



**In The Name Of Allah  
The Merciful  
The Compassionate**

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**COMPANY INFORMATION**

|                                |   |  |
|--------------------------------|---|--|
| <b>BOARD OF DIRECTORS</b>      | Anwar Saifullah Khan<br>Osman Saifullah Khan<br>Jehangir Saifullah Khan<br>Hoor Yousafzai<br>Assad Saifullah Khan<br>Asif Saifullah Khan<br>Muhammad Ayub   | - Chairman<br>- Chief Executive<br><br><br><br><br><br>- NIT Nominee |
| <b>AUDIT COMMITTEE</b>         | Hoor Yousafzai<br>Jehangir Saifullah Khan<br>Assad Saifullah Khan<br>Muhammad Ayub  | - Chairperson<br>- Member<br>- Member<br>- Member                    |
| <b>CHIEF FINANCIAL OFFICER</b> | Zaheen-ud-Din Qureshi   |  |
| <b>COMPANY SECRETARY</b>       | Mumtaz H. Chaudhry  |  |
| <b>LEGAL ADVISORS</b>          | Dr. Pervez Hassan<br>Hassan & Hassan, Advocates<br>Salahuddin Saif & Aslam<br>(Attorney's at Law)   |  |
| <b>AUDITORS</b>                | M/s. Hameed Chaudhri & Co.,<br>Chartered Accountants<br>HM House, 7-Bank Square, Lahore   |  |
| <b>BANKERS</b>                 | Albaraka Islamic Bank B.S.C (E.C)<br>Allied Bank Limited<br>Faysal Bank Limited<br>Habib Bank Limited<br>Meezan Bank Limited<br>National Bank of Pakistan<br>The Bank of Punjab<br>HSBC Bank Middle East Limited<br>United Bank Limited |  |
| <b>HEAD OFFICE</b>             | Kulsum Plaza, 4th Floor,<br>2020 – Blue Area, Islamabad-44000<br>Phone : +92-51-2823924, 2829415<br>Fax : +92-51-2277843, 2822564<br>E-mail : stm@saifgroup.com   |  |
| <b>REGISTERED OFFICE</b>       | APTMA House, Tehkal Payan,<br>Jamrud Road, Peshawar<br>Phone : +92-91-5843870, 5702941<br>Fax : +92-91-5840273<br>E-mail : peshawar@saifgroup.com   |  |
| <b>SHARES REGISTRAR</b>        | M/s. Hameed Majeed Associates (Pvt.) Ltd.,<br>HM House, 7-Bank Square, Lahore.<br>Phone : +92-42-37235081-37235082<br>Fax : +92-42-37358817<br>E-mail : info@hmaconsultants.com   |  |
| <b>MILLS</b>                   | Industrial Estate, Gadoon Amazai,<br>District Swabi<br>Phone : +92-938-270313, 270429<br>Fax : +92-938-270514<br>E-mail : stmugd@saifgroup.com  |  |
| <b>WEB SITE</b>                | www.saiftextile.com   |  |

## DIRECTORS' REVIEW REPORT

The un-audited financial statements of the Company for the half-year ended on December 31, 2010 are being presented to you with the following observations.

### FINANCIAL HIGHLIGHTS

During the period under review your Company has shown a marked improvement in performance, with the Company's Gross Margin nearly tripling in rupees terms, increasing to 19.72% (Rs.613.782 million) from 10.08% (Rs.202.289 million) in the corresponding period last year.

The spinning business is one with a considerable operating leverage, and much improved consumer sentiment in the US, EU and Chinese markets resulted in expanding revenues that translated to stronger profit margins. There was strong demand for our yarn from our domestic customers as well. In the absence of a crystal ball, the management of the company did its best to chart a steady course in a very volatile cotton market. We believe the improved financial performance indicates that we did a decent job in this regard.

As a result of the above factors as well as the fact that we continued to benefit from the Prime Minister's Package to provide fiscal relief to KPK industries, your Company earned a Profit before tax of Rs. 305.835 million compared to a loss of Rs. 135.665 million for the corresponding period last year.

It is important to note that the benefits of this recovery will remain muted unless the Government addresses the following issues:

- 1) An improvement in the public safety and security environment of the country, especially in the Khyber Pakhtunkhwa (KPK) Province.
- 2) Disruptions in grid electric power supply.
- 3) Unending rise in electricity and fuel tariffs.

