



Saif Group



Half Yearly Report
(Un-Audited)
December 31, 2021

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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COMPANY INFORMATION

BOARD OF DIRECTORS

| | |
|----------------------|--------------------|
| Osman Saifullah Khan | Chairman/ Director |
| Hoor Yousafzai | Director |
| Assad Saifullah Khan | Director |
| Rana Muhammad Shafi | Director |
| Muhammad Danish | Director |
| Rashid Ibrahim | Director |
| Sohail H Hydari | Director |
| Syed Masroor Hasnain | 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 Al Habib 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
Pak China Investment Company Limited
Sindh Bank Limited
Soneri Bank Limited
The Bank of Punjab
The Bank of Khyber
United Bank Limited

HEAD OFFICE

4th Floor, Kashmir Commercial
Complex 1032-E, Fazal-e-Haq Road,
Blue Area Islamabad.
Telephone: +92-51-2604733-35
Fax: +92-51-2604732
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' 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, 2021. Our commentary on the salient features of the Company's performance follows below.

Alhamdulillah, first half financial results has exceeded our expectations in terms of profitability. Company's turnover grew by 24% over the corresponding period last year (Rs 6,011 million in HY22 vs Rs 4,863 million HY21). The sales increase is in both volume and price terms. Gross Profit (GP) increased from 13% of sales during SPLY to 23% of sales during the period under review due to better product margins and surge in textile products internationally. Your company has earned profit before tax of Rs. 718 million compared to Rs. 72 million during the same period of last year (SPLY). However, increased profitability resulted in higher provisions for WPPF, WWF and Taxation due to which your company posted net profit after tax of Rs. 373 million compared to Rs. 14 million during the same period of last year (SPLY). Earnings per share (EPS) for the half year is Rs. 14.12 compared to Rs. 0.52 for the SPLY.

General Market Review and Future Prospects

It has been a remarkable half year under review in terms of profitability. Yarn demand was robust in the local as well as export markets. The company took timely raw material positions which Alhamdulillah, proved to be profitable. However, in subsequent quarters, we are foreseeing rise in raw material costs which may impact the profit margins. Devaluation of Pakistani Rupee will cause higher raw materials and spare part costs. Freight rates for export cargo has risen sharply and will affect export margins. Pakistan Economy is undergoing high inflation. This may cause rise in interest rates which is also detrimental for future profitability. Energy costs may also rise due to sharply higher oil and gas prices. We appreciate the Government actions to combat the COVID related situation. We strictly followed the defined SOPs and yet operated at full capacity.

Acknowledgment

Continued diligence and devotion of the staff and workers of the Company and good human relations at all levels deserve acknowledgment. The Directors also wish to place on record their gratitude to the bankers for their continued support to the Company.

For and on behalf of the board



SYED MASROOR HASNAIN
Chief Executive Officer



RANA MUHAMMAD SHAFI
Director

Place: Islamabad
Dated: 28 February, 2022

ڈائریکٹر رپورٹ برائے شیئر ہولڈرز

محترم شیئر ہولڈرز

ہمارے لئے یہ خوشی کا امر ہے کہ ہم ششماہی اختتامی 31 دسمبر، 2021 کیلئے کمپنی ہذا کی آڈٹ شدہ مالیاتی معلومات / رپورٹ پیش کر رہے ہیں۔ کمپنی ہذا کی کارکردگی کے سلسلہ میں اہم خود خال کے بارے میں ہماری درج ذیل اظہار رائے ہے:

الحمد للہ، منافع کی مد میں پہلی ششماہی مالیاتی نتائج ہمارے توقع سے زیادہ بڑھ گئے ہیں۔ گزشتہ سال کے اسی مدت کے تقابلی سال کی نسبت کمپنی کے مجموعی بڑھوتری میں 24% کا اضافہ ہوا (سال 2021 کے ششماہی مدت میں مبلغ 4,863 ملین کی نسبت سال 2022 کے ششماہی مدت میں مبلغ 6,011 ملین روپے)۔ حجم اور قیمت دونوں مد میں سیلز میں اضافہ ہوا۔ مصنوعات کی بہتر مارجن اور بین الاقوامی مارکیٹ میں نیٹسکال مصنوعات کی طلب میں اضافے کی وجہ سے جاری سال میں 13% سے 23% تک مجموعی منافع میں اضافہ ہوا۔ آپ کی کمپنی نے نیکی کی کوئی سے قبل گزشتہ سال کے اسی مدت کے دوران منافع مبلغ 72 ملین روپے کے مقابلے میں مبلغ 718 ملین روپے کمایا، تاہم منافع میں اضافہ کی وجہ سے ڈبلیو پی پی ایف (WPPF)، ڈبلیو ڈبلیو ایف (WWF) اور نیکیسشن کی پربوشن زیادہ ہوئی جس کی وجہ سے آپ کی کمپنی نے گزشتہ تقابلی سال کے اسی مدت کے دوران ابعد نیکیس مجموعی منافع مبلغ 14 ملین روپے کے نسبت مبلغ 373 ملین روپے کا منافع حاصل کیا۔ گزشتہ سال کے اسی مدت کے دوران فی حصص آمدنی مبلغ 0.52 روپے کی نسبت مبلغ 14.12 روپے رہی۔

مارکیٹ کا عمومی جائزہ اور مستقبل کا نقطہ نظر

منافع کی مد میں زیر جائزہ ششماہی مدت میں کارکردگی بہترین رہی۔ مقامی مارکیٹ کے ساتھ ساتھ برآمدی (بین الاقوامی) مارکیٹ میں سوت کی طلب میں تیزی سے اضافہ ہوا۔ کمپنی ہذا نے بروقت خال مال کی ضرورت / طلب کو پورا کیا، الحمد للہ یہ امر بہت منافع بخش رہا تاہم، مابعد سامہیوں میں ہمیں خال مال کی لاگت میں اضافہ نظر آ رہا ہے جس سے منافع کی شرح متاثر ہو سکتی ہے۔ پاکستانی روپے کی قدر میں کمی کی وجہ سے خال مال اور سینیئر پارٹس کی لاگت میں اضافہ ہوگا۔ برآمدی کارگو کیلئے مال برداری کے ریٹ میں تیزی سے اضافہ ہوا جس سے برآمدات متاثر ہو گئی۔ پاکستان کی معیشت زیادہ مہنگائی کی لپیٹ میں ہے۔ اس کی وجہ سے سود کی شرح میں اضافہ ہوگا اور یہ امر بھی مستقبل کے منافع کا تعین کرے گا۔ تیل اور گیس کی قیمت میں تیزی سے اضافے کے باعث توانائی کی لاگت میں بھی اضافہ ہوگا۔ ہم کو ویڈ سے متعلقہ صورت حال سے نبرد آزما ہونے کے سلسلہ میں حکومتی کاوشوں کی تعریف کرتے ہیں۔ ہم نے جاری ایس او پیز (SOPs) پر سختی سے عمل کیا ہے اور مگر پھر بھی مکمل صلاحیت کے ساتھ کام کر رہے ہیں۔

اظہار تشکر

تمام سطح پر کمپنی ہذا کے شاف اور کارکنوں کی مسلسل محنت اور لگن اور بہترین انسانی تعلق عامہ کے لئے تعریف کے لائق ہے۔ ڈائریکٹرز، مینیکرز صاحبان کو بھی کمپنی ہذا کی مسلسل معاونت کے سلسلہ میں خراج تحسین پیش کرتے ہیں۔

بورڈ ہذا کی جانب سے



رانا محمد شفیق

ڈائریکٹر



سید مسرور حسین

چیف ایگزیکٹو آفیسر

تاریخ: 28 فروری، 2022

بمقام: اسلام آباد

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, 2021 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, 2021 and 2020 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2021.

