

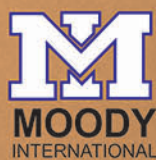


SAIF GROUP



24th Annual Report 2013

Certified ISO 9001:2008



014

Saif Textile Mills Limited



C O N T E N T S

COMPANY INFORMATION	02
VISION AND MISSION STATEMENT	03
NOTICE OF ANNUAL GENERAL MEETING	04
DIRECTORS' REPORT	05
PATTERN OF SHAREHOLDING	11
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE	14
AUDITORS' REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE	16
AUDITORS' REPORT TO THE MEMBERS	17
BALANCE SHEET	18
PROFIT AND LOSS ACCOUNT	20
CASH FLOW STATEMENT	21
STATEMENT OF CHANGES IN EQUITY	22
NOTES TO THE FINANCIAL STATEMENTS	23
PROXY FORM	59

COMPANY INFORMATION

BOARD OF DIRECTORS	Anwar Saifullah Khan Javed Saifullah Khan Osman Saifullah Khan Jehangir Saifullah Khan Hoor Yousafzai Assad Saifullah Khan Arif Saeed	- Chairman - Chief Executive - Saif Holdings Limited Nominee
AUDIT COMMITTEE	Hoor Yousafzai Jehangir Saifullah Khan Assad Saifullah Khan	- Chairperson - Member - Member
HR & REMUNERATION COMMITTEE	Arif Saeed Osman Saifullah Khan Assad Saifullah Khan	- Chairman - Member - Member
CHIEF FINANCIAL OFFICER	Noman Ahmad	
COMPANY SECRETARY	Sabir Khan	
LEGAL ADVISOR	Dr. Pervez Hassan Hassan & Hassan, Advocates Salahuddin Saif & Aslam (Attorney's at law)	
AUDITORS	M/s Hameed Chaudhri & Co., Chartered Accountants HM House, 7-Bank Square, Lahore	
BANKERS	Albaraka Bank (Pakistan) Limited Allied Bank Limited Dubai Islamic Bank Pakistan Limited Faysal Bank Limited Habib Bank Limited Meezan Bank Limited National Bank of Pakistan The Bank of Punjab HSBC Bank Middle East Limited United Bank Limited	
HEAD OFFICE	Kulsum Plaza, 4th Floor, 2020 - Blue Area, Islamabad-44000 Telephone : +92-51-2823924, 2829415 Fax : +92-51-2277843, 2822564 E-mail : stm@saifgroup.com	
REGISTERED OFFICE	APTMA House, Tehkal Payan, Jamrud Road, Peshawar Telephone : +92-91-5843870, 5702941 Fax : +92-91-5840273 E-mail : peshawar@saifgroup.com	
SHARES REGISTRAR	M/s Hameed Majeed Associates (Pvt.) Ltd., HM House, 7-Bank Square, Lahore Telephone : +92-42-7235081-7235082 Fax : +92-42-7358817 E-mail : info@hmaconsultants.com	
MILLS	Industrial Estate, Gadoon Amazai, District Sawabi Telephone : +92-938-270313, 270429 Fax : +92-938-270514 E-mail : stmgn@saifgroup.com	
CYBER	www.saiftextile.com	

VISION AND MISSION STATEMENT

VISION

- ❖ To attain market leadership through unmatched quality, a diverse and unique product mix, empowered employees, world class systems, and the highest ethical and professional standards.

MISSION

- ❖ Give our shareholders a competitive return on their investment through market leadership, sustainable business growth and sound financial management.
- ❖ Earn and sustain the trust of our stakeholders through efficient resource management.
- ❖ Provide the highest quality products and services consistent with customer needs and continue to earn the respect, confidence and goodwill of our customers and suppliers.
- ❖ Foster a culture of trust and openness in order to make professional life at the **Saif Textile Mills Limited** a stimulating and challenging experience for all our people.
- ❖ Strive for the continuous development of Pakistan while adding value to the textile sector.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 24th Annual General Meeting of the members of **Saif Textile Mills Limited** will Insha Allah be held at registered office of the Company, **APTMA House, Tehkal Payan, Jamrud Road, Peshawar on Friday, October 25, 2013 at 10:00 A.M.** to transact the following business:

- 1) To confirm the minutes of Annual General Meeting held on October 24, 2012.
- 2) To receive, consider and adopt Annual Audited Financial Statements for the year ended June 30, 2013 together with the Directors' and Auditors' Reports thereon.
- 3) To approve cash dividend @ 25% as recommended by the Board of Directors.
- 4) To appoint Auditors for the year 2013-2014 and fix their remuneration. The retiring auditors M/s. Hameed Chaudhri & Co., Chartered Accountants, being eligible offered themselves for re-appointment.
- 5) To transact any other business with the permission of the Chair.

By order of the Board

Islamabad: **October 03, 2013**

(Sabir Khan)
Company Secretary

NOTES:

- i. Share Transfer Books of the Company will remain closed from 19.10.2013 to 25.10.2013 (both days inclusive)
- ii. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy to attend and vote on his / her behalf. The instrument appointing the proxy, duly completed, must be received at the Company's Registered Office not later than 48 hours before the time of holding of the meeting.
- iii. CDC individual Account holders or Sub-account holders are required to bring with them their original Computerized National Identity Card (CNIC) / original passport along with participant's ID number and their account number in order to facilitate identification.
- iv. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of meeting.
- v. Members are requested to promptly notify any change in their address.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

On behalf of Board of Directors, it gives me pleasure to present the 24th Annual Audited financial statements for the year ended June 30, 2013.

GENERAL MARKET CONDITIONS

During the year markets for yarn and fibre remained fairly benign and there was considerable growth in demand for coarse count yarns from China. Our team treaded cautiously in covering our raw material needs, and no major mistakes were made in this critical aspect of our business.

OPERATING RESULTS

The major highlights of your Company's performance are as follows:

TURNOVER

The sales turnover during the year under review increased by 18.4 % as compared to the last year due to increase in coarse count production and sale.

PROFITABILITY

By the grace of Allah Almighty, the management is pleased to inform you that your Company has posted a Net Profit after tax of Rs. 434 million, as against Net Profit after tax of Rs. 214 million in the last year. The gross profit margin has increased to 15.0% from 11.7% in the corresponding year. These improved margins are due to raw material procured at competitive rates, getting better premiums on specialized yarns coupled with an increase in demand of coarse counts.

The strategic decision made by your company through allocation of its 30% frames on specialized yarns has started delivering returns. One of the major products of specialized yarn "Melange" has successfully been in production with an encouraging market response. In a short span of time our product has gained recognition amongst already established brands. Company is getting better premiums and management has now planned to convert further 5% of its current capacity to Melange Yarns.

FUTURE OUTLOOK

The last few months have seen a steadied demand for textile products both in the domestic and international market.

Your Company's management is maintaining its focus on Research & Development activities. Various expansion and modernization projects are underway which include projects for converting Mills further coarser and increasing production capacities. Installation of Dyeing unit is under process which will not only dye cotton for Melange but will also be used for dyeing yarn. In addition to increasing

spindlage, other projects are focusing on replacement of old machinery with new energy efficient, highly productive and less labor intensive technology. Efforts are also being made to explore new customer base by emphasizing market development as well as product development.

We expect significant improvement in overall economic activity of the region if the following factors are addressed and resolved by the Government of Pakistan on priority basis;

- Power shortages and endless tariff hike, especially the issue of shortage of gas in the country.
- Improvement in political stability, public safety and security environment of the country, particularly in the region of Khyber Pakthunkhwa (KPK)
- Stability in Pak Rupee parity with the USD.
- Government should introduce an incentive package to encourage both existing and new investments in KPK.

CONTRIBUTION TO THE NATIONAL EXCHEQUER

The Company contributed Rs 568 million (2012: Rs 224 million) to the national exchequer during the period under review in the form of sales tax, import duties, surcharges and various other levies.

PROFIT APPROPRIATION

The Board in its meeting held on September 26, 2013 decided to recommend 25% cash dividend (2012: 20%).

PATTERN OF SHAREHOLDING

The pattern of shareholding under section 236(2) (d) of the Companies Ordinance, 1984 and additional information as required by the Code of Corporate Governance is enclosed.

EARNINGS PER SHARE

Earnings per share during the period under report worked out to Rs 16.44 (2012: Rs 8.11 earnings per share)

EXTERNAL AUDITORS

The present auditors, M/s Hameed Chaudhri & Co. Chartered Accountants, retire and being eligible to offer themselves for re-appointment. As suggested by the Audit Committee, the Board recommends their appointment as auditors of the Company to hold office from the conclusion of this Annual General Meeting to be held on October 25, 2013 until conclusion of next Annual General Meeting.

CORPORATE GOVERNANCE

We are pleased to report that your Company has taken necessary steps to comply with the provisions of the Code of Corporate Governance, as incorporated in the listing rules of the Stock Exchanges.

The statement on Corporate Governance and Financial Reporting Frame Work is given below:

- The financial statements prepared by the management of the company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the company.
- 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 system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no trading of shares by CEO, Directors, CFO, Company Secretary, their spouses and minor children, during the year other than that disclosed in pattern of share holding.
- During the year Mr. Assad Saifullah Khan Director of the Company attended the Director's Training Program arranged by ICAP.
- There has been no material departure from the best practices of code of corporate governance, as detailed in the listing regulations.
- The key operating and financial data of the Company for last six years is given below:-

Particulars	2013	2012	2011	2010	2009	2008
(Rupees in thousand)						
Operating Fixed Assets	2,591,121	2,494,233	2,185,991	2,145,989	2,225,806	2,194,375
Net Worth	1,592,081	1,198,124	1,025,553	406,028	317,213	870,628
Turnover	7,679,220	6,483,423	7,361,391	4,642,452	3,727,820	4,489,205
Gross Profit	1,150,921	761,459	1,339,648	710,696	111,282	440,437
Gross Profit Margin (% age)	15.0	11.7	18.2	15.3	2.98	9.8
Net Profit - After Taxation	434,301	214,142	607,730	77,489	(560,226)	(39,724)
Net Profit Margin (% age)	5.7	3.3	8.3	1.7	(15.0)	(0.9)

- The board of Directors has adopted a Mission Statement and a Statement of Overall Corporate Strategy.
- Regarding outstanding taxes and levies, please refer note 16 to the annexed audited statements.
- During the year under report four meetings of the Board of Directors were held. The attendance by each Director was as follows:

Name of Director	Meetings Attended
Anwar Saifullah Khan	5
Javed Saifullah Khan	3
Osman Saifullah Khan	5

Assad Saifullah Khan	5
Hoor Yousafzai	5
Jehangir Saifullah Khan	4
Arif Saeed (SHL Nominee)	2
Muhammad Ayub (NIT Nominee)	3

*Mr. M. Ayub NIT Nominee Director resigned from the board on March 12, 2013.

Leave of absence was granted to Directors who could not attend any of the Board meetings.

ACKNOWLEDGEMENT

The Board places on record its appreciation for the support of our bankers and our valued customers. I would also like to highlight the hard work put in by the members of our corporate family.