### GENERAL MARKET CONDITIONS AND FUTURE OUTLOOK

The increasing global demand for yarn has provided support to Pakistan's textile industry. It remains to be seen whether this is a one-time phenomenon that indicates a return to more normal economic times, from the deep recessions of the last few years, or whether it is a reflection of a secular growth trend.

The Management is of the opinion that it is reasonable to expect that demand for our products will continue to increase in the foreseeable future. We will continue to look at ways to create value for all our stakeholders.

### QUALIFICATION IN AUDITORS REPORT

The Auditor's have qualified the report on the basis that the Company has recognized the deferred tax asset despite the availability of unused tax losses. It is the management's opinion that our future profitability will be sufficient to allow us to adjust the deferred tax asset, even after the end of the current three-year exemption period.

The other qualification is on the basis that the Mark-up rate subsidy for the period January 2010 to June 2010 should be booked in the current period where as the subsidy amounting Rs.82.476 million relates to the financial year ended 30 June, 2010. Recognizing this amount in the current period in addition to the Rs. 73.303 million subsidy for the current period would have materially misstated the financial results under review.

**ACKNOWLEDGMENT**

The Board places on record its appreciation for the support of our valued customers and our banking partners. We would also like to highlight the hard work put in by the members of our corporate family. We look forward to the same dedication and cooperation in the days ahead.

Place: Islamabad  
Dated: 28 February, 2011

**OSMAN SAIFULLAH KHAN**  
Chief executive

**AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF  
CONDENSED INTERIM FINANCIAL INFORMATION****Introduction**

We have reviewed the accompanying condensed interim balance sheet of **SAIF TEXTILE MILLS LIMITED** (the company) as at 31 December, 2010 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half-year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures of the condensed interim profit and loss account for the quarters ended 31 December, 2010 and 2009 have not been reviewed, as we are required to review only the cumulative figures for the half-year ended 31 December, 2010.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Basis for Qualified Conclusion**

1. Deferred tax asset upto financial year ended 30 June, 2010 has been recognised despite the availability of unused tax losses (note 9.2).
2. Mark-up subsidy aggregating Rs.82.476 million would have been recognised in the profit and loss account for the current period ended 31 December, 2010 instead of the profit and loss account for the financial year ended 30 June, 2010. Had mark-up subsidy been recognised during the current period, profit for the current period would have been higher by Rs.82.476 million and profit for the prior period would have been lower by the same amount (note 11.2).

**Qualified Conclusion**

Based on our review, except for the matters referred to in the aforementioned paragraphs and the extent to which these may affect the annexed condensed interim financial information, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half-year ended 31 December, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Place: LAHORE

