

SAIF TEXTILE MILLS LIMITED *Half Yearly Report 2016-2017*

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SAIF TEXTILE MILLS LIMITED

Half Yearly Report 2016-2017

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|--|---|---|
| BOARD OF DIRECTORS | Anwar Saifullah Khan Javed Saifullah Khan Osman Saifullah Khan Jehangir Saifullah Khan Hoor Yousafzai Assad Saifullah Khan Muhammad Danish Zaheen-ud-Din-Qureshi | - Chairman /Director - Director - Director - Director - Director - Director - Director - Chief Executive |
| AUDIT COMMITTEE | Javed Saifullah Khan Jehangir Saifullah Khan Assad Saifullah Khan | - Chairman - Member - Member |
| HR & REMUNERATION COMMITTEE | Osman Saifullah Khan Hoor Yousafzai Assad Saifullah Khan | - Chairman - Member - 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 Shinewing Hameed Chaudhri & Co., Chartered Accountants HM House, 7-Bank Square, Lahore | |
| BANKERS | Allied Bank Limited Askari Bank Limited Dubai Islamic Bank Pakistan Limited Faysal Bank Limited Habib Bank Limited Industrial and Commercial Bank of China Limited JS Bank Limited Meezan Bank Limited National Bank of Pakistan NIB Bank Limited Soneri Bank Limited Summit Bank Limited The Bank of Punjab United Bank Limited | |
| HEAD OFFICE | Kashmir Commercial Complex, 3rd Floor, 2020- Blue Area, Islamabad- 44000 Telephone : +92-51-2201951-2201856 Fax : +92-51-2822564 E-mail : stm@saifgroup.com | |
| REGISTERED OFFICE | APTMA House, Tehkal Payan, Jamrud Road, Peshawar Telephone : +92-91-5843870, 5702941 Fax : +92-91-5840273 E-mail : peshawar@saifgroup.com | |
| SHARES REGISTRAR | M/s Hameed Majeed Associates (Pvt.) Ltd., HM House, 7-Bank Square, Lahore Telephone : +92-42-7235081-7235082 Fax : +92-42-7358817 E-mail : info@hmaconsultants.com | |
| MILLS | Industrial Estate, Gadoon Amazai, District Sawabi Telephone : +92-938-270313, 270429 Fax : +92-938-270514 E-mail : stmgdn@saifgroup.com | |
| 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 financial statements reviewed by the Auditors for the half year ended December 31, 2016. Our commentary on the salient features of the Company's performance follows below.

During the period under review the Company posted a gross profit of Rs 370.28 million (Gross Margin: 9.8 %) in the period as compared to a gross profit of Rs 292.36 million (Gross Margin: 8.7 %) for the corresponding period last year and earned a profit before tax of Rs 24.41 million compared to a loss of Rs 64.3 million in the last corresponding period. The enhanced profitability reflects the improved market sentiment which caused an uptick in prices of raw cotton and manmade fibers (linked to petroleum prices). The profitability was also impacted by effective cost-cutting measures undertaken by the Management. Despite the slowdown in exports, the turnover of the company increased on back of running a better market-oriented product mix. The new product mix supported the company in shifting from international market to local specialized yarn markets which offered higher premiums.

The recent announcement of long-awaited textile package is a welcome intervention by the Government which will not only support company's exports but will also help in reducing the cost of imported raw materials. We are hopeful that this would be instrumental in improving company's profitability in the coming quarters.

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. We will continue to look at ways to create value for all shareholders.

Place: Islamabad
Dated: 27 February, 2017

ZAHEEN UD DIN QURESHI
Chief Executive

ڈائریکٹرز رپورٹ برائے شراکت داران

محترم شیئر ہولڈرز!