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: 28 February 2022
UDIN: RR202110104Ckh7tr00B

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

| | | Un-audited December 31, 2021 | Audited June 30, 2021 |
|--|-------------|------------------------------------|-----------------------------|
| | | (Rupees in thousand) | |
| Assets | Note | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 4 | 6,550,564 | 6,433,338 |
| Intangible assets | | 443 | 1,704 |
| Long term investments | | 12,500 | 12,350 |
| Long term loans | | 21,476 | 19,429 |
| Long term deposits | | 32,546 | 23,905 |
| | | 6,617,529 | 6,490,726 |
| Current Assets | | | |
| Stores, spare parts and loose tools | | 310,554 | 299,934 |
| Stock-in-trade | 5 | 2,917,276 | 2,308,744 |
| Trade debts | | 2,483,536 | 2,275,615 |
| Loans and advances | | 88,248 | 78,199 |
| Short term prepayments | | 9,457 | 4,334 |
| Other receivables | | 52,672 | 50,554 |
| Short term investments | 6 | 3,704 | 26,123 |
| Deposit for shares | 7 | - | - |
| Taxation - net | 8 | 282,026 | 322,703 |
| Tax refunds due from Government | | 5,034 | 5,034 |
| Cash and bank balances | | 44,230 | 44,278 |
| | | 6,196,737 | 5,415,518 |
| | | 12,814,266 | 11,906,244 |
| 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 | 265,831 |
| Unappropriated profit | | 2,212,058 | 1,809,617 |
| Surplus on Revaluation of Property, Plant and Equipment | | 1,300,925 | 1,330,535 |
| Total Shareholders' equity | | 4,043,093 | 3,670,112 |
| Non-Current Liabilities | | | |
| Long term financing | 9 | 1,482,574 | 1,619,373 |
| Lease liabilities | | 16,819 | 23,173 |
| Deferred income - government grant | | 1,098 | 2,529 |
| Long term deposits | | 11,266 | 8,041 |
| Staff retirement benefits - gratuity | | 229,788 | 212,613 |
| Deferred taxation - net | | 597,371 | 376,302 |
| | | 2,338,916 | 2,242,031 |
| Current Liabilities | | | |
| Trade and other payables | | 875,942 | 933,523 |
| Unpaid dividend | | 486 | 486 |
| Unclaimed dividend | | 8,597 | 8,593 |
| Accrued mark-up and interest | | 134,269 | 114,352 |
| Short term borrowings | 10 | 4,567,924 | 4,097,397 |
| Current portion of non-current liabilities | | 845,039 | 839,750 |
| | | 6,432,257 | 5,994,101 |
| Contingencies and commitments | 11 | 12,814,266 | 11,906,244 |

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

SYED MASROOR HASNAIN
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, 2021**

| | | Quarter ended | | Six months period ended | |
|-----------------------------------|------|----------------------------------|----------------|---------------------------------|----------------|
| | | December 31, December 31, | | December 31, December 31 | |
| | | 2021 | 2020 | 2021 | 2020 |
| | | (Rupees in thousand) | | | |
| | Note | | | | |
| Sales - net | 12 | 3,276,809 | 2,455,712 | 6,011,061 | 4,863,536 |
| Cost of sales | | (2,572,133) | (2,080,536) | (4,644,173) | (4,232,908) |
| Gross profit | | 704,676 | 375,176 | 1,366,888 | 630,628 |
| Distribution cost | | (72,211) | (69,457) | (124,565) | (91,872) |
| Administrative expenses | | (80,173) | (70,128) | (152,053) | (130,249) |
| Other income | | 29,182 | 12,678 | 36,726 | 16,934 |
| Other expenses | | (37,571) | (5,483) | (57,544) | (7,205) |
| Profit from operations | | 543,903 | 242,786 | 1,069,452 | 418,236 |
| Finance cost | | (173,436) | (139,785) | (356,414) | (345,794) |
| | | 370,467 | 103,001 | 713,038 | 72,442 |
| Exchange fluctuation gain | | 4,738 | - | 4,738 | - |
| Profit before taxation | | 375,205 | 103,001 | 717,776 | 72,442 |
| Taxation | | | | | |
| Current | 8 | (65,508) | (23,575) | (123,874) | (30,157) |
| Deferred | | (93,221) | - | (221,071) | (28,591) |
| | | (158,729) | (23,575) | (344,945) | (58,748) |
| Profit after taxation | | 216,476 | 79,426 | 372,831 | 13,694 |
| Other comprehensive gain / (loss) | | 150 | (100) | 150 | (100) |
| Total comprehensive income | | 216,626 | 79,326 | 372,981 | 13,594 |
| ----- Rupees ----- | | | | | |
| Earnings per share | | | | | |
| - basic and diluted | | 8.20 | 3.01 | 14.12 | 0.52 |