Dated: 28 February, 2011

**HAMEED CHAUDHRI & CO.,**  
CHARTERED ACCOUNTANTS

Engagement Partner: Abdul Hameed Chaudhri

**CONDENSED INTERIM BALANCE SHEET AS AT  
31 DECEMBER, 2010**

|  | Note | Un-audited<br>31 Dec., 2010<br>(Rupees in thousand) | Audited<br>30 June, 2010 |
|--|------|---|--------------------------|
| <b>EQUITY AND LIABILITIES</b>                                      |      |   |                          |
| <b>SHARE CAPITAL AND RESERVES</b>                                  |      |   |                          |
| 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                             |      | 264,129   | 264,129                  |
| Reserves   |      | 265,981   | 265,981                  |
| Unappropriated profit / (accumulated loss)                         |      | <u>149,993</u>                                      | <u>(124,082)</u>         |
|  |      | <b>680,103</b>                                      | <b>406,028</b>           |
| <b>SURPLUS ON REVALUATION OF<br/>PROPERTY, PLANT AND EQUIPMENT</b> |      |   |                          |
|  |      | <b>164,612</b>                                      | <b>171,153</b>           |
| <b>NON-CURRENT LIABILITIES</b>                                     |      |   |                          |
| Sub-ordinated loan   |      | 428,600   | 427,100                  |
| Long term financing  | 6    | 727,015   | 802,598                  |
| Liabilities against assets subject to finance lease                |      | 1,815   | 2,424                    |
| Long term deposits   |      | 698   | 606                      |
| Deferred liability - staff retirement benefits                     |      | <u>54,333</u>                                       | <u>44,780</u>            |
|  |      | <b>1,212,461</b>                                    | <b>1,277,508</b>         |
| <b>CURRENT LIABILITIES</b>   |      |   |                          |
| Trade and other payables   |      | 495,886   | 220,095                  |
| Accrued mark-up and financial charges                              |      | 139,942   | 166,370                  |
| Short term borrowings  |      | 1,715,895   | 1,978,064                |
| Current portion of:  |      |   |                          |
| - long term financing  | 6    | 341,474   | 501,841                  |
| - liabilities against assets subject to finance lease              |      | 1,184   | 1,089                    |
| Taxation   |      | <u>3,704</u>  | <u>0</u>                 |
|  |      | <b>2,698,085</b>                                    | <b>2,867,459</b>         |
| <b>CONTINGENCIES AND COMMITMENTS</b>                               |      |   |                          |
|  | 7    | <u>4,755,261</u>                                    | <u>4,722,148</u>         |
| <b>ASSETS</b>  |      |   |                          |
| <b>NON-CURRENT ASSETS</b>  |      |   |                          |
| Property, plant and equipment                                      | 8    | 2,109,924   | 2,145,989                |
| Intangible assets  |      | 213   | 258                      |
| Long term loans  |      | 2,169   | 2,291                    |
| Long term deposits   |      | 6,975   | 6,871                    |
| Deferred taxation  | 9    | <u>188,013</u>                                      | <u>188,013</u>           |
|  |      | <b>2,307,294</b>                                    | <b>2,343,422</b>         |
| <b>CURRENT ASSETS</b>  |      |   |                          |
| Stores, spare parts and loose tools                                |      | 61,684  | 56,647                   |
| Stock-in-trade   |      | 1,449,894   | 1,368,010                |
| Trade debts  | 10   | 807,874   | 775,350                  |
| Loans and advances   |      | 30,500  | 19,282                   |
| Trade deposits and short term prepayments                          |      | 6,598   | 5,264                    |
| Other receivables  |      | 9,817   | 7,613                    |
| Mark-up subsidy receivable   | 11   | 36,472  | 82,476                   |
| Investments  |      | 15,455  | 12,466                   |
| Deposit for shares   | 12   | 0   | 0                        |
| Taxation   |      | 0   | 22,053                   |
| Taxes refundable   |      | 22,285  | 22,461                   |
| Cash and bank balances   |      | <u>7,388</u>  | <u>7,104</u>             |
|  |      | <b>2,447,967</b>                                    | <b>2,378,726</b>         |
|  |      | <b>4,755,261</b>                                    | <b>4,722,148</b>         |

The annexed notes form an integral part of this condensed interim financial information.

**Anwar Saifullah Khan**  
Chairman / Director

**Osman Saifullah Khan**  
Chief Executive

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
QUARTER AND HALF-YEAR ENDED 31 DECEMBER, 2010**

