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COMPANY INFORMATION

BOARD OF DIRECTORS	Anwar Saifullah Khan Osman Saifullah Khan Jehangir Saifullah Khan Hoor Yousafzai Assad Saifullah Khan Asif Saifullah Khan Arif Saeed Muhammad Ayub	- Chairman - Chief Executive - Saif Holdings Limited Nominee - NIT Nominee
AUDIT COMMITTEE	Hoor Yousafzai Jehangir Saifullah Khan Assad Saifullah Khan Muhammad Ayub	- Chairperson - Member - Member - Member
CHIEF FINANCIAL OFFICER	Zaheen-ud-Din Qureshi	
COMPANY SECRETARY	Mumtaz H. Chaudhry	
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 Faysal Bank Limited Habib Bank Limited Meezan Bank Limited National Bank of Pakistan The Bank of Punjab HSBC Bank Middle East Limited United Bank Limited	
HEAD OFFICE	Kulsum Plaza, 4th Floor, 2020 - Blue Area, Islamabad-44000 Telephone : +92-51-2823924, 2829415 Fax : +92-51-2277843, 2822564 E-mail : stm@saifgroup.com	
REGISTERED OFFICE	APTMA House, Tehkal Payan, Jamrud Road, Peshawar Telephone : +92-91-5843870, 5702941 Fax : +92-91-5840273 E-mail : peshawar@saifgroup.com	
SHARES REGISTRAR	M/s Hameed Majeed Associates (Pvt.) Ltd., HM House, 7-Bank Square, Lahore Telephone : +92-42-7235081-7235082 Fax : +92-42-7358817 E-mail : info@hmaconsultants.com	
MILLS	Industrial Estate, Gadoon Amazai, District Sawabi Telephone : +92-938-270313, 270429 Fax : +92-938-270514 E-mail : 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 22nd Annual General Meeting of the members of **Saif Textile Mills Limited** will Insha Allah be held at registered office of the Company, **APTMA House, Tehkal Payan, Jamrud Road, Peshawar** on **Monday, October 31, 2011** at **11:00 A.M.** to transact the following business:

- 1) To confirm the minutes of the 21st Annual General Meeting held on October 29, 2010.
- 2) To receive, consider and adopt Annual Audited Financial Statements for the year ended June 30, 2011 together with the Directors' and Auditors' Reports thereon.
- 3) To approve cash dividend @ 20% as recommended by the Board of Directors.
- 4) To appoint Auditors for the year 2011-2012 and fix their remuneration. The retiring auditors M/s. Hameed Chaudhri & Co., Chartered Accountants, being eligible offered themselves for re-appointment.
- 5) To transact any other business with the permission of the Chair.

By order of the Board

Islamabad: **October 03, 2011**

(Mumtaz H. Chaudhry)
Company Secretary

NOTES:

- i. Share Transfer Books of the Company will remain closed from 25.10.2011 to 31.10.2011 (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 the Board of Directors, it gives me pleasure to present the 22nd Annual Audited financial statements for the year ended June 30, 2011.

GENERAL MARKET CONDITIONS

The year under review was an exceptional one for Pakistan's spinning industry. Those spinning mills that had long (and leveraged) positions in cotton saw exceptional profits as the market allowed them to pass on the increase in cotton prices to their customers. We are unlikely to see the return of such a favorable market environment in the near future. However last year's profitability does mean that the Company is in a considerably stronger financial position, well placed to weather the intrinsic cyclicality of the business we are in. At the time of writing of this report it is unclear how the FY 2012 will unfold. The global economy is teetering on the brink of a "double dip" recession. Closer to home, the human tragedy of the recent floods is accompanied by reports of significant crop damage in many parts of Sindh, while India and China are expected to see bumper crops. With the arrival of the new crop, the next two months will set the pricing tone for the year ahead.

OPERATING RESULTS

TURNOVER

Your Company has managed to increase its overall sales by 58% as compared to the last year; the main reason for the increase in turnover is the very significant increase in yarn rates, driven by the sharp rise in raw material prices.

PROFITABILITY

The management is pleased to report that your Company has posted a Net Profit of Rs. 607.73 Million as against a figure of Rs. 77.48 Million for the corresponding period last year. We have managed to grow gross margin from 15.3% to 18.2%, on the back of prudent, disciplined and timely raw material procurement in a period of extreme price volatility.

Your Company has been able to generate strong cash flows from operations of Rs. 1.128 Billion during the year, the first year in the Company's history that EBITDA exceeded Rs 1 billion. Cash flow from operations was used to repay Rs 395.06 long-term debt and we reduced short-term borrowing by Rs. 236.81 Million.

Under the Honorable Prime Minister's Package for Fiscal Relief to Rehabilitate Economic Life in Khyber Pakthunkhwa, FATA and PATA the Company received a mark up subsidy of Rs. 172.51 Million (2010: Rs.82.47 Million). These funds were predominantly used to reduce leverage thereby improving our ability to compete in the years ahead. The depreciation of the Re against the US dollar meant that your Company suffered a foreign exchange loss of Rs.45.19 Million (2010: Rs.123.92 Million).

FUTURE OUTLOOK

At the time of writing, the outlook for the global economy is grim. We operate in a business largely driven by discretionary spending and so expect that demand for textile products will remain muted in the near term.

The Company is focused on reducing balance sheet leverage, pursuing cost efficiencies and diversifying our product range. We are therefore planning to enhance the capacity of our back process, allowing us to increase our throughput of local cotton for coarse count yarns.

CONTRIBUTION TO THE NATIONAL EXCHEQUER

The Company contributed Rs.176 Million (2010: Rs. 132 Million) to the National Exchequer during the period under review in the form of sales tax, import duties, surcharges and various other levies.

EMPHASIS OF MATTER PARAGRAPH IN AUDITORS' REPORT

The auditor's report contains an emphasis of matter paragraph on the basis that your Company has recognized the amount of relief ("subsidy") for the period January to June 2010 in the preceding financial year, which pertains to the current financial year. This relief has been provided under the Honorable Prime Minister's announcement of Fiscal Relief Package to rehabilitate the economic life in Khyber Pakhtunkhwa, FATA and PATA areas. There is no effect on the accumulated profits of the Company.

The Management view is that according to the definition of the Government Grant, as defined in IAS 20, the markup rate subsidy announced does not come under the ambit of IAS 20 because there is no such past or future condition for the entity to comply with. Secondly, as per the matching concept of generally accepted accounting principles together with para 19 of IAS 18, it is allowed to book the income in the period in which related costs are booked.

PROFIT APPROPRIATION

The Board in its meeting held on October 03, 2011 decided to recommend 20% cash dividend (2010: Nil).

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. 23.01 (2010: Rs. 2.93)

EXTERNAL AUDITORS

The present auditors, M/s Hameed Chaudhri & Co. Chartered Accountants, retire and being eligible; to offer themselves for re-appointment. As suggested by the Audit Committee, the Board recommends their appointment as auditors of the Company to hold office from the conclusion of this Annual General Meeting to be held on October 31, 2011 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 :-

Particulars	2011	2010	2009	2008	2007	2006
	(Rupees in thousand)					
Operating fixed assets	2,185,991	2,145,989	2,225,806	2,194,375	2,303,353	2,047,793
Net worth	1,025,553	406,028	317,213	870,628	903,043	747,197
Sales	7,361,391	4,642,452	3,727,820	4,489,205	3,813,037	3,473,267
Gross profit	1,339,648	710,696	111,282	440,437	389,441	360,958
Gross profit margin (% age)	18.20	15.31	2.98	9.81	10.21	10.39
Net Profit - after taxation	607,730	77,489	(560,226)	(39,724)	12,188	78,360
Net profit margin (% age)	8.26	1.67	(15.03)	(0.88)	0.32	2.26

- The Board of Directors has adopted a Mission Statement and a Statement of Overall Corporate Strategy.
- Regarding outstanding taxes and levies, please refer note 18 to the annexed audited statements.
- During the year under report five meetings of the Board of Directors were held. The attendance by each Director was as follows:

Name of Director	Meetings Attended
Anwar Saifullah Khan	4
Osman Saifullah Khan	5
Assad Saifullah Khan	5
Hoor Yousafzai	5
Jehangir Saifullah Khan	4
Asif Saifullah Khan	2
Arif Saeed (SHL Nominee)	1
Muhammad Ayub (NIT Nominee)	4

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

ACKNOWLEDGEMENT

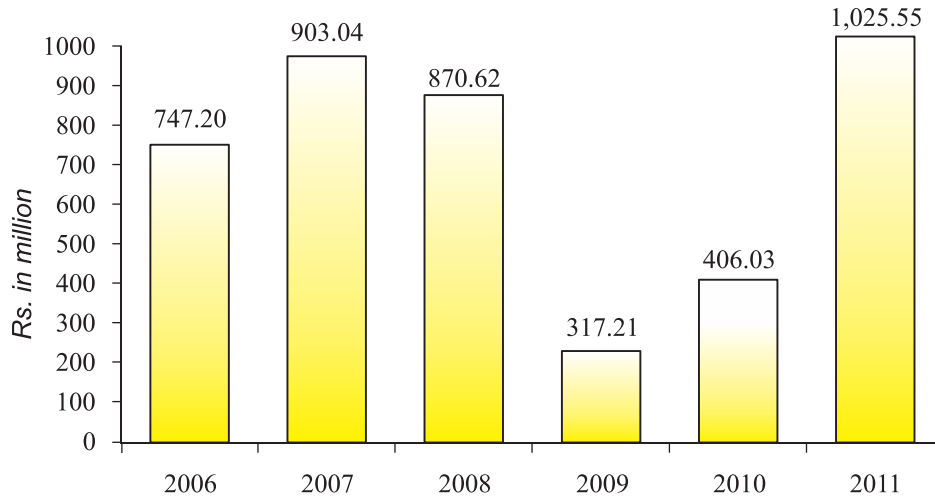
The Board places on record its appreciation for the support of our bankers and our valued customers. I would also like to highlight the hard work put in by the members of our corporate family. We are confident they will continue to show the same dedication in the days ahead.

