audit Committee

Chairman
Members

Muhammad Yousuf Ahmed
Muhammad Iqbal-ur-Rahim
Sarah Ahmed

Company Secretary

S. D. Siddiqui

Chief Financial Officer

Nadeem Ahmed Mazari

Chief Internal Auditor

Sagheer Ahmed

Auditors

M/s Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

Monawwer Ghani
Advocate

Share Registrar

M/s Technology Trade (Pvt.) Ltd.
Dagia House, 241-C, Block-2, PECHS
Karachi. Phone No. 3439 1317-9

Bankers

Bank Al-Habib Limited
Allied Bank Limited
Faysal Bank Limited
National Bank Limited
Habib Metropolitan Bank Limited
Citibank Limited

Registered Office and Factory

Plot No. 5-9, 23-26, Sector 16,
Korangi Industrial Area, Karachi.
111 236 236, Fax No. 3505 4652
www.admdenim.com

Vision



**DYNAMIC, QUALITY CONSCIOUS
AND EVER PROGRESSIVE**

Mission



**ARTISTIC DENIM MILLS LIMITED IS COMMITTED TO:
ACHIEVE AND RETAIN MARKET LEADERSHIP IN
DENIM FABRIC / GARMENTS MANUFACTURING
PRODUCE TO THE HIGHEST QUALITY STANDARDS
EXCEL THROUGH CONTINUOUS IMPROVEMENT
FULFILL AND EXCEED THE EXPECTATIONS OF OUR CUSTOMERS
BE ETHICAL IN ITS PRACTICES
OPERATE THROUGH TEAM WORK
ENSURE A FAIR RETURN TO STAKE HOLDERS
FULFILL SOCIAL RESPONSIBILITIES**



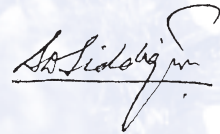
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to the Members that the 18th Annual General Meeting of ARTISTIC DENIM MILLS LIMITED will be held at MOOSA DE. DESSAI Auditorium, ICAP, Chartered Accountants Avenue, Clifton, Karachi, on October 27, 2010 at 1600 hrs to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 17th Annual General Meeting held on October 27, 2009.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2010 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 2010-2011 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: October 5, 2010

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 19, 2010 to October 27, 2010 (both days inclusive). Transfers received in order at the Registered Office of the Company by close of business on October 18, 2010 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 guidelines as laid down in Circular No.1 of 2000 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
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 review of the performance along with the audited financial statements for the year ended June 30, 2010.

FINANCIAL STATEMENTS FOR PERIOD UNDER REVIEW

The performance of the Company is as follows

	2010	2009
	Rs. in million	
Sales	3,672	3,125
Gross profit	767	698
Finance costs	160	186
Net profit	335	376
EPS (Rs. per share)	3.98	4.48

The Company earned a net profit of Rs.335 Million for 2010 as compared to Rs.376 Million for year 2009. Company sales increased by 17 %, however, due to unexpected increase in cost of cotton, other raw material and irrational increase in export refinance rates, the company could not maintain the required margins. Moreover, two law and order incidents as detailed in note 29.1, reduced our profits further.

PRODUCTION

The company increased its production of yarn by 8 % and fabric by 38 %. This increase was brought about by addition of two ring frames in the spinning unit and replacement/addition of 12 looms in the denim unit.

SALES AND MARKETING

The Company has continued to participate in exhibitions in Europe and US to establish new relationships with global jeans brands.

As part of the Company's marketing strategy the management has been constantly engaged in the process of BMR to enhance efficiency and maximize the productivity.

The Directors of the company are pleased to propose cash dividend @ 20% i.e. Rs.2/- per ordinary share held for the year under review.

FUTURE OUTLOOK

It is anticipated that textile industry will perform satisfactorily, although the cost pressures will remain on account of Rupee devaluation, higher raw material prices, rising cost of utilities, law and order situation, increasing borrowing costs and other inflationary factors. The company intends to counter these effects by improving efficiency and doing BMR to increase value addition.

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, 2009 to June 30, 2010 were Six. The attendance of the directors is as under:

Name of Directors	Meeting Attended
Faisal Ahmed	6
Maliha Faisal	6
Muhammad Yousuf Ahmed	6
Muhammad Ali Ahmed	6
Mrs. Hajra Ahmed	4
Muhammed Iqbal ur Rahim	4
Sarah Ahmed	2

- 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, 2009 to June 30, 2010 the trading in the shares of the Company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is annexed.

STATEMENT ON VALUE OF STAFF RETIREMENT BENEFIT

As on June 30, 2010 deferred liability for gratuity is Rs.24.747 Million.

AUDITORS

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

CORPORATE SOCIAL RESPONSIBILITY

At Artistic Denim Mills Ltd, the Management is committed to:

Effectively implement the requirements of SA 8000:2008 standard, all applicable International, National and local legal requirements regarding social accountability at ADM.

Communicate and train all Staff & Workers of ADM regarding Social Management System, which helps to achieve Continual Improvement in ADM's working environment.

Provide safe, healthy and helpful working environment to all Staff & Workers.

Ensure the availability of Social Policy for any interested party, suppliers and the general public.

Energy conservation

ADM has installed most modern captive power plants at all its sites to keep running with a low cost power at all the divisions like Spinning, Weaving, and Garment units without any failures. This also played a vital role to maintain an extra ordinary record of timely shipments. The plants are based on natural gas fired generators which besides generating electricity efficiently produce steam through exhaust gas and chilling through hot water from engine cooling system. This concept utilizes the fuel to the fullest, in order to mitigate the power crises being faced by the country.

Environmental protection measures

Water is a vital natural resource and is a synonym for life.

In today's rapidly growing world this resource is getting scarce, hence our responsibility to conserve it is growing. We are an environment friendly company with and effluent water treatment facilities meeting toughest international standards.

Community investment and welfare schemes

- **Training**
Employees from marketing, finance, audit and human resource are regularly sent for attending seminars and workshops to keep them aware of recent development of the industry.
- **Fire fighting**
Monthly fire fighting drills are being conducted, in which staff members of each department participate to keep them equipped with the latest safety trends.
- **Hajj tours**
A tradition in ADM of sending some employees to pilgrim of holy place of Makkah and Medina through balloting each year.

Consumer protection measures

"Do We Respect Our Mother Nature"

"Jean are a good place to start going green"

The most important product range from ADM ORGANIC DENIM Series made with 100% organic cotton, free from chemical fertilizers, pesticides and insecticides every step of the production follows sustainable textile detailed and accurate rules that make it ORGANIC DENIM. The cotton comes from organic production, spinning and finishing of the yarn is also carried out according to ecological procedures.

Benefits to the consumer:

- Environmentally friendly sophisticated denim.
- Better to wear
- Softer than conventional denim
- Non chemical fertilizers, pesticides and insecticides.

Certified by Control Union:

GOTS/EKO Sustainable Textile
ORGANIC EXCHANGE

Employment of special persons

ADM is well aware of its responsibility of employment of disabled person. There are 6% disabled employees in its dedicated team.

Occupational safety and health

Control, monitor and minimize the generation of waste, emissions to air, water and land; and are committed to comply with all applicable legal requirements. Ensure adequate controls to prevent any adverse effect on the environment and to reduce or eliminate health and safety hazards. Practice efficient energy management with resource conservation and promote recycling, reuse, reduction and replacement wherever possible. Promote awareness, responsibility and commitment for the conservation of the global environment as well as health, safety and protection amongst all levels of employees.

Educate the employees on the issues of health, safety and environment. Work in a spirit of cooperation with the relevant authorities.

We ensure full commitment to these at all levels of management and conduct regular assessments and reviews to ensure the continuance of improved health, safety and environmental conditions and to confirm the effectiveness of the company's policy, objectives, targets and programs in this regard.

The company has provided health insurance coverage to its employees through ASIACARE Health & Life Insurance Company Limited as ADM takes the health of its employees seriously.

Contribution to national exchequer

ADM has contributed an amount of Rs.3.6 billion to national exchequer through exports.

In addition, payments to the Government Exchequer by the Company were around Rs.37 million on account of taxes, royalties, excise duty, sales tax, and dividend.

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.