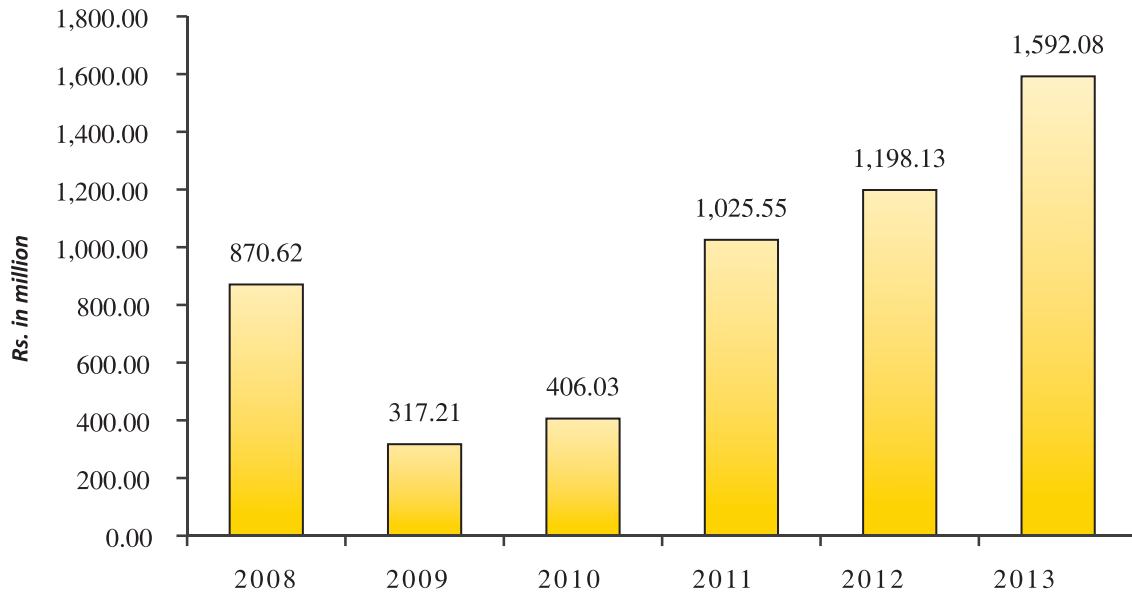
We are confident they will continue to show the same dedication in the days ahead.

On behalf of the board of Directors

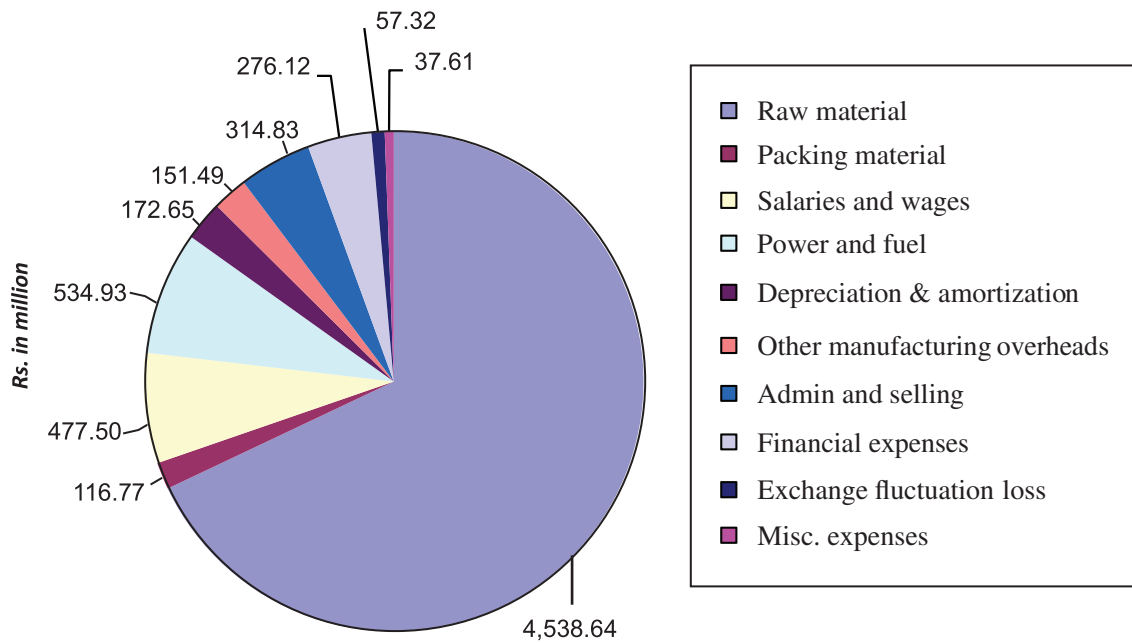
Dated: 26 September, 2013

**OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE**

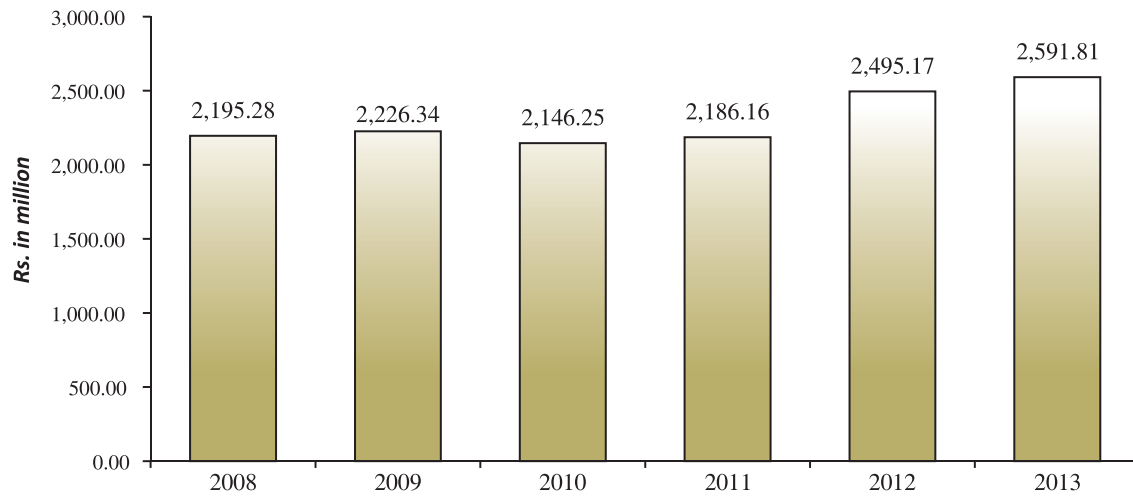
EQUITY



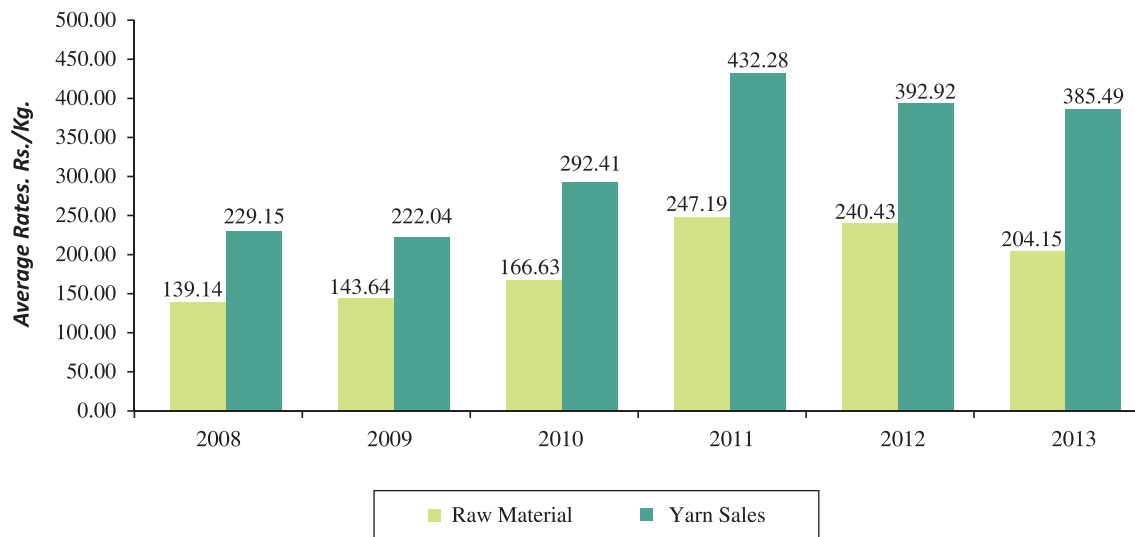
REVENUE DISTRIBUTION



FIXED CAPITAL EXPENDITURE GROWTH



RAW MATERIAL CONSUMPTION AND YARN SALES RATES



**PATTERN OF SHAREHOLDING
AS AT 30 JUNE, 2013**

No. of Shareholders	Shareholding		Total Shares Held	Percentage of Total Capital
	From	To		
358	1 -	100	16,688	0.06
475	101 -	500	131,813	0.50
183	501 -	1000	154,270	0.58
337	1001 -	5000	790,105	2.99
66	5001 -	10000	549,364	2.08
22	10001 -	15000	282,266	1.07
22	15001 -	20000	393,469	1.49
19	20001 -	25000	440,261	1.67
2	25001 -	30000	58,000	0.22
3	30001 -	35000	95,746	0.36
4	35001 -	40000	148,542	0.56
3	40001 -	45000	131,880	0.50
5	45001 -	50000	242,500	0.92
1	50001 -	55000	54,000	0.20
3	55001 -	60000	176,000	0.67
1	60001 -	65000	63,350	0.24
3	70001 -	75000	223,207	0.85
1	75001 -	80000	77,000	0.29
1	80001 -	85000	85,000	0.32
1	85001 -	90000	88,795	0.34
3	95001 -	100000	293,737	1.11
2	105001 -	110000	217,129	0.82
1	110001 -	115000	113,436	0.43
1	120001 -	125000	123,232	0.47
1	125001 -	130000	127,450	0.48
1	160001 -	165000	165,000	0.62
3	180001 -	185000	546,956	2.07
1	185001 -	190000	187,000	0.71
1	195001 -	200000	200,000	0.76
1	205001 -	210000	208,000	0.79
1	270001 -	275000	272,536	1.03
1	290001 -	295000	294,936	1.12
1	295001 -	300000	299,215	1.13
1	310001 -	315000	315,000	1.19
1	415001 -	420000	417,647	1.58
1	685001 -	690000	689,700	2.61
1	795001 -	800000	798,600	3.02
1	800001 -	805000	800,087	3.03
1	1030001 -	1035000	1,031,848	3.91
1	2010001 -	2015000	2,012,115	7.62
1	13095001 -	13100000	13,097,000	49.59
1,536			26,412,880	100.00

CATEGORIES OF SHARE HOLDERS

Sr. #	Categories	No. of Shareholders	Shares Held	% age of Capital
1	Directors, Chief Executive Officer, and their spouse and minor children	6	18,107	0.0686
2	Associated Companies, Undertakings and Related Parties	8	13,114,000	49.6500
3	NIT and ICP	5	2,142,285	8.1108
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	7	432,305	1.6367
5	Insurance Companies	1	1,031,848	3.9066
6	Modarbas and Mutual Funds	7	287,440	1.0883
7	General Public (Local)	1,478	9,111,722	34.4973
8	Others	24	275,173	1.0418
TOTAL:		1,536	26,412,880	100.0000

