CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	Anwar Saifullah Khan	**- Chairman**
	Javed Saifullah Khan	
	Osman Saifullah Khan	**- Chief Executive**
	Jehangir Saifullah Khan	
	Hoor Yousafzai	
	Assad Saifullah Khan	
	Arif Saeed	
AUDIT COMMITTEE	Hoor Yousafzai	**- Chairperson**
	Jehangir Saifullah Khan	**- Member**
	Assad Saifullah Khan	**- Member**
HR & REMUNERATION COMMITTEE	Arif Saeed	**- Chairman**
	Osman Saifullah Khan	**- Member**
	Assad Saifullah Khan	**- 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
Askari Bank Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
HSBC Bank Middle East Limited
Industrial and Commercial Bank of China Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
The Bank of Punjab
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 : stmgdn@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 25th Annual General Meeting of the members of **M/s.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 24, 2014** at **12:00 Noon** to transact the following business:

1) To confirm the minutes of last Annual General Meeting held on October 25, 2013.

2) To receive, consider and adopt Annual Audited Financial Statements for the year ended June 30, 2014 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 2014-2015 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

Peshawar: **October 02, 2014**

(Sabir Khan)
Company Secretary

NOTES:

i. Share Transfer Books of the Company will remain closed from 18.10.2014 to 24.10.2014 (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 25th Annual Audited Financial Statements for the year ended June 30, 2014. A quarter of a century is a long time indeed, and it has been a personal privilege and an honour to be associated with this company for nineteen of the last twenty five years.

GENERAL MARKET CONDITIONS

The year under review was a poor one for textile businesses. Raw cotton prices rose, but spinners could not translate this to higher yarn prices. Chinese yarn imports slowed down and Pakistani spinners had to compete with aggressive Indian suppliers. Indian imports into Pakistan further pressurized domestic yarn producers. In an uncertain environment we covered our raw material requirements cautiously, but could not avoid being caught out by the steep drop in prices in the closing quarter of the year. Inventory losses were the result.

OPERATING RESULTS

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

TURNOVER

Total sales increased marginally by 3.2%. We exported more than we did the previous year.

PROFITABILITY

Net profitability after tax was Rs. 158 million, down from Rs. 435 million in the preceding year. Gross margin declined by 20% from 15.0% to 12.0%. Cost pressures continued unabated. We would have been even harder hit but for the management's well timed decision to shift over one third of our capacity to specialised yarns. Here we had a little more pricing power than in commodity yarns.

We invested significantly in increasing our capacity, and part of this expansion was funded through additional long-term debt. However better working capital management and lower interest rates offset the resulting increase in interest expense. Adverse movements in the Rupees-Dollar parity meant that the company incurred an exchange loss.

FUTURE OUTLOOK

The present quarter has seen a steadying of markets. However the expectation of large cotton crops globally may dampen any upside that one can expect. Global competition remains stiff. Indian yarn spinners continue to be very competitive in the medium to finer counts. The long-term secular decline of China's textile production capacity may also be taken as given. What remains uncertain is the extent to which Pakistan will be a beneficiary of this shift. Time will tell. As other countries progress, and per capita incomes grow, Pakistan's poor economic growth will mean that labour will continue to be cheap, and hence textile production viable. Sad, but likely to be true.

Your company's stargegy is two pronged. Firstly a focus on improving operational efficiency. This means investment in automated and energy efficient plant and equipment. This also means extracting as much production from our existing infrastructure as possible. Secondly is an effort to reduce our exposure to commodity market segments, where by definition we have little or no pricing power. We do this by entering niche markets – melange, special yarns etc. Our foray into fibre dyeing was part of the same process. We work with our partners on new product development. We also seek out new geographical markets.

No report to our shareholders would be complete without the mandatory reference to the uncertain political situation, the energy crisis, and the struggles of doing business in the Khyber Pakthunkhwa province. These seem to be perennial challenges.

CONTRIBUTION TO THE NATIONAL EXCHEQUER

The Company contributed Rs 349 million (2013: Rs 568 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 25, 2014 decided to recommend 25% dividend (2013: 25%).

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 5.99 (2013: Rs 16.47 earnings per share)

EXTERNAL AUDITORS

The present auditors, M/s Hameed Chaudhri & Co. Chartered Accountants, retire and being eligible, 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 24, 2014 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.
- 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 :-

	2009	2010	2011	2012	2013	**2014**
	(Rupees in thousand)					
Operating Fixed Assets	2,225,806	2,145,989	2,185,991	2,494,233	2,591,121	**3,372,503**
Net Worth (2012 & 2013 restated)	317,213	406,028	1,025,553	1,187,843	1,582,599	**1,673,610**
Turnover	3,727,820	4,642,452	7,361,391	6,483,423	7,679,220	**7,925,862**
Gross Profit (2013 restated)	111,282	710,696	1,339,648	761,459	1,151,545	**946,438**
Gross Profit Margin (% age)	2.99	15.31	18.20	11.74	15.00	**11.94**
Net Profit - After Taxation (2013 restated)	(560,226)	77,489	607,730	214,142	435,101	**158,333**
Net Profit Margin (% age)	(15.03)	1.67	8.26	3.30	5.67	**2.00**

- 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	3
Javed Saifullah Khan	2
Osman Saifullah Khan	4
Assad Saifullah Khan	4
Hoor Yousafzai	4
Jehangir Saifullah Khan	3
Arif Saeed	2

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.

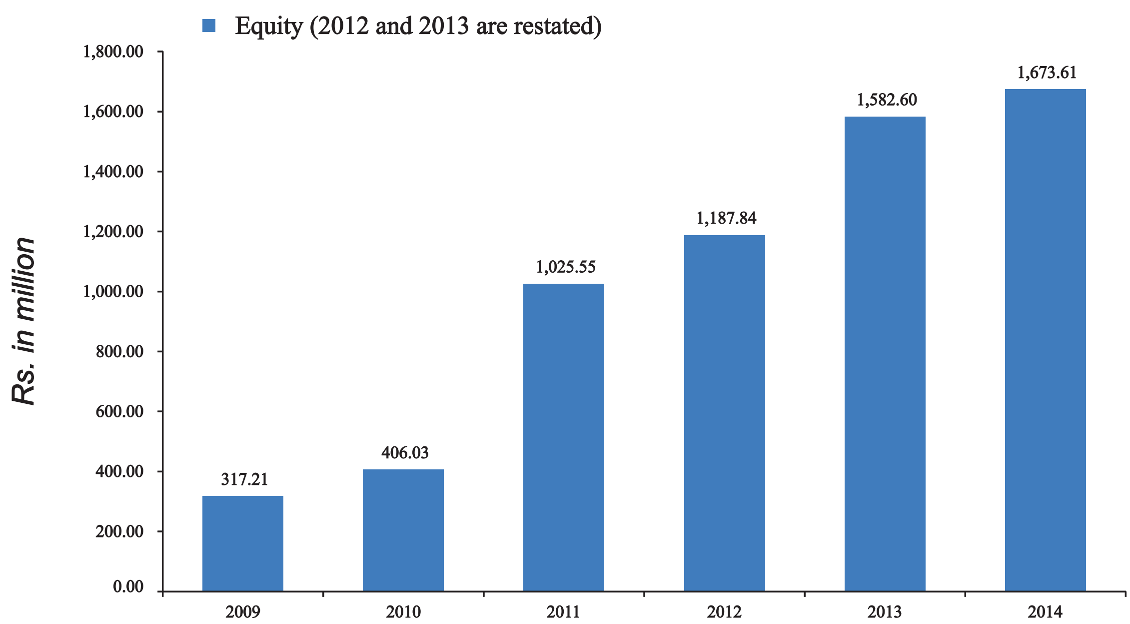
We are confident they will continue to show the same dedication in the days ahead.