On behalf of the board of Directors

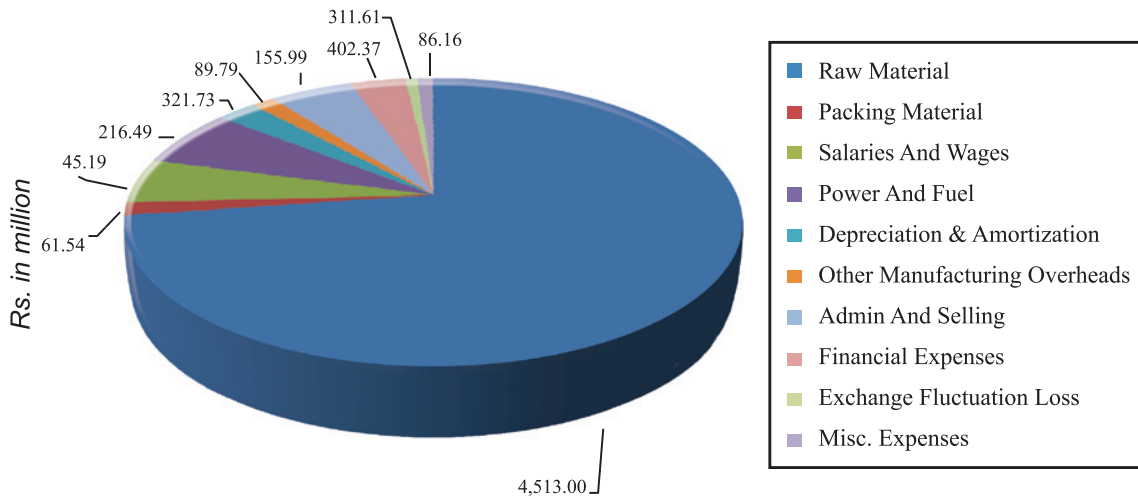
Place: Islamabad
Dated : October 03, 2011

**OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE**

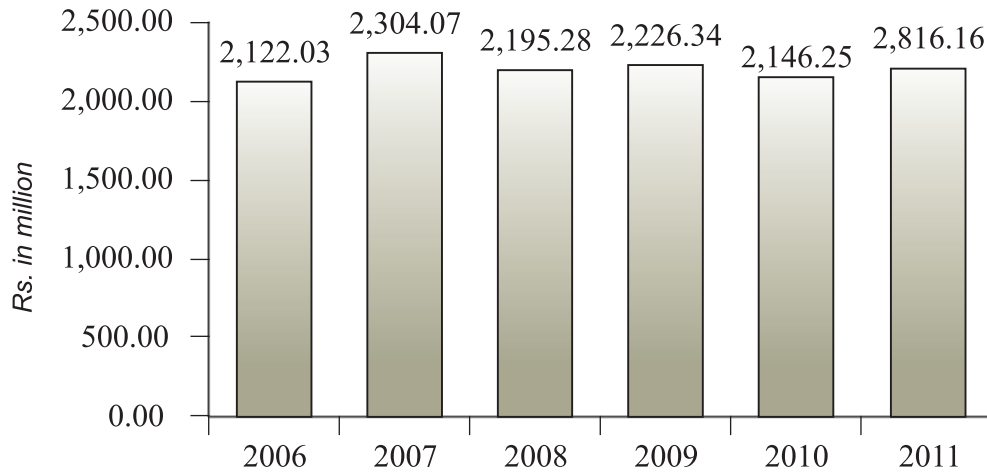
EQUITY



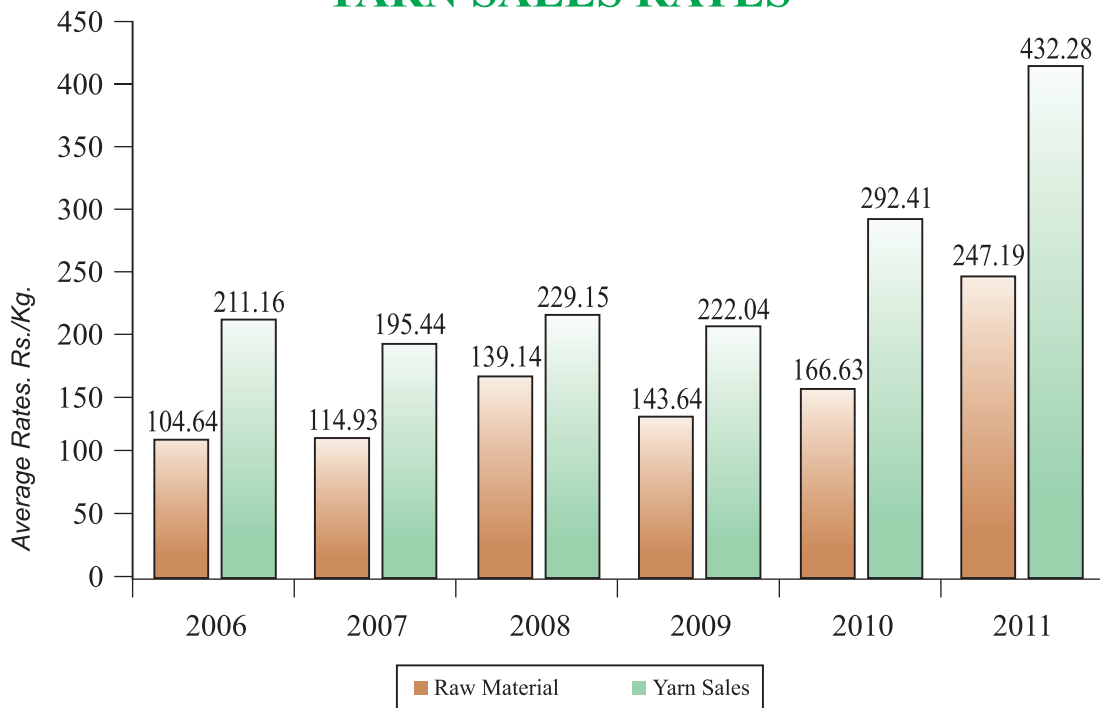
REVENUE DISTRIBUTION



FIXED CAPITAL EXPENDITURE GROWTH



RAW MATERIAL CONSUMPTION AND YARN SALES RATES



**PATTERN OF SHAREHOLDING
AS AT 30TH JUNE, 2011**

No. of Shareholders	Shareholding		Total Shares Held	Percentage of Total Capital
	From	To		
358	1 -	100	16,987	0.06
472	101 -	500	121,533	0.46
160	501 -	1000	128,389	0.49
291	1001 -	5000	608,213	2.30
41	5001 -	10000	314,162	1.19
16	10001 -	15000	203,447	0.77
16	15001 -	20000	277,537	1.05
8	20001 -	25000	182,777	0.69
4	25001 -	30000	110,060	0.42
2	30001 -	35000	62,813	0.24
1	35001 -	40000	35,042	0.13
1	40001 -	45000	45,000	0.17
2	45001 -	50000	98,800	0.37
3	50001 -	55000	160,346	0.61
1	55001 -	60000	57,999	0.22
2	80001 -	85000	166,777	0.63
1	95001 -	100000	95,737	0.36
1	105001 -	110000	107,129	0.41
1	110001 -	115000	113,436	0.43
1	125001 -	130000	127,450	0.48
1	180001 -	185000	181,500	0.69
1	190001 -	195000	191,540	0.73
1	250001 -	255000	251,151	0.95
1	270001 -	275000	272,536	1.03
1	290001 -	295000	294,936	1.12
1	295001 -	300000	299,215	1.13
1	310001 -	315000	313,870	1.19
1	395001 -	400000	395,138	1.50
1	415001 -	420000	417,647	1.58
1	535001 -	540000	540,000	2.04
1	685001 -	690000	689,700	2.61
1	715001 -	720000	717,000	2.71
1	795001 -	800000	798,600	3.02
1	800001 -	805000	800,087	3.03
1	1030001 -	1035000	1,031,848	3.91
1	1075001 -	1080000	1,075,363	4.07
1	2010001 -	2015000	2,012,115	7.62
1	13095001 -	13100000	13,097,000	49.59
1,400			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	7	7,107	0.0269
2	Associated Companies, Undertakings and Related Parties	9	13,125,000	49.6917
3	NIT and ICP	4	2,192,609	8.3013
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	7	1,518,359	5.7486
5	Insurance Companies	1	1,031,848	3.9066
6	Modarbas and Mutual Funds	7	37,647	0.1425
7	General Public (Local)	1,342	8,067,749	30.5448
8	Others	25	432,561	1.6377
TOTAL:		1,402	26,412,880	100.0000

DETAIL OF CATEGORY OF SHAREHOLDERS AS AT 30 JUNE, 2011

	Name of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children			
1	Mr. Osman Saifullah Khan	3,107	0.0118
2	Mr. Jehangir Saifullah Khan	1,000	0.0038
3	Mr Anwar Saifullah Khan	2,000	0.0076
4	Mr. Assad Saifullah Khan	500	0.0019
5	Ms. Hoor Yousufzai	500	0.0019
	Running Total:	7,107	0.0269
Associated Companies, Undertakings and Related Parties			
1	Omer Saifullah Khan	1,000	0.0038
2	Mr. Javed Saifullah Khan	11,000	0.0416
3	Mrs. Gulshan Javed Saifullah Khan	1,500	0.0057
4	Mr. Humayun Saifullah Khan	2,000	0.0076
5	Saif Holdings Limited	13,097,000	49.5857
6	Mr. Asif Saifullah Khan	500	0.0019
7	Mr. Iqbal Saifullah Khan	3,500	0.0133
8	Begum Zeb Saifullah Khan	4,500	0.0170
9	Begum Shireen Iqbal Saifullah	4,000	0.0151
	Running Total:	13,125,000	49.6917
NIT and ICP			
1	National Investment Trust Limited	51,816	0.1962
2	National Bank of Pakistan-Trustee Department	2,012,115	7.6179
3	National Bank of Pakistan	127,450	0.4825
4	Investment Corp of Pakistan	1,228	0.0046
	Running Total:	2,192,609	8.3013
Banks, Development Financial Institutions, Non Banking Financial Institutions			
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	Faysal Bank Limited	251,151	0.9509
6	National Bank of Pakistan	191,540	0.7252
7	National Bank of Pakistan	1,075,363	4.0714
	Running Total:	1,518,359	5.7486

