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Annual Report
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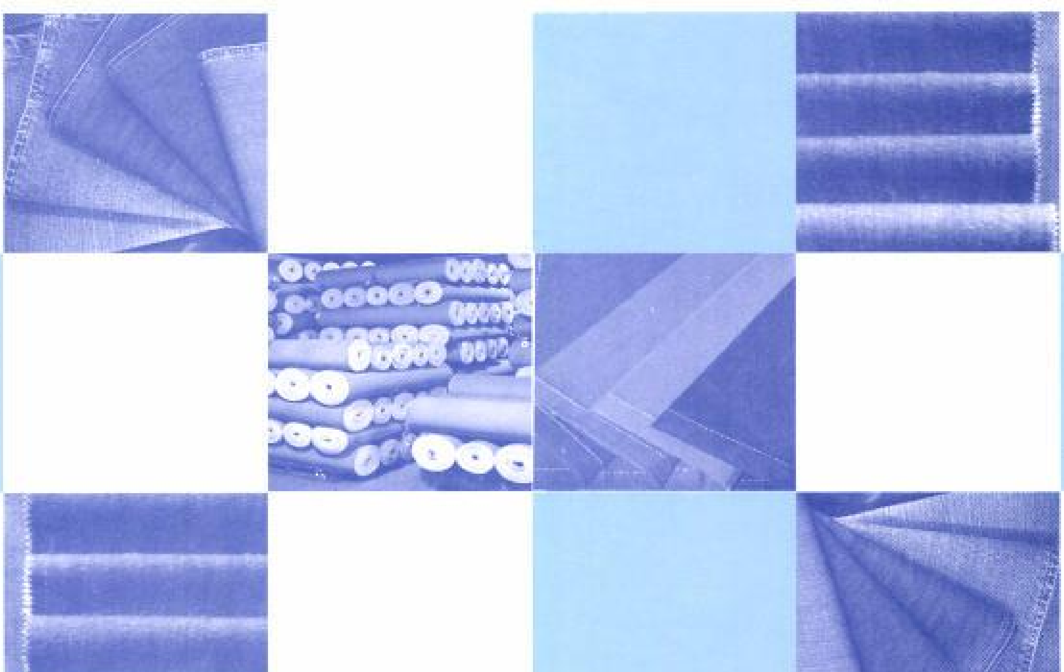
SAFA

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	
Mr. Adnan Iqbal	Chief Executive
Syed Iqbal Husain	Director and Chairman
Syed Tarique Husain	Director Technical and Logistics
Mrs. Farhat Iqbal	Non -Executive Director
Mrs. Seema Adnan	Non -Executive Director
Mrs. Sabeen Tarique	Non -Executive Director
Syed Marib Husain	Non -Executive Director
CHIEF FINANCIAL OFFICER	Mr. Agha Yousuf Ali Khan
COMPANY SECRETARY	Miss Rukhsana Bukhsh
AUDIT COMMITTEE	
Mrs. Farhat Iqbal	Chairman
Mrs. Seema Adnan	Member
Mrs. Sabeen Tarique	Member
Mr. Sajjad Ziauddin Mir	Internal Auditor
HUMAN RESOURCE AND REMUNERATION COMMITTEE	
Syed Marib Hussain	Chairman
Mrs. Seema Adnan	Member
Mr. Shahrukh Latif	Member, Secretary
BANKERS	NIB Bank Limited Standard Chartered Bank Limited Bank Al-Falah Limited Habib Bank Limited Habib Metropolitan Bank Limtid
AUDITORS	M/s. Rahman Sarfaraz Rahim Iqbal Rafiq. Chartered Accountants Plot No. 180, Block-A S.M.C.H.S, Karachi-74400, Pakistan
LEGAL ADVISER	Khalid Daud Pota (Advocate)
REGISTERED OFFICE AND FACTORY	Plot No. : 26 & 26/1 Sector 12-D, North Karachi Industrial Area, Karachi.
SHARE REGISTRAR	M/s. C & K Management Associates (Pvt.) Ltd. Room No. 404, 4th Floor, Trade Tower, Abdullah Haroon Road, Karachi.
TELEPHONE	(+9221-3) 6995931 - 6980947
TELEFAX	(+9221-3) 6958962
WEB SITE	www.safatextile.com
EMAIL	safatext@safatextile.com info@safatextile.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 30th Annual General Meeting of the Shareholders of Safa Textiles Limited will be held at 07:00 PM., on Friday, 30th October, 2015, 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,2015 together with Auditor's and Director's Report thereon.
3. To appoint the Auditors for the year ending June 30, 2016 and fix their remuneration. The retiring auditors have retired and being eligible, have offered themselves for reappointment.
4. To transact any other business wth the permission of the chair.

By the order of the board

Karachi: October 10, 2015

Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from 23rd October, 2015 to 30th October, 2015 (Both days inclusive).
2. 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.
3. Shareholders are requested to immediately notify the change in their address, if any.
4. 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 30th 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, 2015.

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

	Rupees 30.06.15	Rupees 30.06.14
Sales	**613,966,412**	731,675,409
Cost of Goods Sold	**(678,631,721)**	(646,005,376)
Gross Profit	**(64,665,309)**	85,670,033
Operating Expenses	**(81,045,557)**	(72,656,590)
Net (Loss)/Profit before tax	**(185,252,198)**	(659,708)
Net (Loss)/Profit after tax	**(192,635,548)**	(8,206,152)
Earning per Share	**(48.16)**	(2.05)

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, shortage of watter supply and above all high inflation rate, increase in tariff rate has also hampered the industrial and manufacturing activities,

The Financial results of the Company during the last seven years, from 2009 to 2015 is attached in annexure 1 for your review.