On behalf of the board of Directors

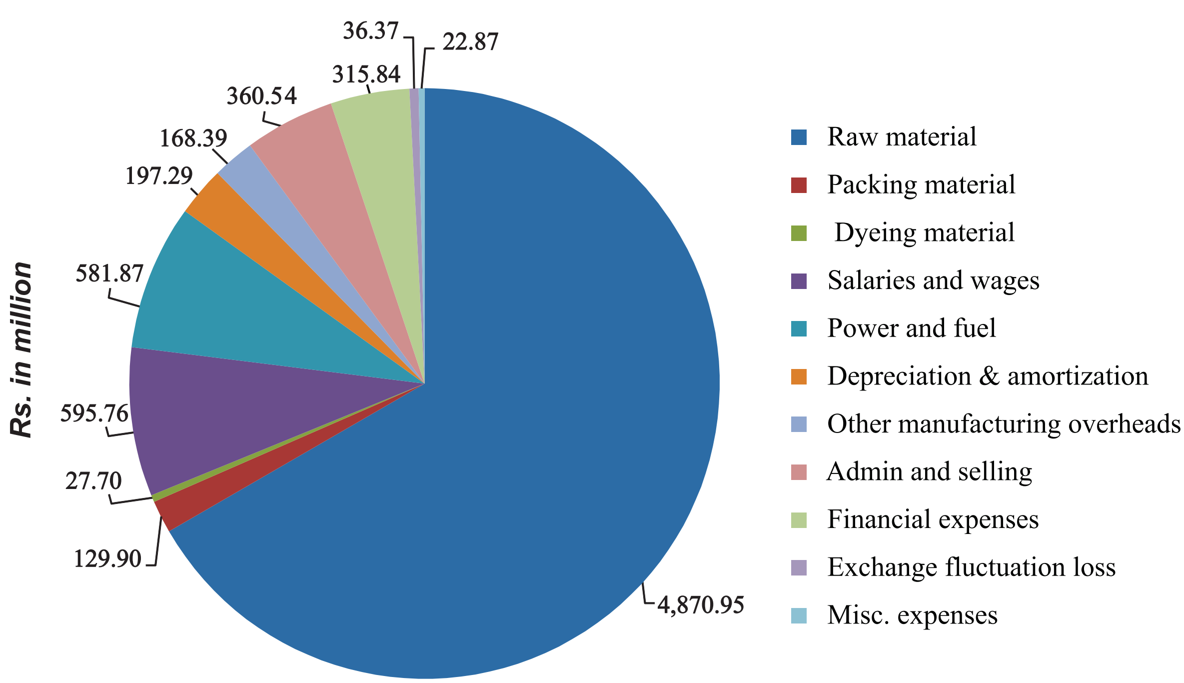
Dated: 25 September, 2014

OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE

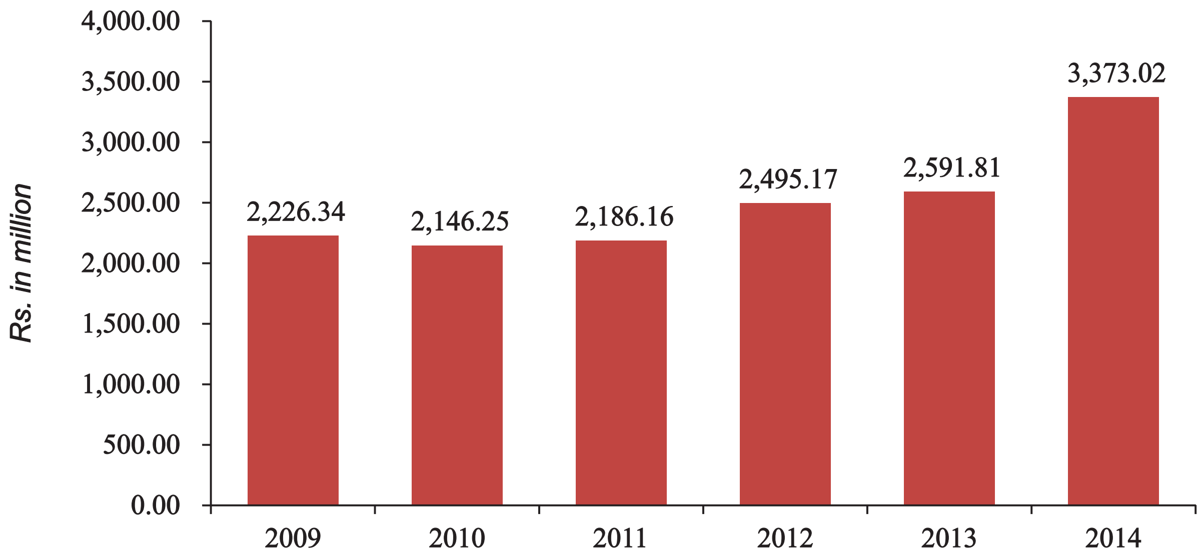
EQUITY



REVENUE DISTRIBUTION



FIXED CAPITAL EXPENDITURE GROWTH



RAW MATERIAL CONSUMPTION AND YARN SALES RATES

PATTERN OF SHAREHOLDING
AS AT 30 JUNE, 2014

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held	Percentage of Total Capital
368	1 -	100	17,011	0.06
476	101 -	500	135,353	0.51
222	501 -	1000	195,144	0.74
408	1001 -	5000	973,891	3.69
79	5001 -	10000	623,287	2.36
20	10001 -	15000	243,816	0.92
16	15001 -	20000	282,436	1.07
11	20001 -	25000	261,551	0.99
5	25001 -	30000	144,510	0.55
3	30001 -	35000	96,246	0.36
3	35001 -	40000	111,542	0.42
2	40001 -	45000	89,000	0.34
4	45001 -	50000	200,000	0.76
1	50001 -	55000	54,000	0.20
1	55001 -	60000	59,000	0.22
1	65001 -	70000	70,000	0.27
2	70001 -	75000	150,000	0.57
3	95001 -	100000	294,532	1.12
1	105001 -	110000	107,129	0.41
2	110001 -	115000	228,436	0.86
1	115001 -	120000	116,000	0.44
1	125001 -	130000	127,450	0.48
1	135001 -	140000	140,000	0.53
3	180001 -	185000	546,956	2.07
1	195001 -	200000	200,000	0.76
1	270001 -	275000	272,536	1.03
1	290001 -	295000	294,936	1.12
1	295001 -	300000	299,215	1.13
1	345001 -	350000	346,650	1.31
1	355001 -	360000	357,500	1.35
1	415001 -	420000	417,647	1.58
1	570001 -	575000	574,000	2.17
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	1965001 -	1970000	1,965,871	7.44
1	13095001 -	13100000	13,097,000	49.59
1,648			**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	18,500	0.0700
2	Associated Companies, Undertakings and Related Parties	8	13,114,000	49.6500
3	NIT and ICP	3	2,094,549	7.9300
4	Banks, Development Financial Instituations, Non Banking Financial Instituations	7	417,934	1.5823
5	Insurance Companies	2	1,605,848	6.0798
6	Modarbas and Mutual Funds	7	287,440	1.0883
7	General Public (Local)	1,593	8,506,712	32.2067
8	Others	22	367,897	1.3929
	TOTAL:	**1,648**	**26,412,880**	**100.0000**

DETAIL OF CATEGORY OF SHAREHOLDERS AS AT 30 JUNE, 2014

	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. Javed Saifullah Khan	11,000	0.0416
3	Mr. Osman Saifullah Khan	3,500	0.0133
4	Mrs. Hoor Yousuf Zai	500	0.0019
5	Mr. Jehangir Saifullah Khan	1,000	0.0038
6	Mr. Assad Saifullah Khan	500	0.0019
	Running Total:	**18,500**	**0.0700**
Associated Companies, Undertakings and Related Parties			
1	Omer Saifullah Khan	1,000	0.0038
2	Gulshan Javed Saifullah Khan	1,500	0.0057
3	Mr Humayun Saifullah Khan	2,000	0.0076
4	Saif Holdings Limited	13,097,000	49.5857
5	Mr. Asif Saifullah Khan	500	0.0019
6	Mr Iqbal Saifullah Khan	3,500	0.0133
7	Mrs Begum Zeb Saifullah Khan	4,500	0.0170
8	Begum Shireen Iqbal Saifullah	4,000	0.0151
	Running Total:	**13,114,000**	**49.6500**
NIT and ICP			
1	National Bank of Pakistan	127,450	0.4825
2	CDC - Trustee National Investment (Unit) Trust	1,965,871	7.4428
3	Investment Corp of Pakistan	1,228	0.0046
	Running Total:	**2,094,549**	**7.9300**
Banks, Development Financial Instituations, Non Banking Financial Instituations			
1	Eastman Consulting (Pvt) Ltd.	50	0.0002
2	Morgan Stanley Trust Co.	100	0.0004
3	Atlas BOT Invesment Bank Ltd.	55	0.0002
4	The Northern Trust Company	100	0.0004
5	Acadian Frontier Markets Equity Fund	59,000	0.2234
6	Classical Insights Fund LP	357,500	1.3535
7	National Bank of Pakistan	1,129	0.0043
	Running Total:	**417,934**	**1.5823**