	Name of Shareholders	Shares Held	Percentage
Insurance Companies			
1	State Life Insurance Corp. of Pakistan	1,031,848	3.9066
	Running Total:	1,031,848	3.9066
Modarbas and Mutual Funds			
1	First I.B.L. Modaraba	977	0.0037
2	First Inter Fund Modaraba	65	0.0002
3	First Udl Modaraba	4,669	0.0177
4	Crescent Standard Modaraba	14	0.0001
5	First Udl Modaraba	31,567	0.1195
6	Crescent Standard Modaraba	140	0.0005
7	Golden Arrow Selected Stock Fund Limited	215	0.0008
	Running Total:	37,647	0.1425
General Public (Local)			
	Running Total:	8,067,749	30.5448
Others			
1	Global Quality Engineering Solutions (Smc-Pvt) Ltd	81,787	0.3096
2	Fortune Securities Limited	200	0.0008
3	Javed Omer Vohra & Co. Ltd.	8,758	0.0332
4	Pearl Capital Management (Private) Limited	1,500	0.0057
5	Bma Capital Management Ltd.	344	0.0013
6	International Securities Ltd.	118	0.0004
7	Taurus Securities Limited	100	0.0004
8	Muhammad Ahmed Nadeem Securities (Smc-Pvt) Limited	105	0.0004
9	Dr. Arslan Razaque Securities (Smc-Pvt) Ltd.	210	0.0008
10	Khadim Ali Shah Bukhari & Co. Limited	80	0.0003
11	Darson Securities (Pvt) Limited	994	0.0038
12	Axis Global Limited	4,000	0.0151
13	Creative Capital Securities (Pvt) Ltd.	16,000	0.0606
14	A.H.K.D. Securites (Pvt) Ltd.	1	0.0000
15	General Investment & Securitie {Pvt} Ltd	1	0.0000
16	Ample Securities (Private) Limited	313,870	1.1883
17	Nh Securities (Pvt) Limited.	495	0.0019
18	Darson Securities (Private) Limited	304	0.0012
19	Ace Securities (Pvt.) Limited	500	0.0019
20	S.H. Bukhari Securities (Pvt) Limited	500	0.0019
21	Sarfraz Mahmood (Private) Ltd	129	0.0005
22	H M Investments (Pvt) Limited	118	0.0004
23	Prudential Securities Limited	26	0.0001
24	Y.S. Securities & Services (Pvt) Ltd.	1,083	0.0041
25	International Brands (Pvt) Ltd.	1,338	0.0051
	Running Total:	432,561	1.6377
	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 Code in the following manner:

1. The Company encourages representation of non-executive directors and at present, all the members of the Board are non-executive directors except for Chief Executive Officer.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancy occurred during year was filed by the Board.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged in-house orientation courses for its directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee, which comprises of three members. All members, including the chairperson of the committee, are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has set-up an effective internal audit function and the personnel involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

**OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE**

Dated : October 03, 2011

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **SAIF TEXTILE MILLS LIMITED** (the Company) to comply with the Listing Regulation of the Karachi, Lahore and Islamabad Stock Exchanges, respectively, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June, 2011.

LAHORE;
Dated: October 03, 2011

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SAIF TEXTILE MILLS LIMITED** (the Company) as at 30 June, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and, respectively give a true and fair view of the state of the Company's affairs as at 30 June, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion redraw intention to note 29.2 to the financial statements. Mark-up subsidy on business loans aggregating Rs. 82.476 million, pertaining to the current financial year ended 30 June, 2011, was recognised in the profit and loss account for the preceding financial year ended 30 June, 2010.

LAHORE;
Dated: October 03, 2011

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Majeed Chaudhri

BALANCE SHEET

	Note	2011	2010
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 30,000,000 ordinary shares of Rs. 10 each		<u>300,000</u>	<u>300,000</u>
Issued, subscribed and paid-up capital	7	264,129	264,129
Reserves	8	265,981	265,981
Unappropriated profit / (accumulated loss)		<u>495,443</u>	<u>(124,082)</u>
		1,025,553	406,028
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
	9	159,358	171,153
NON-CURRENT LIABILITIES			
Sub-ordinated loan	10	429,350	427,100
Long term financing	11	562,499	802,598
Liabilities against assets subject to finance lease	12	1,172	2,424
Long term deposits	13	961	606
Deferred liability - staff retirement benefits	14	61,392	44,780
		1,055,374	1,277,508
CURRENT LIABILITIES			
Trade and other payables	15	579,733	220,095
Accrued mark-up and financial charges	16	116,381	166,370
Short term borrowings	17	1,731,229	1,978,064
Current portion of:			
- long term financing	11	349,124	501,841
- liabilities against assets subject to finance lease	12	1,251	1,089
Taxation	32	23,550	0
		2,801,268	2,867,459
CONTINGENCIES AND COMMITMENTS			
	18	<u>5,041,553</u>	<u>4,722,148</u>

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

OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE

AS AT 30 JUNE, 2010

	Note	2011 (Rupees in thousand)	2010
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	19	2,185,991	2,145,989
Intangible assets	20	167	258
Long term loans	21	5,800	2,291
Long term deposits		7,095	6,871
Deferred taxation	22	188,013	188,013
		<u>2,387,066</u>	<u>2,343,422</u>
CURRENT ASSETS			
Stores, spare parts and loose tools	23	61,712	56,647
Stock-in-trade	24	1,400,986	1,368,010
Trade debts	25	1,042,820	775,350
Loans and advances	26	24,583	19,282
Trade deposits and short term prepayments	27	4,649	5,264
Other receivables	28	33,470	7,613
Mark-up subsidy receivable	29	41,735	82,476
Investments	30	13,917	12,466
Deposit for shares	31	0	0
Taxation	32	0	22,053
Taxes refundable	33	26,808	22,461
Bank balances	34	3,807	7,104
		<u>2,654,487</u>	<u>2,378,726</u>
		<u><u>5,041,553</u></u>	<u><u>4,722,148</u></u>

HOOR YOUSAFZAI
DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2011**

	Note	2011 (Rupees in thousand)	2010
SALES	35	7,361,391	4,642,452
COST OF SALES	36	6,021,743	3,931,756
GROSS PROFIT		1,339,648	710,696
DISTRIBUTION COST	37	206,762	117,790
ADMINISTRATIVE EXPENSES	38	125,600	102,679
OTHER OPERATING EXPENSES	39	61,539	8,067
OTHER OPERATING INCOME	40	(3,137)	(4,232)
		390,764	224,304
PROFIT FROM OPERATIONS		948,884	486,392
FINANCE COST	41	216,487	259,307
		732,397	227,085
EXCHANGE FLUCTUATION LOSS	42	45,190	123,984
PROFIT BEFORE TAXATION		687,207	103,101
TAXATION			
Current	32	73,614	21,923
Prior years	32	5,863	(1,292)
Deferred	22	0	4,981
		79,477	25,612
PROFIT AFTER TAXATION		607,730	77,489
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE INCOME		607,730	77,489
		(Rupees)	
Earnings Per Share	43	23.01	2.93

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

OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE

HOOR YOUSAFZAI
DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2011**

	Note	2011 (Rupees in thousand)	2010
CASH FLOW FROM OPERATING ACTIVITIES	44	1,128,760	(220,498)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(209,520)	(78,738)
Sale proceeds of operating fixed assets / insurance claims received		4,623	1,672
NET CASH USED IN INVESTING ACTIVITIES		(204,897)	(77,066)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing - net		(395,066)	(52,981)
Liabilities against assets subject to finance lease - net		(1,090)	226
Short term borrowings - net		(236,810)	634,213
Finance cost paid		(294,194)	(279,996)
NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES		(927,160)	301,462
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(3,297)	3,898
CASH AND CASH EQUIVALENTS - At beginning of the year		7,104	3,206
CASH AND CASH EQUIVALENTS - At end of the year		3,807	7,104

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

OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE

HOOR YOUSAFZAI
DIRECTOR

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2011**

	RESERVES			(Accumulated loss) / unappropriated profit	Total Equity	
	Share Capital	Capital	Revenue			Sub Total
(Rupees in thousand)						
Balance as at 30 June, 2009	264,129	115,981	150,000	265,981	(212,897)	317, 213
Total comprehensive income for the year	0	0	0	0	77,489	77,489
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation) on account of incremental depreciation for the year	0	0	0	0	11,326	11,326
Balance as at 30 June, 2010	264,129	115,981	150,000	265,981	(124,082)	406,028
Total comprehensive income for the year	0	0	0	0	607,730	607,730
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation):						
- on account of incremental depreciation for the year	0	0	0	0	10,563	10,563
- upon sale of revalued assets	0	0	0	0	1,232	1,232
Balance as at 30 June, 2011	264,129	115,981	150,000	265,981	495,443	1,025,553

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

OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE

HOOR YOUSAFZAI
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2011

1. CORPORATE INFORMATION

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except for the following:

- modification of foreign currency translation adjustments;
- recognition of employee retirement benefits at present value; and
- measurement of certain operating fixed assets at revalued amounts.

3.2 Functional and presentation currency

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Staff retirement benefits - gratuity

The present value of defined benefit obligation depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact the carrying amount of the obligation. The present value of the obligation and the underlying assumptions are disclosed in note 14.

b) Taxation

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

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 indicator of impairment is identified.

d) Stores & spares and stock-in-trade

The Company reviews 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 the sales.

e) Provision for impairment of trade debts

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.

