

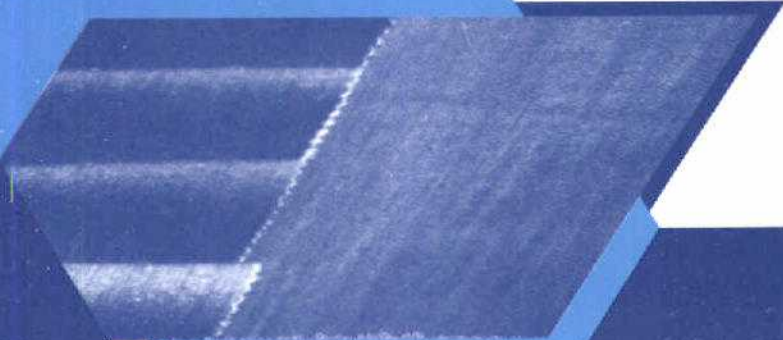


ISO 9001:2000 & WRAP CERTIFIED

Annual Report

Two Thousand

14



SAFA

SAFA TEXTILES LIMITED

Established - 1984

Manufacturers & Exporters of Woven & Knitted Garments

Vision

Our company is amongst one of the leading manufacturer and exporter of textile made ups and fashion apparel, our vision is to produce international quality of woven and knitted garments, Our prime vision is to equip the factory with modern and sophisticated machines and develop the associated facilities which will help to reduce the cost of production, improve the quality of production, increase the profitability to be shared by the Company its workers, and its shareholders.

Mission

Our mission is to promote our industry and boost our sales by exploring the global markets for our products specially those which have not been explored yet. Whereas, we would endeavor to enhance the quality of our product for the satisfaction of the consumer, to provide a comfortable place of work to our employees and to be an ethical partner to all our business associates. The Company is to explore more opportunities in business and play a meaningful role on sustainable basis in the economy and social development of the country.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Mr. Adnan Iqbal
Syed Iqbal Husain
Syed Tarique Husain

Chief Executive
Director and Chairman
Director Technical and Logistics

Non-Executive Director

Mrs. Farhat Iqbal
Mrs. Seema Adnan
Mrs. Sabeen Tarique
Syed Marib Husain

Non -Executive Director
Non -Executive Director
Non -Executive Director
Non -Executive Director

BOARD OF AUDIT COMMITTEE

Mrs. Farhat Iqbal
Mrs. Seema Adnan
Mrs. Sabeen Tarique
Mr. Sajjad Ziauddin Mir

Chairman
Member
Member
Internal Auditor

CHIEF FINANCIAL OFFICER

Mr. Agha Yousuf Ali Khan

COMPANY SECRETARY

Miss Rukhsana Bukhsh

LEGAL ADVISER

Khalid Daud Pota (Advocate)

AUDITORS

M/s. Rahman Sarfaraz, Rahim Iqbal Rafiq,
Chartered Accountants
Plot No. 180, Block-A S.M.C.H.S.,
Karachi-74400, Pakistan

BANKERS

NIB Bank Limited
Standard Chartered Bank Limited
Bank Al-Falah Limited
Habib Bank Limited
Habib Metropolitan Bank Limited

SHARE REGISTRAR

M/s. C & K Management Associates (Pvt.) Ltd.
Room No. 404, 4th Floor,
Trade Tower,
Abdullah Haroon Road,
Karachi.

REGISTERED OFFICE AND FACTORY

Plot No. : 26 & 26/1 Sector 12-D,
North Karachi Industrial Area,
Karachi.

TELEPHONE

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TELEFAX

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 29th Annual General Meeting of the Shareholders of Safa Textiles Limited will be held at 11:30 AM., on Monday, 24th November, 2014, at The Royal Rodale Sports at TC-V, 30th Street, Khayaban-e-Sehar, Phase V-Ext. D.H.A, Karachi to transact the following business:

Ordinary Business:

1. To Approve the Minutes of Last Annual General Meeting.
2. To, receive, consider and adopt the Audited Financial Statements of the Company for the Year ended 30th June, 2014 together with Auditor's and Director's Report thereon.
3. To elect 7 directors as fixed by the Board of Directors in accordance with the provisions of Section 178(1) of the Companies Ordinance, 1984 for the period of 3 years. The retiring directors, who are eligible for re-election are:

1. Syed Iqbal Husain	2. Mr. Adnan Iqbal
3. Syed Tarique Husain	4. Mrs. Seema Adnan
5. Mrs. Sabeen Tarique	6. Mrs. Farhat Iqbal
7. Syed Marib Husain	
4. To appoint the Auditors for the year ending June 30, 2015 and fix their remuneration. The retiring auditors being eligible, have offered themselves for reappointment.
5. To transact any other business with the permission of the chair.

By the order of the board

Karachi; October 31, 2014

Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from 15th November, 2014 to 24th November, 2014 (Both days inclusive).
2. Any person who seeks to contest the election of Directors shall file with the Company at its registered office not later than fourteen days before the above said meeting his / her intention to offer himself / herself for the election of the Directors in terms of Section 178(3) of the Companies Ordinance, 1984.
3. A Member of the Company entitled to attend and vote at the Meeting may appoint another Member as his/her proxy to attend and vote the meeting on his/her behalf. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time of holding the meeting.
4. Shareholders are requested to immediately notify the change in their address, if any.
5. All CDC Account Holders and Sub Account Holders who wish to attend the AGM should bring their Original ID Card. In case of proxies, a duly attested copy of CNIC should be attached with the Proxy Form.

DIRECTOR'S REPORT

Dear Members

On behalf of the board of directors I welcome you to the 29th Annual General Meeting of our Company and take the opportunity to present the Annual Report along with the Audited Financial Statements and Auditor's Report for the year ended 30th June, 2014.

A comparative summary of the financial results for the year is as follows:

	Rupees 30.06.14	Rupees 30.06.13
Sales	731,675,409	771,761,666
Cost of Goods Sold	(646,005,376)	(674,946,924)
Gross Profit	85,670,033	96,814,742
Operating Expenses	(72,656,590)	(68,901,843)
Net (Loss)/Profit before tax	(659,708)	8,946,877
Net (Loss)/Profit after tax	(8,206,152)	1,126,668
Earning per Share	(2.05)	0.28

Operating Results

The Country has been in grip of bad economic and political situation, due to the bad law and order situation, frequent power break-downs, above all high inflation rate, increase in tariff rate has also hampered the industrial and manufacturing activities. Despite all adverse factors your company has shown reasonable operating results and this has only been possible by the hard work of the directors and staff members of the company.

The Financial results of the Company during the last seven years, from 2008 to 2014 is attached in annexure 1 for your review.

Sales

The export sales of the Company decreased from Rs.771.762 million to Rs.731.675 million.

Production

Over the last year due to high inflation rate and increase in tariff, the cost of production has increased from 87.46% to 88.29%

Quality Assurance

Quality assurance is an essential part of any production activity. Reliable and timely inspection is assured at each and every stage of our production and before final shipment.

