



Half Yearly Report
(Un-Audited)
December 31, 2019



SAIF GROUP

Certified ISO 9001:2008
Certified ISO 14001:2004



Saif Textile Mills Limited

ENTITY RATING OF SAIF TEXTILE MILLS LIMITED

Long Term	A-
Short Term	A2

CREDIT RATING AGENCY



The Pakistan Credit Rating Agency Limited

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Osman Saifullah Khan	Chairman/ Director
Hoor Yousafzai	Director
Assad Saifullah Khan	Director
Faisal Saifullah Khan	Director
Rana Muhammad Shafi	Director
Muhammad Danish	Director
Rashid Ibrahim	Director
Zaheen-ud-Din-Qureshi	Chief Executive

AUDIT COMMITTEE

Rashid Ibrahim	Chairman
Hoor Yousafzai	Member
Assad Saifullah Khan	Member

HR & REMUNERATION COMMITTEE

Muhammad Danish	Chairman
Hoor Yousafzai	Member
Assad Saifullah Khan	Member

CHIEF FINANCIAL OFFICER

Nouman Ahmad

COMPANY SECRETARY

Sajjad Hussain

HEAD OF INTERNAL AUDIT

Meesam Habib Butt

LEGAL ADVISOR

Dr. Pervez Hassan
Hassan & Hassan, Advocates
Salahuddin Saif & Aslam
(Attorney's at Law)

AUDITORS

M/s Shinewing Hameed Chaudhri & Co.
Chartered Accountants
HM House, 7-Bank Square, Lahore

BANKERS

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
First Women Bank Limited
Habib Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Sindh Bank Limited
Soneri Bank Limited
The Bank of Punjab
The Bank of Khyber
United Bank Limited

HEAD OFFICE

City Centre Plaza
3rd Floor Plot # 40 Main Bank Road
Saddar Rawalpindi
Telephone: +92-51-5700824-5700825-26
Fax: +92-51-5700829
Email: stm@saifgroup.com

REGISTERED OFFICE

APTMA House, Tehkal Payan, Jamrud
Road, Peshawar
Telephone: +92-91-5843870, 5702941
Fax: +92-91-5840273
Email: peshawar@saifgroup.com

SHARES REGISTRAR

M/s Hameed Majeed Associates (Pvt.) Ltd.
HM House, 7-Bank Square, Lahore
Telephone: +92-42-37235081-37235082
Fax: +92-42-37358817
Email: info@hmaconsultants.com

MILLS

Industrial Estate, Gadoon Amazai, District
Swabi
Telephone: +92-0938-270313, 270429
Fax: +92-0938-270514
Email: stmgdn@saifgroup.com

CYBER

www.saiftextile.com

DIRECTORS' REVIEW REPORT TO THE SHAREHOLDERS

Dear shareholders

On behalf of the Board, it gives me pleasure to present the Company's financial statements reviewed by the Auditors for the half year ended December 31, 2019. Our commentary on the salient features of the Company's performance follows below.

Company's turnover grew by 6% over the corresponding period last year (Rs 4,182 million in HY20 vs Rs 3,938 million HY19). And despite a substantial increase in energy costs, there was a 15% growth in gross profit- gross profit of Rs 557.76 million (Gross Margin: 13.34%), compared to Rs 483.28 million (Gross Margin: 12.27%) in the corresponding period last year. The improved operating profitability, however, was dampened by increased borrowing cost owing to high KIBOR benchmark. Resultantly, the Company posted a loss before tax of Rs 47.42 million (compared to loss of Rs 21.99 million for the corresponding period last year).

Future Outlook

The withdrawal of zero rating and imposition of CNIC requirement for unregistered buyers has slowed down the business activity of the textile sector. Cost of doing business has increased exorbitantly due to recent increase in import costs, minimum wage rates, energy costs and financing costs. Prices of raw material spiked due to lower cotton production during this year but yarn prices did not absorb this impact. However, the ongoing US trade shift from China to other countries is resulting placement of sizable orders in value added textile sector of local market.

Despite these challenges, the Management of your Company is committed to achieve sustainable results in remaining period of the year and is exploring different avenues for generating revenue by working on value-added products and by upgrading the existing setup.