DETAIL OF CATEGORY OF SHAREHOLDERS AS AT 30 JUNE, 2013

	Name	Shares Held	% age of Capital
Directors, Chief Executive Officer, and their spouse and minor children			
1	Mr Anwar Saifullah Khan	2,000	0.0076
2	Mr. Assad Saifullah Khan	500	0.0019
3	Mrs. Hoor Yousuf Zai	500	0.0019
4	Javed Saifullah Khan	11,000	0.0416
5	Jehangir Saifullah Khan	1,000	0.0038
6	Osman Saifullah Khan	3,107	0.0118
	Running Total:	18,107	0.0686
Associated Companies, Undertakings and Related Parties			
1	Saif Holdings Limited	13,097,000	49.5857
2	Omer Saifullah Khan	1,000	0.0038
3	Mr Iqbal Saifullah Khan	3,500	0.0133
4	Mrs Begum Zeb Saifullah Khan	4,500	0.0170
5	Begum Shireen Iqbal Saifullah	4,000	0.0151
6	Mr Humayun Saifullah Khan	2,000	0.0076
7	Mr. Asif Saifullah Khan	500	0.0019
8	Gulshan Javed Saifullah Khan	1,500	0.0057
	Running Total:	13,114,000	49.6500
NIT and ICP			
1	National Bank Of Pakistan	127,450	0.4825
2	Investment Corp Of Pakistan	1,228	0.0046
3	National Bank Of Pakistan-Trustee		
4	Department Ni(U)T Fund	2,012,115	7.6179
	Running Total:	2,140,793	8.1051
Banks, Development Financial Institutions, Non Banking Financial Institutions			
1	Acadian Frontier Markets Equity Fund	59,000	0.2234
2	Classical Insights Fund Lp	315,000	1.1926
3	Leopard Umbrella Fund	58,000	0.2196
4	The Northern Trust Company	100	0.0004
5	Eastman Consulting (Pvt) Ltd.	50	0.0002
6	Morgan Stanley Trust Co.	100	0.0004
7	National Bank Of Pakistan	363	0.0014
8	National Bank Of Pakistan	1,129	0.0043
9	Atlas Bot Invesment Bank Ltd.	55	0.0002
	Running Total:	433,797	1.6424

	Name of Shareholders	Shares Held	Percentage
Insurance Companies			
1	State Life Insurance Corp. Of Pakistan	1,031,848	3.9066
	Running Total:	1,031,848	3.9066
Modarbas and Mutual Funds			
1	CDC - Trustee Akd Opportunity Fund	100,000	0.3786
2	Golden Arrow Selected Stocks Fund Limited	181,500	0.6872
3	First I.B.L. Modaraba	977	0.0037
4	Crescent Standard Modaraba	14	0.0001
5	First Inter Fund Modaraba	65	0.0002
6	First UDL Modaraba	4,669	0.0177
7	Golden Arrow Selected Stock Fund Limited	215	0.0008
	Running Total:	287,440	1.0883
General Public (Local)			
	Running Total:	9,111,722	34.4973
Others			
1	International Brands (Pvt) Ltd.	1,338	0.0051
2	Y.S. Securities & Services (Pvt) Ltd.	1,083	0.0041
3	Pearl Capital Management (Pvt) Limited	471	0.0018
4	Fikree's (Smc-Pvt) Ltd.	500	0.0019
5	Prudential Securities Limited	26	0.0001
6	Javed Omer Vohra & Co. Ltd.	8,758	0.0332
7	Taurus Securities Limited	100	0.0004
8	Fortune Securities Limited	200	0.0008
9	Mohammad Munir Mohammad Ahmed Khanani Securities (Pvt) Ltd	21,000	0.0795
10	General Investment & Securitie (Pvt) Ltd	1	0.0000
11	Axis Global Limited	4,000	0.0151
12	Trustee National Bank of Pakistan Employees Pensio	183,956	0.6965
13	Dr. Arslan Razaque Securities (Smc-Pvt) Ltd.	210	0.0008
14	Darson Securities (Pvt) Limited	304	0.0012
15	Muhammad Ahmed Nadeem Securities (Smc-Pvt) Limited	105	0.0004
16	Pyramid Investments (Pvt.) Ltd.	495	0.0019
17	Ace Securities (Pvt.) Limited	500	0.0019
18	Highlink Capital (Pvt) Ltd	44,500	0.1685
19	Sarfraz Mahmood (Pvt) Ltd	129	0.0005
20	S.H. Bukhari Securities (Pvt) Limited	500	0.0019
21	Trustee National Bank of Pakistan Emp Benevolent F	6,455	0.0244
22	International Securities Ltd.	118	0.0004
23	Khadim Ali Shah Bukhari & Co. Limited	80	0.0003
24	BMA Capital Management Ltd.	344	0.0013
	Running Total:	275,173	1.0418
	Grand Total:	26,412,880	100.0000

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of the Karachi Stock Exchange, Chapter XIII of Listing Regulations of the Lahore Stock Exchange and Chapter XI of Listing Regulations of the Islamabad Stock Exchange 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 CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Executive Directors	Osman Saifullah Khan Hoor Yousafzai
Non-Executive Directors	Anwar Saifullah Khan
	Javed Saifullah Khan
	Jehangir Saifullah Khan
	Assad Saifullah Khan
Independent Directors	Arif Saeed

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on the board was filled up by the directors in specific time frame.
5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-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 board arranged in-house training program for its directors during the year.
 10. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
 11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
 12. 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.
 13. The company has complied with all the corporate and financial reporting requirements of the CCG.
 14. The board has formed an Audit Committee. It comprises 03 members, who are non-executive directors
 15. 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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
 16. The board has formed an HR and Remuneration Committee. It comprises 03 members, of whom 02 are non-executive directors while one is Executive director.
 17. The board has set up an effective internal audit function and the persons involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
 18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.
 19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 20. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
 21. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
 22. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board of Directors

**ANWAR SAIFULLAH KHAN
CHAIRMAN**

Dated: 26 September, 2013

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Saif Textile Mills Limited (the Company) to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges, 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's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require 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 the 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 length 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 as applicable to the Company for the year ended June 30, 2013.

LAHORE;
26 September, 2013

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Audit Engagement
Partner: Osman Hameed Chaudhri

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SAIF TEXTILE MILLS LIMITED** (the Company) as at June 30, 2013 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

LAHORE;
26 September, 2013

HAMEED CHAUDHRI & CO.,
Chartered Accountants
Audit Engagement Partner: Osman Hameed Chaudhri

		BALANCE SHEET	
	Note	2013	2012
(Rupees in thousand)			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 30,000,000 ordinary shares of Rs.10 each		300,000	300,000
Issued, subscribed and paid-up capital	5	264,129	264,129
Reserves	6	265,981	265,981
Unappropriated profit		1,061,971	668,015
		1,592,081	1,198,125
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
	7	137,708	148,103
NON-CURRENT LIABILITIES			
Sub-ordinated loan	8	494,000	470,100
Long term financing	9	524,412	585,599
Long term deposits	10	2,900	1,708
Deferred liability - staff retirement benefits	11	96,654	75,628
		1,117,966	1,133,035
CURRENT LIABILITIES			
Trade and other payables	12	511,836	583,439
Accrued mark-up and financial charges	13	105,156	105,961
Short term borrowings	14	1,974,680	1,659,919
Current portion of non-current liabilities	15	233,933	250,418
		2,825,605	2,599,737
CONTINGENCIES AND COMMITMENTS			
	16	5,673,360	5,079,000

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

OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE

AS AT 30 JUNE, 2013

	Note	2013 (Rupees in thousand)	2012
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	2,591,121	2,494,233
Intangible assets	18	689	941
Long term loans	19	8,213	5,898
Long term deposits		8,982	7,889
Deferred taxation - net	20	177,740	188,013
		<u>2,786,745</u>	<u>2,696,974</u>
CURRENT ASSETS			
Stores, spare parts and loose tools	21	69,999	64,578
Stock-in-trade	22	1,694,585	1,578,859
Trade debts	23	786,239	514,426
Loans and advances	24	42,762	20,606
Trade deposits and short term prepayments	25	2,881	6,598
Other receivables	26	35,967	14,251
Investments	27	4,283	5,667
Deposit for shares	28	0	0
Taxation - net	29	175,067	117,355
Taxes refundable	30	58,460	50,900
Bank balances	31	16,372	8,786
		<u>2,886,615</u>	<u>2,382,026</u>
		<u><u>5,673,360</u></u>	<u><u>5,079,000</u></u>

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

ASSAD SAIFULLAH KHAN
DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2013**

	Note	2013 (Rupees in thousand)	2012
SALES - net	32	7,679,220	6,483,423
COST OF SALES	33	<u>(6,528,299)</u>	<u>(5,721,964)</u>
GROSS PROFIT		1,150,921	761,459
DISTRIBUTION COST	34	(167,385)	(157,580)
ADMINISTRATIVE EXPENSES	35	(159,504)	(137,925)
OTHER INCOME	36	5,808	6,834
OTHER EXPENSES	37	<u>(37,610)</u>	<u>(12,333)</u>
PROFIT FROM OPERATIONS		792,230	460,455
FINANCE COST	38	<u>(276,121)</u>	<u>(251,949)</u>
		516,109	208,506
EXCHANGE FLUCTUATION LOSS	39	<u>(57,317)</u>	<u>(95,763)</u>
PROFIT BEFORE TAXATION		458,792	112,743
TAXATION	40	<u>(24,491)</u>	<u>101,400</u>
PROFIT AFTER TAXATION		434,301	214,143
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE INCOME		<u><u>434,301</u></u>	<u><u>214,143</u></u>
		(Rupees)	
Earnings per share - basic and diluted	41	<u><u>16.44</u></u>	<u><u>8.11</u></u>

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

OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE

ASSAD SAIFULLAH KHAN
DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2013**

	Note	2013 (Rupees in thousand)	2012
CASH FLOW FROM OPERATING ACTIVITIES	42	369,466	952,440
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(292,657)	(479,416)
Sale proceeds of operating fixed assets / insurance claims received		27,606	11,340
NET CASH USED IN INVESTING ACTIVITIES		(265,051)	(468,076)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing from banking companies - net		(100,403)	(117,525)
Liabilities against assets subject to finance lease - net		(1,169)	(1,254)
Short term borrowings - net		314,761	(71,310)
Finance cost paid		(258,212)	(236,878)
Dividend paid		(51,806)	(52,418)
NET CASH USED IN FINANCING ACTIVITIES		(96,829)	(479,385)
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,586	4,979
CASH AND CASH EQUIVALENTS - at beginning of the year		8,786	3,807
CASH AND CASH EQUIVALENTS - at end of the year		16,372	8,786

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

OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE

ASSAD SAIFULLAH KHAN
DIRECTOR

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2013**

	RESERVES			(Accumulated loss) / unappropriated profit	Total Equity	
	Share Capital	Capital	Revenue			Sub Total
(Rupees in thousand)						
Balance as at June 30, 2011	264,129	115,981	150,000	265,981	495,443	1,025,553
Transactions with owners						
Final cash dividend for the year ended June 30, 2011 at the rate of Rs.2 per share	0	0	0	0	(52,826)	(52,826)
Total comprehensive income for the year	0	0	0	0	214,143	214,143
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation) :						
- on account of incremental depreciation	0	0	0	0	9,805	9,805
- upon sale of revalued assets	0	0	0	0	1,450	1,450
Balance as at June 30, 2012	264,129	115,981	150,000	265,981	668,015	1,198,125
Transactions with owners						
Final cash dividend for the year ended June 30, 2012 at the rate of Rs.2 per share	0	0	0	0	(52,826)	(52,826)
Total comprehensive income for the year	0	0	0	0	434,301	434,301
Surplus on revaluation of property, during the year (net of deferred taxation):						
- on account of incremental depreciation	0	0	0	0	8,794	8,794
- upon sale of revalued assets	0	0	0	0	3,687	3,687
Balance as at June 30, 2013	264,129	115,981	150,000	265,981	1,061,971	1,592,081

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

OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE

ASSAD SAIFULLAH KHAN
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

Saif Textile Mills Limited (the Company) is a Public Limited Company incorporated in Pakistan on December 24, 1989 under the Companies Ordinance, 1984 and its shares are quoted on all the Stock Exchanges of Pakistan. The Company is principally engaged in manufacture and sale of yarn. The Company's Mills are located in Industrial Estate, Gadoon Amazai, District Sawabi and the registered office of the Company is located at APTMA House, Tehkal Payan, Jamrud Road, Peshawar.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional currency of the Company. All financial information presented in Pak Rupees has been rounded-off to the nearest thousand, unless otherwise stated.