Research and Development

We recognize the importance of Research and Development which plays an important role in development of products by way of increase in productivity and creativity reducing wastage at all points. Thus we have put our Research and Development program on top priority.

Profit before Tax

The operating profit before tax for the year ended June 30, 2014 has shown a decrease of Rs. 9.61 million, i.e. from profit of Rs.8.95 million to loss of Rs. 0.659 million as compared to last year.

Dividends

The board of directors regretfully inform that the company is not in a position to declare a dividend as company is facing acute liquidity shortage.

Earnings per share

During 2013 the earning per share was Rs.0.28/=-, and during 2014 earning per share is Rs. (2.05)/=-. The earnings have dropped due to increase in costs.

Fixed Assets

During the year we have made assets worth Rs.22.327 million. It includes capitalization of building, purchase of new machinery, electrical appliances & office equipment . These additions were necessary to increase our production capacity and value of our assets.

Financial Charges

Financial Charges including mark up for the year ended June 30, 2014 have decreased from Rs.18.447 million to Rs. 16.753 million.

Staff Provident Fund

The staff provident fund is being operated successfully for its present employees.

Appointment of Auditors.

M/s Rahman Sarfaraz Rahim Iqbal Rafiq-Chartered Accountants have retired and being eligible, have offered themselves for reappointment for the year 2014-2015 at the same terms & conditions.

Corporate Social Responsibility

*** Corporate Philanthropy**

At Safa Textiles Limited we follow the international standards for corporate social responsibility set in a society where workmen often face difficulties at the workplace. Unlike other companies we offer an exemplary working environment and assert great importance to the concern of CSR.

*** Energy Conservation**

We have an energy conservation management system (ECMS) in which the processes and policies are designed to reduce energy usage. We are implementing the suggestion given by ECMS from time to time.

*** Environment Protection Measures**

Protecting the Environment and conserving natural resources are important for our Company. Through management leadership and employees commitment, we strive to conduct its operations in a manner that is safe for the environment and continually improves environmental performance.

*** Consumer Protection Measures**

We are ISO 9001-2000 and WRAP certified which has led to the improvement of management systems and quality product in such a manner to ensure international standards. Our product quality is essential for future and we continue to monitor it closely through quality audits to meet requirements of our valued customers worldwide.

We have a testing system, which is uniform worldwide, for the objective assessment of potential harmful substances in textile products at all stages of production through out the textile value chain. We includes in principle, all textile products from the Raw Material to yarns and textile Fabrics, through to finished textile products.

*** Industrial Relations**

We enjoy best industrial relations with all our employees and workers and encourage them to higher positions with minority benefits. A work council has been established to look into all the affairs related to workers. We recognize the importance of work force who deliver value, drive growth, increase productivity and creativity.

A highly competitive and well coordinated environment is ensured while providing for a variety of services including career opportunities, employee training and development, staffing labour relation, compensation and benefits, and human resource system administration.

*** Occupational Safety and Health:**

We feel a strong sense of responsibility to the society and recognise health and safety of our employees as an integral part of business management and endeavor to ensure it through supervision, awareness and motivation. We have taken specific measures for occupational safety and health. We have formed separate committees with suitable training for fire fighting, first aid and employee complaints.

*** Business Ethics:**

We feel that compliance is the foundation of responsible conduct. Corporate responsibility can achieve its full social potential only if every one involved first complies with internal and external rules and regulations. We view corporate responsibility as a strategic, management-driven task that integrates our business, environmental and citizenship activities to create sustained tangible and intangible value of our company and our stake holders by ethically sound means. We work across all barriers of gender, race, religion, color, and backgrounds and our only yardstick is merit based on competence. This is the only way to create a sound society and fulfill our social responsibility.

*** Community Investment and Welfare Scheme**

The Company runs a literacy center that function for the employees and residents of the locality. Moreover medical facilities are also provided by the Company which includes both medical assistance and payment against treatment and medicines for employees and other members of the locality.

*** Welfare for under privileged**

We incorporate the system of UNDP as a regular feature in our management process, whereby we train unskilled men and women, and pay them a monthly stipend. Upon successful completion of the training process they are employed by the Company.

*** Employment of special persons:**

The Company has a history of employing special persons; our HR Department works tirelessly to ensure allocating the most appropriate job for each person.

STATEMENT OF COMPLAANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the code of Corporate Governance under listing regulation No.35 of Karachi Stock Exchange Limited. In compliance with the provisions of the code, the Board is pleased to place on record the following statement:

The Company has applied the principles contained in the Code in the following manner:

1. The management of the company prepares the financial statements fairly presents its state of affairs, results of operations, cash flows and changes in equity.
2. Proper books of the accounts of the Company are maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudential judgment.
4. International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure therein has been adequately disclosed.
5. The system of internal control is sound and has been effectively implemented and monitored.
6. There are no significant doubts about the company's ability to continue as a going concern.
7. There has been no material departure from the best practices of the corporate governance as detailed in the listing regulation.
8. Key Operating & Financial Results for (7) seven years is summarized in annexure I.
9. All outstanding taxes and levies have been paid.
10. Directors Meetings: During the year, four meetings of the board of directors were held and following were in attendance.

Name of Directors	No. of Meetings Attended
1- Syed Iqbal Husain	4
2- Mr. Adnan Iqbal	4
3- Syed Tarique Husain	4
4- Mrs. Farhat Iqbal	4
5- Mrs. Sabeen Tarique	4
6- Mrs. Seema Adnan	4
7- Syed Marib Husain	4

On Behalf of Board of Directors

Karachi, October 31, 2014

Mr. Adnan Iqbal
Chief Executive

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 Karachi 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 including director representing minority interests on its Board of Directors. At present the Board includes four non-executive directors.
- 2) The Directors have confirmed that none of them is serving as a director in more than seven listed companies including this Company.
- 3) All the resident Directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFI or, being a member of a Stock Exchange has been declared as a defaulter by that stock exchange.
- 4) No casual vacancy occurred on the board during the financial year 2013-2014.
- 5) The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the concerned.
- 6) The company has prepared a "Code of Conduct" and has been disseminated throughout the company along with its supporting policies and procedures.
- 7) The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company, which have been approved by the board in its meeting. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 8) All the powers of Board have been duly exercised and the Board has taken 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 Board.
- 9) The meetings of 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 Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
- 10) The Board arranges orientation courses for its directors as and when needed to apprise them of their duties and responsibilities. The incoming directors are also provided with appropriate briefing and orientation material to enable them first hand Knowledge on the working of the company.
- 11) All directors of company except 1 have 14 years of education and 15 years of experience on the board of a listed company due to which they are exempted from having certification under any directors' training program offered by local institution or foreign institution that meet the criteria specified by the SECP. The condition of training certification for the director not being exempt will be complied in due course.