We would like to conclude with the customary, but very much heartfelt, appreciation for the support of our valued customers and our banking partners. We would also like to highlight the hard work put in by the members of our corporate family. We look forward to the same dedication and cooperation in the days ahead. We will continue to look at ways to create value for all shareholders.

for and on behalf of the Board



ZAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director

Place: Islamabad
Dated: 28 February, 2020

ڈائریکٹر رپورٹ برائے شیئر ہولڈرز

محترم شیئر ہولڈرز

بورڈ ہذا کی جانب سے یہ میرے لئے خوشی کا امر ہے کہ میں نصف اختتامی سال 31 دسمبر 2019 کیلئے آڈیٹرز جائزہ شدہ کمپنی ہذا کی مالیاتی رپورٹ پیش کر رہا ہوں۔ ہماری کمپنی کی اہم خصوصیات درج ذیل ہیں:

کمپنی مذکورہ کے گزشتہ تین سال کی نسبت مجموعی کاروباری حجم کی رفتار میں 6% کا اضافہ ہوا (یعنی سال 2019 کے نصف سال میں مبلغ 3,938 ملین روپے کے مقابلے میں سال 2020 کے نصف سال میں مبلغ 4182 ملین روپے)۔ توانائی کی لاگت میں بہت زیادہ اضافہ کے باوجود گزشتہ تین سال کے کل منافع مبلغ 483.28 ملین روپے (مجموعی نفع کی شرح 12.27%) کے نسبت کل منافع 557.76 (مجموعی نفع کی شرح 13.34%) حاصل کیا۔ تاہم آپریٹنگ منافع کی شرح میں اضافہ کی آئی ہے اور آر (KIBOR) بیٹھ مارک کو قرضے کی لاگت کی زیادہ ادائیگی نے کم کر دیا ہے۔ اس کے نتیجے میں کمپنی ہذا کو ٹیکس کی کٹوتی سے قبل گزشتہ تین سال میں نقصان مبلغ 21.99 ملین روپے کی نسبت اس سال نقصان مبلغ 47.42 ملین روپے کا سامنا کرنا پڑا۔

پیش نظر برائے مستقبل:

زیرورینٹنگ سے دستبرداری اور غیر رجسٹرڈ خریدار کیلئے شناختی کارڈ کا لازمی قرار دینے سے ٹیکسٹائل صنعت کی کاروباری سرگرمیاں کم ہو گئی ہیں۔ برآمدات کی لاگت، کم از کم اجرت کی شرح، توانائی کی لاگت، مالیاتی لاگت، خام مال کی قیمتوں میں اضافہ کی وجہ سے اس سال کاروباری معاملات کی لاگت میں اضافہ ہوا ہے لیکن سوت کی قیمت نے ان عوامل کا اثر نہ لیا ہے۔ تاہم امریکہ کی چائنہ سے دیگر ممالک میں تجارت کی منتقلی سے یہاں کے مقامی مارکیٹ کیلئے ٹیکسٹائل صنعت کی اہم اشیاء کی طلب کے سلسلہ میں غیر متوقع طور پر موقع فراہم کیا ہے۔

ان چیلنجوں کے باوجود، کمپنی ہذا کی انتظامیہ نے سال کی باقی مدت میں دیرپا / ٹھوس نتائج حاصل کرنے کا تہیہ کیا ہوا ہے۔ اس سلسلہ میں مختلف ذرائع سے آمدنی میں حاصل کرنے کیلئے، بہترین / زیادہ طلب مصنوعات اور موجودہ کاروباری / صنعتی سیٹ کو جدید بنانے کیلئے کاوش جاری ہے۔

میں آخر میں رسم کے مطابق اس کا اختتام کرتا ہوں مگر اپنے معزز صارفین اور بینکنگ شراکت داروں کا تہہ دل سے شکر گزار ہوں اور انہیں خراج تحسین پیش کرتا ہوں۔ ہم اپنی کارپوریٹ فیملی ممبران کی ہمہ جہت محنت کو بھی خراج تحسین پیش کرتا ہوں۔ ہم آئندہ آنے والے دنوں میں اس لگن اور تعاون کی امید کرتے ہیں۔ ہم اپنے تمام شیئر ہولڈرز سے باہم قدر پیدا کرنے کے نئے ذرائع کیلئے متنی نگاہ ہیں۔

منجانب بورڈ ہذا:

سید

ذہین الدین قریشی

چیف ایگزیکٹو

Asad S. Khan

اسد سیف اللہ خان

ڈائریکٹر

ہم مقام: اسلام آباد

تاریخ: 28 فروری 2020

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SAIF TEXTILE MILLS LIMITED ON CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Saif Textile Mills Limited** (the Company) as at December 31, 2019 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six months period then ended (herein-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2019.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

Without qualifying our conclusion, we draw your attention to the note 12.1.3 to the interim financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.1,665.597 million.

