



ISO 9002 CERTIFIED



Annual Report **9**
Two Thousand



SAFA TEXTILES LIMITED

Manufacturers & Exporters of Woven & Knitted Garments

2325

Scans



Vision

The Company is amongst one of the leading textile mills in Karachi, aims at producing international quality of woven and knitted garments for its export Markets. Our prime vision is to equip the factory with modern and sophisticated machines and develop the associated facilities which will help to reduce the cost of production, improve the quality of production, increase the profitability and the benefit to be absorbed by the Company its workers, and its shareholders.

Mission

Our mission is to promote our industry and boost our sales by exploring the international markets for our products specially those which have not been explored yet. By achieving this target we will be able to stand among the top block of garments exporters. Whereas, we would endeavor to enhance the value for our shareholders, to provide a comfortable place of work to our employees and to be an ethical partner to all our business associates. The company is to explore more opportunities in business and play a meaningful role on sustainable basis in the economy and social development of the country.

**COMPARATIVE STATEMENT OF OPERATING RESULTS
FROM JUNE 2003 TO JUNE 2009 (7 YEARS)**

----- Rupees in Thousands -----

| PARTICULAR | JUNE 2003 | JUNE 2004 | JUNE 2005 | JUNE 2006 | JUNE 2007 | JUNE 2008 | JUNE 2009 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| SALES | 132,621 | 158,507 | 182,999 | 227,884 | 281,562 | 367,422 | 395,271 |
| COST OF GOODS SOLD | 111,582 | 138,320 | 158,989 | 196,508 | 239,831 | 328,336 | 350,243 |
| GROSS PROFIT | 21,039 | 20,187 | 24,010 | 31,376 | 41,731 | 39,086 | 45,028 |
| OPERATING EXPENSES | 13,060 | 14,712 | 16,487 | 23,553 | 24,748 | 29,166 | 35,686 |
| OPERATING PROFIT / (LOSS) | 7,979 | 5,475 | 7,523 | 7,823 | 16,983 | 9,920 | 9,342 |
| FINANCIAL / OTHER CHARGES | (2,196) | (1,948) | (2,122) | (2,639) | (5,075) | (5,715) | (5,187) |
| OTHER INCOME / (LOSS) | (4,196) | 214 | 176 | 51 | (5) | (262) | 3,292 |
| PROVISION FOR TAXATION | (982) | (1,165) | (1,354) | (2,088) | (2,658) | (3,516) | (3,929) |
| NET PROFIT / (LOSS) | 605 | 2,576 | 4,223 | 3,147 | 9,245 | 427 | 3,518 |
| TRANSFER TO GENERAL RESERVE | - | - | - | - | - | - | (2,000) |
| ACCUMULATED PROFIT / (LOSS) B/F | (12,042) | (11,437) | (8,860) | (4,637) | (1,490) | 7,755 | 6,182 |
| DIVIDENDS PAID | - | - | - | - | - | (2,000) | - |
| PRIOR YEAR ADJUSTMENTS | - | - | - | - | - | - | - |
| ACCUMULATED PROFIT / (LOSS) C/F | (11,437) | (8,861) | (4,637) | (1,490) | 7,755 | 6,182 | 7,700 |

SAFA TEXTILES LIMITED

BALANCE AS AT

| | Note | 2009 RUPEES | 2008 RUPEES |
|--|------|--------------------|----------------|
| SHARE CAPITAL AND RESERVES | | | |
| Authorised 5,000,000 Ordinary shares of Rs. 10 each | | 50,000,000 | 50,000,000 |
| Issued, subscribed and paid-up capital | 4 | 40,000,000 | 40,000,000 |
| General reserve | | 4,000,000 | 2,000,000 |
| Unappropriated profit | | 7,700,374 | 6,182,014 |
| | | 51,700,374 | 48,182,014 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 5 | 40,476,087 | 44,255,207 |
| Accrued markup | | 979,623 | 559,427 |
| Short-term borrowings- secured | 6 | 82,556,087 | 54,330,584 |
| Loan from others | 7 | 992,827 | 642,257 |
| Current maturity of lease liability | | - | 329,588 |
| | | 125,004,624 | 100,117,063 |
| CONTINGENCIES AND COMMITMENTS | 8 | - | - |
| | | 176,704,998 | 148,299,077 |

The annexed notes from 1 to 32 form an integral part of these financial statements.