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


SYED MASROOR HASNAIN
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, 2021

| | | Six months period ended | |
|---|------|-------------------------|----------------------|
| | | December 31, 2021 | December 31, 2020 |
| | Note | (Rupees in thousand) | |
| Cash flow from operating activities | 13 | 251,790 | 685,927 |
| Cash flow from investing activities | | | |
| Additions to property, plant and equipment | | (293,893) | (109,659) |
| Sale proceeds of operating fixed assets / insurance claims received | | 25,220 | 6,189 |
| Short term investment | | 22,096 | - |
| Net cash used in investing activities | | (246,577) | (103,470) |
| Cash flow from financing activities | | | |
| Long term financing | | | |
| - obtained | | 249,890 | 259,594 |
| - repaid | | (381,675) | (58,400) |
| Lease liabilities | | (7,510) | (10,625) |
| Short term borrowings - net | | 470,527 | (393,526) |
| Dividend paid | | 4 | (3,683) |
| Finance cost paid | | (336,497) | (389,624) |
| Net cash used in financing activities | | (5,261) | (596,264) |
| Net decrease in cash and cash equivalents | | (48) | (13,807) |
| Cash and cash equivalents - at beginning of the period | | 44,278 | 40,567 |
| Cash and cash equivalents - at end of the period | | 44,230 | 26,760 |

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



SYED MASROOR HASNAIN
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, 2021

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

(Rupees in thousand)

Balance as at July 01, 2021 264,129 115,981 150,000 1,809,617 (150) 1,330,535 3,670,112

Total comprehensive income for the six months period ended December 31, 2021 - - - 372,831 150 - 372,981

Surplus on revaluation of property, plant and equipment-realised during the period (net of deferred taxation):

- on account of incremental depreciation - - - 29,222 - (29,222) -
 - upon sale of revalued assets - - - 388 - (388) -

Balance as at December 31, 2021 264,129 115,981 150,000 2,212,058 - 1,300,925 4,043,093

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


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



SYED MASROOR HASNAIN
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, 2021

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 |
| Islamabad | |
| Kashmir Commercial Complex, Fazal-e-haq road, Blue Area | Head office |
| Karachi | |
| Room # 03, 5th Floor, KDLB Building, 58-West Wharf Road | Marketing & sales 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,
- 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021

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, 2021. These condensed interim financial statements are being submitted to the shareholders as required by the section 237 of the Companies Act, 2017.

2.2 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments and interpretations to accounting standards that are effective in the current period

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2021, 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 interim financial statements.

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

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 01, 2022, but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim 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, 2021.

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, 2021.