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**5.1 Amendments to published standards that are effective in current financial year and are relevant to the Company**

The following amendments to published standards are mandatory for the financial year beginning 01 July, 2010:

- (a)** IAS 1 (Amendment), 'Presentation of Financial Statements' is effective from 01 July, 2010. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.
- (b)** IAS 7 (Amendment), 'Statement of Cash Flows' is effective from 01 July, 2010. The amendment provides clarification that only expenditure that results in a recognised

asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognised assets in the balance sheet. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

- (c) IAS 17 (Amendment), 'Classification of leases of land and buildings'. The amendment deletes the specific guidance regarding classification of lease of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, lease of land should be classified as either finance or operating, using the general principles of IAS 17. There is no effect of this amendment on the Company's financial statements.
- (d) IFRS 8 (Amendment), 'Operating Segments'. This amendment clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. Since the operations of the Company are considered as a single reportable segment, therefore the amendment will have no effect on the Company's financial statements.

5.2 New accounting standards, amendments to existing approved accounting standards and interpretations that are effective in current financial year but are not relevant to the Company

The other new standards, amendments to existing approved accounting standards and interpretations are mandatory for the periods beginning on or after 01 July, 2010 are considered not to be currently relevant as these do not have any significant effect on the Company's current financial reporting and operations; however, these may affect the accounting for future transactions and events.

5.3 New accounting standards, amendments to existing approved accounting standards and interpretations that are issued but not yet effective and have not been early adopted by the Company

The following new standards, amendments to existing approved accounting standards and interpretations are not effective for the periods beginning on or after 01 July, 2010 and have not been early adopted by the Company:

- (a) IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for the periods beginning on or after 01 January, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with a financial instrument. The amendment will only affect the disclosures in the Company's financial statements.
- (b) IFRS 9, 'Financial Instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until 01 July, 2013 but is available for early adoption.

- (c) IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for the periods beginning on or after 01 January, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment will only affect the disclosures in the Company's financial statements.
- (d) IAS 24 (Revised), 'Related Party Disclosures' (effective for the periods beginning on or after 01 January, 2011). The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard is applied, the Company will be required to disclose transactions with its associates. At this stage it is not possible to assess the impact, if any, of the revised standard on the related party disclosures in the Company's financial statements.
- (e) IAS 34 (Amendment), 'Interim Financial Reporting' (effective for periods beginning on or after 01 January, 2011). This amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The amendment will only affect the disclosures in the Company's condensed interim financial information.

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Borrowings and borrowing costs

All borrowings are recorded at the proceeds received. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which these are incurred.

6.2 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.

6.3 Staff retirement benefits (defined benefit plan)

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on 30 June, 2010 on the basis of the projected unit credit method by an independent Actuary.

6.4 Trade and other payables

Creditors relating to 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.

6.5 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 substantially enacted by the balance sheet date 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. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to other comprehensive income / equity in which case it is included in other comprehensive income / equity.

6.6 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.

6.7 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.

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 they 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 19.1. 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 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.

6.8 Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets. The related obligation of leases is accounted for as liability. Finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Depreciation is charged to income at the rate stated in note 19.1 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.

Finance cost and depreciation on leased assets are charged to income currently.

6.9 Intangible assets

These are stated at cost less accumulated amortisation except assets-in-progress, which are stated at cost. Amortisation is charged to income applying straight-line method to amortise the cost of intangible assets over their estimated useful life. Rate of amortisation is stated in note 20.1.

Gain / loss on retirement / disposal of intangible assets is taken to profit and loss account.

6.10 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.

6.11 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.
- 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.

6.12 Trade debts and other receivables

Trade debts are recognised initially 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. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

6.13 Investments at fair value through profit or loss

Investments at fair value through profit or loss are those which are acquired for generating a profit from short-term fluctuation in prices. All investments are initially recognised at cost, being fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value is recognised in income.

6.14 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 cash-in-hand and balances with banks.

6.15 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.

6.16 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.

6.17 Foreign currency translations

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.

6.18 Financial assets and liabilities

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

Financial instruments carried on the balance sheet include deposits, trade debts, other receivables, mark-up subsidy receivable, investments, bank balances, sub-ordinated loan, long term financing, lease finances, trade & other payables, short term borrowings and accrued financial charges. 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.

6.19 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 settle the liabilities simultaneously.

6.20 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 is accounted for when the right of receipt is established.

6.21 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 50 to these financial statements.

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2011 (No. of shares)	2010	Note	2011 (Rupees in thousand)	2010
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

7.1 Saif Holdings Limited holds 13,097,000 shares of the Company as at 30 June, 2011 and 2010.

8. RESERVES

Capital - share premium account	8.1	115,981	115,981
Revenue - general reserve		150,000	150,000
		265,981	265,981

8.1 Share premium account

Premium received on:

3,820,780 shares @ Rs.7 per share issued during the year 1992	26,745	26,745
2,303,569 shares @ Rs.5 per share issued during the year 1996	11,518	11,518
562,019 shares @ Rs.5 per share allotted during the year 1997	2,810	2,810
7,500,000 shares @ Rs.10 per share allotted during the year 2007	75,000	75,000
	116,073	116,073

Less: preliminary expenses written-off during the year 1992

92	92
115,981	115,981

9. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net

9.1 The Company had revalued its leasehold land, buildings on leasehold land, plant & machinery, generators, electric installations and air-conditioning equipment on 15 January, 2006. The revaluation exercise was carried-out by Hamid Mukhtar & Co. (Pvt.) Ltd. (Consulting Engineers, Surveyors & Loss Adjusters, Valuation Consultants, Lahore) to replace the carrying amounts of these assets with their depreciated market values. The aggregated net appraisal surplus arisen on the revaluation amounting Rs.192.518 million was credited to this account.

9.2 The Company has again revalued its leasehold land, buildings on leasehold land, plant & machinery, generators, electric installations and air-conditioning equipment on 30 June, 2009. The revaluation exercise has been carried-out by K. S. Ahmad & Co. (Pvt.) Ltd. (independent Surveyors & Evaluators - Rawalpindi) to replace the carrying amounts of these assets with their depreciated market values. The aggregated net appraisal surplus arisen on latest revaluation amounting Rs.136.059 million has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

	2011	2010
	(Rupees in thousand)	
Balance at beginning of the year	171,153	182,479
Less: transferred to unappropriated profit / (accumulated loss):		
- on account of incremental depreciation for the year - net of deferred taxation	(10,563)	(11,326)
- on sale of revalued plant and machinery - net of deferred taxation	(1,232)	0
Balance at end of the year	<u>159,358</u>	<u>171,153</u>

10. SUB-ORDINATED LOAN - Unsecured

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

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

This loan, during the year, has carried mark-up at the rates ranging from 1.930% to 2.027% (2010: 2.027% to 3.065%) per annum.

11. LONG TERM FINANCING - Secured

	Note	2011	2010
Loans from banking companies		(Rupees in thousand)	
Faysal Bank Limited:			
- term loan - I	11.1	0	122,000
- term loan - II	11.2	109,333	164,000
United Bank Limited:			
- demand finance - I	11.3	0	12,500
- demand finance - II	11.4	10,780	32,339
- demand finance - III	11.5	106,660	160,000
The Bank of Punjab:			
- demand finances	11.6	8,000	24,000
Habib Bank Limited:			
- demand finance - I	11.7	97,500	162,500
- demand finance - II	11.8	150,000	200,000
Others			
Aqua Nominees Limited - London			
- demand finance	11.9	429,350	427,100
		<u>911,623</u>	<u>1,304,439</u>
Less: current portion grouped under current liabilities		<u>349,124</u>	<u>501,841</u>
		<u><u>562,499</u></u>	<u><u>802,598</u></u>

11.1 These finances were obtained against a term finance facility of Rs.122 million and during the year under the Prime Minister's Fiscal Relief Package for Khyber Pakhtunkhwa carried mark-up at the rate of 7.5% (2010: mark-up rates ranged from 14.23% to 15.69%) per annum. The principal outstanding balance of these finances was repaid during August and September, 2010. This finance facility was secured against first pari passu registered hypothecation mortgage charge for Rs.163 million on fixed assets of the Company.

11.2 These finances have been obtained against a term finance facility of Rs.164 million and during the year under the Prime Minister's Fiscal Relief Package for Khyber Pakhtunkhwa carried mark-up at the rate of 7.5% (2010: mark-up rates ranged from 14.34% to 15.35%) per annum. The principal balance of this finance facility is repayable in 6 equal half-yearly instalments commenced from October, 2010. This finance facility is secured against first pari passu registered hypothecation mortgage charge for Rs.271 million on all present and future fixed assets of the Company.

11.3 Final instalment of these finances was repaid during October, 2010. These finances, during the year under the Prime Minister's Fiscal Relief Package for Khyber Pakhtunkhwa, carried mark-up at the rate of 7.5% (2010: mark-up rates ranged from 13.42% to 14.01%) per annum and were secured against first pari passu registered hypothecation charge on fixed assets of the Company for Rs.250 million.

11.4 These finances were obtained during the financial year ended 30 June, 2006 against a demand finance facility of Rs.250 million to finance the expansion in the production capacity of the Company. UBL, during the financial year-ended 30 June, 2007, had restructured this finance facility in the following manner:

- created long term finance amounting Rs.163.763 million, which was repayable in 8 equal half-yearly instalments of Rs.20.470 million with effect from March, 2007. The Company had repaid the whole outstanding balance of this finance facility amounting Rs.143.293 million during the financial year ended 30 June, 2008; and
- transferred the remaining portion amounting Rs.86.237 million under the State Bank of Pakistan's Scheme for Long Term Financing for Export Oriented Projects. This finance facility, during the year, carried mark-up at the rate of 7% (2010: 7%) per annum. The final instalment of these finances outstanding as at 30 June, 2011 is repayable during September, 2011.

These finance facilities are secured against registered hypothecation *pari passu* charge on all present and future fixed assets of the Company for Rs.313 million.

11.5 These finances have been obtained against a demand finance facility of Rs.160 million and during the year under the Prime Minister's Fiscal Relief Package for Khyber Pakhtunkhwa carried mark-up at the rate of 7.5% (2010: mark-up rates ranged from 14.79% to 15.25%) per annum. The principal balance of this finance facility is repayable in 6 equal half-yearly instalments commenced from December, 2010. The finance facility is secured against first *pari passu* hypothecation charge over current assets of the Company and first *pari passu* charge on present and future fixed assets of the Company already held by UBL as security of other demand finance facilities.