Karachi: October 5, 2010

On Behalf of the Board



Faisal Ahmed
Chief Executive

YEAR WISE STATISTICAL SUMMARY

	2010	2009	2008	2007	2006	2005
(Rupees in '000).....					
ASSETS EMPLOYED						
Fixed assets	3,393,330	3,341,198	2,863,087	2,686,790	2,497,553	1,084,330
Capital work-in-progress	26,960	84,401	397,681	428,249	211,052	987,000
Long term loan	4,467	4,997	4,365	3,820	3,939	1,879
Long term deposits	777	979	798	800	467	446
Net current Assets/(Liabilities)	(204,701)	(259,182)	65,160	(99,398)	60,937	(79,542)
Total Assets Employed	3,220,833	3,172,393	3,331,091	3,020,261	2,773,948	1,994,113
FINANCED BY						
Shareholders equity	2,847,793	2,681,257	2,472,836	2,123,252	1,716,806	1,359,108
Long term financing	348,293	471,430	799,889	810,138	811,111	367,143
Long term murabaha	-	-	42,498	70,830	233,333	257,857
Deferred Liability	24,747	19,706	15,868	16,041	12,698	10,005
	3,220,833	3,172,393	3,331,091	3,020,261	2,773,948	1,994,113
SALES & PROFITS						
Sales	3,671,610	3,125,384	2,436,268	2,488,086	2,485,949	3,196,198
Gross profit	766,715	697,984	638,014	741,492	745,022	856,539
Profit before taxation	370,925	410,338	373,722	438,286	500,490	651,798
Net profit after taxation	334,536	376,421	349,584	406,446	469,698	619,724
Bonus/Dividend %	20	20	20	400	80	40
Un-appropriated profit	2,007,793	1,841,257	1,632,836	1,423,252	1,471,806	1,114,108

PATTERN OF SHAREHOLDING

Number of Shareholders	Shareholdings		Total Number of Share Held
	From	To	
159	1	100	8,017
238	101	500	83,774
219	501	1000	175,616
302	1001	5000	711,530
54	5001	10000	398,317
25	10001	15000	320,162
7	15001	20000	127,400
4	20001	25000	91,688
1	25001	30000	28,097
6	30001	35000	204,000
4	35001	40000	154,060
1	40001	45000	42,858
3	45001	50000	148,451
2	50001	55000	102,500
2	55001	60000	118,505
1	95001	100000	100,000
1	105001	110000	108,221
1	110001	115000	113,154
1	145001	150000	150,000
1	195001	200000	200,000
1	250001	255000	253,600
1	310001	315000	310,258
1	595001	600000	600,000
1	800001	805000	800,958
1	905001	910000	905,613
2	995001	1000000	2,000,000
1	1000001	1005000	1,000,500
1	1320001	1325000	1,320,200
1	1345001	1350000	1,347,276
1	1480001	1485000	1,481,829
1	1600001	1605000	1,601,462
1	1765001	1770000	1,767,000
1	1815001	1820000	1,818,700
1	5995001	6000000	6,000,000
1	8725001	8730000	8,726,400
1	1529500	15300000	15,299,200
1	35380001	35385000	35,380,654
1,050			84,000,000

PATTERN OF SHAREHOLDING

Categories of Shareholders	Shares Held	Percentage
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS		
MYBANK LIMITED	1,000	
Sub-total:	1,000	0.00
INSURANCE COMPANIES		
CENTURY INSURANCE COMPANY LTD.	2,880	
STATE LIFE INSURANCE CORP. OF PAKISTAN	1,767,000	
Sub-total:	1,769,880	2.10
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN		
MUHAMMAD YOUSUF AHMED	100,000	
MUHAMMAD ALI AHMED	42,858	
MALIHA FAISAL	15,299,200	
MUHAMMAD IQBAL-UR-RAHIM	600	
SARAH AHMED	1,000,500	
HAJRA AHMED	310,258	
FAISAL AHMED	41,380,654	
Sub-total:	58,134,070	69.21
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES		
ARTISTIC PROPERTIES (PVT) LIMITED	1,819,700	
Sub-total:	1,819,700	2.17
MODARABAS AND MUTUAL FUNDS		
GOLDEN ARROW SELECTED STOCKS FUND LTD	800,958	
CDC-TRUSTEE PICIC INVESTMENT FUND LTD	1,481,829	
CDC-TRUSTEE PAK. STOCK MARKET FUND LTD	253,600	
PAKISTAN PREMIER FUND LTD	113,154	
CDC - TRUSTEE AKD OPPORTUNITY FUND LTD	905,613	
B.R.R. GUARDIAN MODARABA LTD	35,000	
CDC - TRUSTEE PICIC GROWTH FUND LTD	1,601,462	
Sub-total:	5,191,616	6.18
NIT AND ICP		
INVESTMENT CORP, OF PAKISTAN	500	
IDBP (ICP UNIT)	2,500	
Sub-total:	3,000	0.00
FOREIGN INVESTORS		
MIZUE MUKAI	120	
AKIKO MAHREEN	120	
MOHAMMAD HAROON NUR REHMAN ABDLLA KHAN	12,400	
Sub-total:	12,640	0.02

PATTERN OF SHAREHOLDING

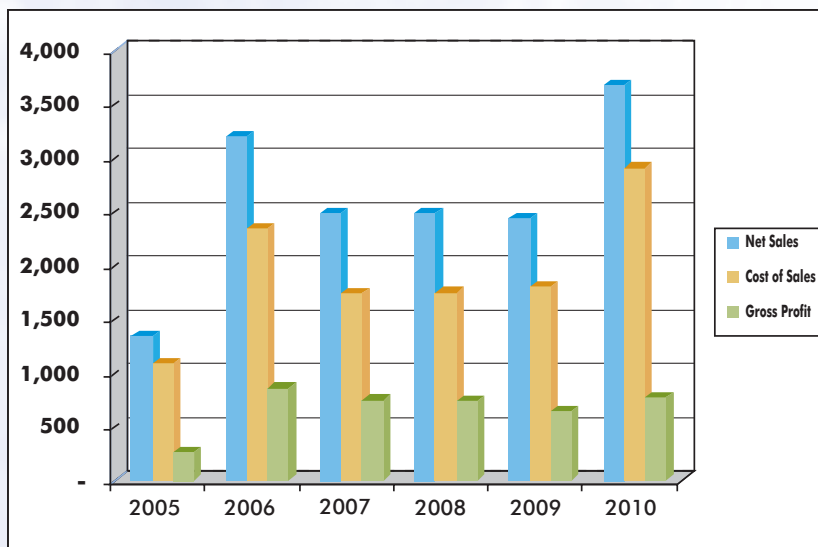
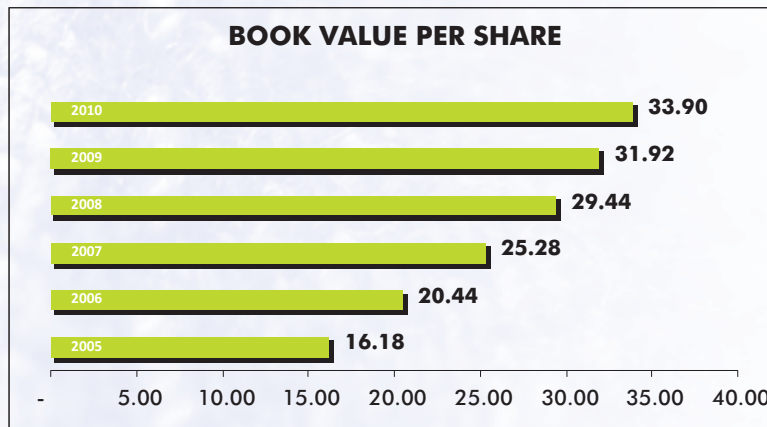
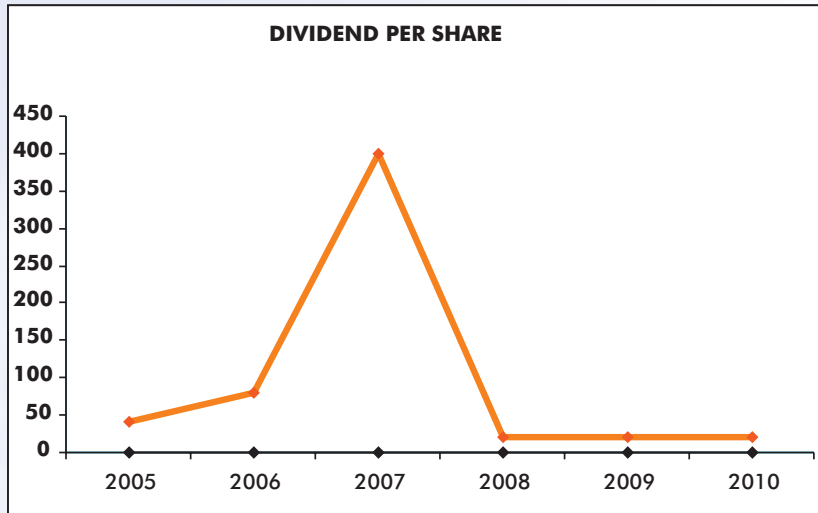
Categories of Shareholders	Shares Held	Percentage
OTHERS		
TIME SECURITIES (PVT) LTD	1,000	
H.S.Z. SECURITIES (PVT) LTD	160	
HH MISBAH SECURITIES (PVT) LTD	11,000	
TRUSTEES D.G.KHAN CEMENT CO. LTD EMP. P.F	31,000	
GENERAL INVEST. & SECURITIES (PVT) LTD	6,000	
B & B SECURITIES (PVT) LTD	16,600	
SIDDIQSONS TIN PLATE LTD	35,000	
STOCK STREET (PRIVATE) LTD	200	
ZAFAR SECURITIES (PVT) LTD	20	
Y.S. SECURITIES & SERVICES (PVT) LTD	9,710	
DARSON SECURITIES (PVT) LTD	2,640	
MOOSANI SECURITIES (PVT) LTD	12,700	
M. MUNIR M. AHMED KHANANI SEC	1,000	
MAAN SECURITIES (PVT) LTD	5,001	
STOCK MASTER SECURITIES (PVT) LTD	200	
MSMANIAR FINANCIALS (PVT) LTD	1,347,276	
BEAMING INVEST & SECURITIES (PVT) LTD	100	
BEEFLOW PRIVATE LTD	10,000	
PEARL CAPITAL MANAGEMENT (PVT) LTD	10	
AQEEL KARIM DHEDHI SECURITIES (PVT) LTD	37,000	
MOONACO SECURITIES (PVT) LTD	21,000	
SEVEN STAR SECURITIES (PVT) LTD	198,221	
AMCAP SECURITIES (PVT) LTD	1,000	
LIVE SECURITIES LTD	1,000	
HIGHLINK CAPITAL (PVT) LTD	13,600	
CAPITAL VISION SECURITIES (PVT) LTD	880	
Sub-total:	1,762,318	2.10
INDIVIDUAL		
Local - Individuals	15,305,776	
Sub-total:	15,305,776	18.22
Grand total:	84,000,000	100.00