- 12) The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined.
- 13) The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
- 14) The financial statements of the Company were duly endorsed by the CEO and CFO before the approval of Board.
- 15) 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.
- 16) The Company has complied with all the corporate and financial reporting requirements of the Code.
- 17) The Board has formed an audit committee. It comprises three members, two of whom are Non-Executive Directors.
- 18) The meetings of the audit committee were held at least once in 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.
- 19) The Board has formed HR and Remuneration committee. It comprises three members, of whom two are non-executive directors and the Chairman of the Committee is an independent director.
- 20) The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they (or their representatives) are involved in the internal audit function.
- 21) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the Firm, their spouses and minor children do not hold shares of the Company and that the Firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by ICAP.
- 22) 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.
- 23) The closed period prior to the announcement of interim/final results, and business decisions, which may have material affect on the market price of company's securities was determined and intimated to directors, employees and stock exchange.
- 24) No such material / price sensitive information existed which should be disseminated among all market participants at once through stock exchange.
- 25) We confirm that all other material principles contained in the Code have been complied with.

Date: October 31, 2014

MR. ADNAN IQBAL
CHIEF EXECUTIVE

SAFA TEXTILES LIMITED
COMPARATIVE STATEMENT OF OPERATING RESULTS
FROM JUNE 2008 TO JUNE 2014 (7 YEARS)

PARTICULAR	JUNE 2008	JUNE 2009	JUNE 2010	JUNE 2011	JUNE 2012	JUNE 2013	JUNE 2014
SALES	367,422	395,271	471,199	474,758	501,806	771,762	731,675
COST OF GOODS SOLD	328,336	350,243	412,714	411,595	418,216	674,947	646,005
GROSS PROFIT	39,086	45,028	58,485	63,163	83,590	96,815	85,670
OPERATING EXPENSES	29,166	35,686	42,601	41,506	57,895	68,902	72,657
OPERATING PROFIT	9,920	9,342	15,884	21,657	25,695	27,913	13,013
FINANCIAL / OTHER CHARGES	(5,715)	(5,187)	(9,352)	(14,486)	(20,119)	(20,173)	(17,357)
OTHER INCOME / (LOSS)	(262)	3,292	519	(476)	844	1,207	3,684
TAXATION	(3,516)	(3,929)	(4,701)	(5,082)	(4,927)	(7,820)	(7,546)
NET PROFIT / (LOSS)	427	3,518	2,350	1,613	1,493	1,127	(8,206)
TRANSFER TO GENERAL RESERVE	-	(2,000)	(2,000)	-	-	-	-
ACCUMULATED PROFIT / (LOSS) B/F	7,755	6,182	7,700	8,050	9,663	11,156	12,283
DIVIDEND PAID	(2,000)	-	-	-	-	-	-
ACCUMULATED PROFIT / (LOSS) C/F	6,182	7,700	8,050	9,663	11,156	12,283	4,077

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Safa Textiles Limited** ("the Company"), for the year ended June 30, 2014 to comply with the Listing Regulation No 35 Chapter XI of the Karachi Stock Exchange Limited, where the Company is listed.

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

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

The code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in the arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the board of directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended **June 30, 2014**.

Karachi.
Date: 31st October 2014

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Safa Textiles Limited ("the Company") as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, 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 accounts 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 accounts 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, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit and

loss, total comprehensive income, cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi.
Date: 31st October 2014.

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement partner: **Muhammad Waseem**

SAFA TEXTILES LIMITED
BALANCE SHEET
AS AT JUNE 30, 2014

		2014	2013
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	144,219,252	132,010,147
Current Assets			
Stores and spares		1,222,623	1,758,345
Stock in trade	5	122,570,846	125,334,214
Trade debts - considered good		1,391,042	6,617,262
Loans and advances - considered good	6	38,067,865	19,259,341
Deposits, prepayments and other receivables	7	12,422,389	12,278,472
Tax refunds due from Government		668,064	525,649
Cash and bank balances	8	5,930,631	1,560,800
		<u>182,273,461</u>	<u>167,334,083</u>
		<u>326,492,713</u>	<u>299,344,230</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized capital			
5,000,000 (2013: 5,000,000) ordinary shares of Rs. 10/- each		<u>50,000,000</u>	<u>50,000,000</u>
Issued, subscribed and paid-up capital	9	40,000,000	40,000,000
General reserves		6,000,000	6,000,000
Unappropriated profit		<u>4,077,024</u>	<u>12,283,176</u>
		<u>50,077,024</u>	<u>58,283,176</u>
Non-Current Liabilities			
Advance from customers	10	26,555,265	18,893,614
Current Liabilities			
Trade and other payables	11	114,477,631	93,580,226
Accrued markup		2,866,306	3,347,906
Short term borrowings	12	132,512,182	124,838,689
Unclaimed dividend		4,305	400,620
		<u>249,860,424</u>	<u>222,167,440</u>
Contingencies and Commitments	13	<u>326,492,713</u>	<u>299,344,230</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**SAFA TEXTILES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014**

		2014	2013
		————— Rupees —————	
Sales - net	14	731,675,409	771,761,666
Cost of sales	15	<u>(646,005,376)</u>	<u>(674,946,924)</u>
Gross profit		85,670,033	96,814,742
Operating expenses			
Administrative expenses	16	<u>(55,029,156)</u>	<u>(45,488,861)</u>
Distribution costs	17	<u>(17,627,434)</u>	<u>(23,412,982)</u>
		<u>(72,656,590)</u>	<u>(68,901,843)</u>
Operating profit		13,013,443	27,912,899
Finance costs	18	<u>(16,753,370)</u>	<u>(18,447,305)</u>
Other income	19	3,683,935	1,207,412
Other charges	20	<u>(603,716)</u>	<u>(1,726,129)</u>
		<u>(13,673,151)</u>	<u>(18,966,022)</u>
(Loss)/Profit before taxation		(659,708)	8,946,877
Taxation	21	<u>(7,546,444)</u>	<u>(7,820,209)</u>
(Loss)/Profit after taxation		<u>(8,206,152)</u>	<u>1,126,668</u>
Earnings per share - basic and diluted	22	<u>(2.05)</u>	<u>0.28</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**SAFA TEXTILES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014**

	2014	2013
	Rupees	
(Loss) / Profit after taxation	(8,206,152)	1,126,668
Other comprehensive income	-	-
Total comprehensive (loss) / income	(8,206,152)	1,126,668

The annexed notes from 1 to 30 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