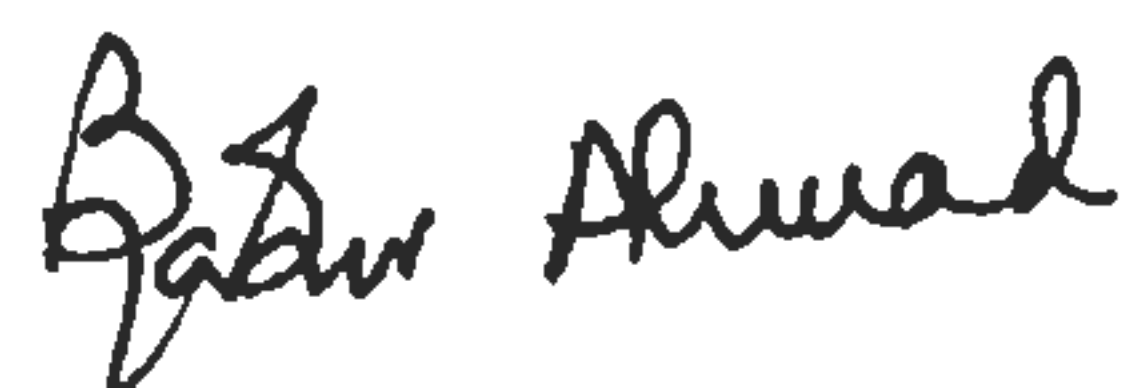
**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009**

| | Note | 2009 RUPEES | 2008 RUPEES |
|--|------|-------------------|-------------------|
| Sales | 18 | 395,270,837 | 367,422,211 |
| Cost of sales | 19 | (350,243,143) | (328,336,462) |
| Gross profit | | 45,027,694 | 39,085,749 |
| Distribution cost | 20 | 8,361,683 | 6,393,534 |
| Administrative expenses | 21 | 27,324,064 | 22,771,976 |
| | | 35,685,747 | 29,165,510 |
| Operating profit | | 9,341,947 | 9,920,239 |
| Other operating expenses | 22 | 283,853 | 207,542 |
| Finance cost | 23 | 4,903,540 | 5,507,408 |
| | | 5,187,393 | 5,714,950 |
| | | 4,154,554 | 4,205,289 |
| Other operating income / (loss) | 24 | 3,292,379 | (261,988) |
| Profit before taxation | | 7,446,933 | 3,943,301 |
| Taxation | 25 | (3,928,573) | (3,516,192) |
| Profit after taxation | | 3,518,360 | 427,109 |
| Earning per share - basic and diluted | 26 | 0.88 | 0.11 |

The annexed notes from 1 to 32 form an integral part of these financial statements.



Chief Executive



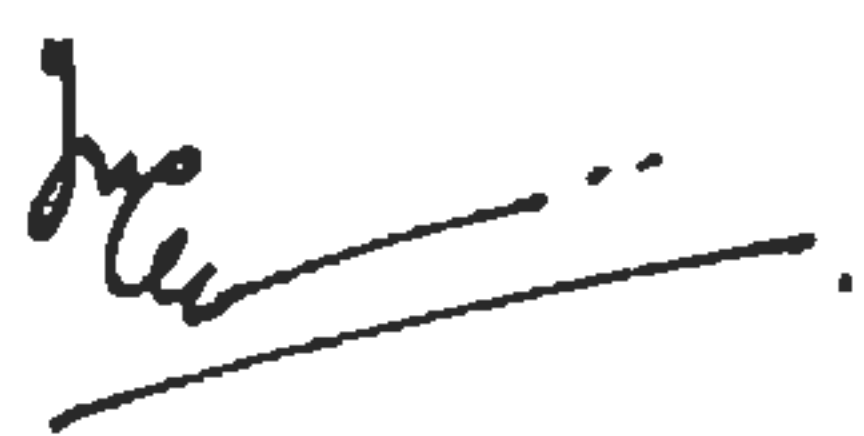
Chief Financial Officer



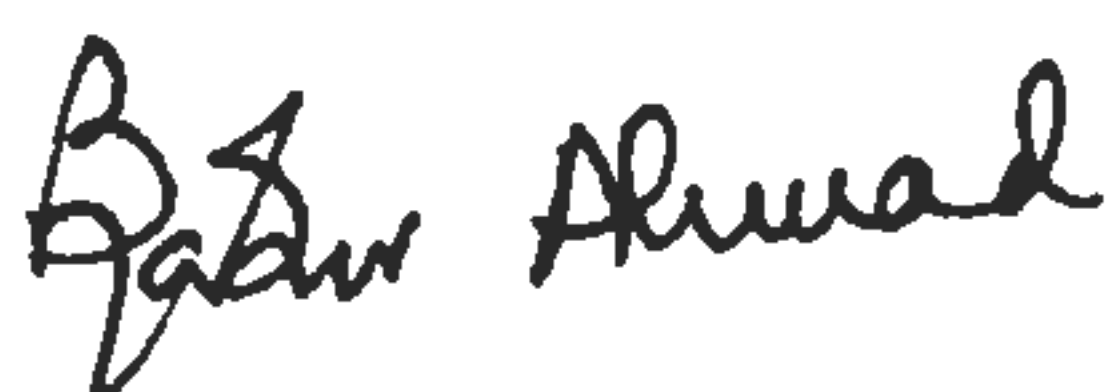
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