	Name of Shareholders	Shares Held	Percentage
Insurance Companies			
1	State Life Insurance Corp. of Pakistan	1,031,848	3.9066
2	EFU Life Assurance Ltd	574,000	2.1732
	Running Total:	**1,605,848**	**6.0798**
Modarbas and Mutual Funds			
1	CDC- Trustee Akd Opportunity Fund	100,000	0.3786
2	Crescent Standard Modaraba	14	0.0001
3	First I.B.L. Modaraba	977	0.0037
4	Golden Arrow Selected Stocks Fund Limited	181,500	0.6872
5	Golden Arrow Selected Stock Fund Limited	215	0.0008
6	First Inter Fund Modaraba	65	0.0002
7	First UDL Modaraba	4,669	0.0177
	Running Total:	**287,440**	**1.0883**
General Public (Local)			
	Running Total:	**8,506,712**	**32.2067**
Others			
1	Standard Capital Securities (Pvt) Limited - MF	15,500	0.0587
2	Muhammad Ahmed Nadeem Securities (Smc-Pvt) Limited	105	0.0004
3	Dr. Arslan Razaque Securities (Smc-Pvt) Ltd.	210	0.0008
4	Fikree's (Smc-Pvt) Ltd.	500	0.0019
5	Fortune Securities Limited	200	0.0008
6	Javed Omer Vohra & Co. Ltd.	8,758	0.0332
7	Darson Securities (Pvt) Limited	2,500	0.0095
8	BMA Capital Management Ltd.	344	0.0013
9	International Securities Ltd.	118	0.0004
10	Taurus Securities Limited	100	0.0004
11	Pyramid Investments (Pvt) Ltd.	495	0.0019
12	Networth Securities Limited	5,000	0.0189
13	Khadim Ali Shah Bukhari & Co. Limited	80	0.0003
14	Trustee National Bank Of Pakistan Emp Benevolent F	6,455	0.0244
15	S.H. Bukhari Securities (Pvt) Limited	500	0.0019
16	Sarfraz Mahmood (Private) Ltd	129	0.0005
17	International Brands (Pvt) Ltd.	1,338	0.0051
18	M/S Rang Commodities (Pvt) Ltd	140,000	0.5300
19	Trustee National Bank Of Pakistan Employees Pensio	183,956	0.6965
20	Prudential Securities Limited	26	0.0001
21	Standard Capital Securities (Pvt) Limited	500	0.0019
22	Y.S. Securities & Services (Pvt) Ltd.	1,083	0.0041
	Running Total:	**367,897**	**1.3929**
	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:

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 Director	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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. 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.
5. 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.
6. 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.
7. 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.

8. The board arranged in-house training program for its directors during the year.
9. 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.
10. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
11. 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.
12. The company has complied with all the corporate and financial reporting requirements of the CCG.
13. The board has formed an Audit Committee. It comprises 03 members, who are non-executive directors
14. 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.
15. 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.
16. 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.
17. 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.
18. 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.
19. 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).
20. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
21. We confirm that all other material principles enshrined in the CCG have been complied with except certification of a director under Directors' Training Programme (DTP) by the end of financial year; however efforts would be made to attain certification by the end of next accounting year.

On behalf of the Board of Directors

ANWAR SAIFULLAH KHAN
CHAIRMAN

Dated: 25 September, 2014

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Saif Textile Mills Limited (the Company) for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 a 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 of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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, 2014.

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

LAHORE;
25 September, 2014

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SAIF TEXTILE MILLS LIMITED** (the Company) as at June 30, 2014 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, except for the change as stated in note 5 with which we concur;
- **(ii)** the expenditure incurred during the year was for the purpose of the Company's business; and
- **(iii)** the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, 2014 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.

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

LAHORE;
25 September, 2014

BALANCE SHEET

	Note	2014	2013 (Re-stated)	2012 (Re-stated)
		(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	300,000
Issued, subscribed and paid-up capital	6	**264,129**	264,129	264,129
Reserves	7	**265,981**	265,981	265,981
Unappropriated profit		**1,143,500**	1,052,489	657,733
		1,673,610	1,582,599	1,187,843
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	8	**131,355**	137,708	148,103
NON-CURRENT LIABILITIES				
Sub-ordinated loan	9	**493,750**	494,000	470,100
Long term financing	10	**939,218**	524,412	585,599
Long term deposits	11	**3,751**	2,900	1,708
Staff retirement benefits - gratuity	12	**149,619**	109,705	89,699
		1,586,338	1,131,017	1,147,106
CURRENT LIABILITIES				
Trade and other payables	13	**621,093**	511,836	583,439
Accrued mark-up and interest	14	**167,607**	105,156	105,961
Short term borrowings	15	**1,959,663**	1,974,680	1,659,919
Current portion of long term financing		**225,610**	233,933	250,418
		2,973,973	2,825,605	2,599,737
		4,560,311	3,956,622	3,746,843
CONTINGENCIES AND COMMITMENTS	16			
		6,365,276	5,676,929	5,082,789

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

OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE

AS AT 30 JUNE, 2014

	Note	2014	2013 (Re-stated)	2012 (Re-stated)
		(Rupees in thousand)		
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	17	**3,372,503**	2,591,121	2,494,233
Intangible assets	18	**513**	689	941
Long term loans	19	**11,923**	8,213	5,898
Long term deposits		**9,444**	8,982	7,889
Deferred taxation - net	20	**110,009**	181,309	191,802
		3,504,392	2,790,314	2,700,763
CURRENT ASSETS				
Stores, spare parts and loose tools	21	**113,108**	69,999	64,578
Stock-in-trade	22	**1,485,532**	1,694,585	1,578,859
Trade debts	23	**869,841**	786,239	514,426
Loans and advances	24	**33,863**	42,762	20,606
Trade deposits and short term prepayments	25	**12,585**	2,881	6,598
Other receivables	26	**17,583**	35,967	14,251
Investments	27	**6,477**	4,283	5,667
Deposit for shares	28	**0**	0	0
Taxation - net	29	**229,965**	175,067	117,355
Taxes refundable	30	**67,076**	58,460	50,900
Bank balances	31	**24,854**	16,372	8,786
		2,860,884	2,886,615	2,382,026
		6,365,276	5,676,929	5,082,789

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, 2014

	Note	2014	2013 (Re-stated)
		(Rupees in thousand)	
SALES - net	32	**7,925,862**	7,679,220
COST OF SALES	33	**(6,979,424)**	(6,527,675)
GROSS PROFIT		**946,438**	1,151,545
DISTRIBUTION COST	34	**(190,441)**	(167,269)
ADMINISTRATIVE EXPENSES	35	**(184,214)**	(159,224)
OTHER INCOME	36	**38,334**	5,808
OTHER EXPENSES	37	**(22,874)**	(37,610)
PROFIT FROM OPERATIONS		**587,243**	793,250
FINANCE COST	38	**(315,840)**	(276,121)
		271,403	517,129
EXCHANGE FLUCTUATION LOSS	39	**(36,374)**	(57,317)
PROFIT BEFORE TAXATION		**235,029**	459,812
TAXATION	40	**(76,696)**	(24,711)
PROFIT AFTER TAXATION		**158,333**	435,101
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENT TO PROFIT AND LOSS:			
LOSS ON REMEASUREMENT OF STAFF RETIREMENT BENEFIT OBLIGATION		**(13,039)**	0
RELATED DEFERRED TAX		**3,435**	0
		(9,604)	0
TOTAL COMPREHENSIVE INCOME		**148,729**	435,101
		(Rupees)	
Earnings per share - basic and diluted	41	**5.99**	16.47

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

OSMAN SAIFULLAH KHAN	**ASSAD SAIFULLAH KHAN**
CHIEF EXECUTIVE	DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2014

	Note	2014	2013 (Re-stated)
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES	42	**930,964**	369,466
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(980,564)**	(292,657)
Sale proceeds of operating fixed assets / insurance claims received		**3,249**	27,606
NET CASH USED IN INVESTING ACTIVITIES		**(977,315)**	(265,051)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing - obtained		**1,003,416**	80,728
- repaid		**(641,390)**	(181,131)
Liabilities against assets subject to finance lease - net		**0**	(1,169)
Short term borrowings - net		**(15,017)**	314,761
Finance cost paid		**(227,462)**	(258,212)
Dividend paid		**(64,714)**	(51,806)
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES		**54,833**	(96,829)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**8,482**	7,586
CASH AND CASH EQUIVALENTS - at beginning of the year		**16,372**	8,786
CASH AND CASH EQUIVALENTS - at end of the year		**24,854**	16,372

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, 2014

	Share Capital	RESERVES			Unappr-opriated profit	Total Equity
		Capital	Revenue	Sub Total		
	(Rupees in thousand)					
Balance as at July 01, 2012 as previously reported	264,129	115,981	150,000	265,981	668,015	1,198,125
Effect of change in accounting policy due to application of IAS-19 (revised) - net of tax [note 5]	0	0	0	0	(10,282)	(10,282)
Balance as at July 01, 2012 (re-stated)	264,129	115,981	150,000	265,981	657,733	1,187,843
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 ended June 30, 2013	0	0	0	0	435,101	435,101
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	8,794	8,794
- upon sale of revalued assets	0	0	0	0	3,687	3,687
Balance as at June 30, 2013 (re-stated)	264,129	115,981	150,000	265,981	1,052,489	1,582,599
Transactions with owners						
Final cash dividend for the year ended June 30, 2013 at the rate of Rs.2.50 per share	0	0	0	0	(66,032)	(66,032)
Total comprehensive income for the year ended June 30, 2014						
Profit for the year	0	0	0	0	158,333	158,333
Other comprehensive loss	0	0	0	0	(9,604)	(9,604)
	0	0	0	0	148,729	148,729
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation (net of deferred taxation)	0	0	0	0	8,314	8,314
Balance as at June 30, 2014	**264,129**	**115,981**	**150,000**	**265,981**	**1,143,500**	**1,673,610**

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, 2014

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'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.