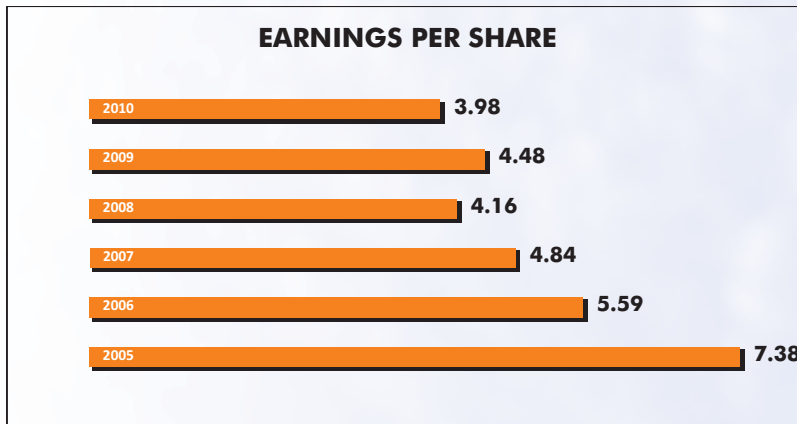
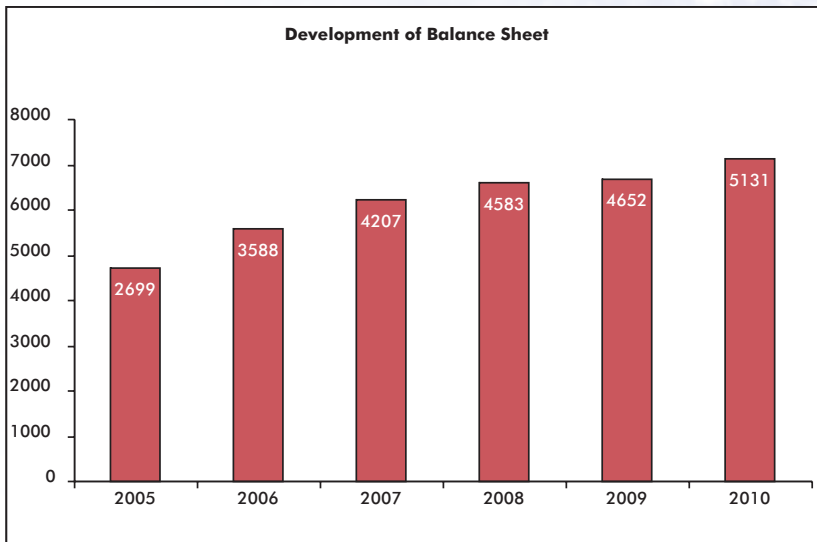
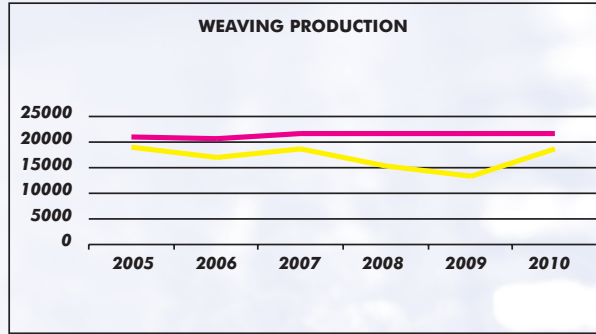
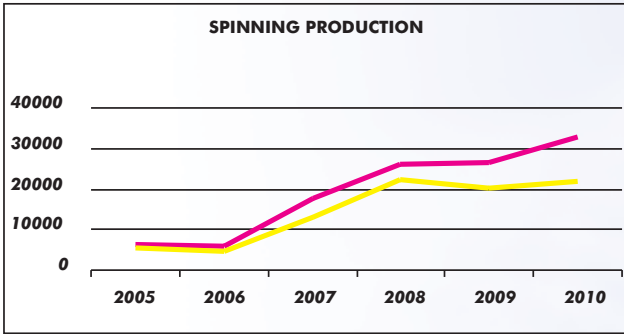
PERFORMANCE AT A GLANCE

	2010	2009
FINANCIAL RATIOS		
Gross Profit - % of sales	20.88	22.33
Profit before taxation - % of sales	10.10	13.13
Net Profit after taxation - % of sales	9.11	12.04
Basic Earning per share	3.98	4.48
Increase / Decrease in sale - %	17.48	28.29
Raw and Packing Materials - % of sales	54.73	49.12
Labour - % of sales	9.85	8.56
Other Cost of goods manufactured - % of sales	25.34	19.83
Distribution costs - % of sales	3.52	3.04
Administrative expenses - % of sales	1.42	1.43
Finance costs - % of sales	4.35	5.96
Taxation - % of sales	0.99	1.09
Inventory turnover-days	62.61	110.00
Receivable turn over-days	49.53	46.00
SHORT TERM SOLVENCY		
Current Ratio	0.89	0.82
Acid test ratio	0.37	0.34
OVERALL VALUATION AND ASSESSMENT		
Return on capital employed before taxation (average)	13.42	18.81
P.E. Ratio	5.13	5.01
Book value per share	33.90	31.92
Long Term debts : equity	11:89	15:85

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	Purchase	Sold / Gift	Closing Balance
FAISAL AHMED	39,883,884	1,496,770	-	41,380,654
YOUSUF AHMED	9,603,600	-	9,503,600	100,000
SARA AHMED	500	1,000,000	-	1,000,500





STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2010

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 NBFII 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.
10. During the year there were no new appointment of Chairperson, CEO, Directors, Chief Financial Officer, Company Secretary and Head of Internal audit.
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, all the three members including the Chairman are non-executive directors.
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 related party transactions have been placed before the Audit Committee and approved by the Board of Directors along with pricing methods for transactions carried out on terms equivalent to those that prevail in the arm's length transactions.
18. The Board has set-up an effective internal audit function.
19. 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.
20. 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: October 5, 2010

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.

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 30 June 2010.

Karachi-



Chartered Accountants

05 October 2010

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ARTISTIC DENIM MILLS LIMITED (the Company) as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, 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, except for the changes, as stated in note 3.3, with which we concur;
 - (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, statement of comprehensive income, 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 2010 and of the profit, comprehensive income, 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.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner's Name: Pervez Muslim

Date: 05 October 2010


Place: Karachi

BALANCE SHEET

as at June 30, 2010

	Note	June 30, 2010	June 30, 2009
Rupees in '000			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	3,420,290	3,425,599
Long-term loans	5	4,467	4,997
Long-term deposits	6	777	979
CURRENT ASSETS			
Stores and spares	7	94,518	58,220
Stock-in-trade	8	901,334	654,557
Trade debts	9	579,728	416,740
Loans and advances	10	14,118	20,854
Trade deposits and prepayments	11	843	7,482
Other receivables	12	54,045	38,508
Short-term investments	13	14,623	12,200
Taxation - net	14	11,643	4,165
Cash and bank balances	15	34,965	7,481
		1,705,817	1,220,207
TOTAL ASSETS		5,131,351	4,651,782
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Share capital	16	840,000	840,000
Reserve	17	2,007,793	1,841,257
		2,847,793	2,681,257
NON-CURRENT LIABILITIES			
Long-term financing	18	348,293	471,430
Deferred liability	19	24,747	19,706
CURRENT LIABILITIES			
Trade and other payables	20	230,549	257,118
Accrued mark-up	21	40,666	23,707
Short-term borrowings	22	1,463,296	1,027,269
Current maturity of long term financing	23	176,007	171,295
		1,910,518	1,479,389
CONTINGENCIES AND COMMITMENTS	24		
TOTAL EQUITY AND LIABILITIES		5,131,351	4,651,782