| | 2009 RUPEES | 2008 RUPEES |
|---|----------------|----------------|
| Cash flows from operating activities | | |
| Profit before taxation | 7,446,933 | 3,943,301 |
| Adjustments for : | | |
| Depreciation | 5,475,867 | 4,824,433 |
| Amortization of intangible assets | 35,693 | 44,617 |
| Finance cost | 4,903,540 | 5,507,408 |
| (Gain) on sale of property, plant and equipment | (2,684,642) | (238,247) |
| | 7,730,458 | 10,138,211 |
| | 15,177,391 | 14,081,512 |
| Increase in trade and other receivables | | |
| Decrease in stores and spares | 83,827 | (5,028) |
| Increase in stock-in-trade | 6,229,987 | 1,286,946 |
| Increase in trade debtors | (15,391,078) | (7,737,542) |
| Increase in loans & advances | (27,069,918) | (3,370,059) |
| Decrease in advances, deposits and prepayments | 317,449 | (28,075) |
| Decrease in other receivables | 2,211,616 | 916,413 |
| Increase in tax refunds from Government | (69,257) | - |
| | (33,687,374) | (8,937,345) |
| Increase in loan from others | 350,570 | 642,257 |
| Decrease in trade and other payables | (3,779,120) | 5,961,106 |
| | (3,428,550) | 6,603,363 |
| Cash generated from operations | (21,938,533) | 11,747,530 |
| Finance cost paid | (4,483,344) | (4,947,981) |
| Taxes paid | (3,928,573) | (3,516,192) |
| | (8,411,917) | (8,464,173) |
| Net cash used in operating activities | (30,350,450) | 3,283,357 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (3,251,000) | (11,400,210) |
| Proceeds from sale of fixed assets | 10,022,500 | 293,500 |
| Capital work in progress | - | (3,157,153) |
| Net cash used in investing activities | 6,771,500 | (14,263,863) |
| Cash flows from financing activities | | |
| Dividend paid | - | (1,599,380) |
| Proceeds from long term deposit | 203,500 | - |
| Proceeds from short term borrowings | 28,225,503 | 10,040,419 |
| Payment of finance lease liabilities | (329,588) | (686,364) |
| Net cash from financing activities | 28,099,415 | 7,754,675 |
| Net increase/(decrease) in cash and cash equivalent | 4,520,465 | (3,225,831) |
| Cash and cash equivalent at the beginning of the period | 1,060,799 | 4,286,630 |
| Cash and cash equivalent at the end of the period | 5,581,264 | 1,060,799 |



Chief Executive



Chief Financial Officer



Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009**

| | ISSUED, SUBSCRIBED & PAID UP CAPITAL | GENERAL RESERVE | UN APPROPRIATED PROFIT (LOSS) | TOTAL |
|--------------------------------------|---|--------------------|----------------------------------|-------------------|
| | -----RUPEES----- | | | |
| BALANCE AS ON 30TH JUNE, 2007 | 40,000,000 | 2,000,000 | 7,754,905 | 49,754,905 |
| NET PROFIT FOR THE YEAR | - | - | 427,109 | 427,109 |
| DIVIDEND PAID | - | - | (2,000,000) | (2,000,000) |
| BALANCE AS ON 30TH JUNE, 2008 | 40,000,000 | 2,000,000 | 6,182,014 | 48,182,014 |
| NET PROFIT FOR THE YEAR | - | - | 3,518,360 | 3,518,360 |
| PROFIT TRANSFER TO RESERVE | - | 2,000,000 | (2,000,000) | - |
| BALANCE AS ON 30TH JUNE, 2009 | 40,000,000 | 4,000,000 | 7,700,374 | 51,700,374 |



Chief Executive



Chief Financial Officer



Director

- 6.1** (a) The above finance is secured against equitable mortgage of Rs. 57.00 million over fixed assets of the Company including land, building, plant & machinery located at their factory at Plot no. 26 & 26/1, Sector 12-D, North Karachi Industrial Area, Karachi.

Valid firm export contracts and / or letters of credit under lien at least equal to the amount of FAPC-I/II outstanding at any time.

- (b) The finance carries mark-up @7.50% per annum.

- (c) Sanction limit : Rs 55 million upto 31-08-2009

- 6.2** - 1st registered Hypothecation charge of Rs.65.00 million over stocks of fabrics, woven & knitted garments comprising finished, semi finished and raw material with 25% margin.

- Nil cash margin on SLC/ULC or as per SBP margin requirement whichever is high.

- Lien over import documents.