The Company is principally engaged in manufacture and sale of yarn.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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 staff retirement benefits (gratuity) stated at their present value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand unless otherwise specified.

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

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

The amendments to following standards have been adopted by the Company for the first time for financial year beginning on July 01, 2013:

(a) Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from this amendment is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit and loss subsequently (reclassification adjustments). The Company has applied the amendments by incorporating the effects in these financial statements.

(b) Amendment to IAS 1, 'Financial statement presentation' regarding disclosure requirements for comparative information. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as at the beginning of the preceding period if it applies an accounting policy retrospectively, and the retrospective application has a material effect on the information in the balance sheet at the beginning of the preceding period. However, the entity needs not to present the related notes in the opening balance sheet as at the beginning of the preceding period.

(c) IAS 19 (revised) 'Employee benefits' was revised in June 2011. Revised standard eliminates the corridor approach and calculates finance costs on a net funding basis. IAS 19 (revised) amends the accounting for the Company's staff retirement benefit obligation. The impact of this change on the Company's financial statements has been explained in note 5.

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

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the accounting periods beginning on July 1, 2013 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

2.4.3 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, 2013 and have not been early adopted by the Company:

(a) 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.

(b) 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.

(c) IAS 36 (Amendment) 'Impairment of Assets', is applicable on accounting periods beginning on or after January 01, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Company shall apply this amendment from July 01, 2014 and this will only affect the disclosures in the Company's financial statements in the event of impairment.

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. USE OF ESTIMATES AND JUDGMENTS

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 judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, such differences are estimated to be insignificant and hence will not affect the true and fair presentation of the financial statements. The assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Judgements made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in respective policy note. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgements were 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 12.

(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. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These polices have been consistently applied to all the years presented, except as stated in note 5.

4.1 Borrowings and borrowing cost

Borrowings are recognised initially at fair value.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

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 - gratuity

The Company operates an un-funded staff 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, 2014 on the basis of the projected unit credit method by an independent Actuary.

The liability recognised in the balance sheet in respect of staff retirement gratuity scheme is the present value of defined benefit obligation at the end of reporting period. The amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

4.4 Trade and other payables

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

The Company accounts for deferred taxation using the balance sheet liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is recognised for taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductable temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited to the profit and loss account except for deferred tax arising on surplus on revaluation of property, plant and equipment, which is charged to revaluation surplus.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

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 looses 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 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. CHANGE IN ACCOUNTING POLICY

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 01, 2013 amends the accounting for employee benefits. The revised standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation. Further, a new term 'remeasurements' has been introduced, which is made up of actuarial gains and losses. The revised standard requires 'remeasurements' to be recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

Following the application of IAS 19 (revised), the Company's policy for 'staff retirement benefits-gratuity' in respect of 'remeasurements' stands amended as follows:

- The amount arising as a result of 'remeasurements' are recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

- The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Company's financial statements are affected by the 'remeasurements' relating to prior years. The effects have been summarised below:

Effect on balance sheet

	Balance as at June 30, 2012 - as previously reported	Restatement adjustments Recognition of remeasurement loss	Balance as at June 30, 2012 - as re-stated
		(Rupees in thousand)	
Staff retirement benefit - gratuity	75,628	14,071	89,699
Deferred Taxation - net	(188,013)	(3,789)	(191,802)
Unappropriated profit	(668,015)	10,282	(657,733)

	Balance as at June 30, 2013 - as previously reported	Restatement adjustments Recognition of remeasurement loss	Balance as at June 30, 2013 - as re-stated
		(Rupees in thousand)	
Staff retirement benefit - gratuity	96,654	13,051	109,705
Deferred Taxation - net	(177,740)	(3,569)	(181,309)
Unappropriated profit	(1,061,971)	9,482	(1,052,489)

	For the year ended June 30, 2013 (Rupees in thousand)
Effect on profit and loss account due to re-statement:	
Decrease in cost of sales	**624**
Decrease in distribution cost	**116**
Decrease in administrative expenses	**280**
	1,020

The effects of change in accounting policy, due to application of IAS 19 (revised), on 'earnings per share' and 'cash flows' are immaterial in the overall context of these financial statements.

6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013			**2014**	2013
(No. of shares)			Note	**(Rupees in thousand)**	
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

6.1 Saif Holdings Limited held 13,097,000 shares of the Company as at June 30, 2014 and 2013.

7. RESERVES

	Note	2014	2013
Capital - share premium account	7.1	**115,981**	115,981
Revenue - general reserve		**150,000**	150,000
		265,981	265,981

7.1 Share premium account

	2014	2013
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

8. 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:

	2014	2013
	(Rupees in thousand)	
Opening balance	**137,708**	148,103
Less: transferred to unappropriated profit		
- on account of incremental depreciation for the year - net of deferred taxation	**8,314**	8,794
- upon sale of revalued assets - net of deferred taxation	**0**	3,687
	8,314	12,481
Adjustment resulting from reduction in tax rate	**1,961**	2,086
Closing balance	**131,355**	137,708

9. 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., NIB Bank Ltd., Dubai Islamic Bank Pakistan Ltd. and Meezan Bank Ltd. (the Banks) had entered into a sub-ordination agreements 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 1.823% to 1.925% (2013: 1.925% to 2.228%) per annum.

	Note	2014	2013
		(Rupees in thousand)	
10. LONG TERM FINANCING - Secured			
Loans from banking companies			
United Bank Limited (UBL)			
- demand finance - I	10.1	**0**	26,650
- demand finance - II	10.2	**67,500**	75,000
- demand finance - III	10.3	**238,310**	0
The Bank of Punjab (BoP)			
- term finance - I	10.4	**93,912**	112,695
- term finance - II	10.5	**500,000**	0
Habib Bank Limited (HBL)			
- demand finance - I	10.6	**265,106**	0
- demand finance - II	10.7	**0**	50,000
Others			
Aqua Nominees Limited (ANL) - London			
- demand finance	10.8	**0**	494,000
		1,164,828	758,345
Less: current portion grouped under current liabilities (including an overdue instalment amounting Rs. 7.500 million)		**225,610**	233,933
		939,218	524,412

10.1 These finances were obtained from UBL against a demand finance facility of Rs.160 million and have been fully repaid during July, 2013. This finance facility carried mark-up at the rate of 3-months KIBOR + 250 basis points and was 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.

10.2 These finances have been obtained from UBL against a demand finance facility of Rs.75 million. The principal balance of this finance facility is repayable in 10 equal half-yearly instalments commenced from December, 2013. This finance facility carries mark-up at the rate of 6-months KIBOR + 200 basis points; effective mark-up rates charged, during the current financial year, were 11.52% and 12.16% (2013: 11.51% and 14.03%) per annum. This finance facility is secured against first registered pari passu hypothecation charge over fixed assets of the Company.

10.3 The Company, during the current financial year, obtained a demand finance facility of Rs.300 million from UBL. The Bank has disbursed Rs. 238.309 million in seven tranches of different amounts till June 30, 2014 and each tranche is repayable in 16 equal quarterly instalments commencing December, 2014. This finance facility carries mark-up at the rate of 3 months KIBOR + 125 basis points; effective mark-up rates charged, during the current financial year, ranged from 10.59% to 11.42% per annum. This finance facility is secured against first pari passu hypothecation charge on all fixed assets of the Company for Rs. 400 million.

10.4 These finances have been obtained from BOP against a term finance facility of Rs.130 million. The principal balance of this finance facility is repayable in 14 half-yearly instalments commenced from October, 2012. This finance facility carries mark-up at the rate of 6-months KIBOR + 225 basis points; effective mark-up rates charged, during the current financial year, were 11.80% and 12.45% (2013: 11.82% and 14.24%) per annum. This finance facility is secured against first pari passu hypothecation charge over fixed assets of the Company for Rs.174 million.

10.5 The Company, during the current financial year, obtained a term finance facility of Rs.500 million from BoP to repay U.S. $5 million loan obtained from Aqua Nominees Limited - London. The principal balance of this term finance facility is repayable in 9 equal half-yearly instalments commencing November, 2014. This finance facility carries mark-up at the rate of 6-months KIBOR + 110 basis points; effective mark-up rates charged, during the current financial year, were 10.99% and 11.28%. This finance facility is secured against first pari passu charge over all present and future fixed and current assets of the Company for Rs.667 million.