2.3 Initial application of standards, amendments or an interpretation to existing standards

2.3.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

There are no amended standards and interpretations that are effective for the first time in the current year that would be expected to have a material impact on the Company's financial statements.

2.3.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

IAS 1 - Amendment (Presentation of Financial Statements) is effective for the accounting periods beginning on or after July 01, 2012. It entails the requirements for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The change is not expected to have material impact on the Company's financial statements.

2.3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to published standards are not effective for the financial year beginning on or after July 01, 2012 and have not been early adopted by the Company:

- (a) Annual improvements to IFRSs 2011 are applicable on accounting periods beginning on or after January 01, 2013. This set of amendments includes changes to five standards: IFRS 1 'First time adoption', IAS 1 'Financial statement presentation', IAS 16 'Property, plant and equipment', IAS 32 'Financial instruments; Presentation' and IAS 34 'Interim financial reporting'. The application of these amendments have no material impact on the Company's financial statements.
- (b) IFRS 7 (Amendment), 'Financial Instruments: Disclosures', on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 01, 2013. The amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The application of these amendments have no material impact on the Company's financial statements.
- (c) IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 01, 2015). IFRS 9 replaces the parts of IAS 39, 'Financial instruments: recognition and measurement' that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the requirements of IAS 39. The Company is yet to assess the full impact of IFRS 9; however, initial indications are that it may not significantly affect the Company's financial assets.
- (d) IFRS 13, 'Fair value measurement' (effective for periods beginning on or after January 01, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance and how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company shall apply this standard from July 01, 2013 and does not expect to have a material impact on its financial statements.
- (e) IAS 19 (Amendment), 'Employee benefits' is applicable on accounting periods beginning on or after January 01, 2013. These amendments shall eliminate the corridor approach and calculate finance cost on a net funding basis. The Company shall apply these amendments from July 01, 2013 and its impact on retained earnings shall be Rs.13.051 million due to recognition of current unrecognised actuarial loss on its defined benefit plan.

- (f) IAS 32 (Amendment), 'Financial instruments: Presentation' (effective for periods beginning on or after January 01, 2014). This amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment does not have any significant impact on the Company's financial statements.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

3. BASIS OF MEASUREMENT

- 3.1 These financial statements have been prepared under the historical cost convention except for certain operating fixed assets which have been included at their revalued amounts and employee retirement benefits stated at their present value.
- 3.2 The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- a) **Staff retirement benefits - gratuity (note 4.3)**
The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 11.
- b) **Provision for taxation (note 4.5)**
In making the estimate for income taxes payable by the Company, the management looks at the applicable law and decisions of appellate authorities on certain issues in the past.
- c) **Property, plant and equipment (note 4.7)**
The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified.
- d) **Stores & spares and stock-in-trade (note 4.10 and 4.11)**
The Company estimates the net realisable value of stores & spares and stock-in-trade

to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make sale.

e) Provision for impairment of trade debts (note 4.12)

The Company assesses the recoverability of its trade debts if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indications that the trade debt is impaired.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Company has an unconditional/contractual right to defer settlement of the liability for at least twelve months after the balance sheet date.

4.2 Interest rate and cross currency swaps

In certain cases, the Company uses interest rate and cross currency swaps to hedge its risk associated primarily with mark-up payments and foreign currency fluctuations. The calculation involves use of estimates with regard to mark-up and foreign currency rates, which fluctuate with the market forces.

4.3 Staff retirement benefits (defined benefit plan)

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2012 on the basis of the projected unit credit method by an independent Actuary.

4.4 Trade and other payables

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

4.5 Taxation

(a) Current and prior year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantively enacted by the end of the reporting period and is based on current rates of taxation being applied on the taxable income for the year, after taking into account tax credits and rebates available, if any, and taxes paid under the Final Tax Regime. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

4.6 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

4.7 Property, plant and equipment

Leasehold land, buildings on leasehold land, plant & machinery, generators, electric installations and air-conditioning equipment are shown at fair value, based on valuations carried-out with sufficient regularity by external independent Valuers, less subsequent amortisation / depreciation. Any accumulated amortisation / depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The remaining property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Capital work-in-progress is stated at cost. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the financial year in which these are incurred.

Depreciation on operating fixed assets, except leasehold land, is charged to income applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 17.1. Leasehold land is amortised over the lease term using the straight-line method. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to operating fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

Gains / losses on disposal of property, plant and equipment are taken to profit and loss account.

4.8 Assets subject to finance lease

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Depreciation on assets subject to finance lease is charged to income at the rate stated in note 17.1 applying reducing balance method to write-off the cost of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed-off. Finance cost and depreciation on leased assets are currently charged to income.

4.9 Intangible assets - computer software

Computer software is stated at cost less accumulated amortisation. Software cost is only capitalised when it is probable that future economic benefits attributable to the software will flow to the Company and the same is amortised applying the straight-line method at the rate stated in note 18.

4.10 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the balance sheet date. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

4.11 Stock-in-trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Raw materials:	
At mills	- At lower of moving average cost and market value.
In transit	- At cost accumulated to the balance sheet date.
Work-in-process	- At manufacturing cost.
Finished goods	- At lower of cost and net realisable value.
Waste	- At net realisable value.

- Cost in relation to work-in-process and finished goods consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of moving average cost.
- Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.
- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

4.12 Trade debts and other receivables

Trade debts and other receivables are initially recognised at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade debts and other receivables are assessed at each reporting date and a provision is made for doubtful debts and receivables when collection of the amount is no longer probable. Debts and receivables considered irrecoverable are written-off.

4.13 Financial assets 'at fair value through profit or loss'

Financial assets 'at fair value through profit or loss' are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to profit and loss account in the period in which these arise.

4.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of balances with banks.

4.15 Impairment loss

The carrying amounts of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

4.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.17 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on the balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to profit and loss account.

4.18 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include deposits, trade debts, other receivables, investments, bank balances, sub-ordinated loan, long term financing, trade & other payables, accrued mark-up & financial charges and short term borrowings. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.19 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.20 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- Local sales through agents are recorded on intimation from agents whereas direct sales are recorded when goods are dispatched to customers.
- Export sales are booked on shipment of goods.
- Rebate on export sales is recorded on 'accrual basis'.
- Return on bank deposits is accounted for on 'accrual basis'.
- Dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

4.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed-out in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.22 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting

structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 48 to these financial statements.

5. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013 (No. of shares)	2012	Note	2013 (Rupees in thousand)	2012
17,312,468	17,312,468	ordinary shares of Rs.10 each issued for cash	173,125	173,125
9,100,412	9,100,412	ordinary shares of Rs.10 each issued as fully paid bonus shares	91,004	91,004
26,412,880	26,412,880		264,129	264,129

5.1 Saif Holdings Limited held 13,097,000 shares of the Company as at June 30, 2013 and 2012.

6. RESERVES

Capital - share premium account	6.1	115,981	115,981
Revenue - general reserve		150,000	150,000
		265,981	265,981

6.1 Share premium account

Premium received on:

3,820,780 shares @ Rs.7 per share issued during the year 1992		26,745	26,745
2,303,569 shares @ Rs.5 per share issued during the year 1996		11,518	11,518
562,019 shares @ Rs.5 per share allotted during the year 1997		2,810	2,810
7,500,000 shares @ Rs.10 per share allotted during the year 2007		75,000	75,000
		116,073	116,073
Less: preliminary expenses written-off during the year 1992		92	92
		115,981	115,981

7. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net

This represents surplus over book values resulted from revaluation of leasehold land, buildings on leasehold land, plant & machinery, generators, electric installations and air conditioning equipment during the financial years 2006 and 2009 adjusted only by surplus realised on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation. The year-end balance has been arrived at as follows:

	2013	2012
	(Rupees in thousand)	
Opening balance	148,103	159,358
Less: transferred to unappropriated profit		
- on account of incremental depreciation		
for the year - net of deferred taxation	8,794	9,805
- upon sale of revalued assets - net of		
deferred taxation	3,687	1,450
	12,481	11,255
Adjustment resulting from reduction in tax rate	2,086	0
Closing balance	137,708	148,103

8. SUB-ORDINATED LOAN - Unsecured

The Company, Aqua Nominees Ltd. - London (ANL) and Habib Bank Ltd., United Bank Ltd., Faysal Bank Ltd., The Bank of Punjab, HSBC Bank Middle East Ltd., Allied Bank Ltd., National Bank of Pakistan, Al Baraka Bank (Pakistan) Ltd. and Meezan Bank Ltd. (the Banks) had entered into a sub-ordination agreement on June 26, 2009 whereby ANL, in consideration of the Banks providing finance facilities to the Company, had offered and undertaken to treat 50% of the loan amount of U.S.\$ 10 million extended by it to the Company as sub-ordinated loan. Accordingly, an amount of U.S.\$ 5 million, extended by ANL to the Company, shall remain sub-ordinate to the finance facilities extended by the Banks to the Company; neither the Company shall make any payments pertaining to the sub-ordinated loan to ANL nor shall ANL make a demand for payments of any amount whatsoever with respect to the sub-ordinated loan unless and until:

- the entire amount of finance facilities extended by the Banks to the Company have been paid in full by the Company and the Banks have notified to ANL of such payments; or
- the Banks otherwise give permission in writing to the Company to make full or part of the payments due under the sub-ordinated loan.

This loan, during the current financial year, carried mark-up at the rates ranging from 1.925% to 2.228% (2012: 1.930% to 2.228%) per annum.

9. LONG TERM FINANCING - Secured	Note	2013 (Rupees in thousand)	2012
Loans from banking companies			
Faysal Bank Limited			
- term loan	9.1	0	54,666
United Bank Limited:			
- demand finance - I	9.2	26,650	53,320
- demand finance - II	9.3	75,000	75,000
The Bank of Punjab			
- long term finance	9.4	112,695	49,262
Habib Bank Limited:			
- demand finance - I	9.5	0	32,500
- demand finance - II	9.6	50,000	100,000
Others			
Aqua Nominees Limited (ANL) - London			
- demand finance	9.7	494,000	470,100
		<u>758,345</u>	<u>834,848</u>
Less: current portion grouped under current liabilities		<u>233,933</u>	<u>249,249</u>
		<u>524,412</u>	<u>585,599</u>

9.1 These finances were obtained against a term finance facility of Rs.164 million and have been fully repaid during May, 2013. This finance facility carried mark-up at the rate of 6-months KIBOR + 200 basis points; effective mark-up rate charged, during the current financial year, ranged from 11.62% to 14.01% per annum (2012: 7.5% to 14.01% per annum). This finance facility was secured against first pari passu registered hypothecation mortgage charge for Rs.271 million over all present and future fixed assets of the Company.