- Accepted Bill of exchange.

- 6.3** - Lien on export documents under export SLC/ULC of top tanking banks at nil margin.

| | Note | 2009 RUPEES | 2008 RUPEES |
|---------------------------|------|----------------|----------------|
| 7 LOAN FROM OTHERS | | | |
| Loan | | <u>992,827</u> | <u>642,257</u> |

This represents an interest free loan from Mr. Kausar, an unrelated person, it is unsecured and is repayable when asked for.

8 CONTINGENCIES AND COMMITMENTS

Contingencies

- There has been no contingency as at the balance sheet date.

Commitments

- Capital expenditure commitment amounts to Rs. 0.5 million (2008: 5.285 million)
 - Revolving LCs for export and import of goods amount to Rs. 125.62 million (2008: Rs. 153 million) FBP.

9 PROPERTY, PLANT AND EQUIPMENT

Tangible

| | | | |
|--|-----|------------|------------|
| Operating fixed assets | 9.1 | 50,501,792 | 58,329,517 |
| Capital work-in-progress - civil works | | - | 1,735,000 |

Intangible

| | | | |
|-------------------|-----|-------------------|-------------------|
| Computer Software | 9.2 | 142,776 | 178,469 |
| | | <u>50,644,568</u> | <u>60,242,986</u> |

9.1 SCHEDULE OF PROPERTY, PLANT & EQUIPMENT

(Figures in Rupees)

| OPERATING FIXED ASSETS | COST 01.07.2008 | ADDITIONS/ TRANSFER | DELETION | AS ON 30.06.09 | RATE % | ACCUMULATED DEPRECIATION 01.07.2008 | DEPRECIATION | DEPRECIATION ON DELETION | ACCUMULATED DEPRECIATION 30.06.09 | NET BOOK VALUE 30.06.09 |
|----------------------------|--------------------|------------------------|------------------|-------------------|-----------|---|------------------|--------------------------------|---|-------------------------------|
| Leasehold land | 7,534,070 | - | 7,250,000 | 284,070 | 0% | - | - | - | - | 284,070 |
| Building on leasehold land | 24,851,391 | - | - | 24,851,391 | 5% | 8,165,376 | 834,301 | - | 8,999,677 | 15,851,714 |
| Plant and machinery | 33,944,329 | 2,299,000 | 148,000 | 36,095,329 | 10% | 12,186,717 | 2,352,950 | 60,142 | 14,479,525 | 21,615,804 |
| Electrical appliances | 4,497,795 | 169,000 | - | 4,666,795 | 10% | 1,693,704 | 287,568 | - | 1,981,272 | 2,685,523 |
| Installations and fittings | 544,659 | - | - | 544,659 | 10% | 408,341 | 13,632 | - | 421,974 | 122,685 |
| Furniture and fixtures | 1,258,863 | - | - | 1,258,863 | 10% | 628,427 | 63,044 | - | 691,471 | 567,392 |
| Motor vehicles | 8,815,525 | 4,500,000 | - | 13,315,525 | 20% | 3,501,686 | 1,737,768 | - | 5,239,454 | 8,076,071 |
| Office and other equipment | 3,004,214 | 53,000 | - | 3,057,214 | 10% | 1,185,428 | 186,604 | - | 1,372,032 | 1,685,182 |
| | 84,450,846 | 7,021,000 | 7,398,000 | 84,073,846 | | 27,769,679 | 5,475,866 | 60,142 | 33,185,404 | 50,888,442 |
| Finance Lease | | | | | | | | | | |
| Plant and machinery | 2,035,000 | (2,035,000) | - | - | 10% | 386,650 | - | - | 386,650 | (386,650) |
| June 30, 2009 | 86,485,846 | 4,986,000 | 7,398,000 | 84,073,846 | - | 28,156,329 | 5,475,866 | 60,142 | 33,572,054 | 50,501,792 |
| June 30, 2008 | 73,916,988 | 13,208,658 | 639,800 | 86,485,846 | - | 23,439,949 | 4,824,433 | 108,053 | 28,156,329 | 58,329,517 |

9.2 INTANGIBLE ASSETS

Software

| | | | | | | | | | |
|---------------|---------|---|---------|-----|---------|--------|---|---------|---------|
| June 30, 2009 | 295,000 | - | 295,000 | 20% | 116,531 | 35,694 | - | 152,225 | 142,776 |
| June 30, 2008 | 295,000 | | 295,000 | 20% | 71,914 | 44,617 | - | 116,531 | 178,469 |