Sales

The export sales of the Company decreased from Rs.731.675 million to Rs. 613.966 million due to cancellation of orders

and export sales of such goods to sold to third parties at substantial discount or by air fireght on company's account.

Production

During the year, the company incurred huge costs mainly due to adding medium value added products in its production through induction of specialized machines, washing facility and upgraded factory environment and induction of production staff for both low and medium value added range. also fulfilled the requirement and obtained certification with regards to international standards and social compliances ISO 9000, WRAP and SEDEX, CT-PAT and met age and safety standards set for labor. These factors substantially increased labor costs and salaries in addition to loss suffered as mentioned above while exports remained low.

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 loss before tax for the year ended June 30, 2015 has shown increase of Rs. 184.592 million, i.e. from loss of Rs.0.659 million to loss of Rs. 185.252 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 2014 the earning per share was negative by Rs. 2.05/=, and during 2015 earning per share is negative by Rs. 48.16/=. The decline further in earnings is due to increase in costs and lower export prices.

Fixed Assets

During the year, addition to building, machinery, electrical appliances & office equipment were completed and capitalized amounting to Rs. 54.949 million. These additions were necessary to meet the requirements set for obtaining certification and meeting customers requirements. The company was granted certification of compliance with ISO 9000, SEDEX, CT-PAT and WRAP during the year. This will enable the company to produce value added in medium category as compare to low end product which had been exporting last year.

Financial Charges

Financial Charges including mark up for the year ended June 30, 2015 have increased from Rs.16.753 million to Rs. 31.121 million.

Future Prospect

During the last two years the cost incurred into modernization and certification was for the purpose of getting value added export order and for bringing new customer. From this year your company is in a position to get thses orders that will increase the value of sales and financial earnings with a minimum cost there on and achievement of thses orders will also cover the losses already occurred.

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 2015-2016 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, WRAP, CT-PAT and Met Age 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.

COMPLAIANCE WITH CODE OF CORPORATE GOVERNANCE

As required by Code of Corporate Governance our directors are pleased to report that :

1. The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance 1984. These Statements present fairly the Company's state of affairs, results of its operations, cash flow,comprehensive income and changes in equity.

2. The Company entered in arm length transactions with other members of the group. These transactions are in compliance with the directives issued by the Security & Exchange Commission of Pakistan (SECP) in this regard.

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 1.

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 09, 2015

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:

a) The Company encourages representation of independent non-executive directors and directors representing minority interest on its board of directors. At present, the Board includes:

Category	Name
Executive Director	M/s. Adnan Iqbal, Syed Iqbal Hussain and Syed Tarique Hussain
Non-Executive Director	M/s. Farhat Iqbal, Seema Adnan, Sabeen Tarique and Syed Marib Hussain

Requirement of independent director and chairman being non - -executive director will be fulfilled in the due course of business.

b) The Directors have confirmed that none of them is serving as a director in more than seven listed companies including this Company.

c) All the resident Directors of the Company are registered as tax payers and non 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.

d) No casual vacancy has occurred in Board during the financial year 2014-2015.

e) The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all Directors and Employees of the Company.

f) The company has prepared a "Code of Conduct" and has been diseeminated throughout the company along with its supporting policies and procedures.

g) The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

h) All the powers of Board have been duly exercised and decisions on material transactions, appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by Board.

i) 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.

j) 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.

k) All the directors of the company except 1 have 14 years of education and 15 years of experience on the board of listed company due to which they are exempted from having certification under any direcotors' 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.

l) No new appointment of CFO, Company Secretary and Head of Internal Audit has been made during the year.

m) 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.

n) The Directors' Report for this year has been prepared in compliance with thre reqiurements of the code of Corporate Governance and fully describes the salient matters required to be disclosed.

o) The financial statements of the Company were duly endorsed by the CEO and CFO before the approval of Board.

p) 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.

q) The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.

r) The Board has formed an audit committee. It comprises four members, three of whom are Non-Executive Directors including the chairman of the committee. Independent director shall be appointed as chairman of the commiittee in the due course of business.

s) 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 of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.

t) The Board has formed HR and Remuneration committee. It comprises three members, of whom two are non executive directors.

u) 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 are involved in the internal audit function on a full time basis.

v) 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.

w) 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.

x) No such material / price sensitive information existed which should be disseminated among all market paricipants at once through stock exchange.

y) The 'closed period' prior to the announcement of interim / final results and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.

z) We confirm that all other material principles enshrined in the CCG have been complied with except for the requirements pertaining to composition of board of directors and audit committee and directors training program toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

MR. ADNAN IQBAL
CHIEF EXECUTIVE

Date: October 09, 2015

SAFA TEXTILES LIMITED
COMPARATIVE STATEMENT OF OPERATING RESULTS
FROM JUNE 2009 TO JUNE 2015 (7 YEARS)