SAFA TEXTILES LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	Rupees	
Cash Flow from Operating Activities		
(Loss)/Profit before taxation	(659,708)	8,946,877
Adjustments for non-cash and other items		
Depreciation	10,088,984	9,818,239
Amortization	29,796	22,870
Finance costs	16,753,370	18,447,305
	26,872,150	28,288,414
Operating profit before working capital changes	26,212,442	37,235,291
Changes in working capital		
(Increase) / decrease in current assets		
Stores and spares	535,722	(987,519)
Stock in trade	2,763,368	(26,844,887)
Trade debts - considered good	5,226,220	20,677,401
Loans and advances - considered good	(18,808,524)	19,861,151
Deposits, prepayments and other receivables	(143,917)	10,205,188
	(10,427,131)	22,911,334
	15,785,311	60,146,625
Increase in current liabilities		
Trade and other payables	20,897,405	29,069,383
Finance cost paid	(17,234,970)	(18,313,587)
Taxes paid	(7,688,858)	(7,885,953)
	(24,923,827)	(26,199,540)
Net cash generated from operating activities	11,758,889	63,016,468
Cash Flow from Investing Activities		
Fixed capital expenditure	(7,455,777)	(23,644,557)
Capital work in progress	(14,872,110)	(24,412,717)
	(22,327,887)	(48,057,274)
Net cash (used in)/ generated from investing activities	(10,568,998)	14,959,194
Cash Flow from Financing Activities		
Repayment of loan	-	(52,960)
Unclaimed dividend	(396,315)	-
Adjustment of advance from customers	7,661,651	2,382,514
Net cash generated from financing activities	7,265,336	2,329,554
Net (decrease)/increase in cash and cash equivalents	(3,303,662)	17,288,748
Cash and cash equivalents at the beginning of the year	(123,277,889)	(140,566,637)
Cash and cash equivalents at the end of year	(126,581,551)	(123,277,889)
Cash and cash equivalents comprise of:		
Cash and bank balances	5,930,631	1,560,800
Short term borrowings	(132,512,182)	(124,838,689)
	(126,581,551)	(123,277,889)

The annexed notes from 1 to 30 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

SAFA TEXTILES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Share Capital	General Reserves	Unappropriated Profit	Total
	Rupees			
Balance as at July 01, 2012	40,000,000	6,000,000	11,156,508	57,156,508
Total comprehensive income	-	-	1,126,668	1,126,668
Balance as at June 30, 2013	40,000,000	6,000,000	12,283,176	58,283,176
Balance as at July 01, 2013	40,000,000	6,000,000	12,283,176	58,283,176
Total comprehensive loss	-	-	(8,206,152)	(8,206,152)
Balance as at June 30, 2014	40,000,000	6,000,000	4,077,024	50,077,024

The annexed notes from 1 to 30 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

SAFA TEXTILES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1 LEGAL STATUS AND NATURE OF BUSINESS

Safa Textiles Limited ("the Company") was incorporated in Pakistan under Companies Ordinance, 1984 as a private limited liability company on November 08, 1984 and was subsequently converted into a public limited company on April 01, 1992. The shares of the Company are quoted on Karachi Stock Exchange. The Company is engaged in the manufacturing and export of ready made garments. The registered office of the Company is situated at 26 & 26/1, Sector 12-D North Karachi, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention .

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the functional and presentation currency of the Company.

2.4 Use of estimates and judgments

The preparation of the financial statements in conformity with approved accounting standards requires the management to make the judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Areas where various assumptions and estimates are significant to the financial statements or where judgments were exercised in application of accounting policies are as follows:

	Note
a) Residual values and useful lives of items of property, plant and equipment	3.1
b) Provision for obsolete and slow moving inventory, stores and spares	3.4
c) Provision for doubtful debts	3.5
d) Provision for taxation	3.10

2.5 Amendments / interpretation to existing standard and forthcoming requirements

a) Standards, amendments to published standards and interpretations that are effective in current year and are relevant to the Company:

Standards, amendments to published standards and interpretations that are effective in year beginning from July 01, 2013 and are relevant to the company:

- IAS 1, 'Financial statement presentation' regarding other comprehensive income, emphasises on the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The application of the amendment has not affected the results or net assets of the Company as it is only concerned with presentation and disclosures.
- IAS 16 *Property, Plant and Equipment* is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. Applicable to annual periods beginning on or after January 1, 2013.
- IAS 32 *Financial Instruments: Presentation* - Applicable to annual periods beginning on or after 1 January 2013, is amended to clarify that IAS 12 *Income Taxes* applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.
- IAS 28 "Investments in Associates and Joint Ventures", applicable to annual reporting periods beginning on or after January 1, 2013.
- IFRS 12, 'Disclosure of interests in other entities', effective for annual periods beginning on or after January 1, 2013.
- IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after January 1, 2013.
- IAS 19 (revised) 'Employee Benefits' has eliminated the corridor approach and requires to calculate finance cost on net funding bases. The Company has applied this change in accounting policy retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded unrecognized actuarial losses net of taxes associated with retirement benefit plan by adjusting the opening balance of unappropriated profit and retirement benefit for the prior years presented.

b) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 *Financial Instruments: Presentation*. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company's financial statements.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual period beginning on or after 1 January 2016). The amendments to IAS 27 allow entities to use equity method to account for its investment in subsidiaries, joint ventures and associates in the Separate Financial Statements. Management is currently evaluating the implication of the amendment.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.
- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These are not expected to have any impact other than increased disclosures.
- Securities and Exchange Commission of Pakistan (SECP) vide SRO 633(1)/2014 dated 10th July 2014 has approved the below IFRSs:
 - IFRS 10 'Consolidated Financial Statements'
 - IFRS 11 'Joint Arrangements'
 - IFRS 12 'Disclosure of interests in other entities'
 - IFRS 13 'Fair Value Measurement'

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment loss, if any, except free hold land and capital work in progress which are stated at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset.

Depreciation is charged to profit & loss account applying the reducing balance method whereby the cost of an asset is written off over its useful life at the rates specified in note 4.2 to the financial statements. Depreciation on additions is charged from the quarter in which an asset is put to use and no depreciation charged in the quarter in which asset is disposed.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate assets, 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.

Capital work in progress is stated at cost and consists of expenditure incurred and advances made in respect of property, plant and equipment in the course of their construction and installation. Transfers are made to relevant asset's category as and when assets are available for intended use.

Gains and losses on disposal of assets, if any, are taken to the profit and loss account. Disposal is recognized when significant risks and rewards incidental to ownership have been transferred to buyer.

The assets' residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property and equipment as at 30 June 2013 did not require any adjustment as its impact is considered insignificant.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year in which the asset is derecognized.

3.2 Intangible assets

An intangible asset is recognised as an asset if it is probable that the economic benefits attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

Computer software

Expenditure incurred to acquire identifiable computer software and having probable economic benefits exceeding the cost beyond one year, is recognised as an intangible asset. Such expenditure includes the purchase cost of software (license fee) and related overhead cost.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

Costs which enhance or extend the performance of computer software beyond its original specification and useful life is recognised as capital improvement and added to the original cost of the software.

Computer software and license costs are stated at cost less accumulated amortisation and any identified impairment loss is amortised over a period of Five years using the reducing balance method.

Amortisation is charged from the month in which the related asset is available for use while no amortisation is charged during the month in which such asset is disposed off.

3.3 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceed their recoverable amount, an impairment loss is recognised in the profit and loss account.

3.4 Stores, spares and stock in trade

These are valued at lower of cost and net realizable value; cost being determined as under:

Stores and spares	-	At moving average cost
Raw materials	-	FIFO basis (First In First Out)
Material in transit	-	At cost comprising invoice value plus incidental charges
Work in process and finish goods	-	At estimate average manufacturing cost
Waste	-	At net realizable value

Manufacturing cost in relation to work-in-process and finished goods comprises cost of material, labour and appropriate manufacturing overheads.