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


Faisal Ahmed
 Chief Executive


Muhammad Ali Ahmed
 Director

PROFIT AND LOSS ACCOUNT

for the year ended June 30, 2010

	Note	June 30, 2010	June 30, 2009
Rupees in '000			
NET SALES	25	3,671,610	3,125,384
Cost of sales	26	(2,904,895)	(2,427,400)
GROSS PROFIT		766,715	697,984
Distribution costs	27	(129,198)	(94,933)
Administrative expenses	28	(52,304)	(44,819)
Other operating expenses	29	(83,949)	(36,854)
Other operating income	30	29,224	75,238
		(236,227)	(101,368)
OPERATING PROFIT		530,488	596,616
Finance costs	31	(159,563)	(186,278)
PROFIT BEFORE TAXATION		370,925	410,338
Taxation	32	(36,389)	(33,917)
NET PROFIT FOR THE YEAR		334,536	376,421
EARNINGS PER SHARE - BASIC AND DILUTED (Rs. per share)	33	3.98	4.48

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


Faisal Ahmed
 Chief Executive


Muhammad Ali Ahmed
 Director

STATEMENT OF COMPREHENSIVE INCOME

for the year ended June 30, 2010

Note	June 30, 2010	June 30, 2009
	Rupees in '000	
Net profit for the year	334,536	376,421
Other comprehensive income	-	-
Total comprehensive income for the year	334,536	376,421

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


Faisal Ahmed
 Chief Executive


Muhammad Ali Ahmed
 Director

CASH FLOW STATEMENT

for the year ended June 30, 2010

	Note	June 30, 2010	June 30, 2009
Rupees in '000			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	309,765	938,171
Taxes paid		(45,773)	(37,920)
Gratuity paid		(1,394)	(2,597)
Finance costs paid		(142,603)	(193,437)
Long term deposits		202	(181)
Net cash generated from operating activities		120,197	704,036
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(251,714)	(365,267)
Long term loans		530	(632)
Sale proceeds of operating fixed assets		6,963	730
Dividend received		1,354	-
Short-term investments		-	(12,200)
Net cash used in investing activities		(242,867)	(377,369)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing acquired		166,784	50,512
Long term financing repaid		(285,210)	(478,285)
Long term murabaha repaid		-	(70,830)
Short term borrowings acquired		318,273	220,185
Dividend paid		(167,447)	(167,590)
Net cash generated from / (used in) financing activities		32,400	(446,008)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(90,270)	(119,341)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(52,061)	67,280
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	35	(142,331)	(52,061)

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



Faisal Ahmed
Chief Executive




Muhammad Ali Ahmed
Director

STATEMENT OF CHANGES IN EQUITY

for the year ended June 30, 2010

	Share Capital	Revenue Reserve	
	Issued, Subscribed and paid-up	Unappropriated profit	Total
..... Rupees in '000			
Balance as at June 30, 2008	840,000	1,632,836	2,472,836
Net profit for the year	-	376,421	376,421
Other comprehensive income	-	-	-
Total comprehensive income	-	376,421	376,421
Cash dividend paid @ Rs.2 per Ordinary share of Rs.10 each for the year ended June 30, 2008	-	(168,000)	(168,000)
Balance as at June 30, 2009	840,000	1,841,257	2,681,257
Net profit for the year	-	334,536	334,536
Other comprehensive income	-	-	-
Total comprehensive income	-	334,536	334,536
Cash dividend paid @ Rs.2 per Ordinary share of Rs.10 each for the year ended June 30, 2009	-	(168,000)	(168,000)
Balance as at June 30, 2010	840,000	2,007,793	2,847,793

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


Faisal Ahmed
 Chief Executive


Muhammad Ali Ahmed
 Director

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2010

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, except for investment which are carried at fair value.

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 standards or interpretations:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)	February 01, 2010
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application, except for the implementation of IAS - 24 "Related Party Disclosures (Revised)", which may effect certain disclosures.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

3.3 Changes in accounting policies and disclosures as a result of adoption of new and amended accounting standards

During the current year, the Company adopted the following new and amended IFRS as of July 01, 2009, resulting in extended presentation and disclosure changes, as described below:

IAS 1 - "Presentation of Financial Statements (Revised)"

The revised IAS 1 was issued in September 2007 and became effective for financial years beginning on or after January 01, 2009. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard has introduced the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. Accordingly, the Company has opted to prepare two statements in these financial statements. Comparative information has also been re-presented to bring it in conformity with the revised standard.

The revised IAS 1 also requires that when the entity applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, it should present a restated financial position (balance sheet) as at beginning of comparative period in addition to the current requirement of presenting the balance sheet as at the end of the current and the comparative period.

IFRS 7 - "Financial Instruments: Disclosures" (Amendments)

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. The fair value measurement and the liquidity risk disclosures are not significantly impacted by the amendments.

IFRS 8 - "Operating Segments"

IFRS - 8 replaces IAS 14, 'Segment Reporting'. It requires a 'management approach', under which segment information is presented on the same basis as that used for internal purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker.

The management has determined that the Company has a single reportable segment as the Chief Operating decision maker views the Company's operations as one reportable segment.

3.4 Standards or interpretations effective in 2010 but not relevant to the Company

The following standards and interpretations are effective for financial periods beginning on or after July 1, 2009 but are either not relevant or do not have any effect / material effect on the financial statements of the Company:

- IFRS 2 - Share Based Payment - Amendments regarding Vesting Conditions and Cancellations (Amendment)
- IFRS 3 - Business Combinations (Revised)
- IAS 27 - Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)
- IAS 27 - Consolidated and Separate Financial Statements (Amendment)
- IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)
- IAS 39 - Financial Instruments: Recognition and Measurement - Eligible hedged items (Amendments)

- IFRIC 15 - Agreements for the Construction of Real Estate
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 - Distributions of Non-cash Assets to owners
- IFRIC 18 - Transfers of Assets from Customers

3.5 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 realisable value of stock in trade to assess any diminution in the respective carrying values. Net realisable 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 unrecognised 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

3.6 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, less there residual value, 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.

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 recognised 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.

3.7 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.

3.8 Stores and spares

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

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

3.9 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 labour 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.

3.10 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.

3.11 Loans, advances and other receivables

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

3.12 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.

3.13 Interest / Mark-up bearing loans and borrowings

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

Loans and borrowings are subsequently stated at amortised 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 recognised in profit and loss account when the liabilities are derecognised as well as through amortisation process.

3.14 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.

3.15 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.

3.16 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, 2009. 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 12% per annum.
- Expected discount rate is 13% per annum.

3.17 Actuarial gains and losses

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

3.18 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 12% per annum.

3.19 Research and development support

These are recorded on cash basis.

3.20 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.

3.21 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.

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.

3.22 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

3.23 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account.

3.24 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.

3.25 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.

3.26 Related party transactions

Related party transactions are stated at arm's length basis substantiated in the manner given in note 39 to the financial statements.

3.27 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

	Note	June 30, 2010	June 30, 2009
		Rupees in '000	
Operating fixed assets	4.1	3,393,330	3,341,198
Capital work-in-progress	4.2	26,960	84,401
		3,420,290	3,425,599

4.1 Operating fixed assets

Note	C O S T				Period / Rate %	ACCUMULATED DEPRECIATION / AMORTISATION			WRITTEN DOWN VALUE	
	As at July 01, 2009	Additions	(Disposals)	As at June 30, 2010		As at July 01, 2009	For the Year	(On disposal)	As at June 30, 2010	As at June 30, 2010
.....Rupees in '000.....										
June 30, 2010										
Leasehold land	1,211,663	-	-	1,211,663	65 to 86 yrs	67,209	15,188	-	82,397	1,129,266
Building on leasehold land	4.1.1 851,681	101,306	-	952,987	10	172,737	69,096	-	241,833	711,154
Plant and machinery	4.1.1 2,396,964	191,233	(64,600)	2,523,597	10	954,827	145,606	(48,011)	1,052,422	1,471,175
Factory equipment	4.1.1 98,377	4,137	-	102,514	10	43,787	5,603	-	49,390	53,124
Furniture and fixtures	7,512	50	-	7,562	10	3,968	357	-	4,325	3,237
Office equipment, including computers	15,499	1,606	-	17,105	33	11,992	1,589	-	13,581	3,524
Vehicles	26,694	10,823	-	37,517	20	12,672	2,995	-	15,667	21,850
	<u>4,608,390</u>	<u>309,155</u>	<u>(64,600)</u>	<u>4,852,945</u>		<u>1,267,192</u>	<u>240,434</u>	<u>(48,011)</u>	<u>1,459,615</u>	<u>3,393,330</u>

Note	C O S T				Period / Rate %	ACCUMULATED DEPRECIATION / AMORTISATION			WRITTEN DOWN VALUE	
	As at July 01, 2008	Additions	(Disposals)	As at June 30, 2009		As at July 01, 2008	For the Year	(On disposal)	As at June 30, 2009	As at June 30, 2009
.....Rupees in '000.....										
June 30, 2009										
Leasehold land	1,211,663	-	-	1,211,663	65 to 86 yrs	52,021	15,188	-	67,209	1,144,454
Building on leasehold land	4.1.1 384,622	467,059	-	851,681	10	143,111	29,626	-	172,737	678,944
Plant and machinery	4.1.1 2,209,071	187,893	-	2,396,964	10	808,760	146,067	-	954,827	1,442,137
Factory equipment	4.1.1 83,964	14,413	-	98,377	10	38,973	4,814	-	43,787	54,590
Furniture and fixtures	7,512	-	-	7,512	10	3,574	394	-	3,968	3,544
Office equipment, including computers	14,223	1,588	(312)	15,499	33	10,727	1,551	(286)	11,992	3,507
Vehicles	19,698	7,594	(598)	26,694	20	10,500	2,260	(88)	12,672	14,022
	<u>3,930,753</u>	<u>678,547</u>	<u>(910)</u>	<u>4,608,390</u>		<u>1,067,666</u>	<u>199,900</u>	<u>(374)</u>	<u>1,267,192</u>	<u>3,341,198</u>

