



Saif Group

Half Yearly Report (Un-audited) December 31, 2022



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
Hoor Yousafzai	Director
Assad Saifullah Khan	Director
Rana Muhammad Shafi	Director
Muhammad Danish	Director
Rashid Ibrahim	Director
Sohail H Hydari	Director
Nadia Bilal	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

Muhammad Faisal Raza

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 Habib Modaraba 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, hereby, present the Company's financial statements reviewed by the Auditors for the half year ended December 31, 2022. Key financial highlights are given below:

Sales for the period under review remained Rs. 5,551 million in comparison to the corresponding period of last year amounting Rs. 6,011 million. The downward slide in sales is mainly due to economic recession locally and in export markets. Inflation trends especially in commodities impacted profit margin due to increase in Raw material prices and other operational cost. Company has incurred loss before tax of Rs. 612 million compared to Profit before tax of Rs. 718 million during the same period of last year.

General Market Review and Future Prospects

The Government of Pakistan is facing strong headwinds of economic challenges and widespread floods, inflation and global recession have further exacerbated the situation. Floods have badly affected the cotton crops which will impact the availability of local cotton as well as the commodity prices. Abnormal fluctuation of raw material prices, erratic movement of PKR against USD, substantial increase in energy prices and Raw material Import barriers due to restriction of opening of new L/Cs may significantly impact the cost of textile industry. Management is expecting that textile business will be able to pass on the impact of increase in costs and import restrictions may ease out after IMF program.

It is expected that textile industry will revive as China & US markets are opening up and booking fresh orders.

Acknowledgment

The Board places on record its appreciation for the support of our regulatory authorities and members of our corporate family especially financial institutes.

We look forward to the same dedication and cooperation in the days ahead.



NADIA BILAL

Chief Executive Officer



RANA MUHAMMAD SHAFI

Director

Place: Islamabad

Dated: 28 February, 2023

ڈائریکٹر رپورٹ برائے شیئر ہولڈر

محترم شیئر ہولڈرز

ہم آپ کے سامنے (یہاں) اختتامی سال 31 دسمبر، 2022 کیلئے آڈیٹڈ کی جائزہ شدہ کمپنی ہذا کی ششماہی مالیاتی معلومات / رپورٹ پیش کر رہے ہیں جس کی اہم مالیاتی خدوخال درج ذیل ہیں:

گزشتہ سال کے تقابلی سال میں ملز / فروخت مبلغ 6,011 ملین روپے کی نسبت زیر جائزہ سال میں ملز / فروخت مبلغ 5,551 ملین روپے رہی۔ ملز / فروخت کی مد میں کمی کی اہم وجہ مقامی اور برآمدی مارکیٹ میں اشیاء کی معاشی مندی کا رجحان تھا۔ خام مال کی قیمتوں اور دیگر آپریشنل امور کی لاگت میں اضافہ کی وجہ خاص طور پر اشیاء میں افراط زر کے رجحانات نے منافع کی شرح کو متاثر کیا ہے ٹیکس کی کٹوتی سے قبل گزشتہ سال کے اسی مدت کے دوران منافع مبلغ 718 ملین روپے کی نسبت اس سال کمپنی نے نقصان مبلغ 612 ملین روپے کیا۔

مارکیٹ کا عمومی جائزہ اور مستقبل کا نقطہ نظر

حکومت پاکستان انتہائی سخت معاشی چیلنجوں کا سامنا کر رہی ہے جس میں وسیع پیمانے پر سیلاب، افراط زر / مہنگائی اور عالمی کساد بازاری نے اس صورت حال کو مزید سنگین کر دیا ہے، سیلاب نے کپاس کی فصل کو بری طرح نقصان پہنچایا ہے جس کی وجہ سے مقامی کپاس کی دستیابی کے ساتھ ساتھ اشیاء کی قیمتوں پر بھی اثرات مرتب ہو گئے۔ خام مال کی قیمتوں میں غیر معمولی اتار چڑھاؤ، ڈالر کے مقابلے میں پاکستانی روپے غیر مستقرانہ حرکت پذیری، توانائی کی قیمتوں میں نمایاں اضافے اور سونے ایل سیز کے کھولنے میں پابندی کی وجہ سے خام مال کی درآمدات میں رکاوٹ کی بنا پر ٹیکسٹائل کی صنعت کی لاگت میں بھی اہم اثرات مرتب ہو گئے۔ تاہم انتظامیہ ہذا امید کرتی ہے کہ وہ ٹیکسٹائل کے کاروباری لاگت کے اضافے کے اثرات پر مثبت طور پر کنٹرول حاصل کر لے گی اور آئی ایم ایف پروگرام کے بعد درآمدی پابندیوں میں آسانی واقع ہوگی۔