9.2 These finances have been obtained against a demand finance facility of Rs.160 million. The principal balance of this finance facility is repayable in 6 equal half-yearly instalments commenced from December, 2010. This finance facility carries mark-up at the rate of 3-months KIBOR + 250 basis points; effective mark-up rate charged, during the current financial year, ranged from 11.86% to 14.49% (2012: 7.5% to 14.49%) per annum. This finance facility is secured against first pari passu hypothecation charge over current assets of the Company and first pari passu charge over present and future fixed assets of the Company.

9.3 These finances have been obtained against a demand finance facility of Rs.75 million. The principal balance of this finance facility is repayable in 10 equal half-yearly instalments of Rs.7.500 million commencing December, 2013. This finance facility carries mark-up at the rate of 6-months KIBOR + 200 basis points; effective mark-up charged, during the current financial year, ranged from 11.51% to 14.03% (2012: 14.03%) per annum. This finance facility is secured against first registered pari passu hypothecation charge over fixed assets of the Company.

9.4 The Company, out of total long term finance facility of Rs.130 million, availed Rs.49.262 million during the preceding financial year and Rs.63.433 million during the current financial year. The principal balance of this finance facility is repayable in 10 equal half-yearly instalments commencing October, 2014. This finance facility carries mark-up at the rate of 6-months KIBOR + 225 basis points; effective mark-up charged, during the current financial year, ranged from 11.82% to 14.24% (2012: 14.31%) per annum. This finance facility is secured against first pari passu hypothecation charge over fixed assets of the Company for Rs.174 million.

- 9.5** These finances were obtained against a demand finance facility of Rs.325 million and have been fully repaid during September, 2012. This finance facility carried mark-up at the rate of 6-months KIBOR + 250 basis points; effective mark-up rate charged, during the current financial year, was 14.56% (2012: 7.5% to 14.52%) per annum. This finance facility was secured against first pari passu charge over all present and future fixed assets of the Company for Rs. 434 million.
- 9.6** The Company, out of total demand finance facility of Rs.250 million, availed Rs.200 million to finance its expansion plan. The principal balance of this finance facility is repayable in 8 equal half-yearly instalments of Rs.25.00 million commenced from September, 2010. This finance facility carries mark-up at the rate of 6-months KIBOR + 250 basis points; effective mark-up rate charged, during the current financial year, ranged from 11.88% to 14.56% (2012: 7.5% to 14.52%) per annum. This finance facility is secured against first pari passu charge over all present and future fixed assets of the Company for Rs.334 million.
- 9.7** These finances were obtained during the financial year ended June 30, 2008 against a finance facility of U.S.\$ 10 million. Out of the total payable balance of U.S.\$ 10 million, an amount of U.S.\$ 5 million was transferred to sub-ordinated loan during the financial year ended June 30, 2009 as fully detailed in note 8. As per terms of the original agreement, principal balance of this finance facility was repayable in 8 equal half-yearly instalments of U.S.\$ 0.625 million which were to commence from October, 2011; however, ANL, first in October, 2012 and then again in April, 2013, rescheduled repayment terms of this loan. As per the latest rescheduling first instalment will now fall due in October, 2013. The finance facility during the current financial year carries mark-up at the rates ranging from 1.925% to 2.228% (2012: 1.930% to 2.228%) per annum. These finances are secured by way of second charge over all present and future assets of the Company.
- 9.8** The Company, during the financial year ended June 30, 2008, had entered into an interest rate swap agreement with United Bank Ltd. for a notional amount of Rs.900 million to hedge its risk associated primarily with mark-up payments and foreign currency fluctuations. As per the swap agreement, the Company was to receive 6-months KIBOR + exchange difference and pay 6-months LIBOR + 1.80% + exchange difference arising on the settlement date. This agreement has matured in March, 2013 and has been duly settled.

10. LONG TERM DEPOSITS

These deposits have been received in accordance with the Company's Car Incentive Scheme and against these deposits vehicles will be provided to the employees. These are adjustable after specified periods by transfer of title of vehicles to the respective employees.

11. DEFERRED LIABILITY - STAFF RETIREMENT BENEFITS (Gratuity)

Projected unit credit method, as allowed under IAS 19 (Employee Benefits), has been used for actuarial valuation based on the following significant assumptions:

	2013	2012
- discount rate	13%	13%
- expected rate of eligible salary increase in future years	12%	12%
- average expected remaining working life time of employees	05 years	05 years

	2013	2012
	(Rupees in thousand)	
The amount recognised in the balance sheet is as follows:		
Present value of defined benefit obligation	109,705	89,699
Unrecognised actuarial loss	(13,051)	(14,071)
Net liability at end of the year	<u>96,654</u>	<u>75,628</u>
Net liability at beginning of the year	75,628	61,392
Charge to profit and loss account	33,110	27,987
Payments made during the year	(12,084)	(13,751)
Net liability at end of the year	<u>96,654</u>	<u>75,628</u>
The movement in the present value of defined benefit obligation is as follows:		
Balance at beginning of the year	89,699	70,622
Current service cost	20,429	19,079
Interest cost	11,661	8,475
Benefits paid	(12,084)	(13,751)
Actuarial loss	0	5,274
Balance at end of the year	<u>109,705</u>	<u>89,699</u>
Charge to profit and loss account:		
Current service cost	20,429	19,079
Interest cost	11,661	8,475
Actuarial loss recognised during the year	1,020	433
	<u>33,110</u>	<u>27,987</u>

Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2013	2012	2011	2010	2009
	(Rupees in thousand)				
Present value of defined benefit obligation	<u>109,705</u>	<u>89,699</u>	<u>70,622</u>	<u>54,944</u>	<u>41,878</u>
Experience adjustment on obligation	<u>0</u>	<u>5,274</u>	<u>0</u>	<u>3,686</u>	<u>0</u>

The Company's policy with regard to actuarial gains / losses is to follow the minimum recommended approach under IAS 19 (Employee Benefits).

12. TRADE AND OTHER PAYABLES

	Note	2013 (Rupees in thousand)	2012
Creditors		143,711	80,787
Bills payable	12.1	119,554	364,608
Due to Associated Companies	12.2	67,868	49,177
Accrued expenses		123,165	61,761
Workers' (profit) participation fund - allocation for the year		24,640	6,040
Workers' welfare fund		25,725	16,362
Unclaimed dividends		5,689	4,669
Tax deducted at source		1,347	35
Others		137	0
		<u>511,836</u>	<u>583,439</u>

12.1 These are secured against import documents.

12.2 These balances, arisen in the normal course of business are interest free, are due to the following Associated Companies:

- Mediterranean Textile Company (S.A.E.), Egypt	67,585	49,107
- Saif Holdings Ltd.	0	70
- Green Fuels (Pvt.) Ltd.	283	0
	<u>67,868</u>	<u>49,177</u>

13. ACCRUED MARK-UP AND FINANCIAL CHARGES

Mark-up accrued on:		
- sub-ordinated loan	42,333	30,484
- long term financing	25,546	16,534
- short term borrowings	37,277	48,934
Lease finance charges	0	16
Accrued mark-up and exchange fluctuation difference on interest rate swap agreement	0	9,993
	<u>105,156</u>	<u>105,961</u>

14. SHORT TERM BORROWINGS - Secured

Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.3.267 billion (2012: Rs.2.470 billion) and are secured against pledge of stock-in-trade, charge on fixed and current assets of the Company and lien over underlying export documents. These finance facilities, during the current financial year, carried mark-up at the rates ranging from 1.53% to 14.93% (2012: 2.35% to 17.03%) per annum and are expiring on various dates by March 31, 2014.

Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.1.353 billion (2012: Rs.1.153 billion) of which the amount remained unutilised at the year-end was Rs.1.071 billion (2012: Rs.0.677 billion). These facilities are secured against lien over import documents and charge on fixed assets of the Company and are expiring over various dates by August, 2014.

	Note	2013 (Rupees in thousand)	2012
15. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term financing	9	233,933	249,249
Liabilities against assets subject to finance lease	15.1	0	1,169
		<u>233,933</u>	<u>250,418</u>

15.1 The Company, during the current financial year, has fully repaid the outstanding lease rental of all lease finance facilities availed by it and has also exercised its option to purchase the leased vehicles. These finance facilities, during the current financial year, were subject to finance cost at the rates ranging from 12.79% to 14.49% (2012: 13.86% to 16.04%) per annum.

16. CONTINGENCIES AND COMMITMENTS

Contingencies

16.1 The Company had imported textile plant & machinery availing exemption from customs duty and sales tax on import thereof under SROs 554(1)/98 and 987(1)/99. In case conditions of the aforementioned SROs are violated, the amounts of customs duty and sales tax exempted aggregating Rs.151.014 million shall be recoverable by the Customs Authorities along with penalties under section 202 of the Customs Act, 1969.

16.2 Faysal Bank Ltd., on behalf of the Company, has issued inland bank guarantees of Rs.111.374 million (2012: Rs.91.334 million) in favour of Sui Northern Gas Pipelines Ltd. These guarantees are secured against ranking hypothecation charge for Rs.194 million on all present and future fixed assets of the Company.

16.3 Refer contents of note 29.3.

Commitments

16.4 Commitments against irrevocable letters of credit outstanding at the year-end aggregate to Rs.50.883 million (2012: Rs.20.231 million).

	Note	2013 (Rupees in thousand)	2012
17. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	17.1	2,498,081	2,262,200
Capital work-in-progress	17.5	10,990	28,821
Stores held for capital expenditure including in-transit inventory valuing Rs.20.041 million (2012: Rs.173.712 million)		82,050	203,212
		<u>2,591,121</u>	<u>2,494,233</u>

17.1 Operating fixed assets - tangible

	Owned											Leased vehicles	Total		
	Lease hold land	Buildings on leasehold land	Plant & machinery	Generators	Electric installations	Airconditioning equipment	Furniture and fixtures	Office equipment	Telephone installations	Weighing scales	Fire extinguishing equipment			Gas fittings	Vehicles
(Rupees in thousand)															
COST / REVALUATION															
Balance as at July 01, 2011	42,792	436,973	2,385,742	210,012	88,876	72,337	15,804	22,699	3,122	773	1,593	701	63,290	6,001	3,350,715
Additions during the year	3,358	25,969	235,022	27,592	2,159	20,225	448	3,373	439	2,237	355	0	5,803	0	326,980
Disposals during the year	0	0	(11,190)	(3,456)	0	0	0	(625)	(167)	0	0	0	(3,232)	0	(18,670)
Balance as at June 30, 2012	46,150	462,942	2,609,574	234,148	91,035	92,562	16,252	25,447	3,394	3,010	1,948	701	65,861	6,001	3,659,025
Balance as at July 01, 2012	46,150	462,942	2,609,574	234,148	91,035	92,562	16,252	25,447	3,394	3,010	1,948	701	65,861	6,001	3,659,025
Additions during the year	7,976	10,365	356,502	13,302	1,991	14,062	468	6,199	431	7	352	0	19,995	0	431,650
Disposals during the year	0	0	(51,239)	(4,198)	0	(722)	0	(36)	(109)	0	0	0	(6,001)	0	(62,305)
Transfer from leased to owned	0	0	0	0	0	0	0	0	0	0	0	0	6,001	(6,001)	0
Balance as at June 30, 2013	54,126	473,307	2,914,837	243,252	93,026	105,902	16,720	31,610	3,716	3,017	2,300	701	85,856	0	4,028,370
DEPRECIATION															
Balance as at July 01, 2011	3,995	44,176	1,013,066	62,113	54,926	17,983	6,868	10,775	1,292	526	593	390	25,784	2,714	1,245,201
Charge for the year	444	19,770	112,599	11,861	2,622	4,406	913	1,317	197	47	106	31	8,194	657	163,164
On disposals during the year	0	0	(7,554)	(1,589)	0	0	0	(243)	(21)	0	0	0	(2,133)	0	(11,540)
Balance as at June 30, 2012	4,439	63,946	1,118,111	72,385	57,548	22,389	7,781	11,849	1,468	573	699	421	31,845	3,371	1,396,825
Balance as at July 01, 2012	4,439	63,946	1,118,111	72,385	57,548	22,389	7,781	11,849	1,468	573	699	421	31,845	3,371	1,396,825
Charge for the year	495	20,037	119,394	12,167	2,571	5,541	865	1,605	207	244	138	28	8,691	410	172,393
On disposals during the year	0	0	(32,335)	(2,051)	0	(236)	0	(2)	(20)	0	0	0	(4,285)	0	(38,929)
Transfer from leased to owned	0	0	0	0	0	0	0	0	0	0	0	0	3,781	(3,781)	0
Balance as at June 30, 2013	4,934	83,983	1,205,170	82,501	60,119	27,694	8,646	13,452	1,655	817	837	449	40,032	0	1,530,289
BOOK VALUE AS AT															
JUNE 30, 2012	41,711	398,996	1,491,463	161,763	33,487	70,173	8,471	13,598	1,926	2,437	1,249	280	34,016	2,630	2,262,200
BOOK VALUE AS AT															
JUNE 30, 2013	49,192	389,324	1,709,667	160,751	32,907	78,208	8,074	18,158	2,061	2,200	1,463	252	45,824	0	2,498,081
Depreciation rate (%)	0	5	7.5	7.5	7.5	7.5	10	10	10	10	10	10	20	20	