The engagement partner on the review resulting in this independent auditors' review report is Osman Hameed Chaudhri.

Shinewing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
LAHORE: 28 February 2020

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

		Un-audited December 31, 2019	Audited June 30, 2019
		(Rupees in thousand)	
Assets	Note		
Non-Current Assets			
Property, plant and equipment	4	5,589,936	5,400,232
Intangible assets		5,559	6,868
Long term investments		2,500	2,500
Long term loans		21,759	21,477
Long term deposits		10,713	10,426
		5,630,467	5,441,503
Current Assets			
Stores, spare parts and loose tools		347,780	360,748
Stock-in-trade	5	2,410,863	2,340,074
Trade debts		1,642,246	1,211,286
Loans and advances		73,465	89,846
Short term prepayments		3,084	1,484
Other receivables		49,899	60,328
Short term investments	6	29,027	3,617
Deposit for shares	7	-	-
Taxation - net	8	323,489	330,991
Taxes refunds due from Government		35,657	132,761
Cash and bank balances		34,712	30,110
		4,950,222	4,561,245
		10,580,689	10,002,748
Equity and Liabilities			
Share Capital and Reserves			
Authorized capital			
30,000,000 ordinary shares of Rs.10 each		300,000	300,000
Issued, subscribed and paid up capital			
26,412,880 ordinary shares of Rs.10 each		264,129	264,129
Reserves		265,981	265,981
Unappropriated profit		1,825,613	1,928,513
Surplus on Revaluation of Property, Plant and Equipment		723,232	739,799
Total Shareholders' equity		3,078,955	3,198,422
Non-Current Liabilities			
Long term financing	9	1,747,932	1,419,379
Lease liabilities	10	34,804	40,322
Long term deposits		8,452	7,715
Staff retirement benefits - gratuity		138,054	135,460
Deferred taxation - net		70,308	86,083
		1,999,550	1,688,959
Current Liabilities			
Trade and other payables		719,347	759,926
Unpaid dividend		4,531	387
Unclaimed dividend		8,698	8,310
Accrued mark-up and interest		186,722	142,002
Short term borrowings	11	4,082,279	3,779,760
Current portion of non-current liabilities		500,607	424,982
		5,502,184	5,115,367
Contingencies and commitments	12		
		10,580,689	10,002,748

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

ZAHEEN UD DIN QURESHI
Chief Executive Officer

ASSAD SAIFULLAH KHAN
Director

NOUMAN AHMAD
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME(UN-AUDITED)

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

		Quarter ended		Six months period ended	
		December 31, December 31,		December 31, December 31	
		2019	2018	2019	2018
	Note	(Rupees in thousand)			
Sales - net	13	2,256,572	2,049,962	4,182,076	3,938,037
Cost of sales		(1,996,864)	(1,820,075)	(3,624,316)	(3,454,755)
Gross profit		259,708	229,887	557,760	483,282
Distribution cost		(45,847)	(39,876)	(87,009)	(75,025)
Administrative expenses		(62,127)	(54,467)	(124,276)	(104,486)
Other income		3,875	5,799	6,981	11,476
Other expenses		(1,001)	(2,883)	(3,050)	(4,883)
Profit from operations		154,608	138,460	350,406	310,364
Finance cost		(190,719)	(145,870)	(397,841)	(249,883)
		(36,111)	(7,410)	(47,435)	60,481
Exchange fluctuation gain / (loss)		17	(65,599)	17	(82,471)
Loss before taxation		(36,094)	(73,009)	(47,418)	(21,990)
Taxation	8	(17,376)	(21,736)	(45,636)	(24,085)
Loss after taxation		(53,470)	(94,745)	(93,054)	(46,075)
Other comprehensive loss		-	-	-	-
Total comprehensive loss		(53,470)	(94,745)	(93,054)	(46,075)
----- Rupees -----					
Earnings / (loss) per share					
- basic and diluted		(2.02)	(3.59)	(3.52)	(1.74)

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

ZAHEEN UD DIN QURESHI
Chief Executive Officer

ASSAD SAIFULLAH KHAN
Director

NOUMAN AHMAD
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

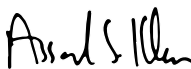
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