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

	Note	June 30, 2010	June 30, 2009
Rupees in '000			
Building on leasehold land	4.1	101,306	467,059
Plant and machinery	4.1	191,233	187,893
Factory equipment	4.1	4,137	14,413
		<u>296,676</u>	<u>669,365</u>

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

	Note	June 30, 2010	June 30, 2009
Rupees in '000			
Cost of sales	26.1	221,921	184,508
Distribution costs	27	480	400
Administrative expenses	28	18,033	14,992
		<u>240,434</u>	<u>199,900</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							
Plant and machinery	16,000	13,258	2,742	4,000	1,258	Negotiation	A.J. Industries, Karachi
Plant and machinery	8,600	7,297	1,303	600	(703)	Negotiation	Memon Traders, Karachi
Plant and machinery	29,911	22,237	7,673	600	(7,073)	Negotiation	Memon Traders, Karachi
Plant and machinery	10,089	5,219	4,870	1,763	(3,107)	Negotiation	Butt Technical Services, Karachi
June 30, 2010	64,600	48,011	16,588	6,963	(9,625)		
June 30, 2009	910	374	536	730	194		

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

4.2 Capital work-in-progress

As at July 01, 2009		59,844	16,596	-	7,961	84,401
Additions during the year		51,192	183,856	4,137	50	239,235
Transfer to operating fixed assets		(101,306)	(191,233)	(4,137)	-	(296,676)
Transfer from advances		2,397	896	-	(3,293)	-
June 30, 2010		12,127	10,115	-	4,718	26,960
June 30, 2009		59,844	16,596	-	7,961	84,401

5. LONG-TERM LOANS

	Note	June 30, 2010	June 30, 2009
Rupees in '000			
Considered good - secured			
Executives	5.1	3,661	4,444
Employees		4,384	3,961
		<u>8,045</u>	<u>8,405</u>
Recoverable within one year shown under current assets			
Executives		(1,590)	(1,731)
Employees		(1,988)	(1,677)
	10	<u>(3,578)</u>	<u>(3,408)</u>
		<u>4,467</u>	<u>4,997</u>
Outstanding for a period exceeding three years		620	1,127
Others		3,847	3,870
		<u>4,467</u>	<u>4,997</u>

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 (2009: 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.5.753 (2009: Rs.4.711) million.

Note	June 30, 2010	June 30, 2009
5.1 Reconciliation	Rupees in '000	
Opening balance	4,444	2,949
Disbursements during the year	2,310	3,953
	<u>6,754</u>	<u>6,902</u>
Recoveries during the year	(3,093)	(2,458)
	<u>3,661</u>	<u>4,444</u>
6. LONG-TERM DEPOSITS		
Security deposits		
Utilities	524	656
Others	253	323
	<u>777</u>	<u>979</u>
7. STORES AND SPARES		
Stores		
In hand	55,773	33,004
Spares		
In hand	38,745	20,206
In transit	-	5,010
	<u>38,745</u>	<u>25,216</u>
	<u>94,518</u>	<u>58,220</u>
8. STOCK-IN-TRADE		
Raw and packing materials		
In hand	407,725	321,082
In transit	31,163	23,372
	<u>438,888</u>	<u>344,454</u>
Work-in-process	407,837	290,514
Finished goods	54,609	19,589
	<u>901,334</u>	<u>654,557</u>

	Note	June 30, 2010	June 30, 2009
Rupees in '000			
9. TRADE DEBTS			
Considered good			
Secured - against letters of credit		256,011	160,154
Unsecured			
Related parties:			
Artistic Apparels		43,688	3
Casual Sportswear		61,600	36,031
		105,288	36,034
Others		218,429	220,552
		323,717	256,586
Considered doubtful			
Others		6,151	-
Provision there against	29	(6151)	-
		-	-
		579,728	416,740

9.1 As at June 30, 2010, the ageing analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			> 30 days upto 1 year	> 1 year upto 2 years	> 2 years and above
----- Rupees in '000 -----					
June 30, 2010	579,728	259,393	310,873	8,962	500
June 30, 2009	416,740	237,601	171,741	747	6,651

	Note	June 30, 2010	June 30, 2009
Rupees in '000			
10. LOANS AND ADVANCES			
Considered good			
Loans - secured			
Current portion of long term loans			
Executives		1,590	1,731
Employees		1,988	1,677
	5	3,578	3,408
Short term loans			
Executives		788	55
Employees		348	368
	10.1	1,136	423
Advances - unsecured			
Suppliers		8,855	16,062
Labour contractors		549	961
		9,404	17,023
		14,118	20,854

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 PREPAYMENTS

	Note	June 30, 2010	June 30, 2009
Rupees in '000			
Trade deposits			
Deposits		130	708
LC Margin		-	3,699
Prepayments			
Insurance		638	2,731
Others		75	344
		<u>713</u>	<u>3,075</u>
		<u>843</u>	<u>7,482</u>

12. OTHER RECEIVABLES

Duty draw back on export sales		25,202	12,925
Sales tax - net		19,212	14,916
Refund of custom duty	12.1	8,434	8,434
Research and Development Support	12.2	1,197	2,233
		<u>54,045</u>	<u>38,508</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 Company has already filed refund claim with the Custom Authorities and expects the recovery of the same in the near future.

	Note	June 30, 2010	June 30, 2009
Rupees in '000			
12.2 Research and Development Support			
Opening balance		2,233	(13,912)
Support received on account of Research and Development	12.2.1	(17,824)	(7,294)
		<u>(15,591)</u>	<u>(21,206)</u>
Less: Expenses incurred thereagainst:			
Product development		-	70
Upgrade of information technology		24	930
Market research		10,417	22,439
Participation in exhibitions		6,347	-
		<u>16,788</u>	<u>23,439</u>
		<u>1,197</u>	<u>2,233</u>

12.2.1 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, 2010	June 30, 2009
13. SHORT-TERM INVESTMENTS				
At fair value through profit and loss			Rupees in '000	
Listed equity securities				
Numbers of Ordinary shares of Rs.10 each				
2010	2009			
225,000	180,000	National Bank of Pakistan	14,423	12,065
1,155	1,050	Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	200	135
			14,623	12,200

The aggregate cost of the above referred investments is Rs.12.200 (2009: 17.402) million. Resulting unrealised gain of Rs.2.423 (2009: loss of Rs.5.201) million, arising from a change in the fair value of these investments during the current year, has been recognised directly in the profit and loss account to restate the same at their fair value.

		Note	June 30, 2010	June 30, 2009
14. TAXATION - Net				
			Rupees in '000	
Provision for income tax - current		32	(36,361)	(33,917)
Advance income tax			48,004	38,082
			11,643	4,165
15. CASH AND BANK BALANCES				
Cash In hand			60	74
At banks in current accounts			34,905	7,407
			34,965	7,481

16. SHARE CAPITAL

No. of Shares				
June 30, 2010	June 30, 2009			
100,000,000	100,000,000	Authorised share capital	1,000,000	1,000,000
		Ordinary shares of Rs.10 each		
14,000,000	14,000,000	Issued, subscribed and Paid-up capital	140,000	140,000
		Ordinary shares of Rs.10 each fully paid in cash		
70,000,000	70,000,000	Ordinary shares of Rs.10 each issued as fully paid bonus shares	700,000	700,000
84,000,000	84,000,000		840,000	840,000

	Note	June 30, 2010	June 30, 2009
17. RESERVE		Rupees in '000	
Revenue reserve			
Unappropriated profit		2,007,793	1,841,257
18. LONG-TERM FINANCING			
From Banking Companies and Financial Institutions - secured			
Term finances from banks	18.1	4,859	210,644
Term finances from banks under the State Bank of Pakistan's scheme for Export Oriented Projects and Long-Term Financing Facility	18.2	519,441	432,081
		524,300	642,725
Current maturities shown under current liabilities			
Term finances from banks		(607)	(90,430)
Term finances from banks under the State Bank of Pakistan's (SBP's) scheme for Export Oriented Projects and Long-Term Financing Facility		(175,400)	(80,865)
	23	(176,007)	(171,295)
		348,293	471,430

18.1 Term finances from banks

The balance outstanding of Rs.4.859 (2009: Nil) million at the end of the year represents term finances obtained by the Company for the purposes of capital expenditure and rationalising the financial structure of the Company. The said loan is repayable in 16 equal quarterly installments, commencing March 31, 2011 to December 31, 2014. It carries mark-up at 6 months KIBOR plus 1.5% per annum, payable quarterly. The said loan along with the term finance from banks under SBP's Scheme for LTFF [note 18.2(i)] is secured against the hypothecation of specific plant and machinery, aggregating to Rs.9.900 million, and a promissory note of Rs.8.665 million.