9.1.1 ALLOCATION OF DEPRECIATION

DEPRECIATION CHARGED TO

BASIS

June 2009

RUPEES

COST OF SALES

70%

3,858,092

ADMINISTRATION

30%

1,653,468

5,511,560

DISPOSAL OF FIXED ASSETS

| PARTICULARS | COST | ACC.DEP | BOOK VAL | SALES VAL | (GAIN)/Loss | by negotiation |
|--------------------------------|------------------|---------------|------------------|-------------------|------------------|---|
| Sale of Plot at Port Bin Qasim | 7,250,000 | - | 7,250,000 | 10,000,000 | 2,750,000 | Ismail Industries Ltd. 17, Banglore Town Shahrah-e-Faisal Karachi |
| 05 old snap button machines | 148,000 | 60,142 | 87,858 | 22,500 | (65,358) | Master apparel R-5, Street 9/A, Sector 15-B near Y2K |
| | 7,398,000 | 60,142 | 7,337,858 | 10,022,500 | 2,684,642 | |

SAFA TEXTILES LIMITED

| | | | 2009 RUPEES | 2008 RUPEES |
|-----------|--------------------------------------|------|-------------------|-------------------|
| 10 | LONG TERM DEPOSITS | | | |
| | Security Leasing Corporation Limited | | - | 203,500 |
| 11 | STOCK IN TRADE | | | |
| | Raw materials and accessories | | 15,667,406 | 14,594,847 |
| | Work in process | | 19,874,999 | 26,604,656 |
| | Finished goods | | 16,980,084 | 17,552,973 |
| | | | <u>52,522,489</u> | <u>58,752,476</u> |
| 12 | TRADE DEBTORS | | | |
| | Considered good | | | |
| | Unsecured | | | |
| | Exports | | 23,128,620 | 7,737,542 |
| | | | <u>23,128,620</u> | <u>7,737,542</u> |
| 13 | LOANS AND ADVANCES | | | |
| | -Considered good | | | |
| | -Unsecured | | | |
| | Loans to Staff- unsecured | | 615,726 | 678,637 |
| | Advances - Considered good | | | |
| | - for raw materials | | 11,736,407 | 9,888,219 |
| | - for expenses | | 874,754 | 2,131,279 |
| | - for supplies and services | | 27,553,180 | 1,012,014 |
| | | | <u>40,780,067</u> | <u>13,710,149</u> |
| 14 | DEPOSITS AND PREPAYMENTS | | | |
| | Deposit refundable - Custom House | | - | 600,000 |
| | Prepaid insurance | | 502,063 | 219,512 |
| | | | <u>502,063</u> | <u>819,512</u> |
| 15 | OTHER RECEIVABLES | | | |
| | - Considered good | | | |
| | Export rebate receivable | | 1,070,021 | 329,363 |
| | R & D receivable from SBP | 18.1 | 1,036,133 | 3,890,057 |
| | Others | | 150,568 | 248,918 |
| | | | <u>2,256,722</u> | <u>4,468,338</u> |

| | Note | 2009 RUPEES | 2008 RUPEES |
|---------------------------------------|------|--------------------|--------------------|
| 16 TAX REFUNDS FROM GOVERNMENT | | | |
| Withholding tax others | | 644,717 | 499,332 |
| Sales tax | | 414,661 | 490,789 |
| | | 1,059,378 | 990,121 |
| 17 CASH AND BANK BALANCES | | | |
| Cash in hand | | 17,103 | 1,665 |
| Cash at banks | | | |
| -In current accounts | | 5,561,649 | 1,055,962 |
| -In deposit account | | 2,512 | 3,172 |
| | | 5,564,161 | 1,059,134 |
| | | 5,581,264 | 1,060,799 |
| 18 SALES | | | |
| Exports | | 393,278,629 | 346,502,645 |
| Export rebate | | 1,151,395 | 647,637 |
| Research and development | 18.1 | 840,813 | 20,271,929 |
| | | 395,270,837 | 367,422,211 |

18.1 State Bank of Pakistan (SBP) vide its circular No. FEOD/20679/R&DS-103-08 dated 23rd June, 2008 decided, while working in collaboration with Finance Division, that after 30-06-2008, SBP BSC (Bank), field offices will not make payment of the subsidy amount directly to any beneficiary. All payments of subsidy claim duly confirmed / verified by SBP BSC (Bank), Field Offices will be considered for payment on receipt of authorization of Finance Division. After receiving the debit authority from Finance Division, SBP BSC (Bank), Field Offices can debit the Government account for the payment of subsidies under intimation to Finance Division and AGPR.

During the year the Company claimed R&D as against S.B.P circular No. FEOD/44270/DIR-103-08 dated 22nd November, 2008.