میرے لئے یہ خوشی کا امر ہے کہ مذکورہ کمپنی کی آدھے سال دسمبر 31، 2016 کی اختتامی آڈیٹرز کی نظر ثانی شدہ مالیاتی سٹیٹمنٹ پیش کر رہا ہوں۔ کمپنی کی کارکردگی کی اہم خصوصیات کے بارے میں ہماری رائے درج ذیل ہیں:

زیر جائزہ مدت کے دوران، کمپنی ہڈانے گذشتہ سال کے اسی مدت کے دوران کل منافع مبلغ 292.36 ملین روپے کی نسبت اس مدت کے دوران مبلغ 370.28 ملین روپے کا کل منافع حاصل کیا اور گزشتہ سال کے اسی مدت کے دوران مبلغ 64.3 ملین روپے نقصان کی نسبت ٹیکس کی کٹوتی کے بغیر مبلغ 24.41 ملین روپے کا منافع حاصل کیا۔ لہذا منافع مارکیٹ میں بہتری کے رجحان کو ظاہر کرتا ہے جس کی وجہ خام کپاس اور انسانی ہاتھ کے بنے ہوئے سوت کی قیمت میں اضافہ ہے (جس کا تعلق پیٹرولیم کی مصنوعات کے ساتھ ہے)۔ مذکورہ منافع انتظامیہ کی جانب سے لاگت کو کم کرنے کیلئے موثر اقدامات ہیں۔ برآمدات میں کمی کے باوجود، کمپنی کے کاروبار کی شرح میں اضافہ مارکیٹ میں جلی مصنوعات کی بہتر طلب کی وجہ ہے۔ جلی جلی نئی مصنوعات نے کمپنی ہڈا کو بین الاقوامی مارکیٹ سے مقامی مارکیٹ میں منتقل ہونے میں معاونت کی ہے خاص طور پر سوت کی مارکیٹ میں جس نے زیادہ بڑھوتری (پریمیم) کی پیشکش کی۔

حکومت کی جانب سے طویل انتظار کی ٹیکسٹائل پیکیج کا حالیہ اعلان حکومت کا ایک اچھا اقدام ہے جو کہ نہ صرف کمپنی کے برآمدات میں اضافہ کیلئے معاون ثابت ہوگا بلکہ درآمد شدہ خام مال لاگت کو کم کرنے میں بھی مددگار ہوگا۔ ہمیں امید ہے آئندہ آنے والی سہ ماہی میں کمپنی کے منافع کو بہتر بنانے میں یہ آلہ کار معاون ثابت ہوں گے۔

ہم خیبر پختونخوا کے صوبہ میں معاشی سرگرمیاں پیدا کرنے کے مشکل کام کو جاری و ساری رکھے ہوئے ہیں۔ ہم مروجہ قانون کے مطابق یہاں اپنی رائے کا اختتام کرتے ہیں لیکن دل کی گہرائی کے ساتھ اپنے معزز صارفین اور بینک کے شراکت داروں کے تعاون کو خراج تحسین پیش کرتا ہوں۔ ہم اپنی کارپوریٹ (سرمایہ کاری کرنے والے) فیملی کے ممبران کی سخت محنت کو بھی اجاگر کرتے ہیں۔ ہم آنے والے دنوں میں بھی اسی لگن اور تعاون کے منتظر ہیں۔ ہم اپنے تمام شیئر ہولڈرز کیلئے گراں قدر اقدامات کرنے کے متلاشی رہیں گے۔

ذہین الدین قریشی
چیف ایگزیکٹو

اسلام آباد

تاریخ: 27 فروری 2017

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Saif Textile Mills Limited** (the Company) as at December 31, 2016 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, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half-year ended December 31, 2016.

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, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Without qualifying our conclusion, we draw your attention to the note 10.3 to the condensed interim financial information which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess.