11.6 These finances have been obtained against a demand finance facility of Rs.80 million and are repayable in 10 equal half-yearly instalments of Rs.8 million commenced from March, 2007. These finances, during the year under the Prime Minister's Fiscal Relief Package for Khyber Pakhtunkhwa, carried mark-up at the rate of 7.5% (2010: mark-up rates ranged from 13.37% to 13.65%) per annum and are secured against first registered *pari passu* charge on fixed assets of the Company for Rs.107 million.

11.7 These finances have been obtained against a demand finance facility of Rs.325 million to finance the expansion plan. This finance facility, during the year under the Prime Minister's Fiscal Relief Package for Khyber Pakhtunkhwa, carried mark-up at the rate of 7.5% (2010: mark-up rates ranged from 14.93% to 15.26%) per annum and is secured against first *pari passu* charge on all present and future fixed assets of the Company for Rs.434 million. The outstanding principal balance of demand finance-I as at 30 June, 2011 is repayable in 3 equal half-yearly instalments ending September, 2012.

- 11.8** These finances have been obtained against a demand finance facility of Rs.250 million to finance the expansion plan. This finance facility, during the year under the Prime Minister's Fiscal Relief Package for Khyber Pakhtunkhwa, carried mark-up at the rate of 7.5% (2010: mark-up rates ranged from 14.93% to 15.26%) per annum and is secured against first pari passu charge on all present and future fixed assets of the Company for Rs.334 million. The principal outstanding balance of demand finance-II as at 30 June, 2011 is repayable in 6 equal half-yearly instalments ending March, 2014.
- 11.9** These finances have been obtained during the financial year ended 30 June, 2008 against a finance facility of U.S.\$ 10 million. This finance facility, during the year, carried mark-up at the rates ranging from 1.930% to 2.027% (2010: 2.027% to 3.065%) per annum. 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 30 June, 2009 as fully detailed in note 10. The principal balance of this finance facility is repayable in 8 equal half-yearly instalments of U.S.\$ 0.625 million with effect from October, 2011. These finances are secured by way of second charge over all present and future assets of the Company.
- 11.10** The Company, during the financial year ended 30 June, 2008, had entered into an interest rate swap agreement with United Bank Limited for a notional amount of Rs.900 million to hedge its risk associated primarily with mark-up payments and foreign currency fluctuations. As per the swap agreement, the Company will receive 6-months KIBOR + exchange difference and pay 6-months LIBOR + 1.80% + exchange difference arising on the settlement date. This agreement will mature on 31 March, 2013.

12. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2011			2010		
	Upto one year	From one to five years	Total	Upto one year	From one to five years	Total
	(Rupees in thousand)					
Minimum lease payments	1,545	2,066	3,611	1,537	3,587	5,124
Less: finance cost allocated to future periods	294	90	384	448	359	807
	<u>1,251</u>	<u>1,976</u>	<u>3,227</u>	<u>1,089</u>	<u>3,228</u>	<u>4,317</u>
Less: security deposits adjustable on expiry of lease terms	0	804	804	0	804	804
Present value of minimum lease payments	<u>1,251</u>	<u>1,172</u>	<u>2,423</u>	<u>1,089</u>	<u>2,424</u>	<u>3,513</u>

12.1 The Company has entered into lease agreements with Al-Baraka Bank (Pakistan) Limited and Habib Bank Limited to acquire vehicles. The lease agreements will mature on various dates by June, 2013. These liabilities, during the year, were subject to finance cost at the rates ranging from 14.17% to 15.69% (2010: 14.19% to 15.60%) per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the lease term. The lease finance facilities are secured against title of the leased vehicles in the name of lessors.

13. LONG TERM DEPOSITS

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

	2011	2010
	(Rupees in thousand)	
14. DEFERRED LIABILITY - STAFF RETIREMENT		
BENEFITS (Gratuity)		
The amount recognised in the balance sheet is as follows:		
Present value of defined benefit obligation	70,622	54,944
Unrecognised actuarial loss	(9,230)	(10,164)
Net liability at end of the year	<u>61,392</u>	<u>44,780</u>
Net liability at beginning of the year	44,780	34,827
Charge to profit and loss account	24,250	19,520
Payments made during the year	(7,638)	(9,567)
Balance at end of the year	<u>61,392</u>	<u>44,780</u>
The movement in the present value of defined benefit obligation is as follows:		
Opening balance	54,944	41,878
Current service cost	16,722	13,922
Interest cost	6,594	5,025
Benefits paid	(7,638)	(9,567)
Actuarial loss	0	3,686
Closing balance	<u>70,622</u>	<u>54,944</u>
Expense recognised in profit and loss account		
Current service cost	16,722	13,922
Interest cost	6,594	5,025
Actuarial loss recognised	934	573
Charge for the year	<u>24,250</u>	<u>19,520</u>

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

	2011	2010	2009	2008	2007
	(Rupees in thousand)				
Present value of defined benefit obligation	70,622	54,944	41,878	39,766	34,413
Experience adjustment on obligation	0	3,686	0	1,009	0

The future contribution rates of this scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation:

	2011	2010
- discount rate	12%	12%
- expected rate of growth per annum in future salaries	11%	11%
- average expected remaining working life time of employees	05 years	05 years

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

15. TRADE AND OTHER PAYABLES	Note	2011 (Rupees in thousand)	2010
Creditors		89,380	64,569
Bills payable	15.1	368,138	94,246
Due to an Associated Company - Green Fuels (Pvt.) Ltd. (2010: Saif Holdings Ltd.)		2	11,911
Accrued expenses		65,687	37,192
Advances from customers		1,275	202
Workers' (profit) participation fund - allocation for the year		36,907	5,537
Workers' welfare fund		14,067	2,104
Unclaimed dividends		4,261	4,284
Tax deducted at source		16	50
		579,733	220,095

15.1 These are secured against import documents.

16. ACCRUED MARK-UP AND FINANCIAL CHARGES

Mark-up accrued on:			
- sub-ordinated loan		18,937	10,386
- long term financing		41,592	66,777
- short term borrowings		38,658	55,086
Lease finance charges		22	28
Accrued mark-up and exchange fluctuation difference on interest rate swap agreement		17,172	34,093
		116,381	166,370

17. SHORT TERM BORROWINGS - Secured

Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.1.845 billion (2010: Rs.2.092 billion) and are secured against pledge of stock-in-trade, charge on fixed and current assets of the Company and lien on export bills. These finance facilities, during the year, carried mark-up at the rates ranging from 3.39% to 17.03% (2010:3.39% to 17%) per annum and are expiring on various dates by March, 2012.

Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.1,346.990 million (2010: Rs.907.290 million) of which the amount remained unutilised at the year-end was Rs.708.789 million (2010: Rs.626.789 million). These facilities are secured against lien on import documents and charge on fixed assets of the Company and are expiring on various dates by February, 2012.

18. CONTINGENCIES AND COMMITMENTS

18.1 The Company had imported textile plant & machinery availing exemption from customs duty and sales tax on importation 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.

18.2 Faysal Bank Ltd., on behalf of the Company, has issued inland bank guarantees of Rs.49.337 million (2010: Rs.28.987 million) in favour of Sui Northern Gas Pipelines Ltd. These guarantees are secured against ranking charge for Rs.80 million on all present and future fixed assets of the Company.

18.3 Al-Baraka Bank (Pakistan) Ltd., on behalf of the Company, has issued a bank guarantee amounting Rs.2.900 million in favour of International Power Services, Karachi - the owner of gas gensets, which have been supplied to the Company on monthly rental basis.

18.4 Commitments against letters of credit outstanding at the year-end aggregated Rs.217.826 million (2010: Rs.157.268 million).

	Note	2011 (Rupees in thousand)	2010
19. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	19.1	2,105,514	2,110,011
Capital work-in-progress	19.5	943	24,084
Store held for capital expenditure including in-transit inventory valuing Rs.66.527 million (2010: Rs.Nil)		79,534	11,894
		<u>2,185,991</u>	<u>2,145,989</u>

19.1 Operating fixed assets - tangible

	Lease hold land	Owned (Rupees in thousand)										Leased vehicles	Total				
		Buildings on leasehold land	Plant & machinery	Generators	Electric installations	Airconditioning equipment	Furniture and fixtures	Office equipment	Telephone installations	Weighting scales	Fire extinguishing equipment			Gas fittings	Vehicles		
As at 30 June, 2009																	
Cost / revaluation	40,064	435,900	2,261,579	177,647	88,440	68,209	14,086	19,500	2,636	728	815	701	34,079	5,262	3,149,646		
Accumulated depreciation	3,144	1,769	808,291	42,647	49,259	9,210	4,996	8,625	965	472	396	316	18,380	912	949,382		
Book value	36,920	434,131	1,453,288	135,000	39,181	58,999	9,090	10,875	1,671	256	419	385	15,699	4,350	2,200,264		
Year ended 30 June, 2010:																	
Additions	888	1,073	45,450	11,520	0	1,849	676	573	201	45	762	0	4,526	739	68,302		
Disposals:																	
cost	0	0	0	0	0	0	0	(114)	(92)	0	0	0	(3,178)	0	(3,384)		
depreciation	0	0	0	0	0	0	0	52	18	0	0	0	1,939	0	2,009		
Depreciation charge	422	21,733	110,499	10,628	2,938	4,488	936	1,103	175	27	86	39	3,125	981	157,180		
Book value as at 30 June, 2010	37,386	413,471	1,388,239	135,892	36,243	56,360	8,830	10,283	1,623	274	1,095	346	15,861	4,108	2,110,011		
Year ended 30 June, 2011:																	
Additions	1,840	0	98,183	27,400	436	2,279	1,042	2,976	436	0	16	0	30,413	0	165,021		
Disposals:																	
cost	0	0	(19,470)	(6,555)	0	0	0	(236)	(59)	0	0	0	(2,550)	0	(28,870)		
depreciation	0	0	11,851	2,139	0	0	0	86	10	0	0	0	1,166	0	15,252		
Depreciation charge	429	20,674	106,127	10,977	2,729	4,285	936	1,185	180	27	111	35	7,384	821	155,900		
Book value as at 30 June, 2011	38,797	392,797	1,372,676	147,899	33,950	54,354	8,936	11,924	1,830	247	1,000	311	37,506	3,287	2,105,514		
As at 30 June, 2010																	
Cost / revaluation	40,952	436,973	2,307,029	189,167	88,440	70,058	14,762	19,959	2,745	773	1,577	701	35,427	6,001	3,214,564		
Accumulated depreciation	3,566	23,502	918,790	53,275	52,197	13,698	5,932	9,676	1,122	499	482	355	19,566	1,893	1,104,553		
Book value	37,386	413,471	1,388,239	135,892	36,243	56,360	8,830	10,283	1,623	274	1,095	346	15,861	4,108	2,110,011		
As at 30 June, 2011																	
Cost / revaluation	42,792	436,973	2,385,742	210,012	88,876	72,337	15,804	22,699	3,122	773	1,593	701	63,290	6,001	3,350,715		
Accumulated depreciation	3,995	44,176	1,013,066	62,113	54,926	17,983	6,868	10,775	1,292	526	593	390	25,784	2,714	1,245,201		
Book value	38,797	392,797	1,372,676	147,899	33,950	54,354	8,936	11,924	1,830	247	1,000	311	37,506	3,287	2,105,514		
Depreciation rate (%)	-	5	7.5	7.5	7.5	7.5	7.5	7.5	10	10	10	10	20	20	20		