Net realizable value signifies the selling price at which goods in stock could be currently sold less any further cost which would be incurred to complete the sale.

Provisions are made in the financial statements for obsolete and slow moving inventory, stores and spares based on management's best estimate regarding their future usability.

3.5 Trade and other receivables

Trade and other receivables are carried at original invoice amount/cost, which is the fair value of the consideration to be received, less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Bad debts are written off as incurred and provision is made against debts considered doubtful when the collection of full amount is no longer probable.

3.6 Cash and cash equivalents

Cash in hand and at banks, short term bank deposits and short term running finances, if any, are carried at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and deposits in bank, net of short term running finances (if any) that are highly liquid in nature, readily convertible into known amounts of cash and subject to insignificant risk of change in value.

3.7 Financial Instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts and other receivables, cash and bank balances, trade and other payables, long term loan, accrued mark-up on short term finance and short term borrowings.

- Financial assets

The Company classifies its financial assets in held to maturity, fair value through profit and loss, and available-for-sale categories. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

(a) Held-to-maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold till maturity.

(b) Fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. There were no financial assets at fair value through profit or loss on the balance sheet date.

(c) Available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the right to receive the cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownerships.

Fair value of available-for-sale investments are determined on the basis of rates notified by Mutual Fund Association of Pakistan for debt securities, relevant redemption prices for the open-end mutual funds, or PKRV sheets.

Available-for-sale financial assets are subsequently carried at fair value with changes in fair value recognised in other comprehensive income until derecognised or impaired. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustment recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Company's right to receive the dividends is established.

The Company assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and is recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

The Company follows trade date accounting for regular way purchase and sales of securities.

- Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instruments. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

3.8 Offsetting

Financial asset and financial liabilities and tax assets and tax liabilities are set off in the balance sheet, only when the Company has a legally enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contributions plans are recognised as an employee benefit expense in profit or loss when they are due.

The Company operates an approved provident fund scheme for eligible employees of the Company. Equal monthly contributions are made by the Company and employees at the rate of 5% of basic salary.

3.10 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Presently provision for current taxation is based on final tax regime in accordance with the provisions of section 154 of the Income Tax Ordinance, 2001.

Deferred

Deferred tax is recognised using balance sheet liability method, providing for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized. Currently there are no deferred tax balances since the Company income falls under final tax regime.

3.11 Provisions

Provision is recognised when, as a result of past event, the company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Subsequently, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.12 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 the consideration received or receivable, net of any direct expenses. Revenue is recognised on the following basis:

- Local sales are recognised on dispatch of goods to customers.
- Export sales are recognised at the time of receipt of bill of lading.
- Export rebate is recognised on accrual basis at the time of making the export sale
- Interest income is recognised on a time proportion basis by reference to principal outstanding amount and taking into account the effective yield rate.

3.13 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset are capitalized as a part of the cost of that asset.

3.14 Foreign currency transaction and translation

Foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates. Non-monetary assets are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in income currently.

		2014	2013
		Rupees	
4	PROPERTY, PLANT AND EQUIPMENT		
Capital work in progress	4.1	39,284,827	24,412,717
Operating Fixed Assets	4.2	104,683,991	107,492,200
Intangible Assets	4.3	250,434	105,230
		<u>144,219,252</u>	<u>132,010,147</u>
4.1 Capital work in progress			
Balance as at July 1, 2013		24,412,717	-
Additions during the year		14,872,110	24,412,717
Transfer to property, plant and equipment during the year		-	-
Balance as at June 30, 2014		<u>39,284,827</u>	<u>24,412,717</u>

4.2 Operating Fixed Assets

	Leasehold land	Building on leasehold land	Plant and machinery	Electrical appliances	Installations and fittings	Furniture and fixtures	Motor vehicles	Office and other equipments	Total
Rupees									
As at July 1, 2012									
Cost	284,070	46,404,803	70,921,289	4,858,355	544,659	1,831,513	16,380,365	4,723,494	145,948,548
Accumulated depreciation	-	(12,980,261)	(23,737,923)	(2,566,890)	(455,220)	(896,871)	(9,796,288)	(1,794,215)	(52,227,666)
Net book value	<u>284,070</u>	<u>33,424,542</u>	<u>47,183,367</u>	<u>2,291,465</u>	<u>89,440</u>	<u>934,642</u>	<u>6,584,077</u>	<u>2,929,280</u>	<u>93,720,882</u>
Year ended June 30, 2013									
Opening net book value	284,070	33,424,542	47,183,367	2,291,465	89,440	934,642	6,584,077	2,929,280	93,720,882
Additions during the year	-	-	19,935,217	15,600	-	884,890	-	2,753,050	23,568,557
Depreciation for the year	-	(1,571,227)	(6,015,248)	(230,317)	(8,944)	(140,062)	(1,316,815)	(435,626)	(9,818,239)
Closing net book value	<u>284,070</u>	<u>31,753,315</u>	<u>61,103,335</u>	<u>2,076,748</u>	<u>80,496</u>	<u>1,679,470</u>	<u>5,267,262</u>	<u>5,247,504</u>	<u>107,492,200</u>
As at July 01, 2013									
Cost	284,070	46,404,803	90,856,506	4,873,955	544,659	2,716,403	16,380,365	7,477,344	169,538,105
Accumulated depreciation	-	(14,651,488)	(29,753,171)	(2,797,207)	(464,154)	(1,036,933)	(11,113,103)	(2,229,841)	(62,045,905)
Net book value	<u>284,070</u>	<u>31,753,315</u>	<u>61,103,335</u>	<u>2,076,748</u>	<u>80,496</u>	<u>1,679,470</u>	<u>5,267,262</u>	<u>5,247,504</u>	<u>107,492,200</u>
Year ended June 30, 2014									
Opening net book value	284,070	31,753,315	61,103,335	2,076,748	80,496	1,679,470	5,267,262	5,247,504	107,492,200
Additions during the year	-	-	5,837,000	-	-	659,150	45,000	739,625	7,280,775
Depreciation for the year	-	(1,587,664)	(6,454,607)	(207,676)	(8,048)	(201,182)	(1,060,202)	(569,605)	(10,088,984)
Closing net book value	<u>284,070</u>	<u>30,165,651</u>	<u>60,485,728</u>	<u>1,869,072</u>	<u>72,448</u>	<u>2,137,438</u>	<u>4,252,060</u>	<u>5,417,524</u>	<u>104,683,991</u>
As at June 30, 2014									
Cost	284,070	46,404,803	96,893,506	4,873,955	544,759	3,375,553	16,425,365	8,216,969	176,818,880
Accumulated depreciation	-	(16,239,152)	(36,207,778)	(3,004,883)	(472,212)	(1,238,115)	(12,173,305)	(2,799,446)	(72,134,885)
Net book value	<u>284,070</u>	<u>30,165,651</u>	<u>60,485,728</u>	<u>1,869,072</u>	<u>72,448</u>	<u>2,137,438</u>	<u>4,252,060</u>	<u>5,417,524</u>	<u>104,683,991</u>
Annual rates of depreciation	-	5%	10%	10%	10%	10%	20%	10%	