|   | Note | Quarter ended    |                  | Half-year ended  |                  |
|---|------|------------------|------------------|------------------|------------------|
|   |      | 31 Dec.,<br>2010 | 31 Dec.,<br>2009 | 31 Dec.,<br>2010 | 31 Dec.,<br>2009 |
| (Rupees in thousand)  |      |                  |                  |                  |                  |
| <b>SALES</b>  |      |                  |                  |                  |                  |
| Local   |      | 1,516,538        | 859,899          | 2,739,111        | 1,639,451        |
| Export  |      | 314,919          | 216,823          | 463,019          | 367,743          |
|   |      | <u>1,831,457</u> | <u>1,076,722</u> | <u>3,202,130</u> | <u>2,007,194</u> |
| <b>COST OF SALES</b>  |      | <u>1,461,441</u> | <u>949,599</u>   | <u>2,588,348</u> | <u>1,804,905</u> |
| <b>GROSS PROFIT</b>   |      | <u>370,016</u>   | <u>127,123</u>   | <u>613,782</u>   | <u>202,289</u>   |
| <b>DISTRIBUTION COST</b>                                    |      | 38,326           | 33,231           | 67,103           | 54,891           |
| <b>ADMINISTRATIVE EXPENSES</b>                              |      | 29,897           | 25,216           | 57,146           | 50,700           |
| <b>OTHER OPERATING EXPENSES</b>                             |      | 23,246           | 0                | 31,746           | 0                |
| <b>OTHER OPERATING INCOME</b>                               |      | (3,306)          | 140              | (3,473)          | (2,546)          |
|   |      | <u>88,163</u>    | <u>58,587</u>    | <u>152,522</u>   | <u>103,045</u>   |
| <b>PROFIT FROM OPERATIONS</b>                               |      | <u>281,853</u>   | <u>68,536</u>    | <u>461,260</u>   | <u>99,244</u>    |
| <b>FINANCE COST</b>   |      | <u>65,523</u>    | <u>91,633</u>    | <u>125,124</u>   | <u>170,076</u>   |
|   |      | <u>216,330</u>   | <u>(23,097)</u>  | <u>336,136</u>   | <u>(70,832)</u>  |
| <b>EXCHANGE FLUCTUATION LOSS</b>                            | 13   | <u>22,290</u>    | <u>46,583</u>    | <u>30,298</u>    | <u>64,833</u>    |
| <b>PROFIT / (LOSS) BEFORE TAXATION</b>                      |      | <u>194,040</u>   | <u>(69,680)</u>  | <u>305,838</u>   | <u>(135,665)</u> |
| <b>TAXATION</b>   |      |                  |                  |                  |                  |
| Current   | 14   | 19,798           | 6,962            | 32,024           | 11,892           |
| Prior year  |      | 6,280            | (1,292)          | 6,280            | (1,292)          |
| Deferred  | 9    | (17,500)         | (39,304)         | 0                | (34,554)         |
|   |      | <u>8,578</u>     | <u>(33,634)</u>  | <u>38,304</u>    | <u>(23,954)</u>  |
| <b>PROFIT / (LOSS) AFTER TAXATION</b>                       |      | <u>185,462</u>   | <u>(36,046)</u>  | <u>267,534</u>   | <u>(111,711)</u> |
| <b>OTHER COMPREHENSIVE INCOME</b>                           |      | <u>0</u>         | <u>0</u>         | <u>0</u>         | <u>0</u>         |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS)<br/>FOR THE PERIOD</b> |      | <u>185,462</u>   | <u>(36,046)</u>  | <u>267,534</u>   | <u>(111,711)</u> |
|   |      |                  | <b>(Rupees)</b>  |                  |                  |
| <b>EARNING/(LOSS) PER SHARE</b>                             |      | <u>7.02</u>      | <u>(1.36)</u>    | <u>10.13</u>     | <u>(4.23)</u>    |

The annexed notes form an integral part of this condensed interim financial information.

