

Half Yearly Report  
(Un-Audited)  
December 31, 2020



Saif Group

## SAIF TEXTILE MILLS LIMITED

Certified ISO 9001:2008  
Certified ISO 14001:2004



# 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
Haider Saifullah Khan	Director
Rana Muhammad Shafi	Director
Muhammad Danish	Director
Rashid Ibrahim	Director
Sohail H Hydari	Director
Assad Saifullah Khan	Chief Executive

## AUDIT COMMITTEE

Rashid Ibrahim	Chairman
Rana Muhammad Shafi	Member
Sohail H Hydari	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  
Bank Islami Pakistan 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](mailto: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](mailto: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](mailto:info@hmaconsultants.com)

## MILLS

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

## CYBER

[www.saiftextile.com](http://www.saiftextile.com)

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## Dear shareholders

We are pleased to present the Company's financial statements reviewed by the Auditors for the half year ended December 31, 2020. Our commentary on the salient features of the Company's performance follows below.

Company's turnover grew by 16% over the corresponding period last year (Rs 4,863 million in HY21 vs Rs 4,182 million HY20), while the gross profitability too posted strong 13% growth (slight reduction in gross margin). The overall profitability was further supported by a substantial reduction in finance cost which made the Company post a Profit before tax of Rs 72.44 million in the period (compared to loss of Rs 47.42 million for the corresponding period last year).

## General Market Review and Future Prospects

The swift post-pandemic economic recovery in the country has generated strong demand for the textile products. Meanwhile, the announcement of the long awaited Textile Policy 2020-25 by the Government would further support the industry.


Globally, the accelerated development, availability and administration of COVID-19 vaccines has brought back much-needed confidence and activity in the markets.

On the domestic front, the CCOE has recently approved the proposal for discontinuation of natural gas supply for captive power generation of the export-oriented industry. This proposal if implemented, will adversely impact production costs of industrial units. In view of such frequent policy changes, we are adjusting our energy mix with increasing reliance on solar energy. We believe our investments in solar will not only lower our energy costs but will also enhance our energy resilience.

## Acknowledgement

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



ASSAD SAIFULLAH KHAN  
Chief Executive Officer



RANA MUHAMMAD SHAFI  
Director

Place: Islamabad

Dated: 26 February, 2021

# ڈائریکٹر رپورٹ برائے شیئر ہولڈرز

محترم شیئر ہولڈرز

ہمارے لئے یہ خوشی کا امر ہے کہ ہم آڈیٹر کی جائزہ شدہ کمپنی ہذا کی ششماہی اختتامی مالیاتی رپورٹ برائے 31 دسمبر 2020 پیش کر رہے ہیں۔ کمپنی کی کارکردگی کے اہم خود خال / نمایاں خصوصیات کے بارے میں ہمارا جائزہ درج ذیل ہے:

گزشتہ سال کے تقابلی مدت (مبلغ 4,863 ملین روپے اختتامی سال 21 نسبتاً مبلغ 1,82 ملین روپے اختتامی سال 20) کے دوران مجموعی کاروباری حجم میں 16% کا اضافہ ہوا۔ جبکہ مجموعی منافع میں بھی 13% کا ٹھوس اضافہ کیے میں آیا۔ (اگرچہ مجموعی مارجن میں معمولی کمی ہوا تو یہ ہوئی)۔ مالیاتی لاگت میں حقیقی معنوں میں کمی نے بھی مجموعی منافع کو مزید تقویت فراہم کی جس کی وجہ سے کمپنی ہذا کو ٹیکس کی کوٹو سے قبل اس مدت میں منافع مبلغ 72.44 ملین روپے حاصل ہوا (گزشتہ تقابلی سال کے نقصان مبلغ 47.42 ملین روپے کی نسبت)

مارکیٹ کی عمومی صورت حال اور پیش نظر برائے مستقبل:

وہائی بیماری کے بعد ملک میں تیزی سے معاشی بحالی نے ٹیکسٹائل مصنوعات کی زیادہ طلب کے مواقع پیدا کئے ہیں جبکہ طویل مدت سے انتظار ٹیکسٹائل پالیسی 2020-25 کی حکومتی اعلان نے بھی مذکورہ صنعت کو تقویت دی / بخشی ہے۔ بین الاقوامی سطح پر تیزی سے معاشی ترقی، کوویڈ-19 ویکسین کی دستیابی و نظم و نسق کے عمل نے بھی مارکیٹ کیلئے بہت مطلوب اعتماد اور کاروباری سرگرمیوں کو بحال کیا ہے۔

مقامی سطح پر، سی ای او ای (CCOE) نے حال ہی میں برآمدات سے متعلقہ صنعت کیلئے بجلی پیدا کرنیوالی کمپنیوں کو قدرتی گیس کی فراہمی معطل کرنے کی تجویز کی منظوری دی ہے۔ اگر اس تجویز پر عمل کیا گیا تو اس سے صنعتی شعبوں کی پیداواری لاگت پر برے اثرات مرتب ہونگے۔ اس قسم کی بارہاں پالیسی میں تبدیلی کو پیش نظر رکھتے ہوئے ہم اپنی توانائی کی طلب / ضرورت کو کسی توانائی پر انحصار کے اضافے پر توجہ دے رہے ہیں۔ ہمیں یقین ہے کہ کٹھنی توانائی کیلئے ہماری سرمایہ کاری سے نہ صرف ہماری توانائی کی لاگت میں کمی واقع ہوگی بلکہ اس پر ہماری توانائی کے انحصار پر اضافہ بھی ہوگا۔

اقرا تشکر:

ہم روایات کے مطابق اس رپورٹ کا اختتام کرنا چاہتے ہیں مگر تبدل کے ساتھ اپنے معزز صارفین بینکنگ پارٹنرز کی معاونت و شکر گزار ہیں مزید برآں، ہم اپنے کارپوریٹ فیملی ممبران کے انتھک محنت کو بھی یہاں اجاگر کرنا چاہتے ہیں۔ ہم آئندہ آنے والے دنوں میں بھی اسی لگن اور تعاون کی اُمید کرتے ہیں۔ ہم تمام شیئر ہولڈرز کیلئے نیک خواہشات کے متمنی ہیں۔

منجانب بورڈ ہذا:



رانا محمد شفیع  
ڈائریکٹر



اسد سیف اللہ خان  
چیف ایگزیکٹو

بمقام: اسلام آباد

تاریخ: 26 فروری 2021

# **INDEPENDENT AUDITOR'S REVIEW REPORT**

## **To the Members of Saif Textile Mills Limited**

### **Report on Review of Interim Financial Statements**

#### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Saif Textile Mills Limited (the Company) as at December 31, 2020 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 (hereinafter 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, 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2020.

#### **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 11.1.2 to the interim financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess.

