



**In The Name Of Allah
The Merciful
The Compassionate**

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SAIF TEXTILE MILLS LIMITED

Half Yearly Report 2014-2015

BOARD OF DIRECTORS

Anwar Saifullah Khan - Chairman
Javed Saifullah Khan - Chief Executive
Osman Saifullah Khan
Jehangir Saifullah Khan
Hoor Yousafzai
Assad Saifullah Khan
Arif Saeed

AUDIT COMMITTEE

Hoor Yousafzai - Chairperson
Jehangir Saifullah Khan - Member
Assad Saifullah Khan - Member

HR & REMUNERATION COMMITTEE

Arif Saeed - Chairman
Osman Saifullah Khan - Member
Assad Saifullah Khan - Member

CHIEF FINANCIAL OFFICER

Noman Ahmad

COMPANY SECRETARY

Sabir Khan

HEAD OF INTERNAL AUDIT

Salman Shafiq

LEGAL ADVISOR

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

AUDITORS

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

BANKERS

Albaraka Bank (Pakistan) Limited
Allied Bank Limited
Askari Bank Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Industrial and Commercial Bank of China Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank
The Bank of Punjab
United Bank Limited

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SHARES REGISTRAR

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MILLS

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CYBER

www.saiftextile.com

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

On behalf of the Board, it gives me pleasure to present the Company's un-audited financial statements for the half-year ended December 31, 2014. Our commentary on the salient features of the Company's performance follows below.

Unfortunately the period under review saw a significant worsening of market conditions and our financial performance was badly impacted. The Company posted a Gross Profit of Rs. 403.5 Million (Gross Profit Margin: 10.1 %) as compared to a Gross Profit of Rs. 578.04 Million (Gross Profit Margin: 14.46 %) for the corresponding period of last year. The depressed and downward trend in profitability of the textile sector is a reflection of global economic problems, particularly those in Europe and China.

Operating profit of the company has declined to Rs. 14.8 million As compared to Rs. 175.7 million in the last corresponding period. The results would have been worst, had your company not invested timely in diversifying the product range. The decision to enter into niche markets of specialized yarn has earned these profits during very port conditions in the synthetic and cotton markets. The market sentiment is still depressed and is anticipated to remain so during the immediate future.

We have planned an addition to our dyeing capacity and continue to increase the share of our capacity running specialized yarns, in a quest to reduce price volatility for our products. We will continue to look at ways to create value for all shareholders.

We remain committed to the difficult task of generating economic activity in the Khyber Pakhtunkhwa province. 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.

Place: Islamabad
Dated: 26 February, 2015

OSMAN SAIFULLAH KHAN
Chief executive

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **SAIF TEXTILE MILLS LIMITED** (the Company) as at December 31, 2014 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half-year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures of the condensed interim profit and loss account for the quarters ended December 31, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half-year ended December 31, 2014.

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 information 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 condensed interim financial information as of and for the half-year ended December 31, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Place: Lahore