PARTICULAR	JUNE 2009	JUNE 2010	JUNE 2011	JUNE 2012	JUNE 2013	JUNE 2014	JUNE 2015
SALES	395,271	471,199	474,758	501,806	771,762	731,675	613,966
COST OF GOODS SOLD	350,243	412,714	411,595	418,216	674,947	646,005	678,631
GROSS PROFIT	**45,028**	**58,485**	**63,163**	**83,590**	**96,815**	**85,670**	**(64,665)**
OPERATING EXPENSES	35,686	42,601	41,506	57,895	68,902	72,657	81,045
OPERATING PROFIT	**9,342**	**15,884**	**21,657**	**25,695**	**27,913**	**13,013**	**(145,710)**
FINANCIAL / OTHER CHARGES	(5,187)	(9,352)	(14,486)	(20,119)	(20,173)	(17,357)	(31,121)
OTHER INCOME / (LOSS)	3,292	519	(476)	844	1,207	3,684	(8,420)
TAXATION	(3,929)	(4,701)	(5,082)	(4,927)	(7,820)	(7,546)	(7,383)
NET PROFIT	**3,518**	**2,350**	**1,613**	**1,493**	**1,127**	**(8,206)**	**(192,634)**
TRANSFER TO GENERAL RESERVE	(2,000)	(2,000)	-	-	-	-	-
ACCUMULATED PROFIT / (LOSS) B/F	6,182	7,700	8,050	9,663	11,156	12,283	4,077
DIVIDEND PAID	-	-	-	-	-	-	-
ACCUMULATED PROFIT / (LOSS) C/F	**7,700**	**8,050**	**9,663**	**11,156**	**12,283**	**4,077**	**(188,557)**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Safa Textiles Limited** ("the Company") as at **June 30, 2015** 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, 2015** 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.

Without qualifying our opinion, we draw attention to note 1.2 to the financial statements which indicates that the company has incurred net loss of Rs. 192.63 million (2014: Rs. 8.21 million) for the year resulting in negative equity of Rs. 142.55 million. The current liabilities exceed current assets by Rs. 179.17 million (2014: Rs. 67.59 million). These conditions, along with other matters as set forth in note 1.2, indicate the existence of a material uncertainty that may cause significant doubt about the Company's ability to continue as a going concern.

Karachi,
Date:

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

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** for the year ended **June 30, 2015** to comply with the requirements of Listing Regulations of the Karachi Stock Exchange where the Company is listed.

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

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

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

Based on our review, except for the matters, stated in notes (a), (k), and (r) to the Statement of Compliance, 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, 2015**.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the note reference where these are stated in the Statement of Compliance:

I. As disclosed in point (a) of the statement, the company does not have any independent director and chairman of the board is not among non executive directors as required under clause (i) and (iv) of the code.

II. As disclosed in point (k) of the statement, one director of the company has not obtained certification under the directors training program as required under clause (xi) of the code.

III. As disclosed in point (r) of the statement, audit committee does not include an independent director, at least one member of the audit committee is required to be an independent director under clause (xxiv) of the code.

Rahman Sh Chafiq

Karachi.
Date:

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

SAFA TEXTILES LIMITED
BALANCE SHEET
AS AT JUNE 30, 2015

	Note	2015	2014
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	148,646,671	144,219,252
Current Assets			
Stores and spares		10,158,999	1,222,623
Stock in trade	5	133,651,149	122,570,846
Trade debts - considered good		5,400,000	1,391,042
Loans and advances - considered good	6	24,351,237	38,067,865
Deposits, prepayments and other receivables	7	24,228,964	12,422,389
Tax refunds due from Government		2,185,362	668,064
Cash and bank balances	8	6,010,805	5,930,631
		205,986,516	182,273,461
		354,633,187	326,492,713
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized capital			
5,000,000 (2014: 5,000,000) ordinary shares of Rs. 10/- each		50,000,000	50,000,000
Issued, subscribed and paid-up capital	9	40,000,000	40,000,000
General reserves		6,000,000	6,000,000
Unappropriated profit		(188,558,524)	4,077,024
		(142,558,524)	50,077,024
Non-Current Liabilities			
Long Term Finance	10	99,363,091	-
Advance from customers	11	12,671,623	26,555,265
		112,034,714	26,555,265
Current Liabilities			
Trade and other payables	12	159,908,923	114,477,631
Accrued markup		2,533,587	2,866,306
Short term borrowings	13	209,446,231	132,512,182
Current potion of long term finance	10	13,263,950	-
Unclaimed dividend		4,305	4,305
		385,156,997	249,860,424
Contingencies and Commitments	14		
		354,633,187	326,492,713

The annexed notes from 1 to 31 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

SAFA TEXTILES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		Rupees	
Sales - net	15	613,966,412	731,675,409
Cost of sales	16	(678,631,721)	(646,005,376)
Gross profit		(64,665,309)	85,670,033
Operating expenses			
Administrative expenses	17	(51,803,495)	(55,029,156)
Distribution costs	18	(29,242,062)	(17,627,434)
		(81,045,557)	(72,656,590)
Operating profit		(145,710,866)	13,013,443
Finance costs	19	(31,121,069)	(16,753,370)
Other income	20	(8,420,263)	3,683,935
Other charges	21	-	(603,716)
		(39,541,332)	(13,673,151)
(Loss)/Profit before taxation		(185,252,198)	(659,708)
Taxation	22	(7,383,350)	(7,546,444)
(Loss)/Profit after taxation		(192,635,548)	(8,206,152)
Earnings per share - basic and diluted	23	(48.16)	(2.05)

The annexed notes from 1 to 31 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

SAFA TEXTILES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	Rupees	
Loss after taxation	**(192,635,548)**	(8,206,152)
Other comprehensive income	-	-
Total comprehensive loss	**(192,635,548)**	(8,206,152)

The annexed notes from 1 to 31 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

