



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

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SAIF TEXTILE MILLS LIMITED

First Quarterly Report 2014-2015

BOARD OF DIRECTORS

Anwar Saifullah Khan - Chairman
Javed Saifullah Khan
Osman Saifullah Khan - Chief Executive
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

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
HSBC Bank Middle East Limited
Industrial and Commercial Bank of China Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
The Bank of Punjab
United Bank Limited

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E-mail : info@hmaconsultants.com

MILLS

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District Sawabi
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Fax : +92-938-270514
E-mail : stmgn@saifgroup.com

CYBER

www.saiftextile.com

Directors' Review Report

The un-audited financial statements of the Company for the First Quarter ended on September 30, 2014 are being presented to you with the following observations.

FINANCIAL HIGHLIGHTS

During the first quarter, your Company has managed to earn a gross profit of Rs 234.4 million on sales of Rs 1.96 billion (gross profit margin: 12%) compared to gross profit of Rs 346.6 million on sales of Rs 2.02 billion (gross profit margin: 17%) in the corresponding period last year. The decrease in gross profitability is explained by inventory loss on cotton stocks and dampened demand for yarn in the local market.

Your Company closed the period with Profit before tax of Rs 33 million against a profit of Rs 113.6 million in the same period last year. Reasons for decline in profits include volatile market conditions, high energy and operating costs and worsening Rupee-Dollar parity.

GENERAL MARKET CONDITIONS AND FUTURE OUTLOOK

The cotton prices continue to be on the downward trajectory which tends to suggest that the bearish sentiment in the yarn market will prolong further. This would also mean that the sector will not be able to achieve the growth and profitability of yesteryears. Major factors hampering sector profitability include uncertain domestic and regional political situation, rising energy costs and instable exchange rate.

Your Company's management is very hopeful that in the coming days we will be able to show better performance by using our resources efficiently and putting the best efforts to deal with operationally challenging environment.

Your Company's management is cognizant of the challenges that lie ahead and will be making all out efforts to ensure growth and better results.

ACKNOWLEDGMENT

The Board places on record its appreciation for the support of our bankers and our valued customers. 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.

for and on behalf of the Board

Place: Islamabad
Dated: 28 October, 2014

Osman Saifullah Khan
Chief Executive

**CONDENSED INTERIM BALANCE SHEET
AS AT 30 SEPTEMBER, 2014**

	Note	(Un-audited) 30 September 2014	(Audited) 30 June, 2014
(Rupees in thousand)			
SHARE CAPITAL AND RESERVES			
Authorised capital		300,000	300,000
30,000,000 ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up capital		264,129	264,129
Reserves		265,981	265,981
Unappropriated profit		1,164,963	1,143,500
		1,695,073	1,673,610
Surplus on revaluation of property, plant and equipment		129,278	131,355
NON-CURRENT LIABILITIES			
Sub-ordinated loan		513,500	493,750
Long term financing	3	923,969	939,218
Long term deposits		4,199	3,751
Deferred liability- staff retirement benefits		158,773	149,619
		1,600,441	1,586,338
CURRENT LIABILITIES			
Trade and other payables		542,194	621,093
Accrued mark-up and financial charges		171,350	167,607
Short term borrowing		1,762,319	1,959,663
Current portion of :-			
- long term financing		233,359	225,610
		2,709,222	2,973,973
CONTINGENCIES AND COMMITMENTS			
	4	6,134,014	6,365,276
NON-CURRENT ASSETS			
Property, plant and equipment	5	3,327,442	3,372,503
Intangible assets		469	513
Long term loans		10,599	11,923
Long term deposits and prepayments		9,674	9,444
Deferred taxation		96,174	110,009
CURRENT ASSETS			
Stores, spare parts and loose tools		94,999	113,108
Stock-in-trade		1,473,555	1,485,532
Trade debts		698,734	869,841
Loans and advances		61,061	33,863
Trade deposits and short term prepayments		16,468	12,585
Other receivables		16,507	17,583
Investments		6,238	6,477
Deposit for shares		0	0
Taxation		244,331	229,965
Taxes refundable		68,051	67,076
Cash and bank balances		9,712	24,854
		2,689,656	2,860,884
		6,134,014	6,365,276