Dated: 26, February 2015

HAMEED CHAUDHRI & CO.,

CHARTERED

ACCOUNTANTS

Engagement Partner: Osman Hameed Chaudhri

**CONDENSED INTERIM BALANCE SHEET AS AT
31 DECEMBER, 2014**

	Note	Un-audited 31 Dec., 2014	Audited 30 June, 2014
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	3,310,682	3,372,503
Intangible assets		425	513
Long term loans		15,987	11,923
Long term deposits		9,929	9,444
Deferred taxation - net		135,167	110,009
		<u>3,472,190</u>	<u>3,504,392</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		87,408	113,108
Stock-in-trade	6	2,207,824	1,485,532
Trade debts		961,936	869,841
Loans and advances		55,332	33,863
Trade deposits and short term prepayments		11,842	12,585
Other receivables		15,647	17,583
Investments		7,382	6,477
Deposit for shares	7	0	0
Taxation - net		232,689	229,965
Taxes refundable		70,866	67,076
Cash and bank balances		31,447	24,854
		<u>3,682,373</u>	<u>2,860,884</u>
		<u>7,154,563</u>	<u>6,365,276</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital		300,000	300,000
30,000,000 ordinary shares of Rs.10 each		<u>300,000</u>	<u>300,000</u>
Issued, subscribed and paid up capital		264,129	264,129
26,412,880 ordinary shares of Rs.10 each		265,981	265,981
Reserves		1,088,066	1,143,500
Unappropriated profit		1,618,176	1,673,610
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
		127,394	131,355
NON-CURRENT LIABILITIES			
Sub-ordinated loan		503,000	493,750
Long term financing	8	803,136	939,218
Long term deposits		4,446	3,751
Staff retirement benefits - gratuity		161,328	149,619
		<u>1,471,910</u>	<u>1,586,338</u>
CURRENT LIABILITIES			
Trade and other payables		594,129	621,093
Accrued mark-up		144,186	167,607
Short term borrowings	9	2,926,604	1,959,663
Current portion of long term financing	8	272,164	225,610
		<u>3,937,083</u>	<u>2,973,973</u>
CONTINGENCIES AND COMMITMENTS			
	10	<u>7,154,563</u>	<u>6,365,276</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Osman Saifullah Khan
Chief Executive

Hoor Yousafzai
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
QUARTER AND HALF-YEAR ENDED 31 DECEMBER, 2014**

	Note	Quarter ended		Half-year ended	
		31 Dec., 2014	31 Dec., 2013	31 Dec., 2014	31 Dec., 2013
(Rupees in thousand)					
SALES - NET		2,026,264	1,972,606	3,989,091	3,998,405
COST OF SALES		(1,857,250)	(1,741,164)	(3,585,586)	(3,420,365)
GROSS PROFIT		169,014	231,442	403,505	578,040
DISTRIBUTION COST		(50,719)	(45,093)	(89,463)	(95,936)
ADMINISTRATIVE EXPENSES		(46,086)	(49,184)	(96,765)	(92,914)
OTHER INCOME		1,090	1,803	1,356	3,084
OTHER EXPENSES		(3,822)	(4,373)	(6,523)	(12,790)
PROFIT FROM OPERATIONS		69,477	134,595	212,110	379,484
FINANCE COST		(96,935)	(72,772)	(188,173)	(138,331)
		(27,458)	61,823	23,937	241,153
EXCHANGE FLUCTUATION GAIN / (LOSS)		9,019	304	(9,155)	(65,454)
(LOSS) / PROFIT BEFORE TAXATION		(18,439)	62,127	14,782	175,699
TAXATION	11	5,690	(1,358)	(8,145)	(52,362)
(LOSS) / PROFIT AFTER TAXATION		(12,749)	60,769	6,637	123,337
OTHER COMPREHENSIVE INCOME		0	0	0	0
TOTAL COMPREHENSIVE (LOSS) / INCOME		(12,749)	60,769	6,637	123,337
(Rupees)					
BASIS AND DILUTED (LOSS) / EARNINGS PER SHARE		(0.48)	2.30	0.25	4.67

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Osman Saifullah Khan
Chief Executive

Hoor Yousafzai
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2014**

	Note	Half-year ended (Rupees in thousand)	
		31 Dec., 2014	31 Dec., 2013
CASH FLOW FROM OPERATING ACTIVITIES	13	(549,340)	(160,776)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(52,410)	(465,427)
Sale proceeds of operating fixed assets / insurance claims received		1,716	2,253
Investments made		(158)	0
NET CASH USED IN INVESTING ACTIVITIES		(50,852)	(463,174)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing			
- obtained		0	791,642
- repaid		(89,528)	(606,998)
Short term borrowings - net		966,941	603,778
Dividend			
- paid		(63,869)	(63,861)
- received		0	632
Finance cost paid		(206,759)	(102,456)
Net cash generated from financing activities		606,785	622,737
Net increase / (decrease) in cash and cash equivalents		6,593	(1,213)
Cash and cash equivalents - at beginning of the period		24,854	16,372
Cash and cash equivalents - at end of the period		31,447	15,159