10.6 The Company, during the current financial year, obtained a demand finance facility of Rs.270 million from HBL. The principal balance of this finance facility is repayable in 8 half-yearly instalments commencing from April, 2015. This finance facility carries mark-up at the rate of 6-months KIBOR + 110 basis points; effective mark-up rates charged, during the current financial year, were 10.62% and 11.28% per annum. This finance facility is secured against first pari passu charge over all present and future fixed assets of the Company for Rs.360 million.

10.7 These finances were obtained against a demand finance facility of Rs.250 million and have been fully repaid during February, 2014. This finance facility carried mark-up at the rate of 6-months KIBOR + 250 basis points; effective mark-up rates charged, during the current financial year, were 11.59% and 12.65% (2013: 11.88% and 14.56%) per annum. This finance facility was secured against first pari passu charge over all present and future fixed assets of the Company for Rs. 334 million.

10.8 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 9. As per the revised repayment terms principal balance of this loan was repayable in 8 equal half-yearly instalments of U.S.$ 0.625 million commenced from October, 2013; however, the Company, by obtaining a term finance facility of Rs.500 million form BOP (note 10.5), repaid the entire principal amount of loan in November, 2013. This finance facility, during the current financial year, carried mark-up at the rates ranged from 1.853% to 1.925% (2013: 1.925% to 2.228%) per annum. These finances were secured by way of second charge over all present and future assets of the Company.

11. LONG TERM DEPOSITS

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

12. STAFF RETIREMENT BENEFITS - Gratuity

12.1 The Company's obligation as per the latest actuarial valuation in respect of defined benefit gratuity plan is as follows:

	2014	2013 (Re-stated)
	(Rupees in thousand)	
The movement in the present value of defined benefit obligation is as follows:		
Balance at beginning of the year	**109,705**	89,699
Current service cost	**24,722**	20,429
Interest cost	**18,395**	11,661
Benefits paid	**(16,242)**	(12,084)
Remeasurement of obligation	**13,039**	0
Balance at end of the year	**149,619**	109,705
Expense recognised in profit and loss account is as follows:		
Current service cost	**24,722**	20,429
Interest cost	**18,395**	11,661
Charge for the year	**43,117**	32,090
Remeasurement recognised in other comprehensive income		
Experience loss	**13,039**	0

Actuarial assumptions used	**2014**	2013
Discount rate	**13.25%**	13%
Expected rate of increase in future salaries	**12.25%**	12%
Demographic assumptions		
- Mortality rates (for death in service)	**SLIC (2001-2005)**	EFU (61-66)
- retirement age	**60 years**	60 years

12.2 Sensitivity analysis for actuarial assumptions:

The calculation of defined benefit obligation is sensitive to assumptions set-out above. The following table summarizes how defined benefit obligation would have increased / (decreased) as a result of change in respective assumption by one percent.

	Increase in assumptions	Decrease in assumptions
	(Rupees in thousand)	
Discount rate	(141,412)	158,973
Increase in salaries	158,973	(141,273)

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constants. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied as when calculating the gratuity liability recognised within the balance sheet.

The method and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Expected maturity analysis of undiscounted obligation is as follows:

Time in years	**(Rupees in thousand)**
1	33,579
2	30,421
3	27,304
4	48,950
5	21,394
6 - 10	87,456
11 and onwards	1,418,226

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

	2014	2013	2012	2011	2010
			(Rupees in thousand)		
Present value of defined benefit obligation	**149,619**	109,705	89,699	70,622	54,944
Experience adjustment: loss on obligation	**13,039**	0	5,274	0	3,686

12.4 Based on actuary's advice, the expected contribution for the year ending June 30, 2015 to gratuity plan amounts to Rs.45.597 million.

	Note	2014	2013
		(Rupees in thousand)	
13. TRADE AND OTHER PAYABLES			
Creditors		**153,640**	143,711
Bills payable	13.1	**74,362**	119,554
Due to Associated Companies	13.2	**224,041**	67,868
Accrued expenses		**118,630**	123,165
Workers' (profit) participation fund			
- allocation for the year		**12,622**	24,640
Workers' welfare fund		**30,522**	25,725
Unclaimed dividends		**7,007**	5,689
Tax deducted at source		**217**	1,347
Others		**52**	137
		621,093	511,836

13.1 These are secured against import documents.

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

	2014	2013
Mediterranean Textile Company (S.A.E.), Egypt	**223,482**	67,585
Saif Holdings Ltd.	**559**	0
Saif Healthcare Ltd.	**0**	283
	224,041	67,868

	Note	2014	2013
14. ACCRUED MARK-UP AND INTEREST			
Sub-ordinated loan		**51,558**	42,333
Long term financing			
- from banking companies		**52,911**	5,910
- others		**23,358**	19,636
		76,269	25,546
Short term financing			
- from banking companies		**38,043**	37,277
- from an Associated Company		**1,737**	0
		39,780	37,277
		167,607	105,156
15. SHORT TERM BORROWINGS			
Borrowings from:			
- banking companies (secured)	15.1	**1,759,663**	1,974,680
- an Associated Company (unsecured)	15.2	**200,000**	0
		1,959,663	1,974,680

15.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.4.358 billion (2013: Rs.3.267 billion) and are secured against pledge of stocks, 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 11.93% (2013: 1.53% to 14.93%) per annum and are expiring on various dates by April, 2015. Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.2.076 billion (2013: Rs.1.353 billion) of which the amount remained unutilised at the year-end was Rs.1.657 billion (2013: Rs.1.071 billion). These facilities are secured against lien over import documents and charge on fixed assets of the Company and are expiring on various dates by April, 2015.

15.2 The Company, during the current financial year, obtained a short term loan from Saif Holdings Limited (an Associated Company), for a period of one year, to meet its working capital requirements. The loan, during the current financial year, carried mark-up at the rate of 10.93% 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 Limited, on behalf of the Company, has issued bank guarantees aggregating Rs.149.287 million (2013: Rs.111.374 million) in favour of Sui Northern Gas Pipelines Limited and Director Excise and taxation Karachi. These guarantees are secured against Joint Pari Passu hypothecation & mortgage charge over all present & future current and fixed assets of the Company for Rs. 200 million.

16.3 Refer contents of note 29.3.

Commitments

16.4 Commitments against irrevocable letters of credit outstanding at the year-end were for Rs.195.850 million (2013: Rs.50.883 million).

16.5 Commitments against capital expenditure other than letters of credit outstanding at the year-end aggregate to Rs.30.631 million (2013: Rs.Nil).

17. PROPERTY, PLANT AND EQUIPMENT

	Note	**2014**	2013
		(Rupees in thousand)	
Operating fixed assets	17.1	**3,057,466**	2,498,081
Capital work-in-progress	17.6	**126,956**	10,990
Stores held for capital expenditure including in-transit inventory valuing Rs.118.658 million (2013: Rs.20.041 million)		**188,081**	82,050
		3,372,503	2,591,121

17.1 Operating fixed assets - tangible

	Owned														
	Lease hold land	Buildings on leasehold land	Plant & machinery	Generators	Electric installat-ions	Aircondi-tioning equipment	Furniture and fixtures	Office equipment	Telephone installat-ions	Weighing scales	Fire extingui-shing equipment	Gas fittings	Vehicles	Leased vehicles	Total
	(Rupees in thousand)														
COST / REVALUATION															
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
Balance as at July 01, 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
Additions during the year	1,500	31,109	656,624	24,441	11,605	11,658	930	4,589	351	0	452	352	14,956	0	758,567
Disposals during the year	0	0	0	0	0	0	0	(222)	(197)	0	0	0	(4,750)	0	(5,169)
Balance as at June 30, 2014	55,626	504,416	3,571,461	267,693	104,631	117,560	17,650	35,977	3,870	3,017	2,752	1,053	96,062	0	4,781,768
DEPRECIATION															
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
Balance as at July 01, 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
Charge for the year	743	20,089	139,936	13,079	2,749	6,191	846	2,064	216	220	172	46	10,758	0	197,109
On disposals during the year	0	0	0	0	0	0	0	(80)	(40)	0	0	0	(2,976)	0	(3,096)
Balance as at June 30, 2014	5,677	104,072	1,345,106	95,580	62,868	33,885	9,492	15,436	1,831	1,037	1,009	495	47,814	0	1,724,302
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
BOOK VALUE AS AT JUNE 30, 2014	49,949	400,344	2,226,355	172,113	41,763	83,675	8,158	20,541	2,039	1,980	1,743	558	48,248	0	3,057,466
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:

	2014	2013
	(Rupees in thousand)	
- leasehold land	**57,744**	57,073
- buildings on leasehold land	**265,157**	247,022
- plant & machinery	**2,162,340**	1,640,461
- generators	**172,111**	160,748
- electric installations	**52,480**	44,494
- air-conditioning equipment	**68,311**	61,598
	2,778,143	2,211,396

17.3 During the current financial year, borrowing cost at the rate of 10.59% and 11.34% per annum amounting Rs.21.308 million has been included in the cost of plant and machinery.