		Six months period ended	
		December 31, 2019	December 31, 2018
	Note	(Rupees in thousand)	
Cash flow from operating activities	14	6,879	(102,966)
Cash flow from investing activities			
Additions to property, plant and equipment		(330,780)	(200,910)
Sale proceeds of operating fixed assets / insurance claims received		2,327	313
Net cash used in investing activities		(328,453)	(200,597)
Cash flow from financing activities			
Long term financing			
- obtained		586,139	465,636
- repaid		(182,806)	(347,438)
Lease liabilities		(4,674)	153
Short term borrowings - net		302,519	397,076
Dividend paid		(21,881)	(19,035)
Finance cost paid		(353,121)	(180,477)
Net cash generated from financing activities		326,176	315,915
Net increase in cash and cash equivalents		4,602	12,352
Cash and cash equivalents - at beginning of the period		30,110	18,800
Cash and cash equivalents - at end of the period		34,712	31,152

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



ZAHEEM UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

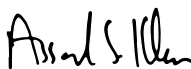
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	Share capital	Reserves		Unappropriated profit	Surplus on revaluation of property, plant and equipment	Total
		Capital reserve	Revenue reserve			
(Rupees in thousand)						
Balance as at July 01, 2019	264,129	115,981	150,000	1,928,513	739,799	3,198,422
Transaction with owners						
Cash dividend for the year ended June 30, 2019 at the rate of Re.1 per share	-	-	-	(26,413)	-	(26,413)
Total comprehensive loss for the six months period ended December 31, 2019	-	-	-	(93,054)	-	(93,054)
Surplus on revaluation of property, plant and equipment realised during the period on account of depreciation for the period-net of deferred taxation	-	-	-	16,567	(16,567)	-
Balance as at December 31, 2019	264,129	115,981	150,000	1,825,613	723,232	3,078,955
Balance as at July 01, 2018	264,129	115,981	150,000	1,097,183	774,625	2,401,918
Transaction with owners						
Cash dividend for the year ended June 30, 2018 at the rate of Re.0.75 per share	-	-	-	(19,810)	-	(19,810)
Total comprehensive loss for the six months period ended December 31, 2018	-	-	-	(46,075)	-	(46,075)
Surplus on revaluation of property, plant and equipment realised during the period on account of depreciation for the period-net of deferred taxation	-	-	-	17,412	(17,412)	-
Balance as at December 31, 2018	264,129	115,981	150,000	1,048,710	757,213	2,336,033

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



ZAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

Saif Textile Mills Limited (the Company) is a Public Limited Company incorporated in Pakistan on December 24, 1989 under the Companies Ordinance, 1984 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange. The Company is principally engaged in manufacture and sale of yarn.

1.1 Geographical location and addresses of major business units including mills / plant of the Company are as under:

Sawabi	Purpose
Industrial Estate, Gadoon Amazai	Mills / factory
Peshawar	
APTMA House, Tehkal Payan, Jamrud Road	Registered office
Rawalpindi	
City Centre, Main Bank Road, Saddar Cantt	Head office
Karachi	
2nd Floor, The Plaza, Block-9, Clifton	Marketing office

2. BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard ('IAS') 34, 'Interim Financial Reporting', issued by International Accounting Standards Board ('IASB') as notified under the Companies Act, 2017, and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Act; and
- Provision of and directives issued under the Companies Act, 2017.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.1.2 These condensed interim financial statements does not include all the information and disclosures as required in an annual audited financial statements, and these should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2019. These condensed interim financial statements are being submitted to the shareholders as required by the section 237 of the Companies Act, 2017.

2.2 New standards, amendments to approved accounting standards and interpretations that are effective during the period

There are certain new standards, interpretations and amendments to approved accounting standards which are mandatory for accounting periods beginning on or after July 1, 2019 but are considered not to be relevant or have any significant effect on the Company's financial reporting, except as mentioned below:

Adoption of IFRS 16 'Lease'

The Company has adopted IFRS 16, 'Leases' which replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a lease', SIC-15 'Operating leases - incentive' and SIC-27 'Evaluating the substance of transactions involving the legal form of a lease'. IFRS 16 has introduced single, on balance sheet accounting model for all lessees. Adoption of IFRS 16 resulted in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under IFRS 16, a new concept of right-of-use leased item is introduced requiring recognition of right-of-use asset and a financial liability to pay rentals. The only exceptions are short-term and low-value leases.