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Osman Saifullah Khan
Chief Executive

Hoor Yousafzai
Director

**CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2014**

	Share Capital	Reserves			Unappropriated profit/ (accumulated Loss)	Total
		Capital	Revenue	Sub-total		
(Rupees in thousand)						
Balance as at July 01, 2013	264,129	115,981	150,000	265,981	1,052,489	1,582,599
Transaction with owners						
Cash dividend for the year ended June 30, 2013 at the rate of Rs.2.5 per share	0	0	0	0	(66,032)	(66,032)
Total comprehensive income for the half-year ended December 31, 2013						
Profit for the period	0	0	0	0	123,337	123,337
Other comprehensive income	0	0	0	0	0	0
	0	0	0	0	123,337	123,337
Surplus on revaluation of property, plant and equipment on account of incremental depreciation realised during the period - net of deferred taxation	0	0	0	0	4,154	4,154
Balance as at December 31, 2013	264,129	115,981	150,000	265,981	1,113,948	1,644,058
Balance as at July 01, 2014	264,129	115,981	150,000	265,981	1,143,500	1,673,610
Transaction with owners						
Cash dividend for the year ended June 30, 2014 at the rate of Rs.2.5 per share	0	0	0	0	(66,032)	(66,032)
Total comprehensive income for the half-year ended December 31, 2014						
Profit for the period	0	0	0	0	6,637	6,637
Other comprehensive income	0	0	0	0	0	0
	0	0	0	0	6,637	6,637
Surplus on revaluation of property, plant and equipment on account of incremental depreciation realised during the period - net of deferred taxation	0	0	0	0	3,961	3,961
Balance as at December 31, 2014	264,129	115,981	150,000	265,981	1,088,066	1,618,176

The annexed notes I to 16 form an integral part of this condensed interim financial information.

Osman Saifullah Khan
Chief Executive

Hoor Yousafzai
Director

**NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2014**

1. LEGAL STATUS AND NATURE OF BUSINESS

Saif Textile Mills Limited (the Company) was incorporated in Pakistan on December 24, 1989 as a Public Company under the Companies Ordinance, 1984 and its shares are quoted on all the Stock Exchanges of Pakistan. The Company is principally engaged in manufacture and sale of yarn. The Company's Mills are located in Industrial Estate, Gadoon Amazai, District Sawabi and the registered office of the Company is located at APTMA House, Tehkal Payan, Jamrud Road, Peshawar.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984. It has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The figures for the half-year ended December 31, 2014 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the audited annual financial statements for the year ended June 30, 2014.

3. ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2014.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial information requires 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. In preparing this condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the financial statements for the year ended June 30, 2014.

	Note	Un-audited 31 Dec., 2014	Audited 30 June, 2014
(Rupees in thousand)			
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	3,024,971	3,057,466
Capital work-in-progress	5.3	136,258	126,956
Stores held for capital expenditure - {including in transit valuing Rs.63.311 million (June 30, 2014: Rs.118.658 million)}		149,453	188,081
		<u>3,310,682</u>	<u>3,372,503</u>