**Anwar Saifullah Khan**  
Chairman / Director

**Osman Saifullah Khan**  
Chief Executive

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2010**

|  | Half-year ended             |                  |
|--|-----------------------------|------------------|
|  | 31 Dec.,<br>2010            | 31 Dec.,<br>2009 |
|  | <b>(Rupees in thousand)</b> |                  |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                                 |                             |                  |
| Profit / (loss) for the period - before taxation                           | 305,838                     | (135,665)        |
| Adjustments for non-cash charges and other items:                          |                             |                  |
| Depreciation and amortisation  | 76,642                      | 78,051           |
| Loss / (gain) on disposal of operating fixed assets - net                  | 4,662                       | (169)            |
| Parts of generators written-off  | 4,417                       | 0                |
| Staff retirement benefits - gratuity (net)                                 | 9,553                       | 5,058            |
| Finance cost (excluding bank charges and mark-up subsidy)                  | 191,593                     | 164,299          |
| Mark-up subsidy  | (73,304)                    | 0                |
| Exchange fluctuation loss on long term financing                           | 3,000                       | 30,000           |
| Exchange fluctuation gain - net (others)                                   | (3,349)                     | (8,137)          |
| Adjustment on remeasurement of investments to fair value - net             | (2,989)                     | (2,010)          |
| <b>CASH INFLOW FROM OPERATING ACTIVITIES</b>                               |                             |                  |
| - Before working capital changes   | 516,063                     | 131,427          |
| <b>(Increase) / decrease in current assets:</b>                            |                             |                  |
| Stores, spare parts and loose tools  | (5,037)                     | (11,257)         |
| Stock-in-trade   | (81,884)                    | (489,812)        |
| Trade debts  | (32,524)                    | 162,269          |
| Loans and advances   | (11,218)                    | 7,951            |
| Trade deposits and short term prepayments                                  | (1,334)                     | (2,519)          |
| Other receivables  | (2,204)                     | (1,542)          |
| Mark-up subsidy receivable   | 119,308                     | 0                |
| Taxes refundable   | 176                         | (2,566)          |
| <b>Increase in trade and other payables</b>                                | 275,791                     | 140,921          |
|  | 261,074                     | (196,555)        |
| <b>CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES - Before taxation</b> | 777,137                     | (65,128)         |
| Income tax paid  | (12,547)                    | (14,427)         |
| <b>CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES - After taxation</b>  | 764,590                     | (79,555)         |
| Long term loans  | 122                         | 871              |
| Long term deposits from employees  | 92                          | 161              |
| Long term deposits   | (104)                       | 257              |
| <b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>               | 764,700                     | (78,266)         |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                                 |                             |                  |
| Additions to property, plant and equipment                                 | (52,838)                    | (23,238)         |
| Sale proceeds of operating fixed assets                                    | 3,227                       | 647              |
| <b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>                          | (49,611)                    | (22,591)         |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                                 |                             |                  |
| Long term financing - net  | (237,450)                   | (20,500)         |
| Liabilities against assets subject to finance lease - net                  | (514)                       | (314)            |
| Short term borrowings - net  | (258,820)                   | 252,530          |
| Finance cost paid  | (218,021)                   | (123,146)        |
| <b>NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES</b>               | (714,805)                   | 108,570          |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                           | 284                         | 7,713            |
| <b>CASH AND CASH EQUIVALENTS - At beginning of the period</b>              | 7,104                       | 3,206            |
| <b>CASH AND CASH EQUIVALENTS - At end of the period</b>                    | 7,388                       | 10,919           |

The annexed notes form an integral part of this condensed interim financial information.

**Anwar Saifullah Khan**  
Chairman / Director

**Osman Saifullah Khan**  
Chief Executive

**CONDENSED INTERIM  
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2010**

|  | Share Capital  | Reserves       |                |                | Unappropriated profit/<br>(accumulated Loss) | Total          |
|--|----------------|----------------|----------------|----------------|--|----------------|
|  |                | 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        |
| Loss after taxation for the half-year ended 31 December, 2009  | 0              | 0              | 0              | 0              | (111,711)                                    | (111,711)      |
| Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation for the period - net of deferred taxation | 0              | 0              | 0              | 0              | 5,691  | 5,691          |
| Balance as at 31 December, 2009  | 264,129        | 115,981        | 150,000        | 265,981        | (318,917)                                    | 211,193        |
| Profit after taxation for the half-year ended 30 June, 2010  | 0              | 0              | 0              | 0              | 189,200                                      | 189,200        |
| Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation for the period - net of deferred taxation | 0              | 0              | 0              | 0              | 5,635  | 5,635          |
| Balance as at 30 June, 2010  | 264,129        | 115,981        | 150,000        | 265,981        | (124,082)                                    | 406,028        |
| Profit after taxation for the half-year ended 31 December, 2010  | 0              | 0              | 0              | 0              | 267,534                                      | 267,534        |
| Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation for the period - net of deferred taxation | 0              | 0              | 0              | 0              | 5,310  | 5,310          |
| Surplus realised on disposal of revalued fixed assets - net of deferred taxation   | 0              | 0              | 0              | 0              | 1,231  | 1,231          |
| <b>Balance as at 31 December, 2010</b>   | <b>264,129</b> | <b>115,981</b> | <b>150,000</b> | <b>265,981</b> | <b>149,993</b>                               | <b>680,103</b> |

The annexed notes form an integral part of this condensed interim financial information.

**Anwar Saifullah Khan**  
Chairman / Director

**Osman Saifullah Khan**  
Chief Executive

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2010**

**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. BASIS OF PREPARATION**

This condensed interim financial information of the Company for the half-year ended 31 December, 2010 is un-audited and has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 (Interim Financial Reporting) and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where the requirements differ, the provisions of or directives issued under the Ordinance have been followed. These are required to be presented to the shareholders under section 245 of the Ordinance.

This condensed interim financial information is un-audited but subject to limited scope review by the Auditors and do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 30 June, 2010.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company for the year ended 30 June, 2010 except for the adoption of new accounting policies as referred to note in 3.1.