اس امر کی بھی امید کی جاتی ہے کہ ٹیکسٹائل کی صنعت اپنی سطح پر بحال ہو جائے گی کیونکہ چائینہ اور امریکہ کی مارکیٹیں ٹیکسٹائل کی مصنوعات کیلئے کھل رہی ہیں اور نئے آرڈرز بک ہو رہے ہیں۔

اظہار تشکر:

بورڈ ہذا ریگولٹری اتھارٹی اور کارپوریٹ فیملی کے ممبرانہ خاص طور پر مالیاتی اداروں کی معاونت کو خراج تحسین پیش کرتا ہے۔ ہم آئندہ آنے والے دنوں میں اس لگن اور تعاون کے متنبی ہیں۔

بورڈ ہذا کی جانب سے:



رانا محمد شفیع

ڈائریکٹر



نادیہ بلال

چیف ایگزیکٹو آفیسر

تاریخ: 28 فروری، 2023

بہ مقام: 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, 2022 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, 2022 and 2021 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2022.

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 2023
UDIN: RR202210104X9IT8nPv7

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

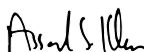
		Un-audited December 31, 2022	Audited June 30, 2022
		(Rupees in thousand)	
Assets	Note		
Non-Current Assets			
Property, plant and equipment	4	6,530,235	6,513,614
Long term investments		14,906	12,375
Long term loans		20,213	20,719
Long term deposits		35,689	32,472
		6,601,043	6,579,180
Current Assets			
Stores, spare parts and loose tools		316,945	308,449
Stock-in-trade	5	4,018,898	3,970,056
Trade debts		2,017,998	2,541,097
Loans and advances		67,726	99,918
Short term prepayments		7,343	5,920
Other receivables		103,755	96,180
Short term investments	6	-	3,002
Deposit for shares	7	-	-
Taxation - net	8	231,418	219,432
Tax refunds due from Government		217,167	5,034
Cash and bank balances		54,123	43,081
		7,035,373	7,292,169
		13,636,416	13,871,349
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		265,887	265,856
Unappropriated profit		1,627,278	2,131,038
Surplus on Revaluation of Property, Plant and Equipment		1,242,953	1,270,734
Total Shareholders' equity		3,400,247	3,931,757
Non-Current Liabilities			
Long term financing	9	907,225	1,128,064
Lease liabilities		2,728	8,852
Deferred income - government grant		25,917	22,218
Long term deposits		13,538	13,154
Staff retirement benefits - gratuity		219,789	251,868
Deferred taxation - net		532,974	674,622
		1,702,171	2,098,778
Current Liabilities			
Trade and other payables		700,613	1,711,994
Contract liabilities		53,880	-
Unpaid dividend		486	486
Unclaimed dividend		8,597	8,597
Accrued mark-up and interest		324,859	179,966
Short term borrowings	10	6,822,795	5,198,125
Current portion of non-current liabilities		622,768	741,646
		8,533,998	7,840,814
Contingencies and commitments	11		
		13,636,416	13,871,349

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



NADIA BILAL

Chief Executive Officer



ASSAD SAIFULLAH KHAN

Director



MUHAMMAD FAISAL RAZA

Chief Financial Officer

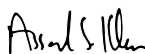
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME(UN-AUDITED) FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

		Quarter ended		Six months period ended	
		December 31, December 31,		December 31, December 31	
		2022	2021	2022	2021
	Note	(Rupees in thousand)			
Sales - net	12	2,894,886	3,276,809	5,550,662	6,011,061
Cost of sales		(3,037,383)	(2,572,133)	(5,319,442)	(4,644,173)
Gross (loss) / profit		(142,497)	704,676	231,220	1,366,888
Distribution cost		(47,154)	(72,211)	(91,658)	(124,565)
Administrative expenses		(92,293)	(80,173)	(174,676)	(152,053)
Other income		13,485	29,182	118,713	36,726
Other expenses		(2,135)	(37,571)	(4,198)	(57,544)
(Loss) / profit from operations		(270,594)	543,903	79,401	1,069,452
Finance cost		(362,277)	(173,436)	(691,167)	(356,414)
		(632,871)	370,467	(611,766)	713,038
Exchange fluctuation gain		44	4,738	44	4,738
(Loss) / profit before taxation		(632,827)	375,205	(611,722)	717,776
Taxation					
Current	8	(28,261)	(65,508)	(61,467)	(123,874)
Deferred		121,451	(93,221)	141,648	(221,071)
		93,190	(158,729)	80,181	(344,945)
(Loss) / profit after taxation		(539,637)	216,476	(531,541)	372,831
Other comprehensive gain		31	150	31	150
Total comprehensive (loss) / income		(539,606)	216,626	(531,510)	372,981
----- Rupees -----					
(Loss) / earnings per share					
- basic and diluted		(20.43)	8.20	(20.12)	14.12