17.2 Had the operating fixed assets been recognised under the cost model, the carrying amounts of each revalued class of operating fixed assets would have been as follows:

	2013	2012
	(Rupees in thousand)	
- leasehold land	57,073	49,677
- buildings on leasehold land	247,022	244,917
- plant & machinery	1,640,461	1,409,170
- generators	160,748	163,804
- electric installations	44,494	46,013
- air-conditioning equipment	61,598	51,870
	<u>2,211,396</u>	<u>1,965,451</u>

17.3 Disposal of operating fixed assets

Asset description	Cost / revaluation	Accumulated depreciation	Net book value	Sale proceeds/ insurance claim	Gain / (loss)	Mode of disposal	Particulars of buyers
(Rupees in thousand)							
Plant & machinery							
Marzoli card	3,608	2,164	1,444	660	(784)	Negotiation	Noshad Textile Machinery traders, Faisalabad
Electric motors	130	39	91	41	(50)	- do -	- do -
Simplex machine	8,882	6,326	2,556	2,594	38	- do -	- do -
Savio machine	18,937	11,006	7,931	4,017	(3,914)	- do -	- do -
Comber rieter	2,252	1,209	1,043	477	(566)	- do -	- do -
Compressor hanshin	1,248	676	572	262	(310)	- do -	- do -
Carding machine	7,912	5,662	2,250	3,250	1,000	- do -	- do -
Scutcher machine	300	228	72	1,355	1,283	- do -	- do -
Carding machine	565	409	156	255	99	- do -	Elahi Cotton, Gadoon
Carding machine	1,110	813	297	510	213	- do -	Fazal Elahi Cotton, Gadoon
Carding machine	3,382	2,471	911	1,500	589	- do -	Chohan & Co., Sahiwal
Carding machine	952	672	280	550	270	- do -	Mr. Shakeel Khan Ghorri, Faisalabad
Fine Opener	1,010	340	670	901	231	- do -	Tahir & Sons, Lahore
Mono axail flow opener	951	320	631	801	170	- do -	- do -
	51,239	32,335	18,904	17,173	(1,731)		
Generators							
Caterpillar diesel generators	4,198	2,051	2,147	6,000	3,853	- do -	Tariq Glass Industries Ltd., Lahore
Air-conditioning equipment							
Waste collection system	722	236	486	222	(264)	- do -	Noshad Textile Machinery traders, Faisalabad
Office equipment							
Laptop	36	2	34	34	-	- do -	Mr. Musa Khan, employee
Telephone installations							
Cell phones	109	20	89	88	(1)	Insurance claim	EFU General Insurance Ltd.
Vehicles							
Honda Civic	1,060	908	152	675	523	Negotiation	Mr. Ali, Islamabad
Honda Civic	530	354	176	600	424	Insurance claim	EFU General Insurance Ltd.
Honda Civic	1,827	1,178	649	1,315	666	Negotiation	Muhammad Farooq, Wah Cantt
Toyota Corolla	300	228	72	475	403	- do -	Mr. Awais, Nankana
Toyota Corolla	1,095	978	117	200	83	- do -	Mr. Mashal Khan, Rawalpindi
Suzuki Cultus	382	185	197	440	243	- do -	Chaudhri Mumtaz, ex-employee
Suzuki Cultus	629	454	175	206	31	Company policy	Mr. Irshad, employee
Daihatsu Cuore	178	-	178	178	-	- do -	Mr. Abdul Waheed, ex-employee
	6,001	4,285	1,716	4,089	2,373		
	62,305	38,929	23,376	27,606	4,230		

	Note	2013 (Rupees in thousand)	2012
17.4	Depreciation for the year has been apportioned as under:		
	Cost of sales	160,587	151,856
	Administrative expenses	11,806	11,308
		<u>172,393</u>	<u>163,164</u>
17.5	Capital work-in-progress		
	Factory buildings	0	1,521
	Advance payments		
	- plant & machinery	9,980	23,986
	- generators	0	424
	- vehicles	1,010	2,890
		<u>10,990</u>	<u>28,821</u>
18.	INTANGIBLE ASSETS - Computer software		
	Cost at beginning of the year	6,179	5,299
	Addition during the year	0	880
	Less: amortisation:		
	- at beginning of the year	5,238	5,132
	- charge for the year	252	106
	- at end of the year	5,490	5,238
	Book value as at June 30,	<u>689</u>	<u>941</u>
18.1	Amortisation is charged to income applying the straight-line method at the rate of 20% per annum.		
19.	LONG TERM LOANS - Considered good		
	Interest free loans to:		
	- executives	9,795	5,900
	- employees	1,910	1,238
		<u>11,705</u>	<u>7,138</u>
	Less: current portion grouped under current assets	3,492	1,240
		<u>8,213</u>	<u>5,898</u>
19.1 (a)	Balance at beginning of the year	5,900	6,450
	Add: disbursements	4,500	255
		<u>10,400</u>	<u>6,705</u>
	Less: recoveries / adjustments	605	805
	Balance at end of the year	<u>9,795</u>	<u>5,900</u>
(b)	These loans have been advanced for construction of house, employees' children educational expenses and for other purposes. These are recoverable in monthly instalments and are adjustable against the gratuity balances of the employees at the end of respective employment terms.		

(c) Maximum aggregate amount due from the executives at any month-end during the year was Rs.10.175 million (2012: Rs.6.425 million).

19.2 These loans are recoverable in monthly instalments and are adjustable against the gratuity balances of the respective employees at the end of employment terms.

19.3 The fair value adjustments as required by IAS 39 (Financial Instruments: Recognition and Measurement) arising in respect of staff loans are not considered material and hence not recognised.

	2013	2012
	(Rupees in thousand)	
20. DEFERRED TAXATION - net		
Debit balances arising in respect of:		
- unused tax losses	584,001	562,352
- provision for doubtful deposit for shares	2,735	2,772
- staff retirement benefits - gratuity	26,431	20,964
- minimum tax recoverable against normal tax charge in future years	0	22,449
- tax credit on investments in BMR of plant and machinery	23,061	0
	636,228	608,537
Credit balances arising in respect of:		
- accelerated tax depreciation allowances	401,430	356,959
- surplus on revaluation of property, plant and equipment	57,058	63,160
- lease finances	0	405
	458,488	420,524
	177,740	188,013
21. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores including in transit inventory valuing Rs.nil (2012: Rs.3.525 million)	44,312	39,083
Spare parts	20,144	19,404
Loose tools	5,543	6,091
	69,999	64,578
22. STOCK-IN-TRADE		
Raw materials:		
- at mills	1,151,895	878,245
- in transit	198,630	320,817
	1,350,525	1,199,062
Work-in-process	102,383	75,513
Finished goods	241,677	304,284
	1,694,585	1,578,859

22.1 Stock-in-trade inventory valuing Rs.1,023.332 million (2012: Rs.649.958 million) is pledged with commercial banks as security for short term borrowings (note 14).

		2013	2012
	Note	(Rupees in thousand)	
23. TRADE DEBTS			
Unsecured - considered good			
- export		0	14,710
- local		544,428	335,556
		544,428	350,266
Secured			
- export		219,115	143,855
- local		22,696	20,305
		241,811	164,160
		786,239	514,426
24. LOANS AND ADVANCES - Considered good			
Current portion of long term loans	19	3,492	1,240
Advances to:			
- executives		1,085	100
- employees		3,048	1,806
- suppliers		35,137	17,460
		42,762	20,606
25. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Containers' security deposits		2,000	2,800
Short term prepayments		881	3,798
		2,881	6,598
26. OTHER RECEIVABLES			
Claims receivable		19,238	1,337
Due from Associated Companies	26.1	5,353	2,805
Receivable from Sui Northern Gas Pipelines Ltd.	26.2	9,621	9,621
Advances against letters of credit		1,755	488
		35,967	14,251
26.1			
These balances, arisen in the normal course of business are interest free, are due from the following Associated Companies:			
- Saif Energy Ltd.		406	157
- Saif Power Ltd.		202	139
- Saif Holdings Ltd.		2,265	0
- Lahore Compost (Pvt.) Ltd.		1,412	1,458
- Saif Healthcare Ltd.		0	2
- Green Fuels (Pvt.) Ltd.		1,049	1,049
- GlobeComm (Pvt.) Ltd.		19	0
		5,353	2,805
26.2			
This represents excessive gas billings for the months of January and October, 2010 paid under protest against which the Company has filed a complaint with the Oil & Gas Regulatory Authority, Islamabad. Presently, the Company's case is pending with the Regional Detection & Evaluation Committee of Sui Northern Gas Pipelines Ltd. for final decision.			

27. INVESTMENTS - Quoted (at fair value through profit or loss)	Note	2013 (Rupees in thousand)	2012
National Bank of Pakistan 103,715 (2012: 90,187) ordinary shares of Rs.10 each		3,927	4,168
Fauji Cement Company Ltd. Nil shares (2012: 10,000) ordinary shares of Rs.10 each		0	41
Attock Refinery Ltd. Nil shares (2012: 9,000) ordinary shares of Rs.10 each		0	1,112
Pakistan Petroleum Ltd. 85 (2012: 3,068) ordinary shares of Rs.10 each		16	575
		<u>3,943</u>	<u>5,896</u>
Adjustment on remeasurement to fair value - net		340	(229)
		<u>4,283</u>	<u>5,667</u>

28. DEPOSIT FOR SHARES

Security Electric Power Company Ltd. - SEPCL (an Ex - Associated Company)	28.1	10,000	10,000
Less: provision for doubtful deposit for shares	28.2	10,000	10,000
		<u>0</u>	<u>0</u>

28.1 The Company had deposited Rs.5 million during the financial year ended September 30, 1994 and Rs.5 million during the financial year ended September 30, 1998 with SEPCL for purchase of shares. Shares against these deposits, however, have not been issued so far.