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

| | Note | Un-audited December 31, 2021 (Rupees in thousand) | Audited June 30, 2021 |
|---|-------|--|-----------------------------|
| 4. PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets - tangible | 4.1 | 6,285,361 | 6,364,189 |
| Capital work-in-progress | | 168,706 | 5,553 |
| Right-of-use assets | 4.2 | 41,846 | 49,240 |
| Stores held for capital expenditure | | 54,651 | 14,356 |
| | | 6,550,564 | 6,433,338 |
| 4.1 Operating fixed assets - tangible | | | |
| Book value at beginning of the period / year | | 6,364,189 | 6,410,076 |
| Additions during the period / year | 4.1.1 | 89,936 | 277,983 |
| Transfer from right of use to owned | | 1,896 | 6,144 |
| Disposals costing Rs. 45.898 million (June 30, 2021: Rs.30.550 million) | | | |
| - at net book value | | (13,051) | (12,116) |
| Depreciation charge for the period / year | | (157,609) | (317,898) |
| Book value at end of the period / year | | 6,285,361 | 6,364,189 |
| 4.1.1 Additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year: | | | |
| Buildings on leasehold land | | 7,089 | 21,732 |
| Plant & machinery | | 57,628 | 156,700 |
| Generators | | 5,255 | 88,974 |
| Electric installations | | 3,497 | 2,002 |
| Air conditioning equipment | | 439 | 69 |
| Furniture & fixtures | | 10,689 | 490 |
| Office equipment | | 3,895 | 5,232 |
| Telephone installations | | 1,111 | 1,461 |
| Weighing scales | | 86 | 211 |
| Fire extinguishing equipment | | 247 | 1,029 |
| Owned vehicles | | - | 83 |
| | | 89,936 | 277,983 |
| 4.2 Right-of-use assets | | | |
| Book value at beginning of the period / year | | 49,240 | 55,445 |
| Recognized during the period / year | | - | 17,414 |
| Reassessment due to mark-up rate change | | 507 | (749) |
| Depreciation for the period / year | | (6,005) | (12,163) |
| Transferred to own assets | | (1,896) | (6,144) |
| Derecognized during the period / year | | - | (4,563) |
| | | 41,846 | 49,240 |

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

| | Un-audited December 31, 2021 (Rupees in thousand) | Audited June 30, 2021 |
|---|--|--------------------------------------|
| 5. STOCK-IN-TRADE | | |
| Raw materials | 1,382,364 | 1,331,542 |
| Work-in-process | 288,067 | 232,576 |
| Finished goods | 1,246,845 | 744,626 |
| | <u>2,917,276</u> | <u>2,308,744</u> |
| 6. INVESTMENTS (at fair value through statement of profit or loss) | | |
| Equity securities - quoted | | |
| National Bank of Pakistan 105,000 (June 30, 2021: 105,000) ordinary shares of Rs.10 each | 3,840 | 2,903 |
| Pakistan Petroleum Ltd. 1,000 (June 30, 2021:1,000) ordinary shares of Rs.10 each | 87 | 90 |
| Mutual fund | | |
| JS Islamic Hybrid Fund of Funds Nil (June 30, 2020: 256,045.6205) units | - | 22,178 |
| | <u>3,927</u> | <u>25,171</u> |
| Adjustment on remeasurement to fair value - net | (223) | 952 |
| | <u>3,704</u> | <u>26,123</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, 2021. | | |
| 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 2021. | | |
| 8.2 Provision for taxation made for the current period represent alternate corporate tax payable under section 113C of the Ordinance. | | |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021

9. LONG TERM FINANCING - Secured

| | | Un-audited December 31, 2021 | Audited June 30, 2021 |
|---|-----------|------------------------------------|-----------------------------|
| | Note | (Rupees in thousand) | |
| Balance at beginning of the period / year | | 2,431,876 | 2,540,371 |
| Add: disbursements during the period / year | 9.1 & 9.2 | 256,656 | 261,038 |
| Less: repayments made during the period / year | | 381,675 | 369,533 |
| Balance at end of the period / year | | 2,306,857 | 2,431,876 |
| Less: current portion grouped under current liabilities | | 824,283 | 812,503 |
| | | 1,482,574 | 1,619,373 |

- 9.1 The Company, during the period, has entered into a Diminishing Musharakah arrangement amounted Rs.100 million with Meezan Bank Limited (Islamic). The principal balance is repayable in 16 equal quarterly instalments commencing January, 2023 and carries profit at the rate of 3 month Kibor +1% per annum. This finance facility is secured against first joint pari passu charge over all present and future fixed asset of the Company with 25% margin.
- 9.2 The Company, during the period, has entered into a Diminishing Musharakah arrangement amounted Rs.150 million under Islamic temporary economic refinance facility (ITERF) from Dubai Islamic Bank Limited. The principal balance is repayable in 20 equal quarterly instalments commencing January, 2024 and carries profit at the SBP rate +4% per annum. This finance facility is secured against first joint pari passu charge of Rs.200 million over present and future current and fixed asset of the Company with 25% margin.
- 9.3 Except for the above new facilities 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, 2021. Effective mark-up rates charged, during the current period, ranged from 2.50% to 12.52% (June 30, 2021: 2.50% to 10.01%) per annum.