4.3 Intangible assets

	Rupees
As at July 1, 2012	
Cost	295,000
Accumulated amortization	(221,900)
Net book value	<u>73,100</u>
Year ended June 30, 2013	
Opening net book value	73,100
Additions during the year	55,000
Amortization	(22,870)
Closing net book value	<u>105,230</u>
As at July 01, 2013	
Cost	350,000
Accumulated amortization	(244,770)
Net book value	<u>105,230</u>
Year ended June 30, 2014	
Opening net book value	105,230
Additions during the year	175,000
Amortization	(29,796)
Closing net book value	<u>250,434</u>
As at June 30, 2014	
Cost	525,000
Accumulated amortization	(274,566)
Net book value	<u>250,434</u>
Annual rate of amortization	<u>20%</u>

4.4 Depreciation and amortisation for the year has been allocated as under :

	2014	2013
- Cost of sales	7,083,147	6,888,776
- Administrative expenses	3,035,633	2,952,333
	<u>10,118,780</u>	<u>9,841,109</u>

5 STOCK IN TRADE

Raw material and accessories	29,775,387	45,449,011
Work in process	20,427,402	36,058,541
Finished goods	72,368,057	43,826,662
	<u>122,570,846</u>	<u>125,334,214</u>

6 LOANS AND ADVANCES - CONSIDERED GOOD

Unsecured

Loans to staff	6.1	586,681	798,077
Advances for :			
- raw materials		25,261,224	14,031,283
- expenses		123,760	918,022
- supplies and services		12,096,199	3,511,959
		<u>38,067,865</u>	<u>19,259,341</u>

6.1 These are interest free and are given for general purpose in accordance with the terms of employment. These loans are repayable within one year and are recovered through deduction from salaries.

		2014	2013
		Rupees	
7	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
	Security deposits	1,435,510	1,136,900
	Prepaid insurance	143,338	144,084
	Other receivables :		
	- Export rebate receivable	3,837,637	2,043,540
	- Duty draw back receivable	3,695,492	7,122,285
	- Sales tax refundable	3,310,412	1,781,663
	- Others	-	50,000
		12,422,389	12,278,472
8	CASH AND BANK BALANCES		
	Cash with banks		
	- PLS accounts	12,686	4,528
	- Current accounts	5,838,456	1,554,012
	Cash in hand	79,489	2,260
		5,930,631	1,560,800
9	ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
	Number of Shares		
	2014	2013	
	3,990,900	3,990,900	Ordinary shares of Rs. 10/- each fully paid in cash.
			39,909,000
	9,100	9,100	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares
	4,000,000	4,000,000	91,000
			40,000,000
10	ADVANCE FROM CUSTOMERS		
	Allura Imports Inc.	3,550,557	4,269,728
	Mag Brands LLC	30,894,976	27,561,818
	Others	3,959,733	-
		38,405,265	31,831,546
	Less: Current portion	(11,850,000)	(12,937,932)
		26,555,265	18,893,614
10.1	This represents balance of aggregate amount of advance of US \$388,914 from customers against export orders that are adjustable against shipment effected to the said customers.		
11	TRADE AND OTHER PAYABLES	2014	2013
		Rupees	
	Trade creditors	88,615,715	68,060,030
	Accrued expenses	12,182,261	11,049,688
	Current portion of advance from customers	11,850,000	12,937,932
	Other payables :		
	Withholding tax payable	185,433	45,515
	Workers' profits participation fund	1,032,762	862,249
	Workers' welfare fund	603,716	615,554
	Staff provident fund	7,744	9,258
		1,829,655	1,532,576
		114,477,631	93,580,226

		2014	2013
		Rupees	
11.1 Workers' profits participation fund			
Opening balance		862,249	358,963
Charge for the year		-	503,286
Interest for the year		170,513	-
Less: Payments made during the year		-	-
		<u>1,032,762</u>	<u>862,249</u>
12 SHORT TERM BORROWINGS			
Secured			
NIB Bank Ltd.			
Finance against packing credit	12.1	97,000,000	103,000,000
Letter of credits	12.2	6,643,181	21,838,689
Finance against imported merchandize	12.3	18,369,000	-
		<u>122,012,182</u>	<u>124,838,689</u>
Unsecured			
Loan from director		10,500,000	-
		<u>132,512,182</u>	<u>124,838,689</u>

12.1 This loan is secured against equitable mortgage of Rs. 162.54 million (June 30, 2013: 134 million) over fixed assets of the Company at their factory at Plot no. 26 & 26/1, Sector 12-D, North Karachi Industrial Area, Karachi. 40% margin to be maintained. 1st registered / Hypothecation charge of Rs.112 million over movables and receivables of the Company at their factory. 25% margin to be maintained. Personal guarantee of all directors and mortgagors covering all the facilities. Such other securities as may reasonably be requested by the bank from time to time. In addition, the bank shall have a banker's lien on all the customer's deposits, accounts and properties held with the bank. Lien over export bills. The term of the facility is 180 days or maximum as allowed by SBP. This carries markup at 1% per annum over SBP refinance rate.

12.2 This facility is of Rs 10 million with 10% cash margin on sight and usance letter of credit or as per SBP margin requirement whichever is high secured through lien over import documents.

12.3 This facility is of Rs 25 million with 10% cash margin secured by way of valid trust receipt and pledge of imported goods under control of Bank's approved Muccadam.

13 CONTINGENCIES AND COMMITMENTS

Contingencies

There were no contingencies existed at balance sheet date (2013: Nil).

	2014	2013
	Rupees	
Commitments		
Raw materials	<u>32,770,000</u>	<u>24,729,295</u>
For capital expenditure	<u>871,000</u>	<u>14,587,283</u>
Exports of goods	<u>146,102,318</u>	<u>140,825,598</u>

		2014	2013
		Rupees	
14	SALES - NET		
	Export sales	728,684,213	769,442,237
	Export rebate	2,991,196	2,319,429
		<u>731,675,409</u>	<u>771,761,666</u>
15	COST OF SALES		
	Raw materials consumed	15.1 308,207,846	333,610,592
	Accessories consumed	81,609,073	68,987,710
	Packing materials consumed	27,060,507	18,840,788
		<u>416,877,426</u>	<u>421,439,090</u>
	Manufacturing Expenses		
	Salaries, wages and other benefits	45,677,207	36,861,924
	Cutting and stitching charges	114,725,898	91,999,297
	Conversion cost	35,735,214	102,254,449
	Stores and spares	14,046,735	14,034,674
	Fuel and power	16,421,401	14,125,929
	Rent, rates and taxes	1,186,600	1,141,605
	Repair and maintenance	4,239,924	5,337,153
	Water charges	403,912	454,078
	Travelling	2,461,428	1,586,232
	Canteen	56,740	48,795
	Depreciation and amortisation	4.4 7,083,147	6,888,776
		<u>242,038,206</u>	<u>274,732,912</u>
	Work in process - opening	36,058,541	32,654,845
	- closing	(20,427,402)	(36,058,541)
		<u>15,631,139</u>	<u>(3,403,696)</u>
	Cost of goods manufactured	674,546,771	692,768,306
	Finished goods - opening	43,826,662	26,005,280
	- closing	(72,368,057)	(43,826,662)
		<u>(28,541,395)</u>	<u>(17,821,382)</u>
		<u>646,005,376</u>	<u>674,946,924</u>
15.1	Raw materials consumed		
	Opening stock	22,064,091	11,760,599
	Purchases during the year	307,773,616	343,914,084
	Available for consumption	329,837,707	355,674,683
	Closing stock	(21,629,861)	(22,064,091)
		<u>308,207,846</u>	<u>333,610,592</u>