19.2 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:

	2011	2010
	(Rupees in thousand)	
- leasehold land	46,848	45,523
- buildings on leasehold land	230,610	242,747
- plant & machinery	1,282,698	1,288,943
- generators	148,722	136,784
- electric installations	47,492	50,883
- air-conditioning equipment	34,567	34,969
	<u>1,790,937</u>	<u>1,799,849</u>

19.3 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds/ insurance claim	Gain / (loss)	Sold through negotiations to / insurance claim received from / Company policy:
(Rupees in thousand)						
Plant & machinery						
480 spindles ring frame	19,470	11,851	7,619	2,960	(4,659)	Colony Industries (Pvt) Ltd.
Generator (various parts)	6,555	2,139	4,416	0	(4,416)	Scrapped.
Office equipment						
Toshiba laptop	110	55	55	60	5	EFU General Insurance Company Ltd.
Toshiba laptop	75	17	58	65	7	- do -
Compaq laptop	51	14	37	40	3	- do -
	236	86	150	165	15	
Telephone installations	59	10	49	45	(4)	- do -
Vehicles						
Mitsubishi Lancer	308	59	249	249	0	Mr. Zafar Ahmed Sheikh (employee).
Suzuki Bolan	312	293	19	88	69	Mr. Aurangzeb Khan (employee).
Honda Civic	1,930	814	1,116	1,116	0	Lahore Compost (Pvt) Ltd. (an Associated Company).
	2,550	1,166	1,384	1,453	69	
	<u>28,870</u>	<u>15,252</u>	<u>13,618</u>	<u>4,623</u>	<u>(8,995)</u>	

	2011	2010
	(Rupees in thousand)	
19.4 Depreciation for the year has been apportioned as under:		
Cost of sales	145,359	150,823
Administrative expenses	10,541	6,357
	<u>155,900</u>	<u>157,180</u>

19.5 Capital work-in-progress

Plant and machinery	0	6,371
Generators	0	13,959
Advance payments		
- vehicles	943	3,754
	<u>943</u>	<u>24,084</u>

	Note	2011 (Rupees in thousand)	2010
20. INTANGIBLE ASSETS - Computer software			
Cost at beginning and end of the year		5,299	5,299
Less: amortisation:			
Less: - at beginning of the year		5,041	4,764
Less: - charge for the year	20.1	91	277
Less: - at end of the year		5,132	5,041
Book value as at 30 June,		167	258

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

21. LONG TERM LOANS - Considered good

Interest free loans to:

- executives	21.1	6,450	2,250
- employees	21.2	531	735
		6,981	2,985
Less: current portion grouped under current assets		1,181	694
		5,800	2,291
21.1 (a) Balance at beginning of the year		2,250	2,592
Add: disbursements made during the year		4,500	0
		6,750	2,592
Less: recoveries / adjustments made during the year		300	342
Balance at end of the year		6,450	2,250

(b) These loans have been advanced for construction of house, employees' children educational expenses and for other purposes. These are recoverable in monthly instalments and are adjustable against the gratuity balances of the employees at the end of respective employment terms.

(c) Maximum aggregate amount due from the executives at any month-end during the year was Rs.6.475 million (2010: Rs.2.552 million).

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

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

22. DEFERRED TAXATION - Net

Due to location of mills premises in the moderately affected area, the Company's income is exempt from tax for a period of three years under clause 126F of the second schedule to the Income Tax Ordinance, 2001 started from tax year 2010. As at 30 June, 2011, no adjustment has been incorporated in deferred tax asset account as taxable profits will not be available during the tax exemption period against which the deferred tax asset may be utilised.

23. STORES, SPARE PARTS AND LOOSE TOOLS	Note	2011	2010
		(Rupees in thousand)	
Stores including in transit inventory valuing Rs. Nil (2010: Rs.0.850 million)		35,571	34,060
Spare parts including in transit inventory valuing Rs.0.326 million (2010: Rs.3.859 million)		21,257	18,133
Loose tools		4,884	4,454
		61,712	56,647

24. STOCK-IN-TRADE

Raw materials:			
- at mills		735,978	897,957
- in transit		310,101	262,461
		1,046,079	1,160,418
Work-in-process		104,354	63,662
Finished goods		250,553	143,930
		1,400,986	1,368,010

24.1 Stock-in-trade inventory valuing Rs.864.148 million (2010: Rs.946.309 million) is pledged with commercial banks as security for short term borrowings (note 17).

25. TRADE DEBTS

Unsecured - considered good			
- export		236,146	43,843
- local		535,248	458,571
		771,394	502,414
Secured			
- export	25.1	253,602	192,378
- local		17,824	80,558
		271,426	272,936
		1,042,820	775,350

25.1 These include due from Mediterranean Textile Company (S.A.E.), Egypt amounting Rs.109.370 million (2010: Rs.16.733 million) - an Associated Company. The balance has arisen in the normal course of business and is interest free.

		2011	2010
	Note	(Rupees in thousand)	
26. LOANS AND ADVANCES - Considered good			
Current portion of long term loans	21	1,181	694
Advances to:			
- executives		1,596	711
- employees		2,541	752
- suppliers		19,265	15,334
Advance against acquisition of land rights		0	1,791
		<u>24,583</u>	<u>19,282</u>
27. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Containers' security deposits		3,670	4,510
Short term prepayments		979	754
		<u>4,649</u>	<u>5,264</u>
28. OTHER RECEIVABLES			
Claims receivable		17,057	2,267
Due from Associated Companies	28.1	5,252	404
Receivable from SNGPL	28.2	9,621	3,379
Others		1,540	1,563
		<u>33,470</u>	<u>7,613</u>
28.1	These balances, arisen in the normal course of business are interest free, are due from the following Associated Companies:		
- Saif Energy Ltd.		175	177
- Saif Power Ltd.		10	54
- Green Fuels (Pvt.) Ltd.		0	40
- Saif Healthcare Ltd.		0	133
- Saif Holdings Ltd.		3,951	0
- Lahore Compost (Pvt.) Ltd.		1,116	0
		<u>5,252</u>	<u>404</u>

28.2 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. (SNGPL) for final decision.

29. MARK-UP SUBSIDY RECEIVABLE

29.1 The Federal Government, during the year, has included the entire Textile Sector of Khyber Pakhtunkhwa in the Prime Minister's Fiscal Relief Package to rehabilitate the economic life in FATA / PATA / Khyber Pakhtunkhwa. The Company, in terms of SMEFD Circular No.11 dated 01 July, 2010 read with SMEFD Circular Letter No.13 of 2010 dated 31 August, 2010, is eligible to avail mark-up rate differential on business loans comprising of long term financing and short term borrowings outstanding as at 31 December, 2009. The Company's claims aggregating Rs.82.476 million have been processed by the banks and credits there against given to the Company during the months of September and October, 2010, which

have been recognised during the preceding financial year by adjusting the relevant expenses (note 41).

29.2 Mark-up subsidy aggregating Rs.82.476 million, received during the current financial year, was recognised in the profit and loss account for the preceding financial year ended 30 June, 2010 as the management was of the view that the requirements of IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) were not applicable to the subsidy received by the Company. Further, matching concept requires to book income in the period in which related costs are incurred.

30. INVESTMENTS - Quoted (at fair value through profit or loss)	2011	2010
	(Rupees in thousand)	
Lucky Cement Limited		
500 (2010: 500) ordinary shares of Rs. 10 each	31	29
Oil & Gas Development Company Limited		
26,700 (2010: 26,700) ordinary shares of Rs. 10 each	3,783	2,100
National Bank of Pakistan		
95,625 (2010: 76,500) ordinary shares of Rs. 10 each	4,904	4,102
Faysal Bank Limited (FBL)		
[The Royal Bank of Scotland (Pakistan) Limited was acquired by FBL during the year]		
4,250 (2010:25,500) ordinary shares of Rs. 10 each	333	432
Fauji Cement Company Limited		
10,000 (2010: 10,000) ordinary shares of Rs. 10 each	45	66
Summit Bank Limited (Formerly Arif Habib Bank Limited)		
555 (2010: 555) ordinary shares of Rs. 10 each	2	4
Attock Refinery Limited		
9,000 (2010: 9,000) ordinary shares of Rs. 10 each	725	1,123
Bank Islami (Pakistan) Limited		
10,000 (2010:10,000) ordinary shares of Rs. 10 each	32	64
Fauji Fertilizer Bin Qasim Limited		
30,000 (2010: 30,000) ordinary shares of Rs. 10 each	781	531
Pakistan Petroleum Limited		
11,880 (2010: 9,900) ordinary shares of Rs. 10 each	1,823	1,564
Janana De Malucho Textile Mills Limited		
500 (2010: 500) ordinary shares of Rs. 10 each	7	3
	12,466	10,018
Adjustment on remeasurement to fair value - net	1,451	2,448
	13,917	12,466

31. DEPOSIT FOR SHARES	Note	2011	2010
		(Rupees in thousand)	
Security Electric Power Company Ltd. - SEPCL (an Ex - Associated Company)	31.1	10,000	10,000
Less: provision for doubtful deposit for shares	31.2	10,000	10,000
		0	0

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

31.2 Full provision against this doubtful deposit 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 deposit for shares was made in the books of account during the financial year ended 30 September, 2000.