28.2 Full provision against these doubtful deposits was made as the management was of the opinion that SEPCL had abandoned the project due to IPP crisis and SEPCL utilised this amount in payment of penalty imposed by the Private Power Infrastructure Board (Ministry of Water and Power). The Company had filed a complaint before the Wafaqi Muhtasib for recovery of the said deposit along with penalty. As remote chances of recovery existed, full provision for doubtful deposits for shares was made in the books of account during the financial year ended September 30, 2000.

29. TAXATION - net

Balance of advance tax / (provision) at beginning of the year		117,355	(23,550)
Add: income tax deducted / paid during the year		69,844	39,505
		<u>187,199</u>	<u>15,955</u>
Less: provision made / (written-back) during the year: - prior year		12,132	(101,400)
Balance of advance tax at end of the year		<u>175,067</u>	<u>117,355</u>

- 29.1** Income tax assessments of the Company have been finalized by the Income Tax Department or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) upto the tax year 2012.
- 29.2** No provision for current taxation has been made in these financial statements as the Company has adjusted tax credit, available to it, under section 65B against the tax due under sections 113 (minimum tax on turnover) and 154 (tax on export proceeds) of the Ordinance.
- 29.3** Due to location of the mills in the most affected area, the income of the Company was exempt from tax under clause 126F of the second schedule to the Ordinance starting from the tax year 2010. Exemption available under clause 126F was a specific exemption granted by the Federal Board of Revenue (FBR) to the specific areas of Khyber Pakhtunkhwa. The Company had filed a writ petition before the Peshawar High Court, Peshawar, praying exemption from levy of minimum tax under section 113 of the Ordinance, who vide its judgment dated July 18, 2012 admitted and allowed the Company's writ petition and directed the concerned authorities to extend the benefit of clause 126F to the Company in the light of clarification given by the FBR. Accordingly, no provision for minimum tax for the financial year ended June 30, 2012 amounted Rs.51.348 million was made in the books of account as well as provisions for minimum tax made during the financial years ended June 30, 2010 and 2011 aggregated Rs.91.344 million were written-back. The Department, against the said order, has filed an appeal with the Honorable Supreme Court of Pakistan, which is pending adjudication. An adverse judgment by the Honorable Supreme Court of Pakistan will create a tax liability amounting Rs.142.692 million.

	Note	2013 (Rupees in thousand)	2012
30. TAXES REFUNDABLE			
Sales tax refundable		53,426	45,866
Minimum tax paid under protest	30.1	5,034	5,034
		<u>58,460</u>	<u>50,900</u>

- 30.1** The Company had made payments aggregating Rs.12.736 million till September 30, 2003 under protest; however, Rs.3.000 million were adjusted against the completed assessment during the financial year ended September 30, 2004. The Company, during the financial year ended June 30, 2008, had received refund of Rs.4.702 million.

31. BANK BALANCES

Cash at banks on:			
- current accounts	31.1	15,634	8,723
- saving accounts		738	63
		<u>16,372</u>	<u>8,786</u>

- 31.1** These include foreign currency balances of U.S.\$ 520 (2012: U.S.\$ 282).

32. SALES	Note	2013	2012
Own manufactured goods:		(Rupees in thousand)	
Local			
- yarn		5,717,568	4,896,303
- waste		46,188	50,507
		<u>5,763,756</u>	<u>4,946,810</u>
Export			
- yarn		1,251,666	1,129,186
- waste		151,823	126,547
		<u>1,403,489</u>	<u>1,255,733</u>
		<u>7,167,245</u>	<u>6,202,543</u>
Trading activities:			
Local			
- yarn		423,694	146,034
- fabric		4,530	17,564
- raw materials		28,859	24,387
		<u>457,083</u>	<u>187,985</u>
Export			
- yarn		99,281	92,895
		<u>7,723,609</u>	<u>6,483,423</u>
Less: sales tax		44,389	0
		<u>7,679,220</u>	<u>6,483,423</u>
33. COST OF SALES			
Raw materials consumed	33.1	4,538,636	4,318,478
Packing materials consumed		116,766	97,030
Salaries, wages and benefits	33.2	477,500	343,149
Power and fuel		534,933	461,531
Repair and maintenance		107,856	79,857
Depreciation		160,587	151,856
Insurance		12,986	14,002
Doubling charges		12,757	12,993
Rent		3,184	634
Vehicles' running and maintenance		6,156	6,310
Travelling and conveyance		2,614	1,557
Textile cess		91	89
Others		5,854	4,432
		<u>5,979,920</u>	<u>5,491,918</u>
Adjustment of work-in-process			
Opening		75,513	104,354
Closing		(102,383)	(75,513)
		<u>(26,870)</u>	<u>28,841</u>
Cost of goods manufactured		<u>5,953,050</u>	<u>5,520,759</u>

	Note	2013 (Rupees in thousand)	2012
Adjustment of finished goods			
Opening stock		304,284	250,553
Purchases		512,642	254,936
Closing stock		(241,677)	(304,284)
		<u>575,249</u>	<u>201,205</u>
		<u>6,528,299</u>	<u>5,721,964</u>
33.1 Raw materials consumed			
Opening stock		1,199,062	1,046,079
Purchases (for manufacturing)		4,660,730	4,446,180
Cost of raw materials sold		26,670	24,813
		<u>4,687,400</u>	<u>4,470,993</u>
		<u>5,886,462</u>	<u>5,517,072</u>
Less: closing stock		<u>1,350,525</u>	<u>1,199,062</u>
		<u>4,535,937</u>	<u>4,318,010</u>
Add: cotton cess		2,699	468
		<u>4,538,636</u>	<u>4,318,478</u>

33.2 These include Rs.20.249 million (2012: Rs.17.115 million) in respect of staff retirement benefits - gratuity.

34. DISTRIBUTION COST

Staff salaries	34.1	14,270	14,604
Travelling		3,870	4,963
Communication		2,560	2,106
Loading and unloading		11,746	7,953
Freight on local yarn sales		10,515	9,295
Freight on export yarn sales		45,415	45,586
Export expenses		10,594	9,376
Insurance		331	287
Commission on sales		53,969	49,084
Quality claims on sale supplies		14,106	14,277
Sizing charges		9	49
		<u>167,385</u>	<u>157,580</u>

34.1 These include Rs.3.780 million (2012: Rs.3.196 million) in respect of staff retirement benefits - gratuity.

35. ADMINISTRATIVE EXPENSES	Note	2013	2012
		(Rupees in thousand)	
Directors' meeting fee		100	120
Salaries and benefits	35.1	91,313	71,281
Travelling and conveyance:			
- directors		2,491	3,191
- others		6,757	3,624
Rent, rates and taxes		5,771	7,141
Entertainment		1,895	1,233
Communication		5,640	5,809
Printing and stationery		1,719	1,456
Electricity, gas and water		3,380	4,432
Insurance		3,149	2,960
Repair and maintenance		4,654	3,740
Vehicles' running and maintenance		13,289	14,086
Advertisement		136	158
Fees and subscription		3,552	4,353
Newspapers and periodicals		115	115
Depreciation		11,806	11,308
Amortisation		252	106
Auditors' remuneration	35.2	1,265	1,255
Legal and professional (other than Auditors)		1,842	1,395
Others		378	162
		<u>159,504</u>	<u>137,925</u>

35.1 These include Rs.9.081 million (2012: Rs.7.676 million) in respect of staff retirement benefits - gratuity.

35.2 Auditors' remuneration

Statutory audit	1,000	1,000
half yearly review	110	110
Consultancy and certification charges	145	145
Out-of-pocket expenses	10	0
	<u>1,265</u>	<u>1,255</u>

35.3 The Company, during the current financial year, has shared administrative expenses aggregating Rs.4.702 million (2012: Rs.9.820 million) with an Associated Company on account of proportionate expenses of the combined offices at Karachi and Lahore. These expenses have been booked in the respective heads of account.

	Note	2013 (Rupees in thousand)	2012
36. OTHER INCOME			
Sale of scrap - net of sales tax of Rs.72 thousand (2012: Rs.56 thousand)		766	697
Unclaimed payable balances written-back		99	94
Gain on sale of operating fixed assets	17.3	4,230	4,210
Dividends		55	1,295
Adjustment on remeasurement of investments to fair value	27	340	0
Realised gain on sale of investments		318	538
		<u>5,808</u>	<u>6,834</u>
37. OTHER EXPENSES			
Workers' (profit) participation fund		24,640	6,040
Workers' welfare fund		9,363	2,295
Donations	37.1	3,607	3,769
Adjustment on remeasurement of investments to fair value	27	0	229
		<u>37,610</u>	<u>12,333</u>

37.1 These include an amount of Rs.2.925 million (2012: Rs.1.950 million), which represents amount donated to Saifullah Foundation for Sustainable Development (a Social Welfare Society) administered by the following directors of the Company:

- Mr. Osman Saifullah Khan - Mr. Jehangir Saifullah Khan

38. FINANCE COST - net

Mark-up on subordinated loan	10,299	9,780
Mark-up on long term financing	53,960	67,332
Less:		
- mark-up subsidy	0	(18,127)
- gain on interest rate swap agreement	(1,577)	(7,512)
	52,383	41,693
Mark-up on short term borrowings	197,148	227,547
Less: mark-up subsidy	0	(46,464)
	197,148	181,083
Lease finance charges	386	216
Interest on workers' (profit) participation fund	416	2,487
Bank and other charges	15,489	16,690
	<u>276,121</u>	<u>251,949</u>

	Note	2013 (Rupees in thousand)	2012
39. EXCHANGE FLUCTUATION LOSS - net			
Exchange fluctuation loss / (gain) on:			
- foreign currency financing		47,800	81,500
- interest rate swap agreement		12,742	23,064
- others - net		<u>(3,225)</u>	<u>(8,801)</u>
		<u>57,317</u>	<u>95,763</u>
40. TAXATION			
Current - for prior year	29	12,132	(101,400)
Deferred			
- relating to temporary differences	20	10,273	0
- resulting from reduction in tax rate	7	2,086	0
		<u>12,359</u>	<u>0</u>
		<u>24,491</u>	<u>(101,400)</u>
41. EARNINGS PER SHARE			
41.1 Basic earnings per share			
Profit after taxation attributable to ordinary shareholders		<u>434,301</u>	<u>214,143</u>
		(No. of shares)	
Weighted average number of ordinary shares outstanding during the year		<u>26,412,880</u>	<u>26,412,880</u>
		(Rupees)	
Basic earnings per share		<u>16.44</u>	<u>8.11</u>

41.2 Diluted

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2013 and June 30, 2012 which would have any effect on the earnings per share if the option to convert is exercised.