**3.1 Initial application of standards, amendments or an interpretation to existing standards:**

Following new standards, amendments and interpretation to existing standards are mandatory for the accounting periods beginning on or after 01 July, 2010, but are either not currently relevant to the Company or do not have any significant effect on the Company's current financial information:

- IFRS 2 (Amendment), 'Group cash-settled and share base payment transactions';
- IFRS 3 (Revised), 'Business combinations';
- IFRS 5 (Amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale';
- IFRS 8 (Amendment), 'Operating segments';
- IAS 1 (Amendment), 'Presentation of financial statements';
- IAS 7 (Amendment), 'Cash flow statement';
- IAS 27 (Amendment), 'Consolidated and separate financial statements';
- IAS 32 (Amendment), 'Financial instruments: Presentation - Classification of right issues';
- IAS 38 (Amendment), 'Intangible assets';
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement - Eligible hedged items';
- IFRIC 17 'Distribution of non-cash assets to owners';
- IFRIC 18 'Transfer of assets from customers';
- IFRIC 19 (Interpretation), 'Extinguishing financial liabilities with equity instrument's; and
- Number of other amendments in other IFRS and IAS which were part of the International Accounting Standard Board's annual improvement projects, published in April, 2009.

### 3.2 Standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Company:

Following new standards, amendments and interpretation to existing standards have been issued but will be effective for accounting periods beginning on or after the dates specified below:

|            |   |
|------------|---|
| - IFRS 9   | 'Financial instruments' (effective from 01 January, 2013);              |
| - IAS 24   | (Revised) 'Related party disclosures' (effective 01 January, 2011); and |
| - IFRIC 14 | (Amendment), 'The limit on defined benefit assets, minimum funding      |
| - IAS 19   | requirements and their interaction' (effective from 01 January, 2011).  |

### 4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During the preparation of this condensed interim financial information, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to annual audited financial statements for the year ended 30 June, 2010.

### 5. PRESENTATION

Figures in the condensed interim financial information have been rounded-off to the nearest thousand Rupees except stated otherwise.

### 6. LONG TERM FINANCING - Secured Loans from banking companies

|   | Note | Un-audited<br>31 Dec.,<br>2010<br>(Rupees in thousand) | Audited<br>30 June,<br>2010 |
|---|------|--|-----------------------------|
| <b>Faysal Bank Limited:</b>   |      |  |                             |
| - term loan - I   | 6.1  | 0  | 122,000                     |
| - term loan - II  |      | 164,000  | 164,000                     |
| <b>United Bank Limited:</b>   |      |  |                             |
| - demand finance - I  | 6.2  | 0  | 12,500                      |
| - demand finance - II   |      | 21,559   | 32,339                      |
| - demand finance - III  |      | 133,330  | 160,000                     |
| <b>The Bank of Punjab:</b>  |      |  |                             |
| - demand finances   |      | 16,000   | 24,000                      |
| <b>Habib Bank Limited:</b>  |      |  |                             |
| - demand finance - I  |      | 130,000  | 162,500                     |
| - demand finance - II   |      | 175,000  | 200,000                     |
| <b>Others</b>   |      |  |                             |
| Aqua Nominees Limited - London  |      |  |                             |
| - demand finance  | 6.3  | 428,600  | 427,100                     |
|   |      | <u>1,068,489</u>                                       | <u>1,304,439</u>            |
| Less: current portion grouped under current liabilities<br>including an instalment amounting Rs.27.333 million<br>due on 23 October, 2010, which has been repaid on<br>07 January, 2011 |      | <u>341,474</u>   | <u>501,841</u>              |
|   |      | <u>727,015</u>   | <u>802,598</u>              |

- 6.1** This finance was obtained against a term finance facility of Rs.122 million and has been fully repaid during the current period. This finance facility was secured against first pari passu registered hypothecation mortgage charge for Rs.163 million on all present and future fixed assets of the Company.
- 6.2** This finance has been fully repaid during the current period and was secured against first pari passu registered hypothecation charge on all present and future fixed assets of the Company for Rs.250 million.
- 6.3** Aqua Nominees Limited, during the current period, has rescheduled repayment of this finance; accordingly, the period-end balance of U.S. \$ 5 million is now repayable in 8 consecutive equal half-yearly instalments of U.S. \$ 625,000 commencing October, 2011.