Place: Lahore
Dated: 27, February 2017

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Osman Hameed Chaudhri

**CONDENSED INTERIM BALANCE SHEET
AS AT 31 DECEMBER, 2016**

| | Note | Un-audited 31 Dec., 2016 | Audited 30 June, 2016 (Rupees in thousand) |
|--|------|-----------------------------|--|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 5 | 4,535,364 | 4,604,928 |
| Intangible assets | | 429 | 565 |
| Long term loans | | 12,816 | 14,950 |
| Long term deposits | | 9,353 | 9,353 |
| | | 4,557,962 | 4,629,796 |
| CURRENT ASSETS | | | |
| Stores, spare parts and loose tools | | 174,310 | 190,366 |
| Stock-in-trade | 6 | 1,861,036 | 1,765,510 |
| Trade debts | | 818,597 | 758,712 |
| Loans and advances | | 102,064 | 133,186 |
| Trade deposits and short term prepayments | | 6,601 | 1,315 |
| Other receivables | | 24,293 | 24,380 |
| Investments | | 7,958 | 6,147 |
| Deposit for shares | 7 | 0 | 0 |
| Taxation - net | | 321,380 | 321,414 |
| Taxes refundable | | 187,495 | 160,612 |
| Cash and bank balances | | 37,994 | 37,264 |
| | | 3,541,728 | 3,398,906 |
| | | 8,099,690 | 8,028,702 |
| 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 | 265,981 |
| Unappropriated profit | | 1,002,013 | 990,419 |
| | | 1,532,123 | 1,520,529 |
| SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT | | | |
| | | 703,715 | 720,338 |
| NON-CURRENT LIABILITIES | | | |
| Sub-ordinated loan | | 524,000 | 523,500 |
| Long term financing | 8 | 754,392 | 977,872 |
| Liabilities against assets subject to finance lease | | 18,687 | 11,959 |
| Long term deposits | | 9,123 | 5,542 |
| Staff retirement benefits - gratuity | | 135,959 | 151,966 |
| Deferred taxation - net | | 100,162 | 103,396 |
| | | 1,542,323 | 1,774,235 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 766,772 | 682,890 |
| Accrued mark-up | | 171,252 | 164,895 |
| Short term borrowings | 9 | 2,941,257 | 2,767,636 |
| Current portion of non-current liabilities | | 442,248 | 398,179 |
| | | 4,321,529 | 4,013,600 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 10 | 8,099,690 | 8,028,702 |

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

ZAHEEN UD DIN QURESHI

Chief Executive

ASSAD SAIFULLAH KHAN

Director

SAIF TEXTILE MILLS LIMITED *Half Yearly Report 2016-2017*

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF-YEAR ENDED 31 DECEMBER, 2016**

| | Quarter ended | | Half-year ended | |
|--|----------------------|------------------|------------------|------------------|
| | 31 Dec., 2016 | 31 Dec., 2015 | 31 Dec., 2016 | 31 Dec., 2015 |
| | (Rupees in thousand) | | | |
| Sales - net | 1,936,970 | 1,723,785 | 3,783,271 | 3,364,967 |
| Cost of Sales | (1,765,603) | (1,583,221) | (3,412,993) | (3,072,608) |
| GROSS PROFIT | 171,367 | 140,564 | 370,278 | 292,359 |
| Distribution cost | (41,051) | (28,876) | (73,384) | (81,817) |
| Administrative expenses | (55,795) | (66,831) | (110,365) | (103,753) |
| Other income | 4,357 | 1,233 | 8,312 | 1,313 |
| Other expenses | (4,354) | (2,157) | (5,454) | (2,350) |
| PROFIT FROM OPERATIONS | 74,524 | 43,933 | 189,387 | 105,752 |
| Finance cost | (85,230) | (84,848) | (162,134) | (158,890) |
| | (10,706) | (40,915) | 27,253 | (53,138) |
| Exchange fluctuation (loss) / gain | (2,824) | 2,250 | (2,838) | (11,224) |
| (LOSS) / PROFIT BEFORE TAXATION | (13,530) | (38,665) | 24,415 | (64,362) |
| Taxation | (12,657) | 0 | (31,121) | 0 |
| LOSS AFTER TAXATION | (26,187) | (38,665) | (6,706) | (64,362) |
| Other comprehensive income | 0 | 0 | 0 | 0 |
| TOTAL COMPREHENSIVE LOSS | (26,187) | (38,665) | (6,706) | (64,362) |
| | (Rupees) | | | |
| LOSS PER SHARE | | | | |
| - basic and diluted | (0.99) | (1.46) | (0.25) | (2.44) |