SAFA TEXTILES LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	Rupees	
Cash Flow from Operating Activities		
Loss before taxation	(185,252,198)	(659,708)
Adjustments for non-cash and other items		
Depreciation	11,154,514	10,088,984
Amortization	63,587	29,796
Finance costs	31,121,069	16,753,370
Loss on sale of property, plant and equipment	1,008,750	-
	43,347,920	26,872,150
Operating profit before working capital changes	(141,904,278)	26,212,442
Changes in working capital		
(Increase) / decrease in current assets		
Stores and spares	(8,936,376)	535,722
Stock in trade	(11,080,302)	2,763,368
Trade debts - considered good	(4,008,958)	5,226,220
Loans and advances - considered good	13,716,628	(18,808,524)
Deposits, prepayments and other receivables	(11,806,575)	(143,917)
	(22,115,583)	(10,427,131)
	(164,019,861)	15,785,311
Increase in current liabilities		
Trade and other payables	45,431,292	20,897,405
Finance cost paid	(31,508,786)	(17,234,970)
Taxes paid	(8,900,648)	(7,688,858)
	(40,409,434)	(24,923,827)
Net cash generated from operating activities	(158,998,003)	11,758,889
Cash Flow from Investing Activities		
Fixed capital expenditure	(15,634,190)	(7,455,777)
Capital work in progress	(4,365,080)	(14,872,110)
Sale Proceeds of Disposal	3,400,000	-
	(16,599,270)	(22,327,887)
Net cash (used in)/ generated from investing activities	(175,597,273)	(10,568,998)
Cash Flow from Financing Activities		
Unclaimed dividend	-	(396,315)
Long term financing	112,627,041	-
Adjustment of advance from customers	(13,883,643)	7,661,651
Net cash generated from financing activities	98,743,398	7,265,336
Net (decrease)/increase in cash and cash equivalents	(76,853,875)	(3,303,662)
Cash and cash equivalents at the beginning of the year	(126,581,551)	(123,277,889)
Cash and cash equivalents at the end of year	(203,435,426)	(126,581,551)
Cash and cash equivalents comprise of:		
Cash and bank balances	6,010,805	5,930,631
Short term borrowings	(209,446,231)	(132,512,182)
	(203,435,426)	(126,581,551)

The annexed notes from 1 to 31 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, 2015

	Share Capital	General Reserves	Unappropriated Profit	Total
	Rupees			
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**
Balance as at July 01, 2014	40,000,000	6,000,000	4,077,024	50,077,024
Total comprehensive loss	-	-	(192,635,548)	(192,635,548)
Balance as at June 30, 2015	**40,000,000**	**6,000,000**	**(188,558,524)**	**(142,558,524)**

The annexed notes from 1 to 31 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, 2015

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 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.

1.2 The financial statements reflect a Net loss of Rs. 192.63 million (2014: Rs. 8.21 million) for the year resulting in negative equity of Rs. 142.55 million. The current liabilities exceeds current assets by Rs. 179.17 million (2014: Rs. 67.59 million).

During the year, the company suffered huge loss mainly due to delayed production beyond delivery dates. The loss was occasioned as orders were cancelled and sold to third parties at substantial discount or air freighted on seller's account.

The main reason for the above was major drop in export orders in international market and unworkable prices offered for low end products traditionally exported by the company. The management decided to counter that by adding medium value added products in its production through induction of specialized machines, washing facility and upgraded factory environment and induction of production staff for both low and medium value added range. It also fulfilled the requirement and obtained certification with regards to international standards and social compliances ISO 9000, WRAP and SEDEX, CT-PAT and met age and safety standards set for labor. These factors substantially increased labor costs and salaries in addition to loss suffered as mentioned above while exports remained low. The management expects that the above social compliance certification will bring long term benefit to the company in the shape of higher export prices and increase in orders while the benefit from the cost while accrue in future period, these where charged to the current cost.

Subsequent to the balance sheet, the company's aggregate export sales in the month of July and August 2015 remained at slow pace amounting to Rs. 94 million. However, from September onwards export picked up to Rs. 60 million and this trend of increase is expected to be continued in future. The management expects that sales will increase as compared to last year as well as it will fetch better export prices for value added export. It expects in the years ahead growth in export sales at workable prices in view of widely acceptable certification obtained by it.

In view of the above, these financial statements have been prepared using going concern assumption.

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 recognized 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:

During the period, certain amendments to standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the financial statements of the Company.

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

There are new and amended standards and interpretations that are mandatory for accounting periods beginning July 01, 2014 but are considered not to be relevant or do not have any significant effect on the financial statements and are therefore not detailed in these financial statements.

- 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 amortization 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 the Company's financial statements.

- IFRS 10 'Consolidated Financial Statements' - (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Company's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Company's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on the Company's financial statements.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on the Company's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on the Company's financial statements.

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after I January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, an entity 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. The adoption of the amended standard is not likely to have an impact on the Company's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on the Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on the Company's financial statements.

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 recognized 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 recognized 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 recognized 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 recognized as an expense when incurred.

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

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

Amortization is charged from the month in which the related asset is available for use while no amortization 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 recognized 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, labor 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 there 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 recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized 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.

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 there future usability.

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All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized 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 recognized in other comprehensive income until derecognized or impaired. When securities classified as available-for- sale are sold or impaired, the accumulated fair value adjustment recognized 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 recognized in the profit and loss account. Dividends on available-for-sale equity instruments are recognized 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 recognized in the profit and loss account. Impairment losses recognized 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 recognized at the time when the Company becomes a party to the contractual provisions of the instruments. A financial liability is derecognized 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 recognized 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 recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized on the following basis:

- Local sales are recognized on dispatch of goods to customers.
- Export sales are recognized at the time of receipt of bill of lading.
- Export rebate is recognized on accrual basis at the time of making the export sale.
- Interest income is recognized 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 recognized 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.