SAIF TEXTILE MILLS LIMITED

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	Note	Un-audited 31 Dec., 2014	Audited 30 June, 2014
(Rupees in thousand)			
5.1 Operating fixed assets - tangible			
Book value at beginning of the period / year		3,057,466	2,498,081
Additions during the period / year	5.2	81,736	758,567
Book value of operating fixed assets disposed-off during the period / year		(1,543)	(2,073)
Depreciation charge for the period / year		(112,688)	(197,109)
Book value at end of the period / year		<u>3,024,971</u>	<u>3,057,466</u>
5.2 Additions during the period / year:			
Leasehold land		1,242	1,500
Buildings on leasehold land		31,052	31,109
Plant & machinery		40,443	656,624
Generators		0	24,441
Electric installations		382	11,605
Air conditioning equipment		2,538	11,658
Furniture & fixtures		628	930
Office equipment		1,168	4,589
Telephone installations		207	351
Fire extinguishing equipment		188	452
Gas fittings		0	352
Vehicles		3,888	14,956
		<u>81,736</u>	<u>758,567</u>
5.3 Capital work-in-progress			
Factory buildings		12,742	35,640
Plant & machinery		516	0
Generators		57,102	49,584
		<u>70,360</u>	<u>85,224</u>
Advance payments			
- factory buildings		38,413	36,377
- plant & machinery		11,823	5,355
- vehicles		11,568	0
- computer software		4,094	0
		<u>65,898</u>	<u>41,732</u>
		<u>136,258</u>	<u>126,956</u>
6. STOCK-IN-TRADE			
Raw materials:			
- at mills		1,411,555	777,376
- in transit		78,138	100,328
		<u>1,489,693</u>	<u>877,704</u>
Work-in-process		158,271	155,776
Finished goods		559,860	452,052
		<u>2,207,824</u>	<u>1,485,532</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, 2014.			

	Un-audited	Audited
	31 Dec., 2014	30 June, 2014
	(Rupees in thousand)	
8. LONG TERM FINANCING - Secured		
Balance at beginning of the period / year	1,164,828	758,345
Add: disbursements during the period / year	0	1,003,416
Less: repayments made during the period / year	<u>(89,528)</u>	<u>(596,933)</u>
Balance at end of the period / year	1,075,300	1,164,828
Less: current portion grouped under current liabilities	<u>272,164</u>	<u>225,610</u>
	<u>803,136</u>	<u>939,218</u>

8.1 All other term and conditions of the long term financing are the same as disclosed in audited annual financial statements of the Company for the year ended June 30, 2014.

		Un-audited	Audited
	Note	31 Dec., 2014	30 June, 2014
		(Rupees in thousand)	
9. SHORT TERM BORROWINGS			
Borrowings from:			
- banking companies (secured)	9.1	2,926,604	1,759,663
- an Associated Company (unsecured)	9.2	<u>0</u>	<u>200,000</u>
		<u>2,926,604</u>	<u>1,959,663</u>

9.1 The Company has short term running and cash finance facilities limits aggregating Rs.4.157 billion (June 30, 2014: Rs.4.358 billion) from various commercial banks under mark-up arrangements. These finance facilities are secured against pledge of stocks, charge on fixed and current assets of the Company and lien over underlying export documents.

9.2 The Company, during the current period, repaid entire amount of the loan. The loan was obtained from Saif Holdings Limited (an Associated Company) for working capital requirements.

10. CONTINGENCIES AND COMMITMENTS

Contingencies

10.1 Guarantees aggregating Rs.149.287 million (June 30, 2014: Rs.149.287 million) have been issued by a bank of the Company to a Government institution and Sui Northern Gas Pipeline Limited.

10.2 Refer contents of note 11.2.

	Un-audited	Audited
	31 Dec., 2014	30 June, 2014
	(Rupees in thousand)	
Commitments		
- letters of credit for purchase of raw materials and stores and spare parts	<u>134,948</u>	<u>195,850</u>
- capital expenditure other than letters of credit	<u>32,071</u>	<u>30,631</u>

11. TAXATION - Net

	Un-audited			
	Quarter ended		Half-year ended	
	December 31, 2014	2013	December 31, 2014	2013
	(Rupees in thousand)			
Current				
- tax on profit for the period	33,303	9,079	33,303	9,079
- Adjustments in respect of prior years	0	16,845	0	16,845
	33,303	25,924	33,303	25,924
Deferred				
	(38,993)	(24,566)	(25,158)	26,438
	(5,690)	1,358	8,145	52,362

11.1 Income tax assessments of the Company have been completed upto the Tax Year 2014. No numeric tax rate reconciliation has been given as provisions made during the current period represents minimum tax payable under section 113 and final tax deducted at source on realisation of foreign exchange proceeds under section 154 after adjusting tax credit under section 65B of the Income Tax Ordinance, 2001 (the Ordinance).