18.2 Term finances from banks under the State Bank of Pakistan (SBP's) scheme for Export Oriented Projects (EOP) and Long-Term Financing Facility (LTFF)

The balance outstanding of Rs.519.441 (2009: Rs.432.081) million at the end of the current year comprises of the following 12 (2009: eight) separate local currency loans:

- (a) Rs.122.689 (2009: Rs.163.585) 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 loan is repayable in 9 equal half yearly installments, commencing December 14, 2006 to December 14, 2011, carrying mark-up at the SBP Refinance rate for 3 to 7.5 years (i.e. 5% per annum) plus 2% (2009: 3 to 7.5 years (i.e. 5%) plus 2%) per annum, which is payable quarterly on the principal sum of loans outstanding from time to time.

The said loan 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.57.502 (2009: Rs.76.669) 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 loan is repayable in 9 equal half yearly installments, commencing December 14, 2006 to December 14, 2011, carrying mark-up at the SBP Refinance rate for 3 to 7.5 years (i.e. 5%) plus 2% (2009: 3 to 7.5 years (i.e. 5%) plus 2%) per annum, which is payable quarterly on the principal sum of loans outstanding from time to time.

The said loan 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.

- (c) Rs.104.785 (2009: Rs.116.130) million obtained for 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 loan is repayable in 22 equal quarterly installments, commencing September 21, 2008 to December 21, 2014, carrying mark-up at the SBP Refinance rate for 3 to 7.5 years (i.e., 5%) plus 1% per annum, which is payable quarterly on the principal sum of loans outstanding from time to time.

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

- (d) Rs.17.282 (2009: Rs.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 loan is repayable in 22 equal quarterly installments, commencing March 25, 2009 to June 25, 2015, carrying mark-up at the SBP Refinance rate for 3 to 7.5 years (i.e. 5%) plus 1% (2009: 3 to 7.5 years (i.e. 5%) plus 1%) per annum, which is payable quarterly on the principal sum of loans outstanding from time to time.

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

- (e) Rs.4.010 (2009: Rs.4.010) million 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 loan is repayable in 22 equal quarterly installments, commencing September 26, 2009 to December 26, 2015, carrying mark-up at the SBP Refinance rate for 3 to 7.5 years (i.e. 5%) plus 1% per annum, which is payable quarterly on the principal sum of loans and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs.4.090 million.

- (f) Rs.3.893 (2009: Rs.3.893) million 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 loan is repayable in 22 equal quarterly installments, commencing August 15, 2009 to November 15, 2015, carrying mark-up at the SBP Refinance rate for 3.0 to 7.5 years (i.e. 5%) plus 1% per annum, which is payable quarterly on the principal sum of loans and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs.3.890 million.

- (g) Rs.22.980 (2009: Rs.24.512) million refinanced by the Company against the import of eligible plant and machinery during the current year from a bank under the SBP's LTFF Scheme against the import of eligible plant and machinery.

The loan is repayable in 16 equal quarterly installments, commencing March 16, 2010 to December 16, 2013, carrying mark-up at the SBP Refinance rate of 6.5% plus 2.5% per annum, which is payable quarterly on the principal sum of loans and other dues, if any, outstanding from time to time.

The said loan, along with the loan term finance from bank under the SBP's scheme for export, is secured against the hypothecation of specific plant and machinery, aggregating to Rs.27.000 million and a demand promissory note of Rs.42.900 million.

- (h) Rs.24.375 (2009: Rs.26) million refinanced by the Company against the import of eligible plant and machinery, during the current year from a bank under the SBP's LTFF Scheme, against the import of eligible plant and machinery.

The loan is repayable in 16 equal quarterly installments, commencing March 26, 2010 to December 26, 2013, carrying mark-up at the SBP Refinance rate of 6.5% plus 2.5% per annum, which is payable quarterly on the principal sum of loans and other dues, if any, outstanding from time to time.

The said loan along with the loan term finance from bank under the SBP's scheme for export is secured against the hypothecation of specific plant and machinery, aggregating to Rs.26.000 million and a demand promissory note of Rs.45.600 million.

- (i) Rs.4.859 (2009: Nil) million refinanced by the Company against the import of eligible plant and machinery, during the current year from a bank under the SBP's LTFF Scheme, against the import of eligible plant and machinery.

The loan is repayable in 16 equal quarterly installments, commencing March 26, 2010 to December 26, 2014, carrying mark-up at the SBP Refinance rate of 7.2% plus 2.0% per annum (2009: Nil), which is payable quarterly on the principal sum of loans and other dues, if any, outstanding from time to time.

The said loan along with the term finance from banks (note 18.1) is secured against the hypothecation of specific plant and machinery, aggregating to Rs.9.900 million and a promissory note of Rs.8.665 million.

- (j) Rs.71.077 (2009: Nil) million refinanced by the Company against the import of eligible plant and machinery, during the current year from a bank under the SBP's LTFF Scheme, against the import of eligible plant and machinery.

The loan is repayable in 16 equal quarterly installments, commencing May 22, 2010 to February 26, 2015, carrying mark-up at the SBP Refinance rate of 7.9% plus 2.0% per annum, which is payable quarterly on the principal sum of loans and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs.76.000 million and a demand promissory note of Rs.168.820 million.

- (k) Rs.6.770 (2009: Nil) million refinanced by the Company against the import of eligible plant and machinery, during the current year from a bank under the SBP's LTFF Scheme, against the import of eligible plant and machinery.

The loan is repayable in 16 equal quarterly installments, commencing June 16, 2011 to March 16, 2015, carrying mark-up at the SBP Refinance rate of 7.9% plus 2.0% per annum, which is payable quarterly on the principal sum of loans and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs.6.800 million and a promissory note of Rs.11.055 million.

- (I) Rs.79.220 (2009: Nil) million refinanced by the Company against the import of eligible plant and machinery, during the current year from a bank under the SBP's LTFF Scheme, against the import of eligible plant and machinery.

The loan is repayable in 16 equal quarterly installments, commencing March 16, 2011 to December 16, 2015, carrying mark-up at the SBP Refinance rate of 7.2% plus 2.0% per annum, which is payable quarterly on the principal sum of loans and other dues, if any, outstanding from time to time.

The said loan is secured against the hypothecation of specific plant and machinery, aggregating to Rs.86.000 million and a promissory note of Rs.150.493 million.

Apart from specific charges mentioned in note 18.2(c) to note 18.2(h), these loans are further secured against first equitable mortgage on immoveable property and hypothecation of plant and machinery, aggregating to Rs.670.000 (2009: Rs.670.000) million.

	Note	June 30, 2010	June 30, 2009
19. DEFERRED LIABILITY		Rupees in '000	
Employees' Gratuity	19.1	<u>24,747</u>	<u>19,706</u>

- 19.1** In accordance with the requirements of IAS-19 "Employee Benefits", actuarial valuation was carried out as at June 30, 2009, 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.

	June 30, 2010	June 30, 2009
	Per annum	
Discount rate	13%	13%
Salary increase	12%	12%

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

	Gratuity	
	June 30, 2010	June 30, 2009
(a) Movement in the liability finalised in the balance sheet	Rupees in '000	
Provision at July 01, 2009	19,706	15,868
Expense for the year	6,435	6,435
Benefits paid	(1,394)	(2,597)
Provision as at June 30, 2010	<u>24,747</u>	<u>19,706</u>
(b) Reconciliation		
Present value of defined benefit obligation	30,017	24,975
Actuarial losses un recognised	(5,270)	(5,269)
Provision as at June 30, 2010	<u>24,747</u>	<u>19,706</u>

	Gratuity	
	June 30, 2010	June 30, 2009
Rupees in '000		
(c) The amount finalised in the profit and loss account is determined as follows:		
Current service cost	4,278	4,278
Interest cost	2,139	2,139
Recognised actuarial losses	18	18
Expense for the year	6,435	6,435

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

As at June 30	2010	2009	2008	2007	2006
Rupees in '000					
Present value of defined benefit obligation	30,017	24,975	17,826	18,013	16,645
Experience adjustment					
Actuarial loss on obligation	18	18	14	340	431

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

	Note	June 30, 2010	June 30, 2009
Rupees in '000			
20. TRADE AND OTHER PAYABLES			
Trade			
Creditors		139,901	162,356
Other payables			
Accrued expenses		50,721	46,387
Advances from customers		3,518	15,288
Retention money		1,185	1,453
Workers' Profit Participation Fund	20.1	19,974	22,360
Workers' Welfare Fund	20.2	13,759	8,374
Tax deducted at source		324	286
Unclaimed dividend		1,167	614
		90,648	94,762
		230,549	257,118
20.1 Workers' Profit Participation Fund			
Balance at the beginning of the year		22,360	20,093
Allocation for the year	29	19,958	22,360
Interest on WPPF	29	291	307
		42,609	42,760
Payments made during the year		(22,635)	(20,400)
		19,974	22,360

	Note	June 30, 2010	June 30, 2009
Rupees in '000			
20.2 Workers' Welfare Fund			
Balance at the beginning of the year		8,374	16,982
Allocation for the year	29	7,983	8,374
Reversal		-	(16,982)
		16,357	8,374
Payments made during the year		(2,598)	-
		13,759	8,374
21. ACCRUED MARK-UP			
Accrued mark-up on:			
Long-term financing		169	400
Long-term finance - EOP and LTFF		5,817	3,247
Short-term running finances		7,686	1,754
Short-term loans		26,994	18,306
		40,666	23,707
22. SHORT-TERM BORROWINGS - secured			
From Banking Companies			
Short-term loans	22.1	1,286,000	967,727
Short-term running finances	22.2	177,296	59,542
		1,463,296	1,027,269
22.1 Short-term loans			
Export refinance - I		-	49,727
Export refinance - II	22.1.1	618,000	250,000
Export refinance - II	22.1.2	668,000	668,000
		1,286,000	967,727

22.1.1 During the current year, the Company arranged a facility for short-term loan under export refinance, amounting to Rs.618.000 (2009: Rs.250.000) million, from a commercial bank on mark-up basis, repayable by August 31, 2010. It is secured against the first pari passu specific charge on land, building and plant and machinery of Company, aggregating to Rs.824.000 million, and a demand promissory note of Rs.618.000 million.