4 PROPERTY, PLANT AND EQUIPMENT

	Note	2015	2014
		Rupees	
Capital work in progress	4.1	**4,365,080**	39,284,827
Operating Fixed Assets	4.2	**143,959,744**	104,683,991
Intangible Assets	4.3	**321,847**	250,434
		148,646,671	144,219,252

		2015	2014
		Rupees	
4.1 Capital work in progress			
Balance as at July 1		**39,284,827**	24,412,717
Additions during the year	4.1.1	**4,365,080**	14,872,110
Transfer to Building on Leasehold land during the year		**(39,284,827)**	-
Balance as at June 30		**4,365,080**	39,284,827

4.1.1 Addition during the year is advance paid to contractor for civil work.

4.2 Operating Fixed Assets

Particulars	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, 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)	(464,164)	(1,036,933)	(11,113,103)	(2,229,841)	(62,045,905)
Net book value	284,070	31,753,315	61,103,335	2,076,748	80,496	1,679,470	5,267,262	5,247,503	107,492,200
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	5,247,503	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)	(10,068,984)
Closing net book value	284,070	30,165,651	60,485,728	1,869,072	72,448	2,137,438	4,252,060	5,417,523	104,683,991
As at July 01, 2014									
Cost	284,070	46,404,803	96,693,506	4,873,955	544,659	3,375,553	16,425,365	8,216,969	176,818,380
Accumulated depreciation	-	(16,239,152)	(36,207,778)	(3,004,883)	(472,212)	(1,238,115)	(12,173,305)	(2,799,446)	(72,134,389)
Net book value	284,070	30,165,651	60,485,728	1,869,072	72,448	2,137,438	4,252,060	5,417,523	104,683,991
Year ended June 30, 2015									
Opening net book value	**284,070**	**30,165,651**	**60,485,728**	**1,869,072**	**72,448**	**2,137,438**	**4,252,060**	**5,417,523**	**104,683,991**
Additions/transfer at cost	-	**39,374,827**	**9,770,600**	**80,000**	-	**1,071,990**	**3,590,000**	**1,031,600**	**54,919,017**
Disposals / transfers									
Cost	-	-	**(4,725,000)**	-	-	-	-		**(4,725,000)**
Accumulated depreciation	-	-	**236,250**	-	-	-	-	-	**236,250**
Net book value			**(4,488,750)**						**(4,488,750)**
Depreciation for the year	-	**(2,003,843)**	**(6,649,113)**	**(194,907)**	**(7,245)**	**(289,887)**	**(1,388,912)**	**(620,607)**	**(11,154,514)**
Closing net book value	**284,070**	**67,536,635**	**63,607,215**	**1,754,165**	**65,203**	**2,919,541**	**6,453,148**	**5,828,516**	**143,958,744**
As at June 30, 2015									
Cost	**284,070**	**85,779,630**	**101,739,106**	**4,953,955**	**544,659**	**4,447,543**	**20,015,365**	**9,248,569**	**227,012,897**
Accumulated depreciation	-	**(18,242,995)**	**(42,620,640)**	**(3,199,790)**	**(479,456)**	**(1,528,002)**	**(13,562,217)**	**(3,420,053)**	**(83,053,153)**
Net book value	**284,070**	**67,536,635**	**59,118,466**	**1,754,165**	**65,203**	**2,919,541**	**6,453,148**	**5,828,516**	**143,958,744**
Annual rates of depreciation	-	**5%**	**10%**	**10%**	**10%**	**10%**	**20%**	**10%**	

***Motor Vehicles include Rs. 3.59 million assets on Musharaka arrangements.**

4.3 Intangible assets

	Rupees
As at July 1, 2013	
Cost	350,000
Accumulated amortization	(244,770)
Net book value	105,230
Year ended June 30, 2014	
Opening net book value	105,230
Additions during the year	175,000
Amortization	(29,796)
Closing net book value	250,434
As at July 01, 2014	
Cost	525,000
Accumulated amortization	(274,566)
Net book value	250,434
Year ended June 30, 2015	
Opening net book value	**250,434**
Additions during the year	**135,000**
Amortization	**(63,587)**
Closing net book value	**321,847**
As at June 30, 2015	
Cost	**660,000**
Accumulated amortization	**(338,153)**
Net book value	**321,847**
Annual rate of amortization	**20%**

		2015	2014
4.4	Depreciation and amortization for the year has been allocated as under :	Rupees	
	- Cost of sales	**7,852,671**	7,083,147
	- Administrative expenses	**3,365,430**	3,035,633
		11,218,101	10,118,780

4.5 Details of Property, plant and equipment disposals having net book value in excess of Rs.50,000 are as follows:

Particulars	Mode of Sale	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Particulars of buyer
Plant and Machinery						
Jumbo washing machines and steam Tumbler	Negotiation	4,725,000	236,250	4,488,750	3,400,000	Bashir Ahmed

			2015	2014
5	**STOCK IN TRADE**		Rupees	
	Raw material and accessories		**30,651,043**	29,775,387
	Work in process		**34,549,556**	20,427,402
	Finished goods		**68,450,550**	72,368,057
			133,651,149	122,570,846
6	**LOANS AND ADVANCES - CONSIDERED GOOD**			
	Unsecured			
	Loans to staff	6.1	**556,607**	586,681
	Advances for :			
	- raw materials		**473,690**	25,261,224
	- expenses		**94,032**	123,760
	- supplies and services		**23,226,908**	12,096,199
			24,351,237	38,067,865

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.