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

ZAHEEN UD DIN QURESHI
Chief Executive

ASSAD SAIFULLAH KHAN
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2016**

| | Note | Half-year ended (Rupees in thousand) | |
|--|------|---|------------------|
| | | 31 Dec., 2016 | 31 Dec., 2015 |
| CASH FLOW FROM OPERATING ACTIVITIES | 12 | 244,134 | (44,531) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Additions to property, plant and equipment | | (89,258) | (79,780) |
| Sale proceeds of operating fixed assets / insurance claims received | | 701 | 0 |
| NET CASH USED IN INVESTING ACTIVITIES | | (88,557) | (79,780) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Long term financing | | | |
| - obtained | | 0 | 171,760 |
| - repaid | | (181,293) | (144,295) |
| Liabilities against assets subject to finance lease - net | | 8,610 | 0 |
| Short term borrowings - net | | 173,621 | 216,341 |
| Dividend paid | | (8) | (21) |
| Finance cost paid | | (155,777) | (115,835) |
| Net cash (used in) /generated from financing activities | | (154,847) | 127,950 |
| Net increase in cash and cash equivalents | | 730 | 3,639 |
| Cash and cash equivalents - at beginning of the period | | 37,264 | 35,814 |
| Cash and cash equivalents - at end of the period | | 37,994 | 39,453 |

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

ZAHEEN UD DIN QURESHI
Chief Executive

ASSAD SAIFULLAH KHAN
Director

**CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2016**

| | Share Capital | Reserves | | | Unappropriated profit | Total |
|--|----------------|-----------------|-----------------|----------------|-----------------------|------------------|
| | | Capital reserve | Revenue reserve | Sub-total | | |
| (Rupees in thousand) | | | | | | |
| Balance as at July 01, 2015 | 264,129 | 115,981 | 150,000 | 265,981 | 1,028,010 | 1,558,120 |
| Total comprehensive loss for the half-year ended December 31, 2015 | 0 | 0 | 0 | 0 | (64,362) | (64,362) |
| 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 | 3,774 | 3,774 |
| Balance as at December 31, 2015 | 264,129 | 115,981 | 150,000 | 265,981 | 967,422 | 1,497,532 |
| Balance as at July 01, 2016 | 264,129 | 115,981 | 150,000 | 265,981 | 990,419 | 1,520,529 |
| Total comprehensive loss for the half-year ended December 31, 2016 | 0 | 0 | 0 | 0 | (6,706) | (6,706) |
| 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 | 18,300 | 18,300 |
| Balance as at December 31, 2016 | 264,129 | 115,981 | 150,000 | 265,981 | 1,002,013 | 1,532,123 |

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

ZAHEEN UD DIN QURESHI
Chief Executive

ASSAD SAIFULLAH KHAN
Director

**NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2016**

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 and its shares are quoted on Pakistan Stock Exchange Limited. 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.

The Company is principally engaged in manufacture and sale of yarn.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the half year ended December 31, 2016 is un-audited and 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 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. The figures for the half year ended December 31, 2016 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 of the Company for the year ended June 30, 2016.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of audited annual financial statements for the year ended June 30, 2016.

There are certain new International Financial Reporting Standards (standards), amendments to published standards and interpretations that are mandatory for the financial year beginning on July 1, 2016. These considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in this condensed interim financial information.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed 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 that applied to the audited annual financial statements for the year ended June 30, 2016.

5. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work-in-progress
Stores held for capital expenditure

| Note | Un-audited 31 Dec., 2016 | Audited 30 June, 2016 |
|------|-----------------------------|--------------------------|
| | (Rupees in thousand) | |
| 5.1 | 4,509,705 | 4,578,808 |
| | 24,781 | 23,800 |
| | 878 | 2,320 |
| | <u>4,535,364</u> | <u>4,604,928</u> |