		2014	2013
		Rupees	
16 ADMINISTRATIVE EXPENSES			
Directors' remuneration	23.1	2,999,994	2,999,910
Salaries and benefits	16.1	33,963,842	27,147,671
Printing and stationery		1,503,872	1,734,645
Telephone, telex and postage		2,419,692	2,084,574
Rent, rate and taxes		758,674	721,947
Canteen expenses		2,129,500	805,563
Newspapers, subscription and advertisements		49,830	62,364
Travelling and conveyance		1,686,201	1,595,876
Repair and maintenance and service charges		3,947,544	3,675,693
Certification expenses		193,969	135,181
Computer expenses		508,700	129,656
Legal and professional fee		66,000	66,000
Auditors' remuneration	16.2	534,900	489,950
Donation	16.3	61,700	158,020
Advances written off		304,983	-
Insurance premium		864,122	729,478
Depreciation and amortisation	4.4	3,035,633	2,952,333
		<u>55,029,156</u>	<u>45,488,861</u>

16.1 This includes Company's contribution towards defined contribution plan amounting to Rs.45,558 (2013: Rs.145,502). The company has set up provident fund for its employees and the contributions were made to the trust in accordance with the requirement of section 227 of the Companies Ordinance, 1984.

	2014	2013
	Rupees	
16.2 Auditors' remuneration		
Audit fee	300,000	250,000
Half yearly review fee	125,000	125,000
Other certifications' fee	50,000	50,000
Reimbursement of out of pocket expenses	59,900	64,950
	<u>534,900</u>	<u>489,950</u>

16.3 Donations were not made to any donee in which any director of the company or his/her spouse had any interest.

	2014	2013
	Rupees	
17 DISTRIBUTION COSTS		
Salaries and benefits	1,694,211	1,431,368
Shipping and clearing expenses	12,908,543	14,054,563
Postage and courier	1,067,110	1,280,419
Travelling	1,957,570	6,646,632
	<u>17,627,434</u>	<u>23,412,982</u>

	2014	2013
	Rupees	
18 FINANCE COSTS		
Markup and interest charges in short term borrowings	9,961,918	10,714,517
Interest on Workers' profit participation fund	170,513	-
Bank charges and commission	6,620,939	7,732,788
	<u>16,753,370</u>	<u>18,447,305</u>

		2014	2013
		Rupees	
19 OTHER INCOME			
Income from financial assets:			
Gain on term deposits account		-	359,073
Profit on saving account		21,818	-
Exchange gain-net		3,566,661	-
Trade creditors reversal		-	619,519
Income from non-financial assets:			
Sale of wastage stock		95,456	228,820
		<u>3,683,935</u>	<u>1,207,412</u>
20 OTHER CHARGES			
Workers welfare fund		603,716	615,554
Workers' profit participation fund		-	503,286
Exchange loss - net		-	607,289
		<u>603,716</u>	<u>1,726,129</u>
21 PROVISION FOR TAXATION			
Current			
-for the year		7,546,444	7,820,209
-prior year		-	-
		<u>7,546,444</u>	<u>7,820,209</u>

21.1 The Company's income is chargeable to tax under Final Tax Regime prescribed under the Income Tax Ordinance, 2001 and hence tax reconciliation is not being presented.

22 EARNINGS PER SHARE - BASIC AND DILUTED

22.1 Earning per share-basic			
(Loss)/Profit after taxation		<u>(8,206,152)</u>	<u>1,126,668</u>
		<u>Numbers</u>	<u></u>
Weighted average number of ordinary shares		<u>4,000,000</u>	<u>4,000,000</u>
		<u>Rupees</u>	<u></u>
Earnings per share - basic		<u>(2.05)</u>	<u>0.28</u>

22.2 Earnings per share-diluted

There is no dilution effect on the shares of the company(2013:Nil).

23 RELATED PARTY TRANSACTIONS

Related party comprise associates, other companies with common directorship, directors and key management personnel which are carried at arm's length basis. Detail of transactions with related parties during the period are as follows:

Nature of Transaction	Relationship with company	2014	2013
		Rupees	
Directors' remuneration	Key	2,999,994	2,999,910
Rent for marketing Office	management personnel	450,000	450,000
Loan from director	Director	10,500,000	-
Purchase of accessories	Associated company	12,960,282	7,063,072
Balance Outstanding	Associated Company	5,951,184	6,763,072

23.1 Directors' Remuneration

	CHIEF EXECUTIVE		DIRECTORS		TOTAL	
	2014	2013	2014	2013	2014	2013
	Rupees					
Remuneration	800,000	800,000	1,200,000	1,200,000	2,000,000	2,000,000
Other benefits	400,000	400,000	599,994	599,910	999,994	999,910
Total	1,200,000	1,200,000	1,799,994	1,799,910	2,999,994	2,999,910
Number of persons	1	1	2	2	3	3

The Chief Executive and Directors are also provided with free use of company maintained car.

24 FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

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

24.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economics, political or other conditions. Concentration of credit risk indicates that relative sensitivity of the Company's performance to development affecting a particular industry.

The carrying amount of financial assets represents the maximum credit exposure. To manage exposure to credit risk, the Company applies credit limits to their customers. Cash is held only with banks with high quality credit worthiness.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	2014	2013
	Rupees	
Trade debts - considered good	1,391,042	6,617,262
Loans and advances - considered good	38,067,865	19,259,341
Deposits, prepayments and other receivables	12,422,389	12,278,472
Cash and bank balances	5,930,631	1,560,800
	57,811,928	39,715,875

The maximum exposure to credit risk at the balance sheet date by geographic region is as follows:

	2014	2013
	Rupees	
United States of America	<u>1,391,042</u>	<u>6,617,262</u>

The maximum exposure to credit risk for trade debts and other receivable at the balance sheet date by type of customer is as follows:

Foreign customers	<u>1,391,042</u>	<u>6,617,262</u>
-------------------	------------------	------------------

Subsequent to the balance sheet date the Company has received the outstanding balance from foreign customers.

Impairment losses

The aging of trade debtors at the balance sheet date was:

	2014		2013	
	Gross	Impairment	Gross	Impairment
	Rupees			
Not past due	<u>1,391,042</u>	<u>-</u>	<u>6,617,262</u>	<u>-</u>

Based on assessment conducted of individual customers, the management believes that receivable falling within the age bracket of upto one year does not require any impairment provision other than to the extent determined above.

Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debts past due upto one year do not require any impairment except as provided in these financial statements, if any. None of the other financial assets are either past due or impaired.

The credit quality of Company's liquid funds is high since the counter parties are banks with reasonable external credit ratings.

The credit quality of company's liquid funds can be assessed with reference to external credit ratings as follows:

	2014	2013
	Rupees	
A1+	5,845,495	1,555,153
A-1+	<u>5,647</u>	<u>5,647</u>
	<u>5,851,142</u>	<u>1,558,540</u>

24.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

On the reporting date, the Company has cash and bank balances and unutilised credit lines of Rs. 5.93 million (2013:Rs. 1.56 million) and Rs. 4.99 million (2013: Rs. 8.74 million).

The following are the contractual maturities of financial liabilities, including interest payments:

2014					
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years	More than five years
Rupees					
Non-Derivative					
Financial liabilities					
Short term borrowings including accrued markup	135,378,488	135,378,488	135,378,488	-	-
Trade and other payables	102,627,831	102,627,631	102,627,631	-	-
Unclaimed dividend	4,305	4,305	4,305	-	-
Advance from customers	38,405,265	38,405,265	11,850,000	26,555,265	-
	276,415,688	276,415,688	249,860,424	26,555,265	-
2013					
Rupees					
Short term borrowings including accrued markup	128,186,595	128,186,595	128,186,595	-	-
Trade and other payables	80,642,294	80,642,294	80,642,294	-	-
Unclaimed dividend	400,620	400,620	400,620	-	-
Advance from customers	31,831,546	31,831,546	12,937,932	18,893,614	-
	241,061,054	241,061,054	222,167,440	18,893,614	-

24.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk and interest rate risk.

24.3.1 Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

24.3.2 Exposure to currency risk

The Company is exposed to currency risk on trade debts, sales, trade payables and purchases that are denominated in a currency other than the respective functional currency of the Company. The currencies in which these transactions are denominated is the US Dollars.

The Company's exposure to foreign currency risk is as follows:

	2014		2013	
	USD	Total	USD	Total
Rupees				
Trade debts	1,391,042	1,391,042	6,617,262	6,617,262
Gross balance sheet exposure	1,391,042	1,391,042	6,617,262	6,617,262
	1,391,042	1,391,042	6,617,262	6,617,262

The following significant exchange rates applied during the year:

2014 USD to PKR				2013 USD to PKR			
Reporting date rate		Average rate		Reporting date rate		Average rate	
buying 98.55	selling 98.75	buying 102.7	selling 102.9	buying 98.6	selling 98.8	buying 96.7	selling 96.9

Sensitivity Analysis

A 10 percent strengthening / weakening of the PKR against USD at 30 June would have decreased / increased post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

	2014	2013
Effect on (loss)/profit	Rupees	
USD	(820,615)	112,667

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

24.3.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks. At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	Carrying amount	
	2014	2013
Financial liabilities	Rupees	
<i>Variable rate instruments</i>		
Short term borrowings	132,512,182	124,838,689

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 and loss. Therefore, a change in 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 in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	Effect on profit and loss	
	100 bp increase	100 bp decrease
As at 30 June 2014		
Cash flow sensitivity-Variable rate instruments	1,325,122	(1,325,122)
As at 30 June 2013		
Cash flow sensitivity-Variable rate instruments	1,248,387	(1,248,387)

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

24.3.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

25 OPERATING SEGMENTS

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

25.1 Revenue from export sales represents 99.59% (2013 : 99.7%) of the total revenue of the Company.

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

25.3 CAPITAL RISK MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

26 CAPACITY AND PRODUCTION

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

27 NUMBER OF EMPLOYEES

Total number of employees as at June 30

Average number of employees during the year

2014	2013
(Number)	
151	143
148	139

28 DISCLOSURES RELATING TO PROVIDENT FUND

- (i) Size of the fund
- (ii) Cost of investment made
- (iii) Percentage of investments made
- (iv) Fair value of investments

2014	2013
Rupees	
1,049,766	958,650
-	-
-	-
-	-

The figures for 2014 are based on the un-audited financial statements of the provident fund.

29 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 31st October 2014 by the Board of Directors of the Company.

30 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR

**PATTERN OF SHAREHOLDING
AS ON JUNE 30, 2014**

NUMBER OF SHARE HOLDERS	FROM	SHARE HOLDING	TO	TOTAL SHARES HELD
121	1	-	100	6,682
61	101	-	500	23,678
13	501	-	1,000	12,510
29	1,001	-	5,000	80,430
6	5,001	-	100,000	149,500
5	100,001	-	150,000	705,000
2	150,001	-	250,000	379,800
3	250,001	-	400,000	1,133,200
2	400,001	-	600,000	800,800
1	600,001	-	750,000	708,400
243				4,000,000

ADDITIONAL INFORMATION REQUIRED BY SECP

DESCRIPTION	NO.	NO. OF SHARES	Percentage
1. Associated Companies, undertaking and related parties;		NIL	
2. NIT and ICP		NIL	
3. Directors, CEO and their spouse and their minor children (name wise details);			
NAME DESIGNATION RELATION			
1. Syed Iqbal Hussain Director	3	709,400	17.74
2. Mrs. Farhat Iqbal Director W/o. S. Iqbal Husain	1	399,300	9.98
3. Mr. Adnan Iqbal Chief Executive S/o. S. Iqbal Husain	1	400,300	10.01
4. Syed Tariq Husain Director S/o. S. Iqbal Husain	2	605,300	15.13
5. Mrs. Seema Adnan Director W/o. Mr. Adnan Iqbal	1	146,500	3.66
6. Mrs. Sabeen Tariq Director W/o. S. Tariq Husain	1	144,000	3.60
7. Syed Marib Husain Director S/o. Mr. Adnan Iqbal	1	175,000	4.38
4. Executives;	-	NIL	NIL
5. Public sector companies and corporation.	-	NIL	NIL
6. Joint Stock Companies	4	3,330	0.08
7. Banks development financial institution non-banking finance institutions ALLIED BANK LTD	-	NIL	NIL
8. Share holder holding ten percent or more voting interest in the listed company.	-	NIL	NIL
9. General Public INDIVIDUALS	229	1,416,870	35.42
	243	4,000,000	100.00

FORM OF PROXY

Please Quote

Folio No. No. of Shares Held.

--	--

I / We _____ of _____
 _____ (full address) being a member of **SAFA TEXTILES LIMITED** hereby
 appoint _____ of
 _____ (full address) or failing him _____
 _____ of _____ (full

address) as my / our proxy to attend and vote for my / our behalf at 29th Annual General Meeting of the
 Company to be held at 11:30 a.m. on Monday, 24th November, 2014 at The Royal Rodale Sports at TC-V,
 30th Street, Khayaban-e-Sehar, Phase V-Ext. D.H.A, Karachi and at any adjournment thereof.

As witness my / our hands this _____ day
 of _____ in the presence of

 (Witness)

Please Affix
 Revenue stamp
 of
 Rs. 5.00

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

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

SAFA

SAFA TEXTILES LIMITED

Established - 1984