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

*Shine Wing Hameed Chaudhri & co.*

**SHINEWING HAMEED CHAUDHRI & CO.,**  
**CHARTERED ACCOUNTANTS**  
**LAHORE: 26 February 2021**

# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

		Un-audited December 31, 2020	Audited June 30, 2020
		(Rupees in thousand)	
<b>Assets</b>	<b>Note</b>		
<b>Non-Current Assets</b>			
Property, plant and equipment	4	6,493,229	6,552,480
Intangible assets		2,965	4,251
Long term investments		12,350	12,450
Long term loans		18,971	19,772
Long term deposits		20,795	14,954
		6,548,310	6,603,907
<b>Current Assets</b>			
Stores, spare parts and loose tools		354,374	407,029
Stock-in-trade	5	2,377,378	2,517,269
Trade debts		1,626,178	1,824,038
Loans and advances		80,782	70,736
Short term prepayments		4,926	2,113
Other receivables		49,897	50,618
Short term investments	6	26,291	24,022
Deposit for shares	7	-	-
Taxation - net	8	348,474	341,661
Taxes refunds due from Government		5,034	5,034
Cash and bank balances		26,760	40,567
		4,900,094	5,283,087
		11,448,404	11,886,994
<b>Equity and Liabilities</b>			
<b>Share Capital and Reserves</b>			
<b>Authorized capital</b>			
30,000,000 ordinary shares of Rs.10 each		300,000	300,000
<b>Issued, subscribed and paid up capital</b>			
26,412,880 ordinary shares of Rs.10 each		264,129	264,129
Reserves		265,831	265,931
Unappropriated profit		1,283,673	1,239,273
Surplus on Revaluation of Property, Plant and Equipment		1,361,240	1,391,946
<b>Total Shareholders' equity</b>		3,174,873	3,161,279
<b>Non-Current Liabilities</b>			
Long term financing	9	2,053,934	2,288,224
Lease liabilities		22,242	30,439
Deferred income - government grant		2,013	4,560
Long term deposits		9,405	10,564
Staff retirement benefits - gratuity		170,725	161,592
Deferred taxation - net		362,869	334,279
		2,621,188	2,829,658
<b>Current Liabilities</b>			
Trade and other payables		901,982	1,112,884
Unpaid dividend		792	4,373
Unclaimed dividend		8,594	8,696
Accrued mark-up and interest		160,270	231,475
Short term borrowings	10	3,868,046	4,261,572
Current portion of non-current liabilities		712,659	277,057
		5,652,343	5,896,057
<b>Contingencies and commitments</b>	11		
		11,448,404	11,886,994

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



ASSAD SAIFULLAH KHAN  
Chief Executive Officer



RANA MUHAMMAD SHAFI  
Director



NOUMAN AHMAD  
Chief Financial Officer

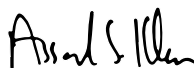


# CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME(UN-AUDITED)

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

		Quarter ended		Six months period ended	
		December 31, December 31,		December 31, December 31	
		2020	2019	2020	2019
	Note	(Rupees in thousand)			
Sales - net	12	2,455,712	2,256,572	4,863,536	4,182,076
Cost of sales		(2,080,536)	(1,996,864)	(4,232,908)	(3,624,316)
<b>Gross profit</b>		<b>375,176</b>	<b>259,708</b>	<b>630,628</b>	<b>557,760</b>
Distribution cost		(69,457)	(45,847)	(119,247)	(87,009)
Administrative expenses		(70,128)	(62,127)	(130,249)	(124,276)
Other income		12,678	3,875	16,934	6,981
Other expenses		(5,483)	(1,001)	(7,205)	(3,050)
<b>Profit from operations</b>		<b>242,786</b>	<b>154,608</b>	<b>390,861</b>	<b>350,406</b>
Finance cost		(139,785)	(190,719)	(318,419)	(397,841)
		103,001	(36,111)	72,442	(47,435)
Exchange fluctuation gain / (loss)		-	17	-	17
<b>Profit / (loss) before taxation</b>		<b>103,001</b>	<b>(36,094)</b>	<b>72,442</b>	<b>(47,418)</b>
Taxation	8	(23,575)	(17,376)	(58,748)	(45,636)
<b>Profit / (loss) after taxation</b>		<b>79,426</b>	<b>(53,470)</b>	<b>13,694</b>	<b>(93,054)</b>
Other comprehensive loss		(100)	-	(100)	-
<b>Total comprehensive income / (loss)</b>		<b>79,326</b>	<b>(53,470)</b>	<b>13,594</b>	<b>(93,054)</b>
----- Rupees -----					
<b>Earnings / (loss) per share</b>					
- basic and diluted		3.01	(2.02)	0.52	(3.52)

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



ASSAD SAIFULLAH KHAN  
Chief Executive Officer



RANA MUHAMMAD SHAFI  
Director



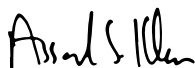
NOUMAN AHMAD  
Chief Financial Officer

# CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Note	Six months period ended	
		December 31, 2020	December 31, 2019
		(Rupees in thousand)	
<b>Cash flow from operating activities</b>	13	685,927	6,879
<b>Cash flow from investing activities</b>			
Additions to property, plant and equipment		(109,659)	(330,780)
Sale proceeds of operating fixed assets / insurance claims received		6,189	2,327
<b>Net cash used in investing activities</b>		(103,470)	(328,453)
<b>Cash flow from financing activities</b>			
Long term financing			
- obtained		259,594	586,139
- repaid		(58,400)	(182,806)
Lease liabilities		(10,625)	(4,674)
Short term borrowings - net		(393,526)	302,519
Dividend paid		(3,683)	(21,881)
Finance cost paid		(389,624)	(353,121)
<b>Net cash (used in) / generated from financing activities</b>		(596,264)	326,176
<b>Net (decrease) / increase in cash and cash equivalents</b>		(13,807)	4,602
<b>Cash and cash equivalents - at beginning of the period</b>		40,567	30,110
<b>Cash and cash equivalents - at end of the period</b>		26,760	34,712