SAFA TEXTILES LIMITED

| | Note | 2009 RUPEES | 2008 RUPEES |
|------------------------------------|------|--------------------|---------------------|
| 19 COST OF SALES | | | |
| Raw materials consumed | 19.1 | 168,717,052 | 140,803,613 |
| Accessories | 19.2 | 40,720,448 | 53,774,803 |
| Packing materials consumed | 19.3 | 9,625,557 | 10,736,752 |
| | | 219,063,057 | 205,315,168 |
| Salaries, wages and other benefits | | 14,753,378 | 12,906,750 |
| Cutting and stitching charges | | 66,288,651 | 67,377,732 |
| Conversion cost | | 26,608,030 | 29,556,796 |
| Stores and spares | 19.4 | 2,559,065 | 2,558,508 |
| Fuel and power | | 4,880,610 | 3,753,411 |
| Repair and maintenance | | 3,023,841 | 4,087,268 |
| Water charges | | 177,365 | 188,955 |
| Travelling | | 863,250 | 820,019 |
| Cartage | | 865,258 | 283,731 |
| Depreciation | 9 | 3,858,092 | 3,408,335 |
| | | 123,877,540 | 124,941,505 |
| Work in process - opening | | 26,604,656 | 37,980,514 |
| - closing | | (19,874,999) | (26,604,656) |
| | | 6,729,657 | 11,375,858 |
| Cost of goods manufactured | | 349,670,254 | 341,632,531 |
| Finished goods - opening | | 17,552,973 | 4,256,904 |
| - closing | | (16,980,084) | (17,552,973) |
| | | 572,889 | (13,296,069) |
| | | 350,243,143 | 328,336,462 |
| 19.1 Raw materials consumed | | | |
| Opening balance | | 9,181,943 | 12,282,905 |
| Purchases during the year | | 166,709,652 | 137,702,651 |
| | | 175,891,595 | 149,985,556 |
| Closing balance | | (7,174,543) | (9,181,943) |
| | | 168,717,052 | 140,803,613 |
| 19.2 Accessories | | | |
| Opening balance | | 5,153,811 | 4,252,188 |
| Purchases during the year | | 43,727,311 | 53,550,462 |
| Transfer-inn from packing material | 19.3 | - | 1,125,964 |
| | | 48,881,122 | 58,928,614 |
| Closing balance | | (8,160,674) | (5,153,811) |
| | | 40,720,448 | 53,774,803 |

| | Note | 2009 RUPEES | 2008 RUPEES |
|---|------|-------------------|-------------------|
| 19.3 Packing Materials | | | |
| Opening balance | | 259,093 | 3,819,688 |
| Purchases during the year | | 9,698,653 | 8,302,121 |
| Transfer out to accessories | 19.2 | - | (1,125,964) |
| | | <u>9,957,746</u> | <u>10,995,845</u> |
| Closing balance | | (332,189) | (259,093) |
| | | <u>9,625,557</u> | <u>10,736,752</u> |
| 19.4 Store and Spares | | | |
| Opening balance | | 313,654 | 308,626 |
| Purchases during the year | | 2,475,238 | 2,563,537 |
| | | <u>2,788,892</u> | <u>2,872,163</u> |
| Closing balance | | (229,827) | (313,655) |
| | | <u>2,559,065</u> | <u>2,558,508</u> |
| 20 DISTRIBUTION COST | | | |
| Shipping and clearing expenses | | 6,412,423 | 4,905,915 |
| Travelling | | 1,383,020 | 1,047,632 |
| Postage & courier | | 566,240 | 439,987 |
| | | <u>8,361,683</u> | <u>6,393,534</u> |
| 21 ADMINISTRATIVE EXPENSES | | | |
| Director's remuneration | 27 | 2,760,000 | 2,040,000 |
| Salaries and other benefits | | 12,064,484 | 10,021,084 |
| Printing and stationery | | 350,224 | 197,080 |
| Telephone, telex and postage | | 660,650 | 775,374 |
| Rent, rates and taxes | | 345,167 | 306,785 |
| Canteen expenses | | 449,205 | 314,833 |
| Newspapers, subscription and advertisements | | 154,370 | 79,956 |
| Utilities | | 265,185 | 207,653 |
| Travelling and conveyance | | 758,804 | 536,574 |
| Repair and maintenance and service charges | | 2,545,717 | 1,411,363 |
| Computer expenses | | 161,220 | 250,617 |
| Legal and professional fee | | 88,500 | 62,720 |
| Auditor's remuneration | 21.1 | 290,100 | 257,625 |
| Insurance premium | | 699,922 | 367,918 |
| Depreciation | 9 | 1,653,468 | 1,460,715 |
| Miscellaneous expenses | | - | 14,224 |
| Skill development and training expenses | | 4,077,048 | 4,467,455 |
| | | <u>27,324,064</u> | <u>22,771,976</u> |