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



NADIA BILAL
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



MUHAMMAD FAISAL RAZA
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

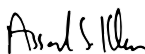
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

		Six months period ended	
		December 31, 2022	December 31, 2021
	Note	(Rupees in thousand)	
Cash flow from operating activities	13	(542,990)	251,790
Cash flow from investing activities			
Additions to property, plant and equipment		(181,664)	(293,893)
Sale proceeds of operating fixed assets / insurance claims received		3,726	25,220
Sale of short term investment		2,700	22,096
Long term investment made		(2,500)	-
Net cash used in investing activities		(177,738)	(246,577)
Cash flow from financing activities			
Long term financing			
- obtained		69,803	249,890
- repaid		(409,781)	(381,675)
Short term loan from an associated company		500,000	-
Lease liabilities		(6,648)	(7,510)
Short term borrowings - net		1,124,670	470,527
Dividend paid		-	4
Finance cost paid		(546,274)	(336,497)
Net cash generated from / (used in) financing activities		731,770	(5,261)
Net increase / (decrease) in cash and cash equivalents		11,042	(48)
Cash and cash equivalents - at beginning of the period		43,081	44,278
Cash and cash equivalents - at end of the period		54,123	44,230

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



NADIA BILAL
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



MUHAMMAD FAISAL RAZA
Chief Financial Officer

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

Share capital	Reserves			Unrealised loss on financial assets at fair value through other comprehensive income	Surplus on revaluation of property, plant and equipment	Total
	Capital reserve	Revenue reserve	Unappropriated profit			

(Rupees in thousand)

Balance as at July 01, 2022 264,129 115,981 150,000 2,131,038 (125) 1,270,734 3,931,757

Total comprehensive (loss) / income for the six months period ended December 31, 2022 - - - (531,541) 31 - (531,510)

Surplus on revaluation of property, plant and equipment for the six months realised during the period on account of incremental depreciation (net of deferred taxation):

- - - 27,781 - (27,781) -

Balance as at December 31, 2022 264,129 115,981 150,000 1,627,278 (94) 1,242,953 3,400,247

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):

for 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

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



NADIA BILAL
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



MUHAMMAD FAISAL RAZA
Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

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	
4 th floor, Kashmir Commercial Complex, Fazal UI Haq Road	Head office
Karachi	
Plot No. 36, New Karachi Cooperative Housing Society Near Dolmen Mall Tariq 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, 2022

Where provisions of and directives issued under the Act, 2017 differ from the requirements of IAS 34, the provisions of and directives issued under the 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, 2022. 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, 2022, 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, 2023, 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, 2022.

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, 2022.

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022**

		Un-audited December 31, 2022	Audited June 30, 2022
		(Rupees in thousand)	
4. PROPERTY, PLANT AND EQUIPMENT	Note		
Operating fixed assets - tangible	4.1	6,359,670	6,384,015
Capital work-in-progress		41,168	12,993
Right-of-use assets	4.2	24,103	32,407
Stores held for capital expenditure		105,294	84,199
		6,530,235	6,513,614
4.1 Operating fixed assets - tangible			
Book value at beginning of the period / year		6,384,015	6,364,189
Additions during the period / year	4.1.1	132,558	362,364
Transfer from right of use to owned		2,740	3,248
Disposals costing Rs. 10.878 million (June 30, 2022: Rs.137.164 million)			
- at net book value		(3,803)	(31,699)
Depreciation charge for the period / year		(155,840)	(314,087)
		6,359,670	6,384,015
4.1.1 Additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year:			
Lease hold land		-	12,394
Buildings on leasehold land		130	16,575
Plant & machinery		43,289	283,335
Generators		83,834	11,985
Electric installations		-	3,497
Air conditioning equipment		630	2,043
Furniture & fixtures		619	14,410
Office equipment		3,271	10,714
Telephone installations		420	1,927
Weighing scales		365	154
Fire extinguishing equipment		-	247
Gas fittings		-	44
Owned vehicles		-	5,039
		132,558	362,364
4.2 Right-of-use assets			
Book value at beginning of the period / year		32,407	49,240
Reassessment due to mark-up rate change		(166)	63
Depreciation for the period / year		(5,398)	(11,658)
Transferred to own assets		(2,740)	(3,248)
Derecognized during the period / year		-	(1,990)
		24,103	32,407