17.4 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)						
Office equipment							
Laptops	222	80	142	132	(10)	Insurance claim	EFU General Insurance Ltd.
Telephone installations							
Cell phones	197	40	157	140	(17)	Insurance claim	EFU General Insurance Ltd.
Vehicles							
Suzuki Swift	1,157	421	736	736	0	Negotiation	M/s Kohat Textile Mills Ltd. (an Associated Company)
Honda City	974	862	112	702	590	- do -	Mr. Syed Asim Raza, Islamabad
Suzuki Cultus	651	584	67	400	333	- do -	Mr. Atif Iqbal, Islamabad.
Suzuki Cultus	668	453	215	215	0	Company Policy	Mr. Shakeel Ahmed, employee.
Coure	356	202	154	154	0	- do -	Mr. Azam Ali, employee.
Santro	287	122	165	445	280	- do -	Mr. Shahzada Khurram, employee.
Suzuki Mehran	403	284	119	119	0	- do -	Mr. Aurangzeb Khan, employee.
Suzuki Mehran	254	48	206	206	0	- do -	Mr. Hameed ur Rehman, employee.
	4,750	**2,976**	**1,774**	**2,977**	**1,203**		
	5,169	**3,096**	**2,073**	**3,249**	**1,176**		

17.5 Depreciation for the year has been apportioned as under:

	2014	2013
	(Rupees in thousand)	
Cost of sales	**183,179**	160,587
Administrative expenses	**13,930**	11,806
	197,109	172,393

		Note	2014	2013
			(Rupees in thousand)	
17.6	**Capital work-in-progress**			
	Factory buildings		**35,640**	0
	Generators		**49,584**	0
	Advance payments			
	- factory buildings		**36,377**	0
	- plant & machinery		**5,355**	9,980
	- vehicles		**0**	1,010
			126,956	10,990

		Note	2014	2013
18.	**INTANGIBLE ASSETS** - Computer software			
	Cost at beginning of the year		**6,179**	6,179
	Less: amortisation:			
	- at beginning of the year		**5,490**	5,238
	- charge for the year	18.1	**176**	252
	- at end of the year		**5,666**	5,490
	Book value as at June 30,		**513**	689

18.1 Amortisation is charged to income applying the straight-line method at the rate of 20% per annum.

		Note	2014	2013
19.	**LONG TERM LOANS** - Considered good			
	Interest free loans to:			
	- executives	19.1	**15,063**	9,795
	- employees	19.2	**945**	1,910
			16,008	11,705
	Less: current portion grouped under current assets		**4,085**	3,492
			11,923	8,213

		2014	2013
19.1 (a)	Balance at beginning of the year	**9,795**	5,900
	Add: disbursements	**7,432**	4,500
		17,227	10,400
	Less: recoveries / adjustments	**2,164**	605
	Balance at end of the year	**15,063**	9,795

(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 current financial year was Rs.15.997 million (2013: Rs.10.175 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.

	2014	2013 (Re-stated)
	(Rupees in thousand)	
20. DEFERRED TAXATION - net		
The asset for deferred tax comprises of temporary difference relating to:		
Deductible temporary difference:		
- unused tax losses	**544,807**	584,001
- provision for doubtful deposit for shares	**2,634**	2,735
- staff retirement benefits - gratuity	**39,415**	30,000
- tax credit on investments in BMR of plant and machinery	**16,123**	23,061
	602,979	639,797
Taxable temporary difference:		
- accelerated tax depreciation allowances	**441,322**	401,430
- surplus on revaluation of property, plant and equipment	**51,648**	57,058
	492,970	458,488
	110,009	181,309
21. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	**83,908**	44,312
Spare parts	**22,146**	20,144
Loose tools	**7,054**	5,543
	113,108	69,999
22. STOCK-IN-TRADE		
Raw materials:		
- at mills	**777,376**	1,151,895
- in transit	**100,328**	198,630
	877,704	1,350,525
Work-in-process	**155,776**	102,383
Finished goods	**452,052**	241,677
	1,485,532	1,694,585

22.1 Stocks include items costing Rs. 509.947 million (2013: Rs.Nil) stated at their net realizable values aggregating Rs.419.392 million (2013: Rs.Nil). The amount charged to the profit and loss account in respect of stocks written down to their net realisable values is Rs.90.555 million (2013: Rs.Nil).

22.2 Stock-in-trade inventory valuing Rs.633.400 million (2013: Rs.1,023.332 million) is pledged with commercial banks as security for short term borrowings (note 15).

	Note	2014	2013
		(Rupees in thousand)	
23. TRADE DEBTS			
Unsecured - considered good			
- local		**660,988**	544,428
Secured			
- export		**173,901**	219,115
- local		**34,952**	22,696
		208,853	241,811
		869,841	786,239
24. LOANS AND ADVANCES - Considered good			
Current portion of long term loans	19	**4,085**	3,492
Advances to:			
- executives		**392**	1,085
- employees		**2,859**	3,048
- suppliers		**26,527**	35,137
		33,863	42,762
25. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Containers' security deposits		**11,580**	2,000
Short term prepayments		**1,005**	881
		12,585	2,881
26. OTHER RECEIVABLES			
Claims receivable		**1,184**	19,238
Due from Associated Companies	26.1	**2,788**	5,353
Receivable from Sui Northern Gas Pipelines Ltd.	26.2	**9,621**	9,621
Advances against letters of credit		**3,990**	1,755
		17,583	35,967

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

	2014	2013
- Saif Energy Ltd.	**851**	406
- Saif Power Ltd.	**0**	202
- Saif Holdings Ltd.	**0**	2,265
- Lahore Compost (Pvt.) Ltd.	**1,397**	1,412
- Green Fuels (Pvt.) Ltd.	**0**	1,049
- GlobeComm (Pvt.) Ltd.	**19**	19
- Saif Healthcare Ltd.	**521**	0
	2,788	5,353

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.

	Note	2014	2013
		(Rupees in thousand)	
27. INVESTMENTS - Quoted (at fair value through profit or loss)			
National Bank of Pakistan			
103,715 (2013: 103,715) ordinary shares of Rs.10 each		**4,265**	3,927
Pakistan Petroleum Ltd.			
102 (2013: 85) ordinary shares of Rs.10 each		**18**	16
		4,283	3,943
Adjustment on remeasurement to fair value - net		**2,194**	340
		6,477	4,283
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
		0	0

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.

	2014	2013
	(Rupees in thousand)	
29. TAXATION - net		
Balance of advance tax / (provision) at beginning of the year	**175,067**	117,355
Add: income tax deducted / paid during the year	**54,898**	69,844
	229,965	187,199
Less: provision made during the year		
- prior year	**0**	12,132
Balance of advance tax at end of the year	**229,965**	175,067

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 2013.

29.2 No provision for taxation has been made as tax credit available under section 65B is in excess of the tax liability under section 154 (tax on export proceeds) and section 113 (minimum tax on turnover) 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	2014	2013
		(Rupees in thousand)	
30. TAXES REFUNDABLE			
Sales tax refundable		**62,042**	53,426
Minimum tax paid under protest	30.1	**5,034**	5,034
		67,076	58,460

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.

	Note	2014	2013
		(Rupees in thousand)	
31. BANK BALANCES			
Cash at banks on:			
- current accounts	31.1	**24,656**	15,634
- saving accounts		**198**	738
		24,854	16,372

31.1 These include foreign currency balances of U.S.$ 59,451 (2013: U.S.$ 520).

	Note	2014	2013
32. SALES			
Own manufactured goods:			
Local			
- yarn		**5,826,371**	5,717,568
- waste		**45,528**	46,188
		5,871,899	5,763,756
Export			
- yarn	32.1	**1,359,560**	1,251,666
- waste		**139,101**	151,823
		1,498,661	1,403,489
		7,370,560	7,167,245
Trading activities:			
Local			
- yarn		**577,634**	423,694
- fabric		**0**	4,530
- raw materials		**23,237**	28,859
		600,871	457,083
Export - yarn		**100,112**	99,281
		8,071,543	7,723,609
Processing services		**21,595**	0
Less: sales tax		**(167,276)**	(44,389)
		7,925,862	7,679,220

32.1 This include indirect export of Rs.339.425 million (2013: Rs.Nil).

33. COST OF SALES

	Note	2014	2013 (Re-stated)
		(Rupees in thousand)	
Raw materials consumed	33.1	**4,870,954**	4,538,636
Salaries, wages and benefits	33.2	**595,759**	476,876
Packing materials consumed		**129,900**	116,766
Dyes and chemical consumed		**27,704**	0
Power and fuel		**581,874**	534,933
Repair and maintenance		**120,191**	107,856
Depreciation		**183,179**	160,587
Insurance		**16,208**	12,986
Doubling charges		**10,089**	12,757
Rent		**3,972**	3,184
Vehicles' running and maintenance		**7,503**	6,156
Travelling and conveyance		**3,450**	2,614
Textile cess		**95**	91
Others		**6,876**	5,854
		6,557,754	5,979,296
Adjustment of work-in-process			
Opening		**102,383**	75,513
Closing		**(155,776)**	(102,383)
		(53,393)	(26,870)
Cost of goods manufactured		**6,504,361**	5,952,426