		2015	2014
		Rupees	

7 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015	2014
Security deposits	**4,437,510**	1,435,510
Prepaid insurance	**710,084**	143,338
Other receivables :		
- Export rebate receivable	**7,161,924**	3,837,637
- Duty draw back receivable	**3,695,492**	3,695,492
- Sales tax refundable	**8,223,954**	3,310,412
	24,228,964	12,422,389

8 CASH AND BANK BALANCES

	2015	2014
Cash with banks		
- PLS accounts	**17,148**	12,686
- Current accounts	**5,993,657**	5,838,456
Cash in hand	-	79,489
	6,010,805	5,930,631

9 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of Shares 2015	2014		2015	2014
3,990,900	3,990,900	Ordinary shares of Rs. 10/- each fully paid in cash.	**39,909,000**	39,909,000
9,100	9,100	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	**91,000**	91,000
4,000,000	4,000,000		**40,000,000**	40,000,000

10 LONG TERM FINANCE

		2015	2014
NIB Bank Limited	10.1	**110,000,000**	-
Faysal Bank Limited	10.2	**2,627,041**	-
		112,627,041	-
Less: Current portion of long term finance		**(13,263,950)**	-
		99,363,091	-

10.1 This represents term finance loan converted as at 12th May, 2015 as a result of a restructuring agreement with NIB bank for the purpose of payment rescheduling the over due amounts of Inland usance letter of credit facilities and Finance against Trust Receipt Facility. The loan is repayable in 60 equal monthly installments commencing from 12 May, 2015. It carries a markup at the rate of last 7 days average of 3 months KIBOR + 1.5% to be reset on quarterly basis and payable on monthly basis. The said loan is secured against 1st equitable mortgage charge of Rs. 225 million over fixed assets of the company, 1st registered hypothecation charge of Rs. 320 million over movables and receivables of the company and equitable mortgage over residential property of 2,000 sq yards bearing plot # 47, 30th street, Phase V, DHA, Karachi and personal guarantee of all the directors.

10.2 This represents diminishing musharaka facilities for purchase of vehicles. The terms of the agreement are of 5 years. The facility amount is payable in 60 equal monthly installments ranging from Rs. 24,642 to 26,592 each and carries markup at the rate ranging from 21.61% to 23.3% per anum.

11 ADVANCE FROM CUSTOMERS

		2015	2014
		Rupees	
Advance from customers	11.1	12,671,623	38,405,265
Less: Current portion		-	(11,850,000)
		12,671,623	26,555,265

11.1 This represents balance of aggregate amount of advance from customers against export orders that are adjustable against shipment to them.

12 TRADE AND OTHER PAYABLES

		2015	2014
		Rupees	
Trade creditors		143,243,219	88,615,715
Accrued expenses		14,467,005	12,182,261
Current portion of advance from customers		-	11,850,000
Other payables :			
Withholding tax payable		417,839	185,433
Workers' profits participation fund	12.1	1,152,709	1,032,762
Workers' welfare fund		603,716	603,716
Staff provident fund		24,435	7,744
		2,198,699	1,829,655
		159,908,923	114,477,631

12.1 Workers' profits participation fund

	2015	2014
Opening balance	1,032,762	862,249
Charge for the year	-	-
Interest for the year	119,947	170,513
Less: Payments made during the year	-	-
	1,152,709	1,032,762

13 SHORT TERM BORROWINGS

		2015	2014
Secured			
NIB Bank Limited			
Export Refinance	13.1	110,000,000	97,000,000
Letter of credits	13.2	21,983,757	6,643,181
Finance against imported merchandise	13.3	3,370,100	18,369,000
		135,353,857	122,012,182
Habib Metropolitan Bank Limited			
Finance against foreign bills	13.4	4,404,000	-
Foreign Bills Discounted	13.5	59,188,374	-
Unsecured			
Loan from director		10,500,000	10,500,000
		209,446,231	132,512,182

13.1 This represent facility of loan secured against equitable mortgage of Rs. 225 million (June 30, 2014: 162.54 million) over fixed assets of the Company at their factory at Plot no. 26 & 26/1, Sector 12-D, North Karachi Industrial Area, Karachi. 1st registered / Hypothecation charge of Rs.320 million over movables and receivables of the Company at their factory. 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. Equitable mortgage over residential property measuring 2,000 sq, yards bearing Plot # 47,30th street, Phase V, DHA, Clifton Cantonment, Karachi. 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.

13.2 This represent facility of Rs 30 million with no cash margin on sight and usuance letter of credit or as per SBP margin requirement whichever is high secured through lien over import documents, export LC, Bills of exchange.

13.3 This represent facility of Rs 15 million secured by way of valid trust receipt and pledge of imported goods under control of Bank's approved Muccadam.

13.4 This represent facility of Rs 40 million with 10% cash margin on sight and usuance letter of credit secured through lien over import documents, export LC, Bills of exchange. The facility was adjusted subsequently from realization of export proceeds in July 2015.

13.5 This represents liability on account of foreign bills discounted by banks.

14 CONTINGENCIES AND COMMITMENTS

Contingencies

There were no contingencies existing at balance sheet date (2014: Nil).