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022**

	Un-audited December 31, 2022 (Rupees in thousand)	Audited June 30, 2022
5. STOCK-IN-TRADE		
Raw materials	2,382,870	2,228,711
Work-in-process	348,853	303,109
Finished goods	1,287,175	1,438,236
	<u>4,018,898</u>	<u>3,970,056</u>
6. INVESTMENTS (at fair value through statement of profit or loss)		
Equity securities - quoted		
National Bank of Pakistan Nil (June 30, 2022: 105,000) ordinary shares of Rs.10 each	-	3,840
Pakistan Petroleum Ltd. Nil (June 30, 2022:1,000) ordinary shares of Rs.10 each	-	87
	<u>-</u>	<u>3,927</u>
Adjustment on remeasurement to fair value - net	-	(925)
	<u>-</u>	<u>3,002</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, 2022.

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 2022.
- 8.2** No numeric tax rate reconciliation has been given in these financial statements as provisions made for the current financial years represent minimum tax payable under section 113 of the ordinance. The provision for taxation for the six month period ended and quarter ended December 31, 2022 has been made using the best possible estimate of effective tax rate for the Company. Amount accrued may has to be adjusted in the subsequent period.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

9. LONG TERM FINANCING - Secured

		Un-audited December 31, 2022	Audited June 30, 2022
	Note	(Rupees in thousand)	
Balance at beginning of the period / year		1,849,105	2,431,876
Add: disbursements during the period / year	9.1	69,803	267,856
Less: repayments made during the period / year		409,781	850,627
Balance at end of the period / year		1,509,127	1,849,105
Less: current portion grouped under current liabilities		601,902	721,041
		907,225	1,128,064

- 9.1 The Company, during the period, arranged a term finance facility amounted Rs.70 million from Soneri Bank Limited to finance the purchase of solar power panels under category-II of SBP financing scheme for renewable energy. The principal balance is repayable in 19 equal quarterly instalments commencing January, 2023 and carries profit at the rate of 3 month KIBOR + 1.5% per annum. This finance facility is secured against joint pari passu charge over current and fixed asset of the Company of Rs.93.333 million with 25% margin.

- 9.2 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, 2022. Effective mark-up rates charged, during the current period, ranged from 2.50% to 18.37% (June 30, 2022: 2.50% to 16.64%) per annum.

10. SHORT TERM BORROWINGS

		Un-audited December 31, 2022	Audited June 30, 2022
	Note	--- Rupees in '000 ---	
Loans from banking companies	10.1	6,322,795	5,198,125
Loan from an Associated Company	10.2	500,000	-
		6,822,795	5,198,125

- 10.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.6.380 billion (June 30, 2022: Rs.5.630 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 10.37% to 17.07% (June 30, 2022: 8.10% to 16.89%) per annum and are expiring on various dates by January, 2024. Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.3.760 billion (June 30, 2022: Rs.3.861 billion) of which the amount remained unutilised at the reporting date was Rs.2.971 billion (June 30, 2022: Rs.1.664 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 November, 2024.

- 10.2 The Company has entered into a loan agreement with Saif Holdings Ltd. (an Associated Company that holds 49.58% share capital of the Company) to obtain an unsecured short term loan upto an amount of Rs.500 million for working capital requirements. The loan carry mark-up at the rate of 0.1% + average local borrowing cost of the lender. The effective mark-up rate charged by the lender, during the current financial period, ranged from 16.63% to

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

17.47% per annum. The loan is repayable by December 31, 2023.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

- 11.1.1** Guarantees aggregating Rs.311.654 million (June 30, 2022: Rs.311.654 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 initially 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 PHC's decision in the Supreme Court of Pakistan ("SCP"). The SCP 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 15th December 2011. While the Ordinance was still in the field, the Government sought a review of the SCP's decision which was also dismissed by the SCP.

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 SCP against the said judgment of PHC. The 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 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 demand against GIDC of Rs.850.542 million in their bill.