**7. CONTINGENCIES AND COMMITMENTS**

- 7.1** There has been no change in the status of contingencies as reported in the preceding published annual financial statements of the Company for the year ended 30 June, 2010.
- 7.2** Commitments against irrevocable letters of credit outstanding as at 31 December, 2010 were for Rs.605.764 million (30 June, 2010: Rs.157.268 million).

**8. PROPERTY, PLANT AND EQUIPMENT**

|  | Un-audited<br>Half-year ended<br>31 Dec., 2010<br>(Rupees in thousand) | Audited<br>Year ended<br>30 June,2010 |
|--|--|---------------------------------------|
| Operating fixed assets - tangible  | 2,087,687  | 2,110,011                             |
| Capital work-in-progress   | 5,104  | 24,084                                |
| Store held for capital expenditure including in-transit inventory valuing Rs.5.881 million | 17,133   | 11,894                                |
|  | <u>2,109,924</u>   | <u>2,145,989</u>                      |
| <b>8.1 Operating fixed assets</b>  |  |                                       |
| Opening book value   | 2,110,011  | 2,200,264                             |
| Additions during the period / year:  |  |                                       |
| - leasehold land   | 0  | 888                                   |
| - buildings on leasehold land  | 0  | 1,073                                 |
| - plant & machinery  | 23,033   | 45,450                                |
| - generators   | 17,081   | 11,520                                |
| - air-conditioning equipment   | 115  | 1,849                                 |
| - furniture and fixtures   | 442  | 676                                   |
| - office equipment   | 1,503  | 573                                   |
| - telephone installations  | 232  | 201                                   |
| - weighing scales  | 0  | 45                                    |
| - fire extinguishing equipment   | 12   | 762                                   |
| - vehicles   |  |                                       |
| owned  | 24,161   | 4,526                                 |
| leased   | 0  | 739                                   |
|  | <u>66,579</u>  | 68,302                                |
| Book value of operating fixed assets disposed-off during the period / year                 | (7,889)  | (1,375)                               |
| Parts of generators written-off during the period / year - at book value                   | (4,417)  | 0                                     |
| Depreciation charge for the period / year  | (76,597)   | (157,180)                             |
| Closing book value   | <u>2,087,687</u>   | <u>2,110,011</u>                      |
| <b>8.2 Capital work-in-progress</b>  |  |                                       |
| Plant and machinery  | 3,055  | 6,371                                 |
| Generators   | 0  | 13,959                                |
| Air-conditioning equipment   | 1,651  | 0                                     |
| Electric installations   | 398  | 0                                     |
| Vehicles - advance payments  | 0  | 3,754                                 |
|  | <u>5,104</u>   | <u>24,084</u>                         |

**9. DEFERRED TAXATION - Net**

**9.1** 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 due to location of mills premises in the most effected area. As of balance sheet date, no adjustment has been reflected in deferred tax asset for the period as taxable profits will not be available during the exempted tax periods against which the unused tax losses will be utilised.

**9.2** Deferred tax asset, upto financial year ended 30 June, 2010, has been recognised based on the projections prepared by the management indicating reasonable probability that taxable profits will be available in the foreseeable future against which the unused tax losses will be utilised.

**10. TRADE DEBTS**

|                                    | Note | Un-audited<br>31 Dec., 2010<br>(Rupees in thousand) | Audited<br>30 June, 2010 |
|------------------------------------|------|---|--------------------------|
| <b>Unsecured - considered good</b> |      |   |                          |
| - export                           |      | 0   | 43,843                   |
| - local                            |      | <u>550,039</u>                                      | <u>458,571</u>           |
|                                    |      | <b>550,039</b>                                      | <b>502,414</b>           |
| <b>Secured</b>                     |      |   |                          |
| - export                           | 10.1 | <u>200,548</u>                                      | <u>192,378</u>           |
| - local                            |      | <u>57,287</u>                                       | <u>80,558</u>            |
|                                    |      | <b>257,835</b>                                      | <b>272,936</b>           |
|                                    |      | <u><b>807,874</b></u>                               | <u><b>775,350</b></u>    |

**10.1** These include due from Mediterranean Textile Company (S.A.E.), Egypt amounting Rs.18.175 million (30 June, 2010: Rs.16.733 million) - an Associated Company. The balance has arisen in the normal course of business and is interest free.