		2015	2014
Commitments		Rupees	
Raw materials		37,048,168	32,770,000
For capital expenditure		-	871,000
Exports of goods		64,880,330	146,102,318

15 SALES - NET

		2015	2014
Export sales		621,218,910	728,684,213
Export rebate		5,170,107	2,991,196
		626,389,017	731,675,409
Less: Discount / claims		(12,422,606)	-
		613,966,412	731,675,409

16 COST OF SALES

		2015	2014
Raw materials consumed	16.1	330,442,085	308,207,846
Accessories consumed		46,683,216	81,609,073
Packing materials consumed		34,882,497	27,060,507
		412,007,798	416,877,426
Manufacturing Expenses			
Salaries, wages and other benefits		69,967,701	45,677,207
Cutting and stitching charges		99,288,477	114,725,898
Conversion cost		59,009,972	35,735,214
Stores and spares		13,674,745	14,046,735
Fuel and power		13,107,305	16,421,401
Rent, rates and taxes		1,416,500	1,186,600
Repair and maintenance		5,761,203	4,239,924
Water charges		5,579,100	403,912
Travelling		1,103,276	2,461,428
Canteen		67,620	56,740
Depreciation and amortization	4.4	7,852,671	7,083,147
		276,828,570	242,038,206
Work in process - opening		20,427,402	36,058,541
- closing		(34,549,556)	(20,427,402)
		(14,122,154)	15,631,139
Cost of goods manufactured		674,714,214	674,546,771
Finished goods - opening		72,368,057	43,826,662
- closing		(68,450,550)	(72,368,057)
		3,917,507	(28,541,395)
		678,631,721	646,005,376

16.1 Raw materials consumed	2015	2014
	Rupees	
Opening stock	**21,629,861**	22,064,091
Purchases during the year	**328,046,198**	307,773,616
Available for consumption	**349,676,059**	329,837,707
Closing stock	**(19,233,974)**	(21,629,861)
	330,442,085	308,207,846

17 ADMINISTRATIVE EXPENSES

		2015	2014
Directors' remuneration	24.1	**2,999,888**	2,999,994
Salaries and benefits	17.1	**21,177,777**	33,963,842
Printing and stationery		**1,303,911**	1,503,872
Telephone, telex and postage		**2,985,879**	2,419,692
Rent, rate and taxes		**4,592,796**	758,674
Canteen expenses		**1,803,798**	2,129,500
Newspapers, subscription and advertisements		**63,338**	49,830
Travelling and conveyance		**4,494,282**	1,686,201
Repair and maintenance and service charges		**4,990,004**	3,947,544
Certification expenses		**1,452,506**	193,969
Computer expenses		**665,770**	508,700
Legal and professional fee		**86,375**	66,000
Auditors' remuneration	17.2	**635,150**	534,900
Donation	17.3	**25,000**	61,700
Advances written off		**84,295**	304,983
Insurance premium		**1,077,296**	864,122
Depreciation and amortization	4.4	**3,365,430**	3,035,633
		51,803,495	55,029,156

17.1 This includes Company's contribution towards defined contribution plan amounting to Rs.30,154 (2014: Rs.45,558). 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.

17.2 Auditors' remuneration	2015	2014
	Rupees	
Audit fee	**450,000**	300,000
Half yearly review fee	**125,000**	125,000
Other certifications' fee	**-**	50,000
Reimbursement of out of pocket expenses	**60,150**	59,900
	635,150	534,900

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

18 DISTRIBUTION COSTS

	2015	2014
	Rupees	
Salaries and benefits	**2,616,676**	1,694,211
Shipping and clearing expenses	**26,472,786**	12,908,543
Postage and courier	**-**	1,067,110
Travelling	**152,600**	1,957,570
	29,242,062	17,627,434

		2015	2014
19	**FINANCE COSTS**	Rupees	
	Markup on short term borrowings	**22,735,179**	9,961,918
	Interest on Workers' profit participation fund	**119,947**	170,513
	Markup on Finance lease	**399,541**	-
	Bank charges and commission	**7,866,402**	6,620,939
		31,121,069	16,753,370
20	**OTHER INCOME**		
	Income from financial assets:		
	Loss on disposal of Assets	**(1,008,750)**	-
	Profit on saving account	**-**	21,818
	Exchange loss on forward booking	**(3,771,797)**	-
	Exchange gain/(loss)-net	**(3,721,846)**	3,566,661
	Income from non-financial assets:		
	Sale of wastage stock	**82,130**	95,456
		(8,420,263)	3,683,935
21	**OTHER CHARGES**		
	Workers welfare fund	-	603,716
	Workers' profit participation fund	-	-
		-	603,716
22	**PROVISION FOR TAXATION**		
	Current		
	-for the year	**7,383,350**	7,546,444
	-prior year	-	-
		7,383,350	7,546,444

22.1 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.

23 EARNINGS PER SHARE - BASIC AND DILUTED

23.1 Earning per share-basic

	2015	2014
(Loss)/Profit after taxation	**(192,635,548)**	(8,206,152)
	Numbers	
Weighted average number of ordinary shares	**4,000,000**	4,000,000
	Rupees	
Earnings per share - basic	**(48.16)**	(2.05)

23.2 Earnings per share-diluted

There is no dilution effect on the shares of the company (2014:Nil).

24 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**		**2015**	2014
			Rupees	
Directors' remuneration	Key management personnel	24.1	**2,999,888**	2,999,994
Rent for marketing Office			**112,500**	450,000
Loan from director	Director		**-**	10,500,000
Purchase of accessories	Associated company		**42,631,749**	12,960,282
Commission Expense	Associated company		**3,819,311**	-
Trade Payable	Associated company		**5,535,603**	5,951,181

24.1 Directors' Remuneration

	CHIEF EXECUTIVE		DIRECTORS		TOTAL	
	2015	2014	2015	2014	2015	2014
	Rupees					
Remuneration	800,000	800,000	1,200,000	1,200,000	2,000,000	2,000,000
Other benefits	400,000	400,000	599,888	599,994	999,888	999,994
Total	1,200,000	1,200,000	1,799,888	1,799,994	2,999,888	2,999,994
Number of persons	1	1	2	2	3	3

25 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.