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



ASSAD SAIFULLAH KHAN  
Chief Executive Officer



RANA MUHAMMAD SHAFI  
Director



NOUMAN AHMAD  
Chief Financial Officer

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

Share capital	Reserves				Surplus on revaluation of property, plant and equipment	Total
	Capital reserve	Revenue reserve	Unappropriated profit	unrealized loss on financial assets at FVTOCI		

(Rupees in thousand)

**Balance as at July 01, 2020** 264,129 115,981 150,000 1,239,273 (50) 1,391,946 3,161,279

**Total comprehensive income for the six months period ended December 31, 2020** - - - 13,694 (100) - 13,594

Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation for the period - net of deferred taxation - - - 30,706 - (30,706) -

**Balance as at December 31, 2020** 264,129 115,981 150,000 1,283,673 (150) 1,361,240 3,174,873

Balance as at July 01, 2019 264,129 115,981 150,000 1,928,513 - 739,799 3,198,422

Transaction with owners

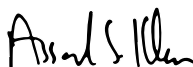
Cash dividend for the year ended June 30, 2019 at the rate of Re.1 per share - - - (26,413) - - (26,413)

**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 incremental 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

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



ASSAD SAIFULLAH KHAN  
Chief Executive Officer



RANA MUHAMMAD SHAFI  
Director



NOUMAN AHMAD  
Chief Financial Officer

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

## 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**

Industrial Estate, Gadoon Amazai

#### **Purpose**

Mills / factory

#### **Peshawar**

APTMA House, Tehkal Payan, Jamrud Road

Registered office

#### **Rawalpindi**

City Centre, Main Bank Road, Saddar Cantt

Head office

#### **Karachi**

Room # 03, 5th Floor, KDLB Building,  
58 West Wharf Road,

Marketing office

#### **Faisalabad**

P-17, Near Allied Bank Ltd.  
Montgomery Bazar,

Marketing / sales 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

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

- 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.

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, 2020. These condensed interim financial statements are being submitted to the shareholders as required by the section 237 of the Companies Act, 2017.

## **2.2 Standards, amendments to published standards, interpretations and guidelines that are effective in the current period**

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed financial statements.

## **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, 2020.

## **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, 2020.

**NOTES TO THE CONDENSED INTERIM  
FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

	Note	Un-audited December 31, 2020 (Rupees in thousand)	Audited June 30, 2020
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets - tangible	4.1	6,443,700	6,410,076
Capital work-in-progress		3,669	55,445
Right-of-use assets	4.2	45,860	8,352
Stores held for capital expenditure		-	78,607
		<b>6,493,229</b>	<b>6,552,480</b>
<b>4.1 Operating fixed assets - tangible</b>			
Book value at beginning of the period / year		6,410,076	5,347,545
Additions during the period / year	4.1.1	193,691	437,201
Transfer from right of use to owned		3,075	-
Revaluation surplus during the period / year		-	967,104
Disposals costing Rs.15.393 million (June 30, 2020: Rs.48.675 million)			
- at net book value		(5,798)	(8,937)
Transition effect on initial application IFRS 16	4.2	-	(60,765)
Depreciation charge for the period / year		(157,344)	(272,072)
		<b>6,443,700</b>	<b>6,410,076</b>
<b>4.1.1 Additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year:</b>			
Buildings on leasehold land		11,242	7,037
Plant & machinery		102,850	381,790
Generators		75,137	42,349
Electric installations		2,002	-
Air conditioning equipment		69	1,010
Furniture & fixtures		153	420
Office equipment		845	1,411
Telephone installations		400	841
Weighing scales		8	-
Fire extinguishing equipment		902	2,262
Owned Vehicles		83	81
		<b>193,691</b>	<b>437,201</b>
<b>4.2 Right-of-use assets</b>			
Opening balance		55,445	-
Transition effect on initial application		-	60,765
Recognition due to adoption of IFRS 16		-	9,111
Reassessment due to mark-up rate change		(744)	-
Depreciation for the period		(5,766)	(14,431)
Transferred to own assets		(3,075)	-
		<b>45,860</b>	<b>55,445</b>