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

OSMAN SAIFULLAH KHAN
Chief Executive

ASSAD SAIFULLAH KHAN
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER, 2014**

	Jul - Sep 2014	Jul - Sep 2013
	(Rupees in thousand)	
Sales	1,962,827	2,025,799
Cost of Sales	1,728,336	1,679,201
Gross profit	234,491	346,598
Administrative expenses	50,679	43,730
Distribution cost	38,744	50,843
Other operating expenses	2,701	8,417
	92,124	102,990
	142,367	243,608
Other operating income	266	1,281
	142,633	244,889
Finance cost	91,238	65,559
	51,395	179,330
Exchange fluctuation loss - net	18,174	65,758
Profit before taxation	33,221	113,572
Taxation		
- deferred	13,835	51,004
Profit after taxation	19,386	62,568
	(Rupees)	
Earning per share	0.73	2.37

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

OSMAN SAIFULLAH KHAN
Chief Executive

ASSAD SAIFULLAH KHAN
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER, 2014**

	Note	2014	2013
		(Rupees in thousand)	
NET CASH INFLOW FROM OPERATING ACTIVITIES	A	285,528	483,828
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances - net		(7,500)	(6,650)
Short term borrowing - Net		(197,344)	(361,200)
Dividend paid		(115)	(138)
Financial charges paid		(84,855)	(37,516)
CASH OUTFLOW FROM FINANCING ACTIVITIES		(289,814)	(405,504)
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant and equipment		(11,106)	(86,468)
Sale proceeds of fixed assets		250	155
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES		(10,856)	(86,313)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(15,142)	(7,989)
CASH AND CASH EQUIVALENTS:			
- At the beginning of the period		24,854	16,372
- At the end of the period		9,712	8,383

The annexed notes 1 to 10 form an integral part of these financial statements.

OSMAN SAIFULLAH KHAN
Chief Executive

ASSAD SAIFULLAH KHAN
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER, 2014**

	2014	2013
	(Rupees in thousand)	
Note 'A'		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period - before taxation	35,683	113,572
Add adjustments for:		
Depreciation & amortization	56,006	45,628
Deferred liability -staff retirement benefits - net	9,154	8,695
Gain on disposal of fixed assets - net	(45)	0
Loss on revaluation of long term loan	19,750	67,000
(Gain) / loss on investments - net	239	(855)
Financial charges (excluding bank charges)	88,598	61,690
CASH INFLOW FROM OPERATING ACTIVITIES	209,385	295,730
- Before working capital changes		
(increase) / decrease in current assets:		
Store, spare parts and loose tools	18,109	(2,326)
Stock-in-trade	11,977	495,284
Trade debtors	171,107	(126,504)
Loans and advances	(27,189)	(24,743)
Trade deposits and short term prepayments	(3,883)	(2,037)
Taxes refundable	(975)	(936)
Other receivables	1,076	14,791
Decrease in trade and other payables (excluding unclaimed dividend)	(81,246)	(154,435)
	88,976	199,094
CASH INFLOW FROM OPERATING ACTIVITIES		
- Before taxation	298,361	494,824
Taxes paid	(14,366)	(11,539)
CASH INFLOW FROM OPERATING ACTIVITIES		
- After taxation	283,995	483,285
Long term loans - net	1,315	404
Long term deposits	448	199
Long term deposits and advance rentals	(230)	(60)
	1,533	543
NET CASH INFLOW FROM OPERATING ACTIVITIES	285,528	483,828

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

OSMAN SAIFULLAH KHAN
Chief Executive

ASSAD SAIFULLAH KHAN
Director

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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER, 2014**

	Share Capital	Reserves			Unappro- priated profit	Total
		Capital	Revenue	Sub- total		
		(Rupees in thousand)				
Balance as at 30 June, 2014	264,129	115,981	150,000	265,981	1,143,500	1,673,610
Total comprehensive income for the quarter ended 01 July, 2014 to 30 September, 2014	0	0	0	0	19,386	19,386
Surplus on revaluation of property, plant & equipment realised during the period of nine months - net of deferred taxation:						
- on account of incremental depreciation for the year	0	0	0	0	2,077	2,077
Balance as at 30 September, 2014	264,129	115,981	150,000	265,981	1,164,963	1,695,073