10. SHORT TERM BORROWINGS

Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.4.305 billion (June 30, 2021: Rs.4.405 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 8.10% to 12.55% (June 30, 2021: 7.69% to 14.52%) per annum and are expiring on various dates by October, 2022. Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.1.716 billion (June 30, 2021: Rs.2.822 billion) of which the amount remained unutilised at the reporting date was Rs.1.908 billion (June 30, 2021: Rs.1.501 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, 2022.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

- 11.1.1 Guarantees aggregating Rs.306.627 million (June 30, 2021: Rs.306.627 million) have been issued by banks of the Company to different parties including Government institutions and Sui Northern Gas Pipeline Limited.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021

11.1.2 The Gas Infrastructure Development Cess ("GIDC") was initially imposed as a levy on gas consumers in 2011 vide GIDC Act, 2011. The vires of the said Act and its subsequent versions including GIDC Act, 2015 were challenged from time to time. The Supreme Court of Pakistan ("SCP") vide its detailed judgment dated August 13, 2020 declared the GIDC Act, 2015 as valid and constitutional. The SCP in its said judgment stated that the Cess under GIDC Act, 2015 is applicable only to those consumers of natural gas which on account of their industrial or commercial dealings had passed on GIDC burden to their end customers/clients. Subsequently, the Company, filed a review petition against the said decision of the SCP for waiver of the full amount of GIDC Cess on the ground that the Company, being spinning unit and producing raw material for weaving sector, has not passed on the burden of GIDC to its customers. The SCP dismissed the afore-mentioned review petition vide its judgment dated November 02, 2020, however, SCP 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 for industry from June, 2015 to October, 2018. 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 of Rs.850.542 million in their bill.

Earlier, in 2018, the Company filed a writ petition No.3658-P/2018 in PHC with the plea that the Company did not pass on the GIDC to its end customers and sought relief under Section 8 (2) of the GIDC Act 2015. PHC granted interim relief and refrained SNGPL from recovering the GIDC from the Company. After the SCP's judgment dated August 13, 2020, PHC referred the case to OGRA being the relevant authority for determining the fact whether the Company and other petitioners have passed the burden of GIDC to their end customers or not. As per the direction of PHC, the petition was filed with OGRA which was withdrawn subsequently after the declaration by OGRA that the matter does not fall under their jurisdiction.

In February 2021, the Company filed a writ petition No. 872-P/2021 in PHC claiming non-applicability of GIDC Act 2015 and sought relief against the recovery of GIDC installment in bills. The PHC vide its order dated March 03, 2021 issued a stay order and restrained SNGPL from taking any adverse action against the Company. Another hearing of the case, held on February 10, 2022, was adjourned with no further proceeding. The stay order in favour of the Petitioners is still in place.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021

similar case, Lahore High Court has decided the matter in favour of industry vide its judgement dated December 11, 2018.

- 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.

- 11.2 Commitments**
- 11.2.1** Commitments against irrevocable letters of credit outstanding at the year-end were for Rs. 631.485 million (June 30, 2021: Rs.798.232 million).
- 11.2.2** The Company has entered into Ijarah arrangements for twenty-seven (June 30, 2021: seventeen) vehicles with Bank Alfalah Limited, Meezan Bank Limited and First Habib Mudaraba. Aggregate commitments for rentals under Ijarah arrangements at the reporting dates were as follows:

| | Un-audited December 31, 2021 | Audited June 30, 2021 |
|---|---|--------------------------------------|
| | (Rupees in thousand) | |
| Not later than one year | 17,797 | 13,725 |
| Later than one year but not later than five years | 55,982 | 47,930 |
| | <u>73,779</u> | <u>61,655</u> |