	2013	2012
	(Rupees in thousand)	
42. CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year - before taxation	458,792	112,743
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	172,645	163,270
Staff retirement benefits - gratuity (net)	21,026	14,236
Unclaimed payable balances written-back	(99)	(94)
Gain on sale of operating fixed assets - net	(4,230)	(4,210)
Finance cost	260,632	235,259
Mark-up subsidy	0	41,735
Exchange fluctuation loss on long term financing	47,800	81,500
Exchange fluctuation gain - net (others)	(3,225)	(8,801)
Adjustment on remeasurement of investments to fair value - net	(340)	229
Profit before working capital changes	953,001	635,867
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(5,421)	(2,866)
Stock-in-trade	(115,726)	(177,873)
Trade debts	(271,813)	528,394
Loans and advances	(19,904)	4,036
Trade deposits and short term prepayments	3,717	(1,949)
Other receivables	(21,716)	19,219
Investments	1,724	8,021
Taxes refundable	(7,560)	(24,092)
(Decrease) / increase in trade and other payables	(72,524)	3,392
	(509,223)	356,282
Cash generated from operating activities	443,778	992,149
Income tax paid	(69,844)	(39,505)
Long term loans	(4,567)	(157)
Long term deposits	(1,093)	(794)
Long term deposits from employees	1,192	747
Net cash generated from operating activities	369,466	952,440

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

43.1 Financial Risk Factors

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

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial

risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

43.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of raw materials, plant & machinery and stores & spares denominated in U.S. Dollar, Euro, Swiss Frank. The Company's exposure to foreign currency risk for U.S. Dollar, Euro, Swiss Frank is as follows:

	2013			
	Rupees	U.S. \$	Euros	CHF
		(in thousand)		
Sub-ordinated loan	494,000	5,000	0	0
Long term financing	494,000	5,000	0	0
Short term borrowings	9,244	94	0	0
Bills payable	119,554	1,163	0	45
Due to an Associated Company	67,585	684	0	0
	<u>1,184,383</u>	<u>11,941</u>	<u>0</u>	<u>45</u>
Trade debts	219,115	2,222	0	0
Other receivables	238	2	0	0
	<u>1,403,498</u>	<u>14,163</u>	<u>0</u>	<u>45</u>
Gross balance sheet exposure	965,030	9,717	0	45
Outstanding letters of credit	50,883	272	158	34
	<u>1,015,913</u>	<u>9,989</u>	<u>158</u>	<u>79</u>
	2012			
	Rupees	U.S. \$	Euros	
		(in thousand)		
Sub-ordinated loan	470,100	5,000	0	
Long term financing	470,100	5,000	0	
Short term borrowings	56,305	599	0	
Bills payable	364,608	3,327	422	
Accrued mark-up	635	7	0	
Due to an Associated Company	49,240	521	0	
	<u>1,410,988</u>	<u>14,454</u>	<u>422</u>	
Trade debts	158,566	1,687	0	
Other receivables	1,336	15	0	
	<u>1,570,890</u>	<u>16,156</u>	<u>422</u>	
Gross balance sheet exposure	1,251,086	12,752	422	
Outstanding letters of credit	20,231	199	11	
	<u>1,271,317</u>	<u>12,951</u>	<u>433</u>	

The following significant exchange rates have been applied:

	Average rate		2013	2012
	2013	2012		
U.S. Dollar to Rupee	96.78	89.79	98.60/98.80	94.00/94.20
Euro to Rupee	122.72	120.47	128.85.25/129.11	118.25/118.50
CHF to Rupee	102.62	0	104.49/104.71	0

Sensitivity analysis

At June 30, 2013, if Rupee had strengthened by 10% against U.S. Dollar and Swiss Frank with all other variables held constant, profit after taxation for the year would have been higher by the amount shown below mainly as a result of net foreign exchange gains on translation of foreign currency financial assets and liabilities.

	2013	2012
	(Rupees in thousand)	
Effect on profit for the year		
U.S.\$ to Rupee	96,003	120,124
Euro to Rupee	0	5,001
CHF to Rupee	471	0

The weakening of Rupee against U.S. Dollar and Swiss Frank would have had an equal but opposite impact on profit after taxation.

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

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2013	2012	2013	2012
	Effective rate		Carrying amount	
	%	%	(Rupees in thousand)	
Financial liabilities				
Variable rate instruments				
Sub-ordinated loan	1.925 to 2.228	1.930 to 2.228	494,000	470,100
Long term financing	1.93 to 14.56	1.930 to 14.52	758,345	834,848
Liabilities against assets				
subject to finance lease	12.79 to 14.49	13.86 to 16.04	0	1,169
Short term borrowings	1.53 to 14.93	2.35 to 17.03	1,974,680	1,659,919

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2013, if interest rate on variable rate financial liabilities had been 1% higher/lower with all other variables held constant, profit after taxation for the year would have been Rs.32.270 million (2012: Rs.29.660 million) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market.

The Company is exposed to equity securities price risk because of its investments classified as fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the board of directors.

A 10% increase / decrease in market value of equity investments, profit before taxation for the year would have been higher / lower by Rs.428 thousand (2012: Rs.567 thousand).

43.3 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

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

Credit risk primarily arises from trade debts, deposits, other receivables, investments and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews, taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2013 along with comparative is tabulated below:

	2013	2012
	(Rupees in thousand)	
Long term deposits	8,982	7,889
Trade debts	786,239	514,426
Trade deposits	2,000	2,800
Other receivables	35,967	14,251
Investments	4,283	5,667
Bank balances	16,372	8,786
	<u>853,843</u>	<u>553,819</u>
Trade debts exposure by geographic region is as follows:		
Domestic	567,124	355,861
Export	219,115	158,565
	<u>786,239</u>	<u>514,426</u>

The majority of export debts of the Company are situated in Europe and Asia.

The ageing of trade debts at the balance sheet date is as follows:

Not yet due	727,061	470,547
Past due		
- upto 30 days	58,118	13,864
- more than 30 days	1,060	30,015
	<u>786,239</u>	<u>514,426</u>

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.561.891 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time. Further, major export debts are secured through letters of credit.

Investments comprise of share-holdings in listed securities. The management assesses the credit quality ratings of its holdings and diversifies its portfolio accordingly.

43.4 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's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

2013					
Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above	
(Rupees in thousand)					
Sub-ordinated loan	494,000	551,068	9,511	38,046	503,511
Long term financing	758,345	851,228	264,236	567,958	19,034
Trade and other payables	460,124	460,124	460,124	0	0
Accrued mark-up and financial charges	105,156	105,156	105,156	0	0
Short term borrowings	1,974,680	2,075,065	2,075,065	0	0
	<u>3,792,305</u>	<u>4,042,641</u>	<u>2,914,092</u>	<u>606,004</u>	<u>522,545</u>

2012					
Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above	
(Rupees in thousand)					
Sub-ordinated loan	470,100	543,757	10,476	41,932	491,349
Long term financing	834,848	963,654	298,923	664,731	0
Liabilities against assets subject to finance lease	1,169	1,248	1,248	0	0
Trade and other payables	561,002	561,002	561,002	0	0
Accrued mark-up and financial charges	105,961	105,961	105,961	0	0
Short term borrowings	1,659,919	1,880,694	1,880,694	0	0
	<u>3,632,999</u>	<u>4,056,316</u>	<u>2,858,304</u>	<u>706,663</u>	<u>491,349</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest / mark-up rates effective at the respective year-ends. The rates of interest / mark-up have been disclosed in the respective notes to these financial statements.

43.5 Fair values of financial instruments and hierarchy

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between carrying values and the fair value estimates.

At June 30, 2013, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans to employees, which are valued at their original costs less repayments.

The following table shows the fair value measurements of the financial instruments carried at fair value by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, un-observable inputs).

The Company's investments in equity instruments of listed Companies have been measured at fair value using year-end quoted prices. Fair value of these investments fall within level 1 of fair value hierarchy as mentioned above.

44. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and make adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratio under the financing agreements.

45. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Associated Companies, directors of the Company, Companies in which directors are interested, key management personnel and close members of the families of the directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. There were no transactions with key management personnel other than under the terms of employment and remuneration of key management personnel is disclosed in note 46. Amounts due from and to related parties are shown under receivables and payables. Significant transactions with related parties are as follows:

	2013	2012
	(Rupees in thousand)	
- purchase of fixed assets	19,153	1,677
- sale of fixed assets	0	106
- sale of goods and services	86,963	11,645
- purchase of goods and services	468,350	100,413
- dividend paid	26,194	26,194

46. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Working Director		Executives	
	2013	2012	2013	2012	2013	2012
(Rupees in thousand)						
Meeting fees	10	15	15	10	0	0
Managerial remuneration	7,200	7,200	5,100	5,100	26,401	22,022
House rent and utilities	636	864	399	501	14,521	12,110
Retirement benefits	0	0	0	0	4,744	7,622
Medical expenses reimbursed	0	0	0	0	815	907
	<u>7,846</u>	<u>8,079</u>	<u>5,514</u>	<u>5,611</u>	<u>46,481</u>	<u>42,661</u>
Number of persons	1	1	1	1	9	10

46.1 Meeting fees of Rs.100 thousand (2012: Rs.95 thousand) were also paid to seven (2012: five) non-working directors during the year.

46.2 Chief executive and some of the executives have also been provided with the Company maintained cars and residential telephones.

47. CAPACITY AND PRODUCTION

No. of spindles installed			88,956	88,956
Average of spindles shifts installed		Figure in '000	97,407	97,674
Average of spindles shifts worked		Figure in '000	94,802	92,913
No. of days worked			365	366
No. of shifts worked			1,095	1,098
Average count			30.09	35.23
Actual production	Kgs	Figure in '000	18,253	15,513

It is difficult to describe precisely the production capacity in textile spinning industry since it fluctuates widely depending on various factors, such as count of yarn spun, spindles speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted in a particular year.

48. OPERATING SEGMENT

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

48.1 Yarn sales represent 97% (2012: 97%) of the total sales of the Company.

48.2 80% (2012: 79%) of the Company's sales relate to customers in Pakistan.

48.3 All non-current assets of the Company as at June 30, 2013 are located in Pakistan.

48.4 The Company has one (2012: No) customer having sales of ten percent or more during the year ended June 30, 2013.

49. NUMBER OF EMPLOYEES

Number of employees as at June 30,

- Permanent	1,749	1,076
- Contractual	25	25

Average number of employees during the year

- Permanent	1,204	1,072
- Contractual	25	25

50. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors, in their meeting held on September 26, 2013 has proposed a final cash dividend of Rs.2.5 (2012: Rs.2) per share amounting to Rs.66.032 million (2012: Rs.52.826 million) for the year ended June 30, 2013. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on October 25, 2013. These financial statements do not include the effect of this appropriation and it will be accounted for in the financial statements for the year ending June 30, 2014.

51. GENERAL

These financial statements were authorised for issue on September 26, 2013 by the Board of Directors of the Company.

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.

OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE

ASSAD SAIFULLAH KHAN
DIRECTOR

FORM OF PROXY

TWENTY FOURTH ANNUAL GENERAL MEETING

I / We _____
of _____ being a member of **Saif Textile Mills Limited** and holder of
ordinary Shares as per Share Register Folio No. _____

For beneficial owners as per CDC List	
CDC Participant I.D. No. _____	Sub-Account No. _____
CNIC No. _____	or Passport No. _____

hereby appoint _____ of _____
who is also a member of the Company, Folio No. / CDC Account No. _____ or failing him /
her _____ of _____ who is also a member of the
Company, Folio No. / CDC Account No _____ as my / our proxy to vote and
act for me / our behalf at the 24th Annual General Meeting of the Company to be held on October 25,
2013 or at any adjournment thereof.

Please affix rupees five revenue stamp
--

(Signature should agree with the
Specimen signature registered
with the Company)

Signature of Shareholder _____

Dated this _____ day of _____ 2013 Signature of Proxy _____

For beneficial owners as per CDC list

1. WITNESS _____	2. WITNESS _____
Signature _____	Signature _____
Name: _____	Name: _____
Address: _____	Address: _____
_____	_____
_____	_____
CNIC No. _____	CNIC No. _____

Note:

- Proxies, in order to be effective, must be received at the Registered Office of the Company at APTMA House, Jamrud Road, Peshawar not less than 48 hours before the meeting.
- CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with the proxy form before submission to the Company (Original CNIC / Passport is required to be produced at the time of the meeting).
- In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