OSMAN SAIFULLAH KHAN
Chief Executive

ASSAD SAIFULLAH KHAN
Director

**SELECTED NOTES TO THE
CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER, 2014**

1. LEGAL STATUS AND OPERATIONS

Saif Textile Mills Limited (the Company) is a public limited Company incorporated in Pakistan on 24 December, 1989 under the Companies Ordinance, 1984 and its shares are quoted on all 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 Swabi and the Registered Office of the Company at APTMA House, Tehkal Payan, Jamrud Road, Peshawar.

2. BASIS OF PREPARATION

This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34 (Interim Financial Reporting).

These financial information are being circulated to shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges.

This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the preceding published annual financial statements of the Company for the year ended 30 June, 2014.

The accounting policies, significant judgment, estimates and assumptions used by the management in preparation of this condensed interim financial information are the same as those applied to the preceding published annual financial statements of the Company for the year ended 30 June, 2014.

	(Un-audited) 30 September, 2014	(Audited) 30 June, 2014
3. LONG TERM FINANCES - Secured		(Rupees in thousand)
Balance at the beginning of the period / year	1,164,828	758,345
Add: obtained during the period / year	0	1,003,416
	1,164,828	1,761,761
Less: repaid during the period / year	7,500	641,390
	1,157,328	1,120,371
Add: adjustment of exchange fluctuation loss	0	44,457
	1,157,328	1,164,828
Less: Current portion grouped under current liabilities	233,359	225,610
	923,969	939,218

These finances, during the period, carried mark-up at the rates ranging from 11.290% to 12.450% (30 June, 2014: 1.853% to 12.650%) per annum.

4. CONTINGENCIES AND COMMITMENTS

4.1 There has been no significant change in the status of contingencies since the Company's latest annual audited financial statements.

4.2 Commitments against irrevocable letters of credit outstanding at the period-end were as follows:

- against letters of credit	422,565	195,850
- capital expenditure other than letter of credit	29,334	30,631
	451,899	226,481

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	(Un-audited) 30 September, 2014	(Audited) 30 June, 2014
(Rupees in thousand)		
5. PROPERTY, PLANT AND EQUIPMENT		
Opening written down value	3,372,503	2,591,121
Add: Additions made during the period / year	11,106	980,564
	3,383,609	3,571,685
Less: Written down value of disposals made during the period / year	204	2,073
	3,383,405	3,569,612
Less: Depreciation charged during the period / year	55,963	197,109
	3,327,442	3,372,503

6. TRANSACTIONS WITH RELATED PARTIES

Related parties include associated companies, major shareholders, directors and key management personnel. Transactions with related parties during the period are as follows.

	July - Sep 2014	July - Sep 2013
(Rupees in thousand)		
- repayment of short term loan	200,000	0
- payment of mark up	1,916	0
- sale of goods and services	0	0
- purchase of fixed assets	70	0
- purchase of goods and services	131,524	148,733

7. EVENTS AFTER THE BALANCE SHEET DATE

7.1 The Board of Directors, in their meeting held on September 25, 2014 has proposed a final cash dividend of Rs.2.5 (June, 2013: Rs.2.5) per share amounting to Rs.66.032 million (June, 2013: Rs.66.032 million) for the year ended June 30, 2014. This appropriation was approved by the members in the Annual General Meeting held on October 24, 2014. These financial statements do not include the effect of this appropriation and it will be accounted for in the next financial statements.

8. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 28 October, 2014 by the board of directors of the Company.

9. FIGURES

9.1 Figures in the condensed interim financial information have been rounded-off to the nearest thousand Rupees except stated otherwise.

9.2 Corresponding figures, have been rearranged and reclassified, wherever necessary, for the purpose of comparison; no significant rearrangements reclassifications have been made in this condensed interim financial information.

OSMAN SAIFULLAH KHAN
Chief Executive

ASSAD SAIFULLAH KHAN
Director