32. TAXATION - Net

Balance of advance tax at beginning of the year		22,053	16,168
Add: tax paid during the year		33,874	26,516
		55,927	42,684
Less: provision made during the year:			
- current	32.2	73,614	21,923
- prior years'		5,863	(1,292)
		79,477	20,631
Balance of (provision) / advance tax at end of the year		(23,550)	22,053

32.1 Income tax assessments of the Company have been completed upto the Tax Year 2010; the return for the said year has not been taken up for audit till 30 June, 2011.

32.2 Provision for the current year represents minimum tax payable under section 113 of the Income Tax Ordinance, 2001 (the Ordinance) and tax deducted under section 154 of the Ordinance. Due to location of the Company's mills in the moderately affected area, the Company's income is exempt from tax for a period of three years under clause 126F of the second schedule to the Ordinance starting from the tax year 2010.

32.3 No numeric tax rate reconciliation is presented in these financial statements as the Company is only liable to pay tax due under section 113 and 154 of the Ordinance.

32.4 Business losses available for carry forward as at 30 June, 2010 and 2011 aggregated Rs.354.856 million.

33. TAXES REFUNDABLE	Note	2011	2010
		(Rupees in thousand)	
Sales tax refundable		21,774	17,427
Minimum tax paid under protest	33.1	5,034	5,034
		26,808	22,461

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

34. BANK BALANCES

Cash at banks on:

- current accounts	34.1	3,732	6,936
- saving accounts		75	168
		3,807	7,104

34.1 These include foreign currency balances of U.S.\$ 1,350 (2010: U.S.\$ 34,639).

35. SALES

Own manufactured goods:

Local

- yarn		5,162,393	3,364,368
- waste		59,214	36,241
		5,221,607	3,400,609

Export

- yarn		1,125,139	941,261
- waste		206,108	84,907
		1,331,247	1,026,168
		6,552,854	4,426,777

Trading activities:

Local

- yarn		305,030	139,402
- fabric		8,723	703
- raw materials		124,286	19,322
		438,039	159,427

Export

- yarn		361,937	56,248
- fabric		1,018	0
- waste		7,543	0
		370,498	56,248
		7,361,391	4,642,452

36. COST OF SALES	Note	2011 (Rupees in thousand)	2010
Raw materials consumed	36.1	4,513,000	2,776,911
Packing materials consumed		86,161	68,828
Salaries, wages and benefits	36.2	311,606	250,131
Power and fuel		402,372	337,067
Repair and maintenance		67,239	64,362
Depreciation		145,359	150,823
Insurance		9,680	6,655
Textile cess		88	88
Doubling charges		12,628	14,229
Dyeing charges		149	12
		<u>5,548,282</u>	<u>3,669,106</u>
Adjustment of work-in-process			
Opening		63,662	71,120
Closing		(104,354)	(63,662)
		<u>(40,692)</u>	<u>7,458</u>
Cost of goods manufactured		5,507,590	3,676,564
Adjustment of finished goods			
Opening stock		143,930	218,733
Purchases		620,776	180,389
Closing stock		(250,553)	(143,930)
		<u>514,153</u>	<u>255,192</u>
		<u>6,021,743</u>	<u>3,931,756</u>
36.1 Raw materials consumed			
Opening stock		1,160,418	395,912
Purchases (for manufacturing)		4,290,822	3,520,791
Cost of raw materials sold		107,423	20,301
		<u>4,398,245</u>	<u>3,541,092</u>
		<u>5,558,663</u>	<u>3,937,004</u>
Less: closing stock		1,046,079	1,160,418
		<u>4,512,584</u>	<u>2,776,586</u>
Add: cotton cess		416	325
		<u>4,513,000</u>	<u>2,776,911</u>

36.2 These include Rs.15,050 thousand (2010: Rs.12,115 thousand) in respect of staff retirement benefits - gratuity.

		2011	2010
37. DISTRIBUTION COST	Note	(Rupees in thousand)	
Staff salaries	37.1	13,529	11,069
Travelling		3,609	2,704
Communication		2,222	2,359
Loading and unloading		8,789	6,682
Freight on local yarn sales		7,445	7,632
Freight on export yarn sales		74,845	30,817
Export expenses		20,397	6,324
Insurance		11	511
Sizing charges		51	17
Commission on sales		53,846	37,130
Quality claims on sale supplies		22,018	12,545
		<u>206,762</u>	<u>117,790</u>

37.1 These include Rs.3,320 thousand (2010: Rs.2,671 thousand) in respect of staff retirement benefits - gratuity.

38. ADMINISTRATIVE EXPENSES

Directors' meeting fee		160	210
Salaries and benefits	38.2	58,331	48,259
Travelling and conveyance:			
- directors		2,233	776
- others		4,114	2,656
Rent, rates and taxes		7,585	11,097
Entertainment		2,626	1,887
Communication		5,593	4,868
Printing and stationery		2,126	2,163
Electricity, gas and water		4,487	3,587
Insurance		2,075	1,445
Repair and maintenance		3,771	2,582
Vehicles' running and maintenance		16,301	13,654
Advertisement		74	80
Fees and subscription		2,389	706
Newspapers and periodicals		56	65
Depreciation		10,541	6,357
Amortisation		91	277
Auditors' remuneration:			
- statutory audit		1,000	500
- short provision for the preceding year		0	210
- half yearly review		100	100
- consultancy and certification charges		180	145
		1,280	955
Legal and professional (other than Auditors')		1,389	830
Others		378	225
		<u>125,600</u>	<u>102,679</u>

38.1 The Company, during the year, has shared administrative expenses aggregating Rs.5,506 thousand (2010: Rs.3,379 thousand) 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.

38.2 These include Rs.5,880 thousand (2010: Rs.4,734 thousand) in respect of staff retirement benefits - gratuity.

39. OTHER OPERATING EXPENSES	Note	2011	2010
		(Rupees in thousand)	
Workers' (profit) participation fund		36,907	5,537
Workers' welfare fund		14,024	2,104
Investments written-off upon liquidation of Callmate Telips Telecom Ltd.		0	2
Loss on sale of operating fixed assets - net	19.3	8,995	0
Donations	39.1	1,613	424
		61,539	8,067

39.1 These include an amount of Rs.810 thousand (2010: Rs.420 thousand), 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

40. OTHER OPERATING INCOME

Sale of scrap - net of sales tax of Rs.49 thousand (2010: Rs.89 thousand)		578	559
Unclaimed payable balances written-back		144	106
Gain on sale of operating fixed assets - net		0	297
Dividends		964	822
Adjustment on remeasurement of investments to fair value	30	1,451	2,448
		3,137	4,232

41. FINANCE COST - Net

Mark-up on subordinated loan		8,468	10,243
Mark-up on long term financing		110,559	139,505
Less:			
- mark-up subsidy		(51,808)	(39,921)
- gain on interest rate swap agreement		(21,074)	(38,839)
		37,677	60,745
Mark-up on short term borrowings		276,177	232,612
Less: mark-up subsidy		(120,698)	(55,308)
		155,479	177,304
Lease finance charges		432	534
Bank and other charges		14,017	10,481
Interest on workers' (profit) participation fund		414	0
		216,487	259,307

	2011 (Rupees in thousand)	2010
42. EXCHANGE FLUCTUATION LOSS - Net		
Exchange fluctuation loss / (gain) on:		
- foreign currency financing	4,500	44,202
- interest rate swap agreement	50,715	84,709
- others - net	<u>(10,025)</u>	<u>(4,927)</u>
	<u>45,190</u>	<u>123,984</u>
43. EARNINGS PER SHARE		
Profit after taxation attributable to ordinary shareholders	<u>607,730</u>	<u>77,489</u>
	2011	2010
	(No. of shares)	
Weighted average number of shares outstanding during the year	<u>26,412,880</u>	<u>26,412,880</u>
	2011	2010
	(Rupees)	
Earnings per share	<u>23.01</u>	<u>2.93</u>
43.1 A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 June, 2011 and 30 June, 2010, which would have any effect on the earnings per share if the option to convert is exercised.		
44. CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year - before taxation	687,207	103,101
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	155,991	157,457
Staff retirement benefits - gratuity (net)	16,612	9,953
Unclaimed payable balances written-back	(144)	(106)
Loss / (gain) on sale of operating fixed assets - net	8,995	(297)
Finance cost (excluding bank charges and mark-up subsidy receivable)	244,205	331,302
Mark-up subsidy receivable	40,741	(82,476)
Exchange fluctuation loss on long term financing	4,500	44,202
Exchange fluctuation gain - net (others)	(10,025)	(4,927)
Adjustment on remeasurement of investments to fair value - net	(1,451)	(2,448)
Investments written-off	0	2
Profit before working capital changes	<u>1,146,631</u>	<u>555,763</u>
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(5,065)	(5,642)
Stock-in-trade	(32,976)	(682,245)
Trade debts	(267,470)	(35,177)
Loans and advances	(4,814)	17,711
Trade deposits and short term prepayments	615	293
Other receivables	(25,857)	(6,839)
Taxes refundable	(4,347)	(605)
Increase / (Decrease) in trade and other payables	359,782	(37,602)
	<u>19,868</u>	<u>(750,106)</u>
Cash generated from / (used in) operating activities	<u>1,166,499</u>	<u>(194,343)</u>
Income tax paid	(33,874)	(26,516)
Long term loans	(3,996)	30
Long term deposits	(224)	257
Long term deposits from employees	355	74
Net cash generated from / (used in) operating activities	<u>1,128,760</u>	<u>(220,498)</u>

45. FINANCIAL INSTRUMENTS

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

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

45.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted and primarily arises from trade debts. Out of the total financial assets of Rs.1,153,495 thousand (2010: Rs.899,375 thousand), the financial assets which are subject to credit risk aggregated to Rs.1,146,514 thousand (2010: Rs.896,390 thousand).