	2014	2013
	(Rupees in thousand)	
Cost of goods manufactured	**6,504,361**	5,952,426
Adjustment of finished goods		
Opening stock	**241,677**	304,284
Purchases	**685,438**	512,642
Closing stock	**(452,052)**	(241,677)
	475,063	575,249
	6,979,424	6,527,675

33.1 Raw materials consumed

	2014	2013
Opening stock	**1,350,525**	1,199,062
Purchases (for manufacturing)	**4,372,893**	4,660,730
Cost of raw materials sold	**22,782**	26,670
	4,395,675	4,687,400
	5,746,200	5,886,462
Less: closing stock	**877,704**	1,350,525
	4,868,496	4,535,937
Add: cotton cess	**2,458**	2,699
	4,870,954	4,538,636

33.2 These include Rs.26.939 million (2013: Rs.20.249 million) in respect of staff retirement benefits - gratuity.

	Note	2014	2013 (Re-stated)
		(Rupees in thousand)	
34. DISTRIBUTION COST			
Staff salaries	34.1	**15,559**	14,154
Travelling		**3,590**	3,870
Communication		**2,561**	2,560
Loading and unloading		**15,267**	11,746
Freight on local yarn sales		**9,242**	10,515
Freight on export yarn sales		**43,237**	45,415
Export expenses		**12,291**	10,594
Insurance		**1,227**	331
Commission on sales		**72,267**	53,969
Quality claims on sale supplies		**15,191**	14,106
Sizing charges		**9**	9
		190,441	167,269

34.1 These include Rs.4.200 million (2013: Rs.3.780 million) in respect of staff retirement benefits - gratuity.

	Note	2014	2013
35. ADMINISTRATIVE EXPENSES			
Directors’ meeting fee		**115**	100
Salaries and benefits	35.1	**110,755**	91,033
Travelling and conveyance:			
- directors		**484**	2,491
- others		**4,389**	6,757
Rent, rates and taxes		**4,281**	5,771
Entertainment		**2,836**	1,895
Communication		**5,889**	5,640
Printing and stationery		**1,688**	1,719
Electricity, gas and water		**4,472**	3,380
Insurance		**3,734**	3,149
Repair and maintenance		**4,853**	4,654
Vehicles’ running and maintenance		**18,942**	13,289
Advertisement		**408**	136
Fees and subscription		**4,304**	3,552
Newspapers and periodicals		**113**	115
Depreciation		**13,930**	11,806
Amortisation		**176**	252
Auditors’ remuneration	35.2	**1,591**	1,265
Legal and professional (other than Auditors)		**1,026**	1,842
Others		**228**	378
		184,214	159,224

35.1 These include Rs.11.978 million (2013: Rs.9.081 million) in respect of staff retirement benefits - gratuity.

	Note	2014	2013
		(Rupees in thousand)	
35.2 Auditors' remuneration			
Statutory audit		**1,300**	1,000
half yearly review		**110**	110
Consultancy and certification charges		**166**	145
Out-of-pocket expenses		**15**	10
		1,591	1,265

35.3 The Company, during the current financial year, has shared administrative expenses aggregating Rs.5.977 million (2013: Rs.4.702 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.

36. OTHER INCOME

	Note	2014	2013
Sale of scrap - net of sales tax of Rs.212 thousand (2013: Rs.72 thousand)		**1,176**	766
Reversal of provision for Gas Infrastructure Development Cess (GIDC)	36.1	**32,797**	0
Unclaimed payable balances written-back		**151**	99
Gain on sale of operating fixed assets	17.4	**1,176**	4,230
Dividends		**840**	55
Adjustment on remeasurement of investments to fair value	27	**2,194**	340
Realised gain on sale of investments		**0**	318
		38,334	5,808

36.1 Based on a Judgement given by the Supreme Court of Pakistan, the Company has reversed this provision created for payment of GIDC. (refer contents of note. 50.1).

37. OTHER EXPENSES

	Note	2014	2013
Workers' (profit) participation fund		**12,622**	24,640
Workers' welfare fund		**4,797**	9,363
Donations	37.1	**5,455**	3,607
		22,874	37,610

37.1 These include an amount of Rs.3.375 million (2013: Rs.2.925 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

	Note	2014	2013
		(Rupees in thousand)	
38. FINANCE COST - net			
Mark-up on subordinated loan		**9,247**	10,299
Mark-up on long term financing		**62,768**	53,960
Less: gain on interest rate swap agreement		**0**	(1,577)
		62,768	52,383
Mark-up on short term borrowings			
- from banking companies		**221,830**	197,148
- from an Associated Company		**1,737**	0
		223,567	197,148
Lease finance charges		**0**	386
Interest on workers' (profit) participation fund		**2,164**	416
Bank and other charges		**18,094**	15,489
		315,840	276,121
39. EXCHANGE FLUCTUATION LOSS - net			
Exchange fluctuation loss / (gain) on:			
- foreign currency financing		**44,207**	47,800
- interest rate swap agreement		**0**	12,742
- others - net		**(7,833)**	(3,225)
		36,374	57,317
40. TAXATION			
Current			
- for prior year		**0**	12,132
	29	**0**	12,132
Deferred			
- relating to temporary differences	20	**70,081**	10,493
- resulting from reduction in tax rate		**6,615**	2,086
		76,696	12,579
		76,696	24,711

	2014	2013 (Re-stated)
	(Rupees in thousand)	
41. EARNINGS PER SHARE		
41.1 Basic earnings per share		
Profit after taxation attributable to ordinary shareholders	**158,333**	435,101
	2014	2013
	(No. of shares)	
Weighted average number of ordinary shares outstanding during the year	**26,412,880**	26,412,880
	2014	2013
	(Rupees)	
Basic earnings per share	**5.99**	16.47

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, 2014 and June 30, 2013 which would have any effect on the earnings per share if the option to convert is exercised.

	2014	2013
	(Rupees in thousand)	
42. CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year - before taxation	**235,029**	459,812
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	**197,285**	172,645
Staff retirement benefits - gratuity (net)	**26,875**	20,006
Unclaimed payable balances written-back	**(151)**	(99)
Gain on sale of operating fixed assets - net	**(1,176)**	(4,230)
Finance cost	**297,746**	260,632
Exchange fluctuation loss on long term financing	**44,207**	47,800
Exchange fluctuation gain - net (others)	**(7,833)**	(3,225)
Adjustment on remeasurement of investments to fair value - net	**(2,194)**	(340)
Profit before working capital changes	**789,788**	953,001
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	**(43,109)**	(5,421)
Stock-in-trade	**209,053**	(115,726)
Trade debts	**(83,602)**	(271,813)
Loans and advances	**9,492**	(19,904)
Trade deposits and short term prepayments	**(9,704)**	3,717
Other receivables	**18,384**	(21,716)
Investments	**0**	1,724
Taxes refundable	**(8,616)**	(7,560)
Increase / (decrease) in trade and other payables	**108,090**	(72,524)
	199,988	(509,223)
Cash generated from operating activities	**989,776**	443,778
Income tax paid	**(54,898)**	(69,844)
Long term loans	**(4,303)**	(4,567)
Long term deposits	**(462)**	(1,093)
Long term deposits from employees	**851**	1,192
Net cash generated from operating activities	**930,964**	369,466

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

43.1 Financial Risk Factors

The Company has exposure to the following risks from its use of financial instruments:

- market risk
- credit risk; and
- liquidity risk.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by a treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

43.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. 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 financing, import of raw materials, plant & machinery, stores & spares, foreign debtors and claims receivables denominated in Euro, U.S. Dollar, Swiss Frank and Japanese Yen. The Company's exposure to foreign currency risk for U.S. Dollar, Euro, Japanese Yen and Swiss Frank and is as follows:

	2014			
	Rupees	**U.S. $**	**Euros**	**JPY**
		(in thousand)		
Sub-ordinated loan	**493,750**	**5,000**	**0**	**0**
Bills payable	**74,362**	**729**	**17**	**0**
Due to an Associated Company	**223,482**	**2,263**	**0**	**0**
	791,594	**7,992**	**17**	**0**
Trade debts	**(173,901)**	**(1,765)**	**0**	**0**
Other receivables	**(292)**	**(3)**	**0**	**0**
Gross balance sheet exposure	**617,401**	**6,224**	**17**	**0**
Outstanding letters of credit	**195,850**	**1,914**	**33**	**2,350**
Net exposure	**813,251**	**8,138**	**50**	**2,350**

	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
	1,184,383	11,941	0	45
Trade debts	(219,115)	(2,222)	0	0
Other receivables	(238)	(2)	0	0
Gross balance sheet exposure	965,030	9,717	0	45
Outstanding letters of credit	50,883	272	158	34
Net exposure	1,015,913	9,989	158	79

The following significant exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2014	2013	**2014**	2013
U.S. Dollar to Rupee	104.26	96.78	98.55 / 98.75	98.60 / 98.80
Euro to Rupee	143.39	122.72	134.46 / 134.73	128.85 / 129.11
JPY to Rupee	1.10	0	0.9728 / 0.9748	0.9974 / 0.9994
CHF to Rupee	118.97	102.62	110.59 / 110.82	104.49 / 104.71

Sensitivity analysis

At June 30, 2014, if Rupee had strengthened by 10% against U.S.$ and Euro 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 liabilities.