11.2 Due to location of the mills in the most affected area, the income of the Company was exempt from tax under clause 126F of the second schedule to the Ordinance starting from the tax year 2010. Exemption available under clause 126F was a specific exemption granted by the Federal Board of Revenue (FBR) to the specific areas of Khyber Pakhtunkhwa. The Company had filed a writ petition before the Peshawar High Court, Peshawar, praying exemption from levy of minimum tax under section 113 of the Ordinance, who vide its judgment dated July 18, 2012 admitted and allowed the Company's writ petition and directed the concerned authorities to extend the benefit of clause 126F to the Company in the light of clarification given by the FBR. Accordingly, no provision for minimum tax for the financial year ended June 30, 2012 amounted Rs.51.348 million was made in the books of account as well as provisions for minimum tax made during the financial years ended June 30, 2010 and 2011 aggregated Rs.91.344 million were written-back. The Department, against the said order, has filed an appeal with the Honorable Supreme Court of Pakistan, which is pending adjudication. An adverse judgment by the Honorable Supreme Court of Pakistan will create a tax liability amounting Rs.142.692 million.

12. TRANSACTIONS WITH RELATED PARTIES

12.1 Significant transactions with related parties are as follows:

Relationship	Nature of transactions	Un-audited	
		Half-year ended 31 Dec., 2014	31 Dec., 2013
		(Rupees in thousand)	
Associated Companies	Purchase of fixed assets	70	0
	Sale of goods and services	1,316	0
	Purchase of goods and services	347,249	306,808
	Dividend paid	32,742	32,742
	Short term loan repaid	200,000	0
	Mark-up on short term loan	1,916	0
Key management personnel	Remuneration and other benefits	34,790	29,382

	Un-audited	Audited
	31 Dec., 2014	30 June, 2014
	(Rupees in thousand)	
12.2 Period / year end balances are as follows:		
Trade and other payables	162,549	224,041
Other receivables	3,884	2,788

13. CASH FLOW FROM OPERATING ACTIVITIES

	Un-audited	
	Half-year ended	
	31 Dec., 2014	31 Dec., 2013
	(Rupees in thousand)	
Profit for the period - before taxation	14,782	175,699
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	112,776	92,525
Staff retirement benefits - gratuity (net)	11,709	13,002
Gain on sale of operating fixed assets - net	(173)	(265)
Finance cost	183,338	128,277
Exchange fluctuation loss on long term financing	9,250	76,457
Adjustment on remeasurement of investments to fair value - net	(746)	(1,761)
Dividend income	0	(632)
Profit before working capital changes	330,936	483,302
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	25,700	(493)
Stock-in-trade	(722,292)	(707,435)
Trade debts	(92,095)	(3,686)
Loans and advances	(21,469)	(23,517)
Trade deposits and short term prepayments	743	(3,700)
Other receivables	1,936	16,652
Taxes refundable	(3,790)	(6,264)
(Decrease) / increase in trade and other payables	(29,128)	119,789
	(840,395)	(608,654)
Cash used in operating activities	(509,459)	(125,352)
Income tax paid	(36,027)	(30,681)
Long term deposits from employees	695	290
Long term loans	(4,064)	(5,027)
Long term deposits	(485)	(6)
Net cash used in operating activities	(549,340)	(160,776)

14. 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, 2014, except for the change in exposure from liquidity risks due to increase in short term 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.

This condensed interim financial information 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, 2014.

15. CORRESPONDING FIGURES

15.1 In order to comply with the requirements of IAS 34 'Interim Financial Reporting', the condensed interim balance sheet has been compared with the balances of annual audited financial statements of the preceding financial year; whereas, the condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity have been compared with the balances of comparable period of the immediately preceding financial year.

16. GENERAL

16.1 This condensed interim financial information was approved by the Board of Directors and authorised for issue on 26, February 2015.

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

Osman Saifullah Khan
Chief Executive

Hoor Yousafzai
Director