**11. MARK-UP SUBSIDY RECEIVABLE**

**11.1** The Federal Government 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 and SMEFD Circular Letter No.01 of 2011 dated 15 January, 2011, 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, during the current period, has lodged claims aggregating Rs.73.304 million (30 June, 2010: Rs.82.476) million which have been recognised by adjusting the relevant expenses. Credits against period-end balance have been given by the banks subsequent to the balance sheet date.

**11.2** As more fully explained in note 28.3 to the financial statements of the Company for the year ended 30 June, 2010, mark-up subsidy aggregating Rs.82.476 million has been recognised in the profit and loss account for the financial year ended 30 June, 2010 instead of the profit and loss account for the current period ended 31 December, 2010. However, there is no effect on retained earnings of the company as at 31 December, 2010.

**12. DEPOSIT FOR SHARES**

There has been no change in the status of the Company's complaint filed before the Wafaqi Muhtasib for recovery of this deposit along with penalty since the date of preceding published financial statements of the Company for the year ended 30 June, 2010.

|   |                             |                      |
|---|-----------------------------|----------------------|
| <b>13. EXCHANGE FLUCTUATION LOSS - Net</b>  | <b>Cumulative</b>           |                      |
|   | <b>Jul. Dec.,</b>           | <b>Jul. Dec.,</b>    |
|   | <b>2010</b>                 | <b>2009</b>          |
|   | <b>(Rupees in thousand)</b> |                      |
| Exchange fluctuation loss / (gain) on:  |                             |                      |
| - foreign currency financing  | <b>3,000</b>                | 30,000               |
| - interest rate swap agreement  | <b>30,647</b>               | 42,970               |
| - others - net  | <b>(3,349)</b>              | (8,137)              |
|   | <b><u>30,298</u></b>        | <b><u>64,833</u></b> |
| <br><b>14. TAXATION</b>   |                             |                      |
| Provision for the current period represents tax on income chargeable under the final tax regime and minimum tax due under Section 113 of the Income Tax Ordinance, 2001.  |                             |                      |
| <br><b>15. TRANSACTIONS WITH RELATED PARTIES</b>  | <b>Un-audited</b>           |                      |
|   | <b>Half-year ended</b>      |                      |
|   | <b>31 Dec.,</b>             | <b>31 Dec.,</b>      |
|   | <b>2010</b>                 | <b>2009</b>          |
|   | <b>(Rupees in thousand)</b> |                      |
| <b>15.1</b> Aggregate significant transactions made during the period with the Associated Companies were as follows:  |                             |                      |
| - purchase of fixed assets  | <b>0</b>                    | 1,047                |
| - sale of fixed assets  | <b>0</b>                    | 200                  |
| - sale of goods and services  | <b>50,111</b>               | 13,757               |
| - purchase of goods and services  | <b>0</b>                    | 13,421               |
| - rent accrued  | <b>542</b>                  | 2,958                |
| <br><b>15.2</b> Trade and other payables include due to an Associated Company amounting Rs.8.404 million (30 June, 2010: Rs.11.911 million).  |                             |                      |
| <br><b>15.3</b> Other receivables include due from Associated Companies aggregating Rs.585 thousand (30 June, 2010: Rs.404 thousand).   |                             |                      |
| <br><b>15.4</b> No other transactions, other than remuneration and benefits to key management personnel under the terms of their employment, were executed with other related parties during the period.  |                             |                      |
| <br><b>16. DATE OF AUTHORISATION FOR ISSUE</b>  |                             |                      |
| This condensed interim financial information was authorised for issue in the Board of Directors' meeting held on February 28, 2011.   |                             |                      |
| <br><b>17. CORRESPONDING FIGURES</b>  |                             |                      |
| Corresponding figures have been re-arranged / re-classified, wherever necessary, for the purposes of comparison; however, no material re-arrangements / re-classification have been made in this condensed interim financial information except for mark-up subsidy receivable which was included in other receivables in the financial statements for the year ended 30 June, 2010 now shown on the balance sheet as 'Mark-up subsidy receivable'. |                             |                      |

**Anwar Saifullah Khan**  
Chairman / Director

**Osman Saifullah Khan**  
Chief Executive