	2014	2013
	(Rupees in thousand)	
Effect on profit for the year		
U.S.$ to Rupee	**61,462**	96,003
Euro to Rupee	**229**	0
CHF to Rupee	**0**	471

The weakening of Rupee against U.S. Dollar and Euro 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:

	2014	2013	**2014**	2013
	Effective rate		**Carrying amount**	
	%	%	(Rupees in thousand)	
Financial liabilities				
Variable rate instruments				
Sub-ordinated loan	**1.823 to 1.925**	1.925 to 2.228	**493,750**	494,000
Long term financing	**10.59 to 12.65**	1.93 to 14.56	**1,164,828**	758,345
Short term borrowings	**1.53 to 11.93**	1.53 to 14.93	**1,959,663**	1,974,680

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, 2014, 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.36.182 million (2013: Rs.32.270 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.648 thousand (2013: Rs.428 thousand).

43.3 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss to the Company 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 long term deposits, trade debts, trade deposits, 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 crediting ratings.

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2014 along with comparative is tabulated below:

	2014	2013
	(Rupees in thousand)	
Long term deposits	**9,444**	8,982
Trade debts	**869,841**	786,239
Trade deposits	**11,580**	2,000
Other receivables	**17,583**	35,967
Investments	**6,477**	4,283
Bank balances	**24,854**	16,372
	939,779	853,843

Trade debts exposure by geographic region is as follows:

Domestic	**695,940**	567,124
Export	**173,901**	219,115
	869,841	786,239

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

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

Not yet due	**843,640**	727,061
Past due		
- upto 30 days	**17,112**	58,118
- more than 30 days	**9,089**	1,060
	869,841	786,239

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.654.070 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 encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach for managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

2014

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	(Rupees in thousand)				
Sub-ordinated loan	**493,750**	**547,742**	**8,999**	**35,994**	**502,749**
Long term financing	**1,164,828**	**1,478,214**	**342,434**	**1,135,780**	**0**
Trade and other payables	**577,732**	**577,732**	**577,732**	**0**	**0**
Accrued mark-up and interest	**167,607**	**167,607**	**167,607**	**0**	**0**
Short term borrowings	**1,959,663**	**2,067,116**	**2,067,116**	**0**	**0**
	4,363,580	**4,838,411**	**3,163,888**	**1,171,774**	**502,749**

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 interest	105,156	105,156	105,156	0	0
Short term borrowings	1,974,680	2,075,065	2,075,065	0	0
	3,792,305	4,042,641	2,914,092	606,004	522,545

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 value of financial instruments

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, 2014, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

43.6 Financial instruments by category

	Loans and receivables		Financial assets at fair value through profit and loss	
	2014	2013	**2014**	2013
	(Rupees in thousand)		**(Rupees in thousand)**	
Financial assets as per balance sheet				
Long term loans	**11,923**	8,213	**0**	0
Long term deposits	**9,444**	8,982	**0**	0
Trade debts	**869,841**	786,239	**0**	0
Loans and advances	**33,863**	42,762	**0**	0
Deposits and short term prepayments	**12,585**	2,881	**0**	0
Other receivables	**17,583**	35,967	**0**	0
Investments	**0**	0	**6,477**	4,283
Bank balances	**24,854**	16,372	**0**	0
	980,093	901,416	**6,477**	4,283

	Financial liabilities measured at amortised cost	
	2014	2013
	(Rupees in thousand)	
Financial liabilities as per balance sheet		
Sub-Ordinated loan	**493,750**	494,000
Long term financing	**1,164,828**	758,345
Long term deposits	**3,751**	2,900
Trade and other payables	**621,093**	511,836
Accrued mark-up and interest	**167,607**	105,156
Short term borrowings	**1,959,663**	1,974,680
	4,410,692	3,846,917

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 makes 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:

	2014	2013
	(Rupees in thousand)	
- short term loan obtained	**200,000**	0
- purchase of fixed assets	**0**	19,153
- sale of fixed assets	**736**	0
- sale of goods and services	**20,808**	86,963
- purchase of goods and services	**514,539**	468,350
- dividend paid	**32,743**	26,194

46. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		**Working Director**		**Executives**	
	2014	2013	**2014**	2013	**2014**	2013
			(Rupees in thousand)			
Meeting fees	**10**	10	**30**	15	**0**	0
Managerial remuneration	**7,410**	7,200	**5,250**	5,100	**26,527**	26,401
House rent and utilities	**666**	636	**598**	399	**14,590**	14,521
Retirement benefits	**0**	0	**0**	0	**8,518**	4,744
Medical expenses reimbursed	**0**	0	**0**	0	**1,268**	815
	8,086	7,846	**5,878**	5,514	**50,903**	46,481
Number of persons	**1**	1	**1**	1	**9**	9

46.1 Meeting fees of Rs.75 thousand (2013: Rs.75 thousand) were also paid to five (2013: 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

47.1 Spinning units

			2014	2013
No. of spindles installed			**91,403**	88,956
Average of spindles shifts installed		Figure in '000	**100,086**	97,407
Average of spindles shifts worked		Figure in '000	**97,262**	94,802
No. of days worked			**365**	365
No. of shifts worked			**1,095**	1,095
Average count			**30.66**	30.09
Actual production	Kgs	Figure in '000	**18,757**	18,253

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.

47.2 Dyeing

Cotton / Fibre Dyeing Unit

			2014	2013
Total number of days worked			**179**	0
No. of shift worked			**537**	0
Installed capacity	Kgs	Figure in '000	**1,825**	0
Actual production	Kgs	Figure in '000	**738**	0

The Company, during the current financial year, installed a cotton / fibre dying unit having a capacity of 5,000 kgs per day.

48. OPERATING SEGMENT

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

48.1 Yarn sales represent 97% (2013: 97%) of the total sales of the Company.

48.2 84% (2013: 80%) of the Company's sales relate to customers in Pakistan.

48.3 All non-current assets of the Company as at June 30, 2014 are located in Pakistan.

48.4 The Company has no (2013: one) customer having sales of ten percent or more during the year ended June 30, 2014.

49. NUMBER OF EMPLOYEES

Number of employees as at June 30,	**2014**	2013
- Permanent	**1,758**	1,749
- Contractual	**25**	25
Average number of employees during the year		
- Permanent	**1,717**	1,204
- Contractual	**25**	25

50. EVENTS AFTER THE BALANCE SHEET DATE

50.1 The Supreme Court of Pakistan, vide its judgment dated August 22, 2014, has declared Gas Infrastructure Development Cess (GIDC) Act, 2011 as illegal and unconstitutional and dismissed the appeal filed by the Government department. The Company, based on advice of its legal Advisors, has reversed this provision at the year-end (note 36.1).

50.2 The Board of Directors, in their meeting held on September 25, 2014 has proposed a final cash dividend of Rs.2.5 (2013: Rs.2.5) per share amounting to Rs.66.032 million (2013: Rs.66.032 million) for the year ended June 30, 2014. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on October 24, 2014. 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, 2015.

51. GENERAL

These financial statements were authorised for issue on September 25, 2014 by the Board of Directors of the Company.

Figures of prior years have been restated consequent to the retrospective application of IAS 19 (revised) as detailed in note 5. Other corresponding figures have been rearranged and reclassified for better presentation wherever considered necessary, the effect of which is not material.

OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE

ASSAD SAIFULLAH KHAN
DIRECTOR

FORM OF PROXY
TWENTY FIFTH 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 25th Annual General Meeting of the Company to be held on October 24, 2014 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 ____________ 2014

Signature of Proxy ____________________

For beneficial owners as per CDC list

1. WITNESS ____________________
Signature ____________________
Name: ____________________
Address: ____________________
____
____
CNIC No. ____________________

2. WITNESS
Signature____________________
Name: ____________________
Address: ____________________
____
____
CNIC No. ____________________

Note:

1. 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.
2. 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).
3. 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.