The Company has applied IFRS 16 using the modified retrospective approach. Under this approach the cumulative effect of the initial application is to be recognised in the retained earnings as on July 01, 2019. Accordingly, the comparative information presented for June 30, 2019 need not to be re-stated i.e. it is presented, as previously reported under IAS 17. The adoption of IFRS 16 did not have a material effect on the Company's financial reporting except for the reclassification of leased assets as right-of-use assets (refer note 4).

The Company has elected not to recognise right-of-use assets and its corresponding liabilities in respect of low-value leases and for the operating leases having a remaining lease term of 12 months or less.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

2.3 Accounting policies

All the accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of audited annual financial statements for the year ended June 30, 2019.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Judgments and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to the financial statements as at and for the year ended June 30, 2019.

		Un-audited December 31, 2019 (Rupees in thousand)	Audited June 30, 2019
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	5,440,585	5,347,545
Capital work-in-progress		9,172	25,641
Right-of-use assets	4.2	56,994	-
Stores held for capital expenditure		83,185	27,046
		<u>5,589,936</u>	<u>5,400,232</u>
4.1 Operating fixed assets - tangible			
Book value at beginning of the period / year		5,347,545	4,908,370
Additions during the period / year	4.1.1	288,725	708,838
Disposals costing Rs.5.380 million			
- at net book value		(1,809)	(4,982)
Right-of-use assets		(60,765)	-
Depreciation charge for the period / year		(133,111)	(264,681)
		<u>5,440,585</u>	<u>5,347,545</u>

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

4.1.1 Additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year:	Note	Un-audited December 31, 2019 (Rupees in thousand)	Audited June 30, 2019
Buildings on leasehold land		1,071	135,350
Plant & machinery		257,500	434,467
Generators		25,597	88,534
Electric installations		-	5,121
Air conditioning equipment		1,009	1,150
Furniture & fixtures		217	1,127
Office equipment		912	3,702
Telephone installations		404	927
Weighing scales		-	12
Fire extinguishing equipment		1,934	-
Vehicles:			
- owned		81	2,834
- leased		-	35,614
		288,725	708,838
4.2 Right-of-use assets			
Opening balance		-	-
Transferred from operating fixed assets		60,765	-
Additions during the period		2,385	-
Depreciation for the period		(6,156)	-
		56,994	-
5. STOCK-IN-TRADE			
Raw materials		1,280,551	1,618,917
Work-in-process		223,102	202,685
Finished goods		907,210	518,472
		2,410,863	2,340,074
6. INVESTMENTS (at fair value through statement of profit or loss)			
Equity securities - quoted			
National Bank of Pakistan 105,000 (June 30, 2019: 105,000) ordinary shares of Rs.10 each		3,534	4,974
Pakistan Petroleum Ltd. 575 (June 30, 2019: 575) ordinary shares of Rs.10 each		83	107
Mutual fund			
JS Islamic Hybrid Fund of Funds 243,146.3530 units		24,315	-
		27,932	5,081
Adjustment on remeasurement to fair value - net		1,095	(1,464)
		29,027	3,617

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

7. DEPOSIT FOR SHARES

There has been no change in the status of the Company's complaint filed before the Wafaqi Muhtasib for recovery of this deposit along with penalty since the date of preceding annual audited financial statements of the Company for the year ended June 30, 2019.

8. TAXATION - net

8.1 Income tax assessments of the Company have been finalised by the Income Tax Department or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) upto Tax Year 2018. Income tax return for the Tax Year 2019 has been filled subsequent to the period end.

8.2 Provision for taxation made for the current period represent minimum tax payable under section 113 of the Ordinance.

9. LONG TERM FINANCING - Secured

	Un-audited December 31, 2019	Audited June 30, 2019
Note	(Rupees in thousand)	
Balance at beginning of the period / year	1,830,991	1,534,606
Add: disbursements during the period / year 9.1	586,139	750,380
Less: repayments made during the period / year	182,806	453,995
Balance at end of the period / year	2,234,324	1,830,991
Less: current portion grouped under current liabilities	486,392	411,612
	1,747,932	1,419,379

9.1 The Company, during the current period, obtained a demand finance facility of Rs.300 million from First Women Bank Limited. The principal balance is repayable in 20 equal quarterly installments commencing December, 2020. This finance facility carries mark-up at the rate of 3-months KIBOR + 150 basis points per annum payable quarterly and is secured first pari passu charge over all present and future fixed and current assets of the Company for Rs.400 million.