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Un-audited December 31, 2020 (Rupees in thousand)	Audited June 30, 2020
<b>5. STOCK-IN-TRADE</b>		
Raw materials	1,485,191	1,405,049
Work-in-process	195,148	188,426
Finished goods	697,039	923,794
	<u>2,377,378</u>	<u>2,517,269</u>
<b>6. INVESTMENTS (at fair value through statement of profit or loss)</b>		
<b>Equity securities - quoted</b>		
National Bank of Pakistan 105,000 (June 30, 2020: 105,000) ordinary shares of Rs.10 each	2,903	3,534
Pakistan Petroleum Ltd. 690 (June 30, 2020: 690) ordinary shares of Rs.10 each	60	83
<b>Mutual fund</b>		
JS Islamic Hybrid Fund of Funds 243,146.3530 (June 30, 2020: 243,146.3530) units	21,076	24,315
	<u>24,039</u>	<u>27,932</u>
Adjustment on remeasurement to fair value - net	2,252	(3,910)
	<u>26,291</u>	<u>24,022</u>

## 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, 2020.

## 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 2019.
- 8.2** Provision for taxation made for the current period represent minimum tax payable under section 113 of the Ordinance.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

## 9. LONG TERM FINANCING - Secured

	Un-audited December 31, 2020	Audited June 30, 2020
	(Rupees in thousand)	
Balance at beginning of the period / year	2,540,371	1,830,991
Add: disbursements during the period / year 9.1	249,283	998,216
Less: repayments made during the period / year	58,400	288,836
Balance at end of the period / year	2,731,254	2,540,371
Less: current portion grouped under current liabilities	677,320	252,147
	2,053,934	2,288,224

- 9.1 All 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, 2020. Effective mark-up rates charged, during the current period, ranged from 2.50% to 9.98% (June 30, 2020: 2.50% and 16.36%) per annum.

## 10. SHORT TERM BORROWINGS

Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.4.792 billion (June 30, 2020: Rs.4.576 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 7.69% to 15.15% (June 30, 2020: 7.72% to 16.36%) per annum and are expiring on various dates by October, 2021. Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.2.822 billion (June 30, 2020: Rs.2.635 billion) of which the amount remained unutilised at the reporting date was Rs.1.939 billion (June 30, 2020: Rs.1.847 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, 2021.

## 11. CONTINGENCIES AND COMMITMENTS

### 11.1 Contingencies

- 11.1.1 Guarantees aggregating Rs.306.627 million (June 30, 2020: Rs.304.043 million) have been issued by banks of the Company to different parties including Government institutions and Sui Northern Gas Pipeline Limited.

- 11.1.2 The Gas Infrastructure Development Cess ("GIDC") was firstly imposed as a levy on gas consumers in 2011 vide GIDC Act 2011. The said Act was challenged in Peshawar High Court ("PHC") that declared the levy of GIDC unconstitutional. The government challenged the decision in the Supreme Court ("SC"). The SC upheld the PHC's decision declaring GIDC a fee and not a tax that could not be introduced through money bill. Soon after the said decision, GIDC Ordinance 2014 was promulgated through which GIDC was again imposed. The Ordinance was also given retrospective effect from December 15, 2011. While the Ordinance was still in field, the Government sought review of the SC's decision which was also dismissed by the SC.



# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

In May 2015, the government passed the GIDC Act, 2015 whereby GIDC was again imposed on gas consumers. The Company filed the writ petition in the PHC and challenged the validity of the GIDC Act, 2015. The PHC dismissed the writ petition of the Company vide its judgment dated May 31, 2017 and declared the GIDC Act, 2015 to be intra vires the Constitution. The Company preferred an appeal to the SC against the said judgment of PHC. The SC was pleased to decide all petitions in its detailed judgment dated August 13, 2020.