The said export refinance carries mark-up at the rate of 1% (2009: 1%) per annum above the SBP's Minimum Export Refinance rate, payable quarterly.

22.1.2 This represents a separate export refinance facility, amounting to Rs.668.000 (2009: Rs.668.000) million, arranged by the Company from a commercial bank during the current year, repayable by August 31, 2010 and is secured against the export proceed realisation and registered charge over stock-in-trade, stores and spares and book debts, aggregating to Rs.891.000 million, and a demand promissory note of 668.000 million.

The said export refinance carries mark-up at the rate of 1% (2009: 1%) per annum above the SBP's Minimum Export Refinance rate, payable quarterly.

	Note	June 30, 2010	June 30, 2009
Rupees in '000			
22.2 Short-term running finance			
From a commercial bank	22.2.1	86,643	58,159
From a commercial bank	22.2.2	90,653	1,383
		177,296	59,542
22.2.1	This represents a running finance facility, amounting to Rs.300.000 (2009: Rs.200.000) million, arranged by the Company from a commercial bank, repayable latest by September 30, 2010 and is secured against the registered charge over stock-in-trade, stores and spares and book debts of the Company, amounting to Rs.533.000 million and a demand promissory note of Rs.200.000 million.		
	The loan carries mark-up at the rate of 1% (2009: 0.75%) over and above 3 months KIBOR rate, payable quarterly.		
22.2.2	This represents a running finance facility, amounting to Rs.150 (2009: Rs.200.000) million, arranged by the Company from a commercial bank, repayable / renewable latest by March 31, 2010 and is secured against the first pari passu specific charge on land, building and plant and machinery of the Company, amounting to Rs.200.000 million and a demand promissory note of Rs.150.000 million.		
	The loan carries mark-up at the rate of 1% (2009: 1.0%) over and above 3 months KIBOR rate, payable quarterly.		
23. CURRENT MATURITIES OF LONG TERM FINANCING			
Current maturities of:			
Long term financing		607	90,430
Long term financing - EOP and LTFF		175,400	80,865
	18	176,007	171,295
24. CONTINGENCIES AND COMMITMENTS			
Contingencies			
24.1	Foreign bills discounted	393,927	254,730
24.2	Outstanding counter guarantees	63,325	63,325
	Commitments		
24.3	Commitments in respect of building on leasehold land at the end of the current year amounted to Rs.8.00 (2009: Rs.11.50) million.		
24.4	Outstanding letters of credit at the end of the current year amounted to Rs.395.753 (2009: Rs.126.343) million.		
24.5	Post dated cheques issued in favour of Custom Authorities, aggregated to Rs.6.930 (2009: Rs.2.548) million, against zero rated supplies for export purposes.		
25. NET SALES			
Exports	25.1	3,533,334	3,001,624
Local		213,765	204,074
		3,747,099	3,205,698
Returns		(5,921)	(6,113)
Commission		(69,568)	(74,201)
		3,671,610	3,125,384

- 25.1** Included herein is a sum of Rs.380.978 (2009: Rs.423.758) 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.

	Note	June 30, 2010	June 30, 2009
26. COST OF SALES			
Rupees in '000			
Opening stock - finished goods		19,589	24,338
Cost of goods manufactured	26.1	2,939,915	2,422,651
		2,959,504	2,446,989
Closing stock - finished goods		(54,609)	(19,589)
		2,904,895	2,427,400
26.1 Cost of goods manufactured			
Raw and packing materials consumed	26.1.1	2,009,358	1,535,337
Stores and spares consumed	26.1.2	137,379	47,241
Salaries, wages and other benefits	26.1.3	59,578	48,644
Contract wages		302,207	218,867
Fuel and power		242,766	189,629
Weaving and sarning charges		4,633	3,987
Repairs and maintenance		16,576	6,421
Printing and stationery		3,878	3,897
Postage and photocopy		103	1,147
Telephone and telex		1,885	1,186
Conveyance		58	39
Rent, rates and taxes		1,178	1,291
Insurance		8,866	6,679
Water charges		41,917	20,679
Transportation		1,221	720
Depreciation	4.1.2	221,921	184,508
Security charges		30	894
Traveling and lodging		53	92
Miscellaneous		3,631	642
		3,057,238	2,271,900
Opening work-in-process		290,514	441,265
Closing work-in-process		(407,837)	(290,514)
		2,939,915	2,422,651
26.1.1 Raw and packing materials consumed			
Opening stock		321,082	315,860
Purchases		2,118,144	1,558,968
Duty draw back on export sales		(22,143)	(18,409)
		2,096,001	1,540,559
		2,417,083	1,856,419
Closing stock		(407,725)	(321,082)
		2,009,358	1,535,337

	Note	June 30, 2010	June 30, 2009
Rupees in '000			
26.1.2 Stores and spares consumed			
Opening stock		53,210	32,422
Purchases		178,687	68,029
		<u>231,897</u>	<u>100,451</u>
Closing stock		(94,518)	(53,210)
		<u>137,379</u>	<u>47,241</u>

26.1.3 Included herein is a sum of Rs.4.078 (2009: Rs.4.045) million in respect of staff retirement benefits.

27. DISTRIBUTION COSTS

Salaries, allowances and other benefits	27.1	4,053	2,994
Insurance		3,536	3,658
Freight and transportation		70,406	64,936
Export development surcharge and clearing charges		19,123	9,602
Postage, courier and stamps		26,383	10,089
Depreciation	4.1.2	480	400
Travelling and lodging		4,208	2,484
Telephone and telex		121	112
Miscellaneous		888	658
		<u>129,198</u>	<u>94,933</u>

27.1 Included herein is a sum of Rs.0.346 (2009: Rs.0.291) million in respect of staff retirement benefits.

28. ADMINISTRATIVE EXPENSES

Salaries, allowances and other benefits	28.1	24,587	21,748
Rent, rates and taxes		144	111
Depreciation	4.1.2	18,033	14,992
Legal and professional charges		4,160	2,844
Auditors' remuneration	28.2	793	795
Vehicle running expenses		827	684
Travelling and lodging		-	90
Printing and stationery		366	367
Insurance		163	196
Advertisement and publication		212	351
Conveyance		287	246
Repairs and maintenance		7	10
Training expenses		2	-
Telephone and telex		346	360
Postage and telegrams		221	226
Fees and subscriptions		496	248
Donations	28.3	1,589	1,467
Miscellaneous		71	84
		<u>52,304</u>	<u>44,819</u>

28.1 Included herein is a sum of Rs.2.011 (2009: Rs.2.099) million in respect of staff retirement benefits.

28.2 Auditors' remuneration

Audit fee	500	500
Fee for half yearly review	80	80
Special certifications	85	70
Tax services	35	80
Out-of-pocket expenses	93	65
	<u>793</u>	<u>795</u>

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

	Note	June 30, 2010	June 30, 2009
29. OTHER OPERATING EXPENSES		Rupees in '000	
Workers' Profits Participation Fund	20.1	19,958	22,360
Interest on WPPF	20.1	291	307
Workers' Welfare Fund	20.2	7,983	8,374
Loss on sale of operating fixed assets		9,625	-
Loss arising as a result of robberies	29.1	39,941	-
Loss on sale of short-term investments		-	612
Provision for doubtful debts	9	6,151	-
Unrealised loss on short-term investments	13	-	5,201
		83,949	36,854
29.1	During the current year, two separate incidents of robbery occurred. One related to the robbery of cash from the factory premises on, August 30, 2009, resulting in a loss of Rs.39.212 million, net of insurance claim of Rs.1.500 million, and the second related to the robbery on January 14, 2010, of one of the cotton trucks of the Company, carrying 200 bales of cotton, which resulted in a loss of Rs.0.729 million, net of insurance claim of Rs.3.200 million. The Company has duly filed the FIR in respect of these robberies and is pursuing the same with the relevant authorities.		
30. OTHER OPERATING INCOME			
Scrap sales		15,507	17,140
Exchange gain - net		9,940	39,944
Gain on sale of operating fixed assets		-	194
Provisions for Workers Welfare Fund, written back		-	16,982
Dividend received		1,354	978
Unrealised gain on short-term investments		2,423	-
		29,224	75,238
31. FINANCE COSTS			
Mark-up on secured:			
Long term financing		26,114	83,784
Long term murabaha		-	8,836
Short term running finances		22,636	14,364
Short term loans		95,538	62,584
		144,288	169,568
Bills discounting charges		488	2,071
Federal excise duty on services		436	239
Bank charges		14,351	14,400
		159,563	186,278
32. TAXATION			
Current	14	36,361	32,512
Prior		28	1,405
		36,389	33,917