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

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, | December 31, | December 31, | December 31 |
| | 2021 | 2020 | 2021 | 2020 |
| | (Rupees in thousand) | | | |
| Own manufactured goods (local) | | | | |
| Yarn | 3,042,437 | 2,310,547 | 5,663,612 | 4,493,637 |
| Surgical cotton | 9,982 | 18,816 | 9,982 | 30,251 |
| Waste | 18,076 | 15,003 | 27,089 | 28,707 |
| | 3,070,495 | 2,344,366 | 5,700,683 | 4,552,595 |
| Own manufactured goods (export) | | | | |
| Yarn | 110,692 | 47,171 | 135,457 | 116,840 |
| Surgical cotton | 95,234 | 52,536 | 174,533 | 181,144 |
| | 205,926 | 99,707 | 309,990 | 297,984 |
| Trading activities: | | | | |
| Raw material | 388 | 11,639 | 388 | 12,957 |
| | 3,276,809 | 2,455,712 | 6,011,061 | 4,863,536 |

12.2 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.

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

| | Un-audited | |
|---|--------------------------------|------------------------------|
| | Six months period ended | |
| | December 31, 2021 | December 31, 2020 |
| | (Rupees in thousand) | |
| 13. CASH GENERATED FROM OPERATIONS | | |
| Profit for the period - before taxation | 717,776 | 72,442 |
| Adjustments for non-cash charges and other items: | | |
| Depreciation and amortisation | 164,875 | 164,396 |
| Staff retirement benefits - gratuity (net) | 17,175 | 9,133 |
| Gain on sale of operating fixed assets - net | (12,169) | (391) |
| Finance cost | 356,414 | 318,419 |
| Exchange fluctuation gain - net | (4,738) | - |
| Loss / (gain) on remeasurement of short term investments | 323 | (2,269) |
| Profit before working capital changes | 1,239,656 | 561,730 |
| Effect on cash flow due to working capital changes | | |
| (Increase) / decrease in current assets: | | |
| Stores, spare parts and loose tools | (10,620) | 52,655 |
| Stock-in-trade | (608,532) | 139,891 |
| Trade debts | (203,183) | 197,860 |
| Loans and advances | (10,049) | (10,046) |
| Trade deposits and short term prepayments | (5,123) | (2,813) |
| Other receivables | (2,118) | 721 |
| Decrease in trade and other payables | (57,581) | (210,902) |
| | (897,206) | 167,366 |
| Cash generated from operating activities | 342,450 | 729,096 |
| Income taxes paid | (83,197) | (36,970) |
| Long term deposits from employees | 3,225 | (1,159) |
| Long term loans | (2,047) | 801 |
| Long term deposits | (8,641) | (5,841) |
| Net cash generated from operating activities | 251,790 | 685,927 |

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

| | Un-audited December 31, 2021 (Rupees in thousand) | Audited June 30, 2021 |
|--|--|-----------------------------|
| 14. TRANSACTIONS WITH RELATED PARTIES | | |
| 14.1 Period / year end balances are as follows: | | |
| Trade and other payables | 634 | 61,934 |
| Other receivables | 2,430 | - |

14.2 Significant transactions with related parties are as follows:

| Relationship | Nature of transactions | Un-audited Six months period ended | |
|---|---------------------------------|--|----------------------|
| | | December 31, 2021 (Rupees in thousand) | December 31, 2020 |
| Associated Companies & Undertakings | Purchase of goods and services | 6,468 | - |
| | Sale of goods and services | 11,805 | - |
| | Purchase of fixed assets | 5,000 | - |
| | Donations | 3,000 | 3,000 |
| Key management personnel | Remuneration and other benefits | 20,011 | 12,967 |
| Others | Consultancy Charges | - | 12,000 |

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, 2021, 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, 2021.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021

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.3.704 million (June 30, 2021: Rs.3.945 million), level 2 financial assets amounting Rs.2.500 million (June 30, 2021: Rs.24.528 million) and level 3 financial assets amounting Rs.10 million (June 30, 2021: 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, 2021, 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, 2020.

18. GENERAL

18.1 These condensed interim financial statements were approved by the Board of Directors and authorised for issue on February 28, 2022.

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



SYED MASROOR HASNAIN
Chief Executive Officer



RANA MUHAMMAD SHAFI
Director



NOUMAN AHMAD
Chief Financial Officer



Saif Group
.....



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