9.2 Except for the above new facility obtained by the Company, all other terms and conditions of long term financing are materially same as disclosed in audited annual financial statements of the Company for the year ended June 30, 2019. Effective mark-up rates charged, during the current period, ranged from 5.00% to 16.36% (June 30, 2019: 3.00% and 14.30%) per annum.

10. LEASE LIABILITIES

10.1 The Company, during the current financial period, acquired a vehicle from Bank Alfalah Limited against an lease facility of Rs. 50 million. The liabilities under this finance arrangement are repayable in 60 monthly installments ending various dates, and carry mark-up at the rate of 6-months KIBOR + 1.50% per annum. The Company intends to exercise its option to purchase the vehicle upon completion of lease term. The liabilities are secured against title of the leased vehicles in the name of the bank.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

- 10.2 Except for the above, there is no material change in the terms and conditions of lease liabilities as disclosed in audited annual financial statements of the Company for the year ended June 30, 2019.

11. SHORT TERM BORROWINGS

Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.4.167 billion (June 30, 2019: Rs.3.947 billion) and are secured against pledge of stocks, charge on fixed and current assets of the Company and lien over underlying export documents. These finance facilities, during the current financial period, carried mark-up at the rates ranging from 11.32% to 15.31% (June 30, 2019: 6.90% to 14.12%) per annum and are expiring on various dates by October, 2020. Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.2.285 billion (June 30, 2019: Rs.2.285 billion) of which the amount remained unutilised at the reporting date was Rs.1.678 billion (June 30, 2019: Rs.1.546 billion). These facilities are secured against lien over import documents and charge on fixed assets of the Company and are expiring on various dates by October, 2020.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

- 12.1.1 The Company had imported textile plant & machinery availing exemption from customs duty and sales tax on import thereof under SROs 554(1)/98 and 987(1)/99. In case conditions of the aforementioned SROs are violated, the amounts of customs duty and sales tax exempted aggregating Rs.151.014 million shall be recoverable by the Customs Authorities along with penalties under section 202 of the Customs Act, 1969.

- 12.1.2 Guarantees aggregating Rs.263.574 million (June 30, 2019: Rs.223.203 million) have been issued by banks of the Company to different parties including Government institutions and Sui Northern Gas Pipeline Limited.

- 12.1.3 The Company has challenged the levy of Gas Infrastructure Development Cess (GIDC) by filing a petition before the Peshawar High Court, Peshawar (PHC). GIDC was levied on supply of natural gas under the GIDC Act, 2011. Constitutionality of the said Act was challenged before the PHC, which had declared the same as constitutional. The order of the PHC was assailed before the Supreme Court of Pakistan (SCP), which met the same fate there. After enactment of the GIDC Act, 2015, it was challenged before the PHC, which dismissed the said petition. The Company, thereafter, has filed a petition before the SCP. From February 10, 2020 SCP has started day to day hearing of the case. Last hearing was conducted on February 20, 2020 and SCP has reserved the judgement which were be announced within two weeks.

Sui Northern Gas Pipelines Limited, along with gas bill for the month of December, 2019, has raised GIDC demands aggregating Rs.1,665.597 million which are payable in case of an adverse judgment by the SCP. Provisions for the GIDC demands aggregating Rs.1,665.597 million have not been made in the books of account as the management expects a favourable judgement by the SCP due to meritorious legal grounds.

- 12.1.4 The Company has challenged SRO#584(I)/2017 by filing a writ petition dated May 15, 2018 before PHC, challenging the levy of further tax @ 1% on textile goods usable as industrial

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

inputs if supplied to unregistered person under section 3(A) of Sales Tax Act, 1990. The PHC has granted stay against the charging of further tax the Respondents has been asked to submit their comments. The petition before the PHC is pending adjudication. However, in a similar case, Lahore High Court has decided the matter in favour of industry vide its judgement dated December 11,2018.