SAFA TEXTILES LIMITED

| | Note | 2009 RUPEES | 2008 RUPEES |
|--|----------|------------------|------------------|
| 21.1 AUDITOR'S REMUNERATION | | | |
| Audit fee | | 160,000 | 140,000 |
| Half yearly review | | 50,000 | 40,000 |
| Code of Corporate Governance - certification | | 40,000 | 30,000 |
| Out of pocket expenses | | 40,100 | 27,625 |
| Other professional charges | | - | 20,000 |
| | | 290,100 | 257,625 |
| 22 OTHER CHARGES | | | |
| Workers Profit Participation Fund | | 250,646 | 207,542 |
| Interest for 2007-2008 | | 33,207 | - |
| | | 283,853 | 207,542 |
| 23 FINANCE COST | | | |
| Mark-up on borrowings | | 2,610,391 | 2,353,753 |
| Bank charges | | 2,293,149 | 3,153,655 |
| | | 4,903,540 | 5,507,408 |
| 24 OTHER INCOME | | | |
| Gain / (Loss) on sale of property, plant and equipment | | 2,684,642 | (238,247) |
| Sale of waste stock | | 101,304 | 108,612 |
| Foreign exchange Gain/(loss) | | 506,433 | (132,353) |
| | | 3,292,379 | (261,988) |
| 25 TAXATION | | | |
| - Current year | | 3,928,573 | 3,516,192 |
| | | 3,928,573 | 3,516,192 |
| 26 EARNING PER SHARE - basic and diluted | | | |
| Net profit for the year after tax | | 3,518,360 | 427,109 |
| Average ordinary shares in issue during the year | (Number) | 4,000,000 | 4,000,000 |
| Earning per share | (Rupees) | 0.88 | 0.11 |

27. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

| | Chief Executive | | Directors | |
|---------------------------------|------------------|----------------|------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Remuneration | 740,000 | 560,000 | 1,100,000 | 800,000 |
| House rent and other allowances | 370,000 | 280,000 | 550,000 | 400,000 |
| Total | 1,110,000 | 840,000 | 1,650,000 | 1,200,000 |
| Number of persons | 1 | 1 | 2 | 2 |

Directors are entitled for Company maintained vehicles.

No executives employed by the Company as defined in Clause 2(iii) to the 4th schedule of Companies Ordinance, 1984 for the year ended June 30, 2009 and June 30, 2008 respectively.

28 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 Financial asset and liabilities

The Company's exposure to yield/markup can be evaluated from the following schedule:

| | 2009 | | | | | |
|------------------------------|--------------------------------|-------------------------|------------------------|-------------------------|--------------|--------------|
| | Non-Interest / Mark-up Bearing | | Interest bearing | | Total | |
| | Maturity upto one year | Maturity after one year | Maturity upto one year | Maturity after one year | 2009 | 2008 |
| Financial assets | | | | | | |
| Trade Debtors | 23,128,620 | - | - | - | 23,128,620 | 7,737,542 |
| Loans and advances | 40,780,067 | - | - | - | 40,780,067 | 3,821,930 |
| Deposits and prepayments | 502,063 | - | - | - | 502,063 | 600,000 |
| Other receivables | 2,256,722 | - | - | - | 2,256,722 | 4,468,338 |
| Cash and bank balances | 5,578,752 | - | 2,512 | - | 5,581,264 | 1,059,134 |
| | 72,246,224 | - | 2,512 | - | 72,248,736 | 17,686,944 |
| Financial liabilities | | | | | | |
| Trade and other payables | 40,476,087 | - | - | - | 40,476,087 | 44,362,604 |
| Accrued mark-up | - | - | 979,623 | - | 979,623 | - |
| Lease finance | - | - | - | - | - | 329,588 |
| Short-term finances | - | - | 82,556,087 | - | 82,556,087 | 54,330,584 |
| Loan from others | 992,827 | - | - | - | 992,827 | 642,257 |
| | 41,468,914 | - | 83,535,710 | - | 125,004,624 | 99,665,033 |
| On Balance sheet gap | 30,777,310 | - | (83,533,198) | - | (52,755,888) | (81,978,089) |

For effective interest rate please refer to note 5 .