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 Bills. The PHC vide its judgment dated June 15, 2022 dismissed the writ petition on the ground of non-maintainability. Afterward, the Company filed another writ petition No. 2459-P/2022 challenging recovery of GIDC on various grounds. The PHC passed an interim order on July 21, 2022 and thereby restrained SNGPL from cutting off the gas supply and recovering GIDC from the Company.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

- 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.
- 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.337.095 million (June 30, 2022: Rs.593.195 million).
- 11.2.2** The Company has entered into Ijarah arrangements for forty-one (June 30, 2022: thirty six) 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, 2022	Audited June 30, 2022
	--- Rupees in '000 ---	
Not later than one year	36,670	30,856
Later than one year but not later than five years	100,346	93,344
	137,016	124,200

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022**

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, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Rupees in thousand)			
Own manufactured goods (local)				
Yarn	2,365,253	3,042,437	4,865,623	5,663,612
Surgical cotton	12,355	9,982	51,133	9,982
Waste	13,263	18,076	30,709	27,089
	2,390,871	3,070,495	4,947,465	5,700,683
Own manufactured goods (export)				
Yarn	-	110,692	-	135,457
Surgical cotton	40,452	95,234	84,979	174,533
	40,452	205,926	84,979	309,990
Trading activities:				
Raw material	463,563	388	518,218	388
	2,894,886	3,276,809	5,550,662	6,011,061

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, 2022**

	Un-audited	
	Six months period ended	
	December 31, 2022	December 31, 2021
	(Rupees in thousand)	
13. CASH (USED IN) / GENERATED FROM OPERATIONS		
(Loss) / profit for the period - before taxation	(611,722)	717,776
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	161,238	164,875
Staff retirement benefits - gratuity (net)	(32,079)	17,175
Loss / (gain) on sale of operating fixed assets - net	77	(12,169)
Finance cost	691,167	356,414
Exchange fluctuation gain - net	(44)	(4,738)
Loss on sale of short term investments	301	323
Profit before working capital changes	208,938	1,239,656
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(8,496)	(10,620)
Stock-in-trade	(48,842)	(608,532)
Trade debts	523,143	(203,183)
Loans and advances	32,192	(10,049)
Trade deposits and short term prepayments	(1,423)	(5,123)
Other receivables	(7,575)	(2,118)
(Decrease) / increase in current liabilities:		
Trade and other payables	(1,006,897)	(57,581)
Contract liabilities	53,880	-
	(464,018)	(897,206)
Cash (used in) / generated from operating activities	(255,080)	342,450
Income taxes paid	(285,583)	(83,197)
Long term deposits from employees	384	3,225
Long term loans	506	(2,047)
Long term deposits	(3,217)	(8,641)
	(542,990)	251,790

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

	Un-audited December 31, 2022	Audited June 30, 2022
(Rupees in thousand)		
14. TRANSACTIONS WITH RELATED PARTIES		
14.1 Period / year end balances are as follows:		
Other receivables	54,172	46,027

14.2 Significant transactions with related parties are as follows:

Relationship	Nature of transactions	Un-audited Six months period ended	
		December 31, 2022	December 31, 2021
		(Rupees in thousand)	
Associated Companies & Undertakings	Purchase of goods and services	3,126	6,468
	Sale of goods and services	105,276	11,805
	Purchase of fixed assets	65,151	5,000
	Loan obtained	500,000	-
	Mark-up accrued on loan	12,991	-
	Donations made	3,720	3,000
Key management personnel	Remuneration and other benefits	17,321	20,011
Others	Consultancy charges	10,000	-

15. FINANCIAL RISK MANAGEMENT

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, 2022, 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, 2022.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

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].

During the period ended December 31, 2022, there were no transfers amongst the levels. Further, there were no changes in the valuation techniques during the period.

The Company's financial assets measured at fair value consists of level 1 financial assets amounting Rs.Nil (June 30, 2022: Rs.3.002 million), level 2 financial assets amounting Rs.4.906 million (June 30, 2022: Rs.2.375 million) and level 3 financial assets amounting Rs.10 million (June 30, 2022: 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, 2022, 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, 2021.

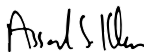
18. GENERAL

18.1 These condensed interim financial statements were approved by the Board of Directors and authorised for issue on February 28, 2023.

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



NADIA BILAL
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



MUHAMMAD FAISAL RAZA
Chief Financial Officer



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.....



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