	Un-audited December 31, 2019 (Rupees in thousand)	Audited June 30, 2019
12.2 Commitments		
- letters of credit for purchase of raw materials	110,756	267,932
- letters of credit for capital expenditure	105,946	38,446

13. SALES - Net

13.1 Detail of the Company's revenue from contracts with customers is as follows:

	Quarter ended December 31, 2019		Six months period ended December 31, 2019	
	2019	2018	2019	2018
	(Rupees in thousand)			
Own manufactured goods (local)				
Yarn	2,025,454	1,851,848	3,805,479	3,555,093
Surgical cotton	-	5,299	-	8,059
Waste	17,021	18,754	31,796	33,784
	2,042,475	1,875,901	3,837,275	3,596,936
Own manufactured goods (export)				
Yarn	54,398	76,217	83,383	154,009
Surgical cotton	99,937	54,320	195,550	115,746
	154,335	130,537	278,933	269,755
Trading activities:				
Yarn	-	43,524	-	65,185
Raw material	59,762	-	65,868	6,161
	59,762	43,524	65,868	71,346
	2,256,572	2,049,962	4,182,076	3,938,037

13.2 All the contacts were under one performance obligation and the revenue has been recognised at the point in time when the goods have been transferred to the customers.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	Un-audited	
	Six months period ended December 31, 2019	December 31, 2018
	(Rupees in thousand)	
14. CASH GENERATED FROM / (USED IN) OPERATIONS		
Loss for the period - before taxation	(47,418)	(21,990)
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	140,576	129,055
Staff retirement benefits - gratuity (net)	2,594	22,547
(Gain) / loss on sale of operating fixed assets - net	(518)	1
Finance cost	397,841	249,883
Exchange fluctuation loss on sub-ordinated loan	-	87,500
Exchange fluctuation gain - net	(17)	(5,029)
(Gain) / loss on remeasurement of short term investments	(25,410)	582
Profit before working capital changes	467,648	462,549
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	12,968	(5,905)
Stock-in-trade	(70,789)	(544,786)
Trade debts	(430,943)	31,417
Loans and advances	16,381	30,772
Trade deposits and short term prepayments	(1,600)	(2,230)
Other receivables	10,429	7,601
Taxes refundable	97,104	(15,677)
Decrease in trade and other payables	(40,579)	(15,588)
	(407,029)	(514,396)
Cash generated from / (used in) operating activities	60,619	(51,847)
Income taxes paid	(53,908)	(47,741)
Long term deposits from employees	737	1,953
Long term loans	(282)	(4,462)
Long term deposits	(287)	(869)
Net cash generated / (used in) from operating activities	6,879	(102,966)

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	Un-audited December 31, 2019 (Rupees in thousand)	Audited June 30, 2019
15. TRANSACTIONS WITH RELATED PARTIES		
15.1 Period / year end balances are as follows:		
Trade and other payables	67,379	52,276
Other receivables	437	10,720
15.2 Significant transactions with related parties are as follows:		

Relationship	Nature of transactions	Un-audited Six months period ended	
		December 31, 2019 (Rupees in thousand)	December 31, 2018
Associated Companies & Undertakings	Purchase of fixed assets	-	1,398
	Purchase of goods and services	15,309	11,903
	Dividend paid	11,132	8,349
	Donations	3,000	3,000
Key management personnel	Remuneration and other benefits	15,513	12,175
Others	Consultancy Charges	9,000	9,000

16. FINANCIAL RISK MANAGEMENT

- 16.1** The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

There has been no change in the Company's sensitivity to these risks since June 30, 2019, except for the change in exposure from liquidity risks due to increase in borrowings and general exposure due to fluctuations in foreign currency and interest rates. There have been no change in risk management objectives and policies of the Company during the current period.

These condensed interim financial statements does not include all financial risk management information and disclosures as required in the audited annual financial statements and should be read in conjunction with the Company's audited annual financial statement as at June 30, 2019.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

17. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

Fair values categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) [Level 2].
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

The Company's financial assets measured at fair value consists of level 1 financial assets amounting Rs.4.641 million (June 30, 2019: Rs.3.617 million) and level 3 financial assets amounting Rs.24.385 million (June 30, 2019: Rs.Nil).

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

18. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of audited annual financial statements of the Company for the year ended June 30, 2019, whereas, the condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity have been compared with the balances of comparable period of condensed interim financial statements of the Company for the six months period ended December 31, 2018.

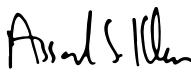
19. GENERAL

19.1 These condensed interim financial statements were approved by the Board of Directors and authorised for issue on February 28, 2020.

19.2 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.



ZAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer



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