2008

| | Non-Interest / Mark-up Bearing | | Interest bearing | | Total | |
|------------------------------|--------------------------------|-------------------------|------------------------|-------------------------|-------------------|-------------------|
| | Maturity upto one year | Maturity after one year | Maturity upto one year | Maturity after one year | 2008 | 2007 |
| Financial assets | | | | | | |
| Trade debtors | 7,737,542 | - | - | - | 7,737,542 | - |
| Loans and advances | 3,821,930 | - | - | - | 3,821,930 | 451,871 |
| Deposits | 600,000 | - | - | - | 600,000 | 600,000 |
| Other receivables | 4,468,338 | - | - | - | 4,468,338 | 5,771,694 |
| Cash and bank balances | 1,055,962 | - | 3,172 | - | 1,059,134 | 4,286,630 |
| | <u>17,683,772</u> | <u>-</u> | <u>3,172</u> | <u>-</u> | <u>17,686,944</u> | <u>11,110,195</u> |
| Financial liabilities | | | | | | |
| Lease finance | - | - | 329,588 | - | 329,588 | 1,015,951 |
| Short-term finances | - | - | 54,330,584 | - | 54,330,584 | 44,290,165 |
| Loan from others | 642,257 | - | - | - | 642,257 | - |
| Trade and other payables | 44,362,604 | - | - | - | 44,362,604 | 38,207,164 |
| | <u>45,004,861</u> | <u>-</u> | <u>54,660,172</u> | <u>-</u> | <u>99,665,033</u> | <u>83,513,280</u> |
| On Balance sheet gap | (27,321,089) | - | (54,657,000) | - | (81,978,089) | (72,403,085) |

28.2 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximates their fair value.

28.3 Financial risk management objective

The Company's activities expose it to a variety of financial risks, including the effect of changes in foreign currency rates, credit and liquidity associated with various financial assets and liabilities respectively as referred to in note no 28.1. The Company finances its operations through equity and bank facilities.

(a) Foreign exchange rate risk management

Foreign currency rate risk arises mainly where receivables exist due to transactions entered into foreign currencies. The Company is exposed to foreign currency risk on sales that are entered into a currency other than Pak Rupees, (note no.18). The Company does not use any instrument to hedge its risk as the amount receivable at any time is immaterial.

(b) Credit risk management

Credit risk represents, the accounting loss that would be recognised at the reporting date, if counter parties fail completely to perform as contracted. The company is not exposed to major concentration of credit risk and manage its exposure to credit risk by making export sales against letters of credit at sight and making appropriate provisions for doubtful receivables, where it considers necessary, (note no. 12).

(c) Liquidity risk

Liquidity risk is the risk that an Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained running finance facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

29 RELATED PARTY TRANSACTIONS

The related parties comprise of subsidiary , associated companies, directors of the Company, key management personnel and staff retirement fund as identified in Companies Ordinance, 1984. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

| | 2009 RUPEES | 2008 RUPEES |
|-------------------------------|------------------------|------------------------|
| Rent for the Marketing Office | <u><u>450,000</u></u> | <u><u>300,000</u></u> |

30 CAPACITY AND PRODUCTION

The production capacity of the Company cannot be determined because of processes involved and variation in sizes, styles and texture of cloth etc.

31 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 10th September, 2009 by the Board of Directors of the Company.

32 GENERAL

- Figures have been rounded off to the nearest rupee.
- Figures, where necessary, have been reclassified.



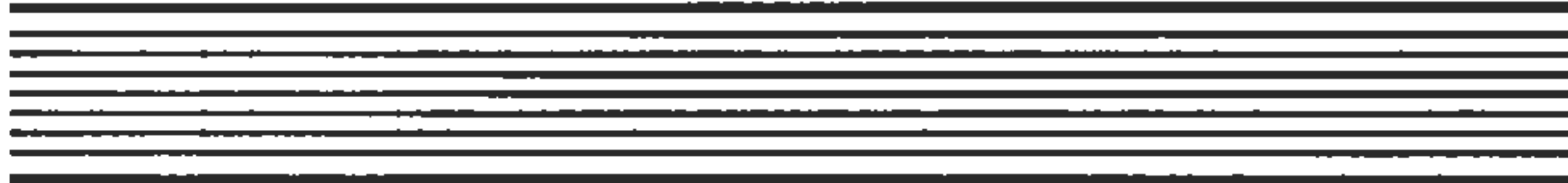
Chief Executive



Chief Financial Officer



Director



SAFA TEXTILES LIMITED

FORM OF PROXY

Please Quote

Folio No. No. of Shares Held.

| | |
|--|--|
| | |
|--|--|

I/We _____ of _____

_____ (full address) being a member of **SAFA TEXTILES LIMITED**

hereby appoint _____ of

_____ (full address) or failing him _____

_____ of _____ (full

address) as my / our proxy to attend and vote for my / our behalf at the 24th Annual General Meeting of

the Company to be held at 12:00 noon on Wednesday, 21st October, 2009 at Carlton Hotel, Zulfiqar Street,

Phase-VIII, D.H.A., Karachi and at any adjournment thereof.

As witness my / our hands this _____ day

of _____ in the presence of

(Witness)

| |
|---|
| <p>Please Affix Revenue stamp of Rs. 5.00</p> |
|---|

(Signature of Member must be in accordance with the specimen signatures registered with the Company)

This form of proxy, duly completed and signed across revenue stamp of Rs. Five must be deposited at the Company's registered office not less than 48 hours before the time of holding of Annual General Meeting.