The income tax assessments of the Company have been finalised up to and including tax year 2008. The return in respect of the tax year 2009 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% (2009: 1%) 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, 2010	June 30, 2009
Rupees in '000			
Net profit for the year		334,536	376,421
Number of shares			
Number of Ordinary shares		84,000,000	84,000,000
Rupees			
Earnings per shares - basic and diluted		3.98	4.48
34. CASH GENERATED FROM OPERATIONS			
Profit before taxation		370,925	410,338
Adjustments for non-cash charges and other items:			
Depreciation		240,434	199,900
Provision for gratuity		6,435	6,435
Finance costs		159,563	186,278
Provision for doubtful debts		6,151	-
Loss / (gain) on disposal of operating fixed assets		9,625	(194)
		422,208	392,419
Profit before working capital changes		793,133	802,757
Decrease / (increase) in current assets			
Stores and spares		(36,298)	(25,548)
Stock-in-trade		(246,777)	141,995
Trade debts		(169,139)	(47,863)
Loans and advances		6,736	(7,119)
Trade deposits and prepayments		6,639	(4,872)
Short-term investments - held for trading		(2,423)	-
Other receivables		(15,537)	(3,538)
		(456,799)	53,055
(Decrease) / Increase in current liabilities			
Trade and other payables		(26,569)	82,359
Cash generated from operations		309,765	938,171
35. CASH AND CASH EQUIVALENTS			
Cash and bank balances	15	34,965	7,481
Short term running finances	22	(177,296)	(59,542)
		(142,331)	(52,061)
36. UNAVAILED CREDIT FACILITIES			
Short term running finances		322,704	338,000

37. REMUNERATION OF THE CHIEF EXECUTIVE, A DIRECTOR AND EXECUTIVES

	2010			2009		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
 Rupees in '000					
Managerial remuneration	4,365	3,274	20,356	4,169	2,905	13,224
Medical	436	326	2,028	416	290	1,305
Bonus	388	278	1,232	365	233	861
Retirement benefits	-	-	801	-	-	8,812
	<u>5,189</u>	<u>3,878</u>	<u>24,417</u>	<u>4,950</u>	<u>3,428</u>	<u>24,202</u>
Number of persons	1	1	30	1	1	19

37.1 Some executives, including Chief Executive, are provided with the free use of the Company cars.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company's senior management oversees the management of these risks. The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of financial derivatives, financial instruments and investment of excess liquidity. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of directors reviews and agrees policies for managing each of these risks which are summarised below:

38.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, interest rate risk and other price risk, such as equity risk.

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

38.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company interest rate risk arises from long-term and short-term borrowings obtained with floating rates. The Company is currently exposed to interest rate risk as all the borrowings of the Company are at floating rate of interest. All the borrowings of the Company are obtained in the functional currency.

Change in interest rate by 100bps may have a positive or negative impact of approximately Rs.11.664 (2009: Rs.16.227) million in profit and loss account before taxation. The analysis is made based on the assumption that all other variables remain constant.

Sensitivity Analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

	Increase / decrease in basis points	Effect on profit before tax
	Rupees in '000	
June 30, 2010		
KIBOR	100	(11,664)
	(100)	11,664
June 30, 2009		
KIBOR	100	(16,227)
	(100)	16,227

38.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency). The Company's exposure to foreign currency risk is as follows:

	June 30, 2010	June 30, 2009
	Rupees in '000	
Trade debts	486,851	319,964
Cash and bank balances	23,380	5,741
Trade and other payables	(37,195)	(101,372)
	473,036	224,333
	85.4	81.1

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

Exchange rates

The foreign currency exposure is partly covered as the majority of the Company's billing is determined in dollars which is converted into rupees at the exchange rate prevailing at the transaction date. The Company has assessed that hedging its foreign currency borrowings will be more expensive than assuming the risk itself.

Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity.

	Change in US Dollar Rate (%)	Effect on profit / (loss)	Effect on equity
	Rupees in '000		
June 30, 2010	+10	47,399	47,399
	-10	(47,399)	(47,399)
June 30, 2009	+10	22,331	22,331
	-10	(22,331)	(22,331)

38.1.3 Equity risk

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs.14.623 (2009: Rs.12.200) million. A decrease of 10% in the share price of the listed security would have an impact of approximately Rs.1.462 million on the equity or income depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the listed security would impact equity in the similar amount but will not have an effect on income unless there is an impairment charge associated with it.

38.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is mainly exposed to credit risk on trade debts and bank balances. The Company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

38.2.1 Credit quality of financial assets

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

	June 30, 2010	June 30, 2009
	Rupees in '000	
Trade debts		
Customers with no defaults in the past one year	579,728	416,740
Short-term investments		
A1+	14,423	12,065
A1-	200	135
	14,623	12,200
Bank balances		
A1+	29,528	6,922
A1	-	472
A1-	5,167	13
	34,695	7,407

38.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date, the Company has unavailed credit facility of Rs.322.704 (2009: Rs.388.000) million.

Table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	5 years	Total
Rupees in '000						
Long-term financing	-	-	176,007	347,574	719	524,300
Trade and other payables	4,685	210,920	13,759	1,185	-	230,549
Accrued mark-up	-	40,666	-	-	-	40,666
Short-term borrowings	-	-	1,463,296	-	-	1,463,296
2010	4,685	251,586	1,653,062	348,759	719	2,258,811
Rupees in '000						
Long-term financing	-	-	171,295	454,508	16,922	642,725
Trade and other payables	15,902	231,389	8,374	1,453	-	257,118
Accrued mark-up	-	23,707	-	-	-	23,707
Short-term borrowings	-	-	1,027,269	-	-	1,027,269
2009	15,902	255,096	1,206,938	455,961	16,922	1,950,819

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

38.4 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 arm's length transaction.

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

38.5 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, 2010 and June 30, 2009.

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

	June 30, 2010	June 30, 2009
	Rupees in '000	
Long-term financing	348,293	471,430
Current maturities of long-term financing	176,007	171,295
Cash and cash equivalent	(34,965)	(7,481)
Net debt	489,335	635,244
Issued, subscribed and paid-up capital	840,000	840,000
Reserves	2,007,793	1,841,257
Total capital	2,847,793	2,681,257
Capital and net debt	3,337,128	3,316,501
Gearing ratio	14.66%	19.15%

39. 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. Other material transactions with related parties are given below:

Casual Sportswear

Associated undertaking / Common directorship

Sales	234,944	191,245
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Artistic Apparels

Associated undertaking / Common management

Sales	80,436	129,852
Purchase	334	-

Fascom Network Services Limited

Associated undertaking / Common directorship

Services received	-	864
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Sui Southern Gas Company Limited

Associated undertaking / Common directorship

Gas purchased	218,892	175,903
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40. PLANT CAPACITY AND PRODUCTION	June 30, 2010	June 30, 2009
Spinning		
Number of rotors installed	864	864
Number of spindles installed	17,856	15,624
Capacity of yarn (Lbs.)	32,951,500	32,813,500
Production of yarn (Lbs.)	21,989,918	20,291,729
Weaving		
Number of looms installed	148	146
Capacity of fabric (meters)	21,778,240	21,727,000
Production of fabric (meters)	17,608,658	13,435,286
Garments		
Number of machines installed	95	95
Capacity of garments (pcs)	150,000	70,000
Production of garments (pcs)	120,000	50,500

Under utilisation of available capacity was due to global recession, quality change down time and type of quality produced.

41. MOVEMENT BETWEEN RESERVES AND PROPOSED DIVIDEND


In the meeting held on October 05, 2010, the Board of Directors of the Company recommended a final cash dividend for the year at the rate of Rs. 2.0 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.

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on October 05, 2010 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


Muhammad Ali Ahmed
 Director

FORM OF PROXY

18th 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 18th Annual General Meeting of the Company to be held on Tuesday, October 27, 2010
at 1600 hrs and at any adjournment thereof.

Signed this _____ day of _____ 2010.

WITNESS :

1. Signature _____	2. Signature _____
Name _____	Name _____
Address _____	Address _____
_____	_____
CNIC or _____	CNIC or _____
Passport No. _____	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 Computerized National Identity Card or Passport with this Proxy Form.



**AFFIX
CORRECT
POSTAGE**

Company Secretary
Artistic Denim Mills Limited
Plot # 5-9, 23-26, Sector 16
Korangi Industrial Area
Karachi.

Fold : Here

Fold : Here

Fold : Here

Fold : Here