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 60 days for local debtors and 100 days for export debtors to reduce the credit risk.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The maximum exposure to credit risk as at 30 June, 2011 along with comparative is tabulated below:

	2011	2010
	(Rupees in thousand)	
Long term deposits	7,095	6,871
Trade debts	1,042,820	775,350
Trade deposits	3,670	4,510
Other receivables	33,470	7,613
Mark-up subsidy receivable	41,735	82,476
Investments	13,917	12,466
Bank balances	3,807	7,104
	<u>1,146,514</u>	<u>896,390</u>
Trade debts exposure by geographic region is as follows:		
Domestic	553,072	539,129
Export	489,748	236,221
	<u>1,042,820</u>	<u>775,350</u>

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

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

Not past due	996,460	654,099
Past due 1-30 days	15,945	11,529
Past due more than 30 days	30,415	109,722
	<u>1,042,820</u>	<u>775,350</u>

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs. 709,405 thousand have been realised subsequent to the year-end and for other 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.

45.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company's treasury department maintains flexibility in funding by maintaining availability under committed credit lines.

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

	2011				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	(Rupees in thousand)				
Sub-ordinated loan	429,350	487,948	8,286	260,566	219,096
Long term financing	911,623	998,027	397,352	600,675	0
Liabilities against assets					
subject to finance lease	2,423	2,807	1,545	1,262	0
Trade and other payables	527,468	527,468	527,468	0	0
Accrued mark-up and financial charges	116,381	116,381	116,381	0	0
Short term borrowings	1,731,229	1,795,805	1,795,805	0	0
	3,718,474	3,928,436	2,846,837	862,503	219,096
	2010				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	(Rupees in thousand)				
Sub-ordinated loan	427,100	496,985	8,658	157,811	330,516
Long term financing	1,304,439	1,431,411	560,079	871,332	0
Liabilities against assets					
subject to finance lease	3,513	4,320	1,537	2,783	0
Trade and other payables	212,202	212,202	212,202	0	0
Accrued mark-up and financial charges	166,370	166,370	166,370	0	0
Short term borrowings	1,978,064	2,028,458	2,028,457	0	0
	4,091,688	4,339,746	2,977,303	1,031,926	330,516

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

45.3 Market risk

Market risk is the risk that changes in market price, 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.

(a) Currency risk

The Company is exposed to currency risk on sub-ordinated loan, long term financing, short term borrowings, trade debts, bank balances and import of raw materials and stores & spares denominated in US Dollar, Euro, Japanese Yen and Swiss Frank. The Company's exposure to foreign currency risk is as follows:

	2011			
	Rupees	US\$	Euros	Yens
	(in thousand)			
Sub-ordinated loan	429,350	5,000	0	0
Long term financing	429,350	5,000	0	0
Short term borrowings	44,355	518	0	0
Bills payable	368,138	3,533	514	0
Accrued mark-up	46,885	546	0	0
	1,318,078	14,597	514	0
Trade debts	489,748	4,404	896	0
Bank balances	116	1	0	0
Gross balance sheet exposure	828,214	10,192	(382)	0
Outstanding letters of credit	217,826	2,006	140	16,368
Net exposure	1,046,040	12,198	(242)	16,368
	2010			
	(in thousand)			
Sub-ordinated loan	427,100	5,000	0	0
Long term financing	427,100	5,000	0	0
Short term borrowings	51,315	601	0	0
Bills payable	94,246	1,107	0	0
Accrued mark-up	44,760	524	0	0
	1,044,521	12,232	0	0
Trade debts	236,221	2,474	239	0
Bank balances	2,956	35	0	0
Gross balance sheet exposure	805,344	9,723	(239)	0
Outstanding letters of credit	157,268	1,817	19	0
Net exposure	962,612	11,540	(220)	0

The following significant exchange rates have been applied:

	<u>Average rate</u>		<u>Reporting date rate</u>	
	2011	2010	2011	2010
US \$ to Rupee	85.78	84.83	85.85/85.87	85.40/85.42
EURO to Rupee	115.89	118.69	124.60	104.33
CHF to Rupee	96.48	81.77	103.59	-
Yen to Rupee	1.05	0.95	1.069	-

Sensitivity analysis

At the reporting date, if Rupee had strengthened by 10% against US Dollar 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 gain on translation of foreign currency financial assets and liabilities.

	2011	2010
	(Rupees in thousand)	
Effect on profit for the year		
US \$ to Rupee	87,519	83,054
EURO to Rupee	(4,760)	(2,493)

The weakening of Rupee against US 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

At the reporting date, the mark-up and interest rate profile of the Company's significant financial assets and liabilities is as follows:

	2011	2010	2011	2010
	Effective rate		Carrying amount	
Financial liabilities	%	%	(Rupees in thousand)	
Fixed rate instruments				
Long term financing (export finances)	7	7	10,780	32,339
Variable rate instruments				
Sub-ordinated loan	1.930 to 2.027	2.027 to 3.065	429,350	427,100
Long term financing	1.930 to 7.5	2.027 to 15.69	900,843	1,272,100
Liabilities against assets subject to finance lease	14.17 to 15.69	14.19 to 15.60	2,423	3,513
Short term borrowings	3.39 to 17.03	3.39 to 17.00	1,731,229	1,978,064

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 mark-up / interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in mark-up / interest rates at the balance sheet date would have (decreased) / increased profit for the year by the amounts shown below. The analysis is performed on the same basis for the year 2010.

As at 30 June, 2011	Decrease	Increase
Cash flow sensitivity - variable rate financial liabilities	(Rupees in thousand)	
As at 30 June, 2010	<u>(84)</u>	<u>84</u>
Cash flow sensitivity - Variable rate financial liabilities	<u>(101)</u>	<u>101</u>

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

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investments in ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the management diversifies the investments portfolio and continuously monitors developments in equity market. In addition, the Company's management actively monitors the key factors that affect stock price movement.

A 10% increase / decrease in share prices at the balance sheet date would have increased / decreased the Company's profit and increased / decreased investments as follows:

	2011	2010
	(Rupees in thousand)	
Effect on profit	<u>1,392</u>	<u>1,247</u>
Effect on investment	<u>1,392</u>	<u>1,247</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on profit and investments of the Company.

45.4 Fair values of financial instruments and hierarchy

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

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

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

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

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

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

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

46. 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.

47. TRANSACTIONS WITH RELATED PARTIES

47.1 Maximum aggregate balance due from Associated Companies, on account of normal trading transactions, at any month-end during the year was Rs.209.186 million (2010: Rs.74.269 million).

47.2 The Company has related party relationship with its Associated Companies, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. There were no transactions with key management personnel other than under the terms of employment. Amounts due from and to related parties are shown under receivables and payables and remuneration of key management personnel is disclosed in note 48. Other significant transactions with Associated Companies during the year were as follows:

	2011	2010
	(Rupees in thousand)	
- purchase of fixed assets	42,068	7,347
- sale of fixed assets	1,116	559
- sale of goods and services	319,503	42,934
- purchase of goods and services	54,311	16,312
- rent accrued	271	6,508

48. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Working Director		Executives	
	2011	2010	2011	2010	2011	2010
	(Rupees in thousand)					
Meeting fees	15	20	20	45	0	0
Managerial remuneration	6,608	5,432	4,650	4,200	19,278	17,625
House rent and utilities	874	380	489	150	10,603	9,694
Retirement benefits	0	0	0	350	6,533	5,091
Medical expenses reimbursed	0	0	0	0	547	648
	7,497	5,832	5,159	4,745	36,961	33,058
Number of persons	1	1	1	1	9	9

48.1 Meeting fees of Rs.125 thousand (2010: Rs.145 thousand) were also paid to five (2010: five) non-working directors during the year.

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

49. CAPACITY AND PRODUCTION

		2011	2010
No. of spindles installed		88,956	88,476
Average of spindles shifts installed	Figure in '000	97,407	96,881
Average of spindles shifts worked	Figure in '000	94,245	92,331
No. of days worked		365	365
No. of shifts worked		1,095	1,095
Average count		35.98	35.75
Actual production	Kgs Figure in '000	15,226	14,475

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.

50. OPERATING SEGMENT

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

50.1 Yarn sales represent 94% (2010: 97%) of the total sales of the Company.

50.2 77% (2010: 77%) of the Company's sales relate to customers in Pakistan.

50.3 All non-current assets of the Company as at 30 June, 2011 are located in Pakistan.

50.4 The Company does not have any customer having sales of ten percent or more during the year ended 30 June, 2010 and 2011.

51. DIVIDEND

The Board of Directors in its meeting held on 03 October, 2011 has proposed a final cash dividend of Rs.2 per share (2010: Rs.Nil) for the year ended 30 June, 2011. The financial statements for the year ended 30 June, 2011 do not include the effect of proposed dividend amounting Rs.52.826 million, which will be accounted for in the financial statements for the year ending 30 June, 2012 after approval by the members in the annual general meeting.

52. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on October 03, 2011 by the board of directors of the Company.

53. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no material rearrangements and reclassifications have been made in these financial statements except that mark-up subsidy receivable, which was grouped under other receivables as at 30 June, 2010, has been shown as a separate line item in the current year's balance sheet.

OSMAN SAIFULLAH KHAN
CHIEF EXECUTIVE

HOOR YOUSAFZAI
DIRECTOR

FORM OF PROXY

TWENTY SECOND 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 22nd Annual General Meeting of the Company to be held on October 31,
2011 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 _____ 2011 Signature of Proxy _____

For beneficial owners as per CDC list

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

Note:

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