Meanwhile, in 2018, the Company sought interim relief from PHC on the plea that the Company did not pass on GIDC to its end customers and therefore was not liable to pay the GIDC. PHC granted interim relief and refrained SNGPL from recovering the GIDC from the Company.

It is pertinent to mention that the SC has specifically stated in its judgment dated August 13, 2020 that GIDC is recoverable only from those gas consumers that has passed the burden to its consumer / clients (Para 42). The management maintains that the Company is not liable to pay the GIDC because the Company is not selling its yarn to the end consumers / retail customers and cannot pass on GIDC to its buyers. The prices of yarn and cotton are determined by the local and international markets based on demand and supply mechanism. Accordingly, the Company filed the review petition in the Supreme Court of Pakistan against the above judgement of SC. The SC dismissed the review petition vide its judgment dated November 02, 2020, however, SC mentioned in its said judgment that the companies claiming any relief under GIDC Act 2015 may approach the right forum. In case of adverse decision the contingent liability aggregates to the tune of Rs.279.645 million calculated on the basis of applicable rate of industry from June 2015 to October 2018 because from October 2018 the gas tariff is inclusive of all charges including GIDC and therefore GIDC is not applicable afterwards. However, SNGPL has raised the demand against GIDC Rs.850.542 million in their bill.

In a writ petition number 3658-P/ 2018 PHC in its judgment dated September 16, 2020 has referred the matter to OGRA being the relevant authority for the determination of the fact whether the company has passed on GIDC to its customers or not.

- 11.1.3** The OGRA, while citing the judgment of the Hon'able SC dated May 10, 2019 in civil appeal in number 159-L to 2014-L of 2018 titled Sui Northern Gas Pipelines Ltd, Vs Bulleh Shah Packaging (Pvt.) Ltd., passed the decision that the consumer who are having supply of natural gas for industrial use and having in-house electricity generation facility for self-consumption fall in the category of industrial consumers and are subject to the corresponding tariff. The OGRA also directed SNGPL to adjust the excess amount paid. Excess amount paid by the company is Rs.72.440 million which is expected to be adjusted by the SNGPL in future gas bills. The Company has not accounted for the same amount as receivable in the financial statements.
- 11.1.4** 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 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.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

**11.1.5** The Finance Act, 2018 amended Section 5A of the Income Tax Ordinance, 2001 and introduced tax on every public company at the rate of 5% of its accounting profit before tax for the year. However, this tax shall not apply in case the Company distribute 20% of the accounting profit through cash dividend within six months of the end of the said year.

The Company filed a Constitutional Petition (CP) no. 6256-P/2019 before the PHC on November 22, 2019 challenging the vires of amended Section 5A of the Income Tax Ordinance, 2001, and PHC accepted the CP and granted stay against the section 5A.

The dividend paid by the Company for the financial year 2019 does not meet the minimum prescribed distribution rate of amended Section 5A of the Income Tax Ordinance, 2001. In case the PHC's decision is not in favor of the Company; the Company will be liable to pay additional tax at the rate of 5% of its profit before tax for the financial year ended June 30, 2019. As at reporting date no charge has been recorded in this respect.

<b>Un-audited December 31, 2020</b>	<b>Audited June 30, 2020</b>
(Rupees in thousand)	

## 11.2 Commitments

### 11.2.1 Commitments in respect of :

- letters of credit for purchase of raw materials	457,314	94,530
- letters of credit for capital expenditure	13,215	-

**11.2.2** The Company has entered into Ijarah arrangements for four (June 30, 2020: one) vehicles with Bank Alfalah Limited and Meezan Bank Limited. Aggregate commitments for rentals under Ijarah arrangements at the reporting dates were as follows:

	<b>Un-audited December 31, 2020</b>	<b>Audited June 30, 2020</b>
	(Rupees in thousand)	
Not later than one year	3,416	614
Later than one year but not later than five years	12,120	2,280
	15,536	2,894