25.1 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:

	2015	2014
	Rupees	
Trade debts - considered good	5,400,000	1,391,042
Loans and advances - considered good	24,351,237	38,067,865
Deposits, prepayments and other receivables	24,228,964	12,422,389
Cash and bank balances	6,010,805	5,930,631
	59,991,005	57,811,927

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

	2015	2014
	Rupees	
United States of America	**5,400,000**	1,391,042

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	**5,400,000**	1,391,042

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:

	2015		2014	
	Gross	**Impairment**	**Gross**	Impairment
	Rupees			
Not past due	**5,400,000**	-	1,391,042	-

Based on assessment conducted of individual customers, the management believes that receivable falling within the age bracket of up to 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 up to 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:

	2015	2014
	Rupees	
A1+	**6,010,805**	5,845,495
A-1+	-	5,647
	6,010,805	5,851,142

25.2 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 unutilized credit lines of Rs. 6.01 million (2014: Rs.5.93 million) and Rs. 55.24 million (2014: Rs. 4.99 million).

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

	2015				
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years	More than five years
	Rupees				
Non-Derivative Financial liabilities					
Long term finance	99,363,091	99,363,091	13,263,950	86,099,141	-
Short term borrowings including accrued Markup	211,979,819	211,979,819	211,979,819	-	-
Trade and other payables	159,908,923	159,908,923	159,908,923	-	-
Unclaimed dividend	4,305	4,305	4,305	-	-
Advance from customers	12,671,623	12,671,623	-	12,671,623	-
	483,927,760	483,927,760	385,156,997	98,770,763	-
	2014				
	Rupees				
Long term finance	-	-	-	-	-
Short term borrowings including accrued markup	135,378,488	135,378,488	135,378,488	-	-
Trade and other payables	102,627,631	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	-
	276,415,689	276,415,689	249,860,424	26,555,265	-

25.3 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.

25.3.1 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.

25.3.2 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:

	2015	2014
	USD ($)	
Trade debts	**53,097**	14,087
Advane from customers	**(124,598)**	(261,114)
	(71,501)	(247,027)

The following significant exchange rates applied during the year:

2015 USD to PKR				2014 USD to PKR			
Reporting date rate		Average rate		Reporting date rate		Average rate	
buying	selling	buying	selling	buying	selling	buying	selling
101.5	101.7	101.3	101.6	98.55	98.75	102.7	102.9

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 2014.

	2015	2014
Effect on (loss)/profit	Rupees	
USD 10%	(19,263,555)	(820,615)

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

25.3.3 **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	
	2015	2014
Financial liabilities	Rupees	
Variable rate instruments		
Long term finance	112,627,041	-
Short term borrowings	198,946,231	122,012,182
	311,573,272	122,012,182

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 2014.

	Effect on profit and loss	
	100 bp increase	100 bp decrease
As at 30 June 2015		
Cash flow sensitivity-Variable rate instruments	3,115,733	(3,115,733)
As at 30 June 2014		
Cash flow sensitivity-Variable rate instruments	1,220,122	(1,220,122)

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

25.3.4 **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.

26 OPERATING SEGMENTS

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

26.1 Revenue from export sales represents 99.14% (2014 : 99.59%) of the total revenue of the Company.

26.2 All non-current assets of the Company at 30 June 2015 are located in Pakistan.

26.3 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.

27 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.

28 NUMBER OF EMPLOYEES

	2015	2014
	(Number)	
Total number of employees as at June 30	160	151
Average number of employees during the year	156	148

29 DISCLOSURES RELATING TO PROVIDENT FUND

	2015	2014
	Rupees	
(i) Size of the fund	1,110,074	1,049,766
(ii) Cost of investment made	-	-
(iii) Percentage of investments made	-	-
(iv) Fair value of investments	-	-

The figures for 2015 are based on the un-audited financial statements of the provident fund.

30 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 09-10-2015 by the Board of Directors of the Company.

31 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE DIRECTOR

SAFA TEXTILES LIMITED

PATTERN OF SHAREHOLDING
AS ON JUNE 30, 2015

NUMBER OF SHARE HOLDERS	FROM	SHARE HOLDING	TO	TOTAL SHARES HELD
112	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
234				4,000,000

ADDITIONAL INFORMATION REQUIRED BY SECP

DESCRIPTION				NO.	NO. OF SHARES	Precentage
1.	Associated Companies, undertaking and related parites:				NIL	
2.	NIT and ICP				NIL	
3.	Directors, CEO and their spouse and their minor children (name wise detailes):					
	NAME	DESIGNATION	RELATION			
	1. Syed Iqbal Husain	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	608,900	15.22
	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 campanies 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			220	1,413,270	35.33
				234	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 30th Annual General Meeting of the Company to be held at 07:00 p.m. on Friday, 30th October, 2015 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

____

Please Affix Revenue stamp of Rs. 5.00

____
(Witness)

(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

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

Telephone : (+9221-3) 6995931 - 6980947 - 6945268
Telefax : (+9221-3) 6958962

Website : www.safatextile.com
Email : info@safatextile.com - safatext@safatextile.com