**NOTES TO THE CONDENSED INTERIM  
FINANCIAL STATEMENTS (UN-AUDITED)**  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

**12. SALES - Net**

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

	Quarter ended		Six months period ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees in thousand)			
<b>Own manufactured goods (local)</b>				
Yarn	2,310,547	2,025,454	4,493,637	3,805,479
Surgical cotton	18,816	-	30,251	-
Waste	15,003	17,021	28,707	31,796
	2,344,366	2,042,475	4,552,595	3,837,275
<b>Own manufactured goods (export)</b>				
Yarn	47,171	54,398	116,840	83,383
Surgical cotton	52,536	99,937	181,144	195,550
	99,707	154,335	297,984	278,933
<b>Trading activities:</b>				
Raw material	11,639	59,762	12,957	65,868
	2,455,712	2,256,572	4,863,536	4,182,076

12.2 All the contracts 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.

**NOTES TO THE CONDENSED INTERIM  
FINANCIAL STATEMENTS (UN-AUDITED)**  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	<b>Un-audited</b>	
	<b>Six months period ended</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	<b>(Rupees in thousand)</b>	
<b>13. CASH GENERATED FROM / (USED IN) OPERATIONS</b>		
Profit / (loss) for the period - before taxation	72,442	(47,418)
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation and amortisation	164,396	140,576
Staff retirement benefits - gratuity (net)	9,133	2,594
Gain on sale of operating fixed assets - net	(391)	(518)
Finance cost	318,419	397,841
Exchange fluctuation gain - net	-	(17)
Gain on remeasurement of short term investments	(2,269)	(25,410)
<b>Profit before working capital changes</b>	<b>561,730</b>	<b>467,648</b>
<b>Effect on cash flow due to working capital changes</b>		
<b>(Increase) / decrease in current assets:</b>		
Stores, spare parts and loose tools	52,655	12,968
Stock-in-trade	139,891	(70,789)
Trade debts	197,860	(430,943)
Loans and advances	(10,046)	16,381
Trade deposits and short term prepayments	(2,813)	(1,600)
Other receivables	721	10,429
Taxes refundable	-	97,104
<b>Decrease in trade and other payables</b>	<b>(210,902)</b>	<b>(40,579)</b>
	<b>167,366</b>	<b>(407,029)</b>
<b>Cash generated from operating activities</b>	<b>729,096</b>	<b>60,619</b>
Income taxes paid	(36,970)	(53,908)
Long term deposits from employees	(1,159)	737
Long term loans	801	(282)
Long term deposits	(5,841)	(287)
<b>Net cash generated from operating activities</b>	<b>685,927</b>	<b>6,879</b>

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Un-audited December 31, 2020 (Rupees in thousand)	Audited June 30, 2020
<b>14. TRANSACTIONS WITH RELATED PARTIES</b>		
<b>14.1 Period / year end balances are as follows:</b>		
Trade and other payables	60,421	77,851
Other receivables	-	437

Relationship	Nature of transactions	Un-audited Six months period ended	
		December 31, 2020 (Rupees in thousand)	December 31, 2019
Associated Companies & Undertakings	Purchase of goods and services	-	15,309
	Dividend paid	-	11,132
	Donations	3,000	3,000
Key management personnel	Remuneration and other benefits	12,967	15,513
Others	Consultancy Charges	12,000	9,000

## 15. FINANCIAL RISK MANAGEMENT

- 15.1** 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, 2020, 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, 2020

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

## 16. 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.4.573 million (June 30, 2020: Rs.3.324 million), level 2 financial assets amounting Rs.24.068 million (June 30, 2020: Rs.26.765 million) and level 3 financial assets amounting Rs.10 million (June 30, 2020: Rs.10 million).

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


## 17. 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, 2020, 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, 2019.

## 18. GENERAL

**18.1** These condensed interim financial statements were approved by the Board of Directors and authorised for issue on 26 February 2021.

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



ASSAD SAIFULLAH KHAN  
Chief Executive Officer



RANA MUHAMMAD SHAFI  
Director



NOUMAN AHMAD  
Chief Financial Officer





**Saif Group**



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