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| | Un-audited 31 Dec., 2016 | Audited 30 June, 2016 |
|---|--|--------------------------|
| | (Rupees in thousand) | |
| 5.1 Operating fixed assets - tangible | | |
| Book value at beginning of the period / year | 4,578,808 | 3,189,963 |
| Additions during the period / year | 89,719 | 779,619 |
| Revaluation surplus | 0 | 870,837 |
| Book value of operating fixed assets disposed-off during the period / year | (563) | (5,582) |
| Depreciation charge for the period / year | (158,259) | (256,029) |
| Book value at end of the period / year | 4,509,705 | 4,578,808 |
| 5.1.1 Additions during the period / year: | | |
| Leasehold land | 0 | 55,624 |
| Buildings on leasehold land | 2,066 | 53,496 |
| Plant & machinery | 66,023 | 347,925 |
| Generators | 3,742 | 275,143 |
| Electric installations | 1,014 | 50 |
| Air conditioning equipment | 90 | 0 |
| Furniture & fixtures | 1,045 | 347 |
| Office equipment | 1,484 | 3,774 |
| Telephone installations | 490 | 464 |
| Weighing scales | 2 | 0 |
| Fire extinguishing equipment | 0 | 24 |
| Vehicles: | | |
| - owned | 2,063 | 25,956 |
| - leased | 11,700 | 16,816 |
| | 89,719 | 779,619 |
| 6. STOCK-IN-TRADE | | |
| Raw materials | 1,055,545 | 924,633 |
| Work-in-process | 96,495 | 115,699 |
| Finished goods | 708,996 | 725,178 |
| | 1,861,036 | 1,765,510 |
| 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, 2016. | | |
| 8. LONG TERM FINANCING - Secured | | |
| Balance at beginning of the period / year | 1,373,565 | 1,276,665 |
| Add: disbursements during the period / year | 0 | 400,301 |
| Less: repayments made during the period / year | (181,293) | (303,401) |
| Balance at end of the period / year | 1,192,272 | 1,373,565 |
| Less: current portion grouped under current liabilities | 437,880 | 395,693 |
| | 754,392 | 977,872 |
| 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, 2016. | |

9. SHORT TERM BORROWINGS

Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.3.746 billion (June 30, 2016: Rs.3.821 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 period, carried mark-up at the rates ranging from 6.61% to 8.55% (June 30, 2016: 6.60% to 10.23%) per annum and are expiring on various dates by October, 2017.

10. CONTINGENCIES AND COMMITMENTS

Contingencies

10.1 The Company had imported textile plant & machinery availing exemption from customs duty and sales tax on import thereof under SROs 554(1)/98 and 987(1)/99. In case conditions of the aforementioned SROs are violated, the amounts of customs duty and sales tax exempted aggregating Rs.151.014 million shall be recoverable by the Customs Authorities along with penalties under section 202 of the Customs Act, 1969.

10.2 Guarantees aggregating Rs.208.014 million (June 30, 2016: Rs.187.379 million) have been issued by banks of the Company to different parties including Government institutions and Sui Northern Gas Pipeline Limited.

10.3 The Company has challenged the Gas Infrastructure Development Cess (GIDC) Act, 2015, by filling a petition before the Peshawar High Court, Peshawar (PHC), challenging the vires and legality of the levy and demand of GIDC. The PHC has granted stay against the charging of GIDC under the said Act and the Respondents were directed to submit their comments. Sui Northern Gas Pipelines Ltd., along with gas bill for the month of December, 2016, has raised GIDC demands aggregating Rs.587.605 million (June 30, 2016: Rs.522.079 million), which will become payable in case of an adverse judgement by the PHC. The petition before the PHC is pending adjudication.

Based on the advice of the Company's legal counsel, the management strongly feels that there are meritorious grounds to support the Company's stance. Consequently, no provision for the above mentioned amount has been made in the books of accounts of the Company.

10.4 There has been no significant change in the status of pending tax cases as reported in the preceding audited annual financial statements of the Company for the year ended June 30, 2016.

| | |
|----------------------|---------------|
| Un-audited | Audited |
| 31 Dec., 2016 | 30 June, 2016 |
| (Rupees in thousand) | |

Commitments

| | | |
|--|----------------|---------|
| - letters of credit for purchase of raw materials | 232,270 | 150,515 |
| - capital expenditure other than letters of credit | 11,456 | 11,456 |

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11. TRANSACTIONS WITH RELATED PARTIES

11.1 Significant transactions with related parties are as follows:

| Relationship | Nature of transactions | Un-audited Half-year ended | |
|--------------------------|---------------------------------|-------------------------------|---------------|
| | | 31 Dec., 2016 | 31 Dec., 2015 |
| | | (Rupees in thousand) | |
| Associated Companies | Purchase of fixed assets | 750 | 0 |
| | Sale of goods and services | 0 | 25,621 |
| | Purchase of goods and services | 300,970 | 395,124 |
| Key management personnel | Remuneration and other benefits | 46,284 | 34,084 |

| | Un-audited 31 Dec., 2016 | Audited 30 June, 2016 |
|--|-----------------------------|--------------------------|
| | (Rupees in thousand) | |
| | 164,257 | 9,130 |
| | 595 | 554 |

11.2 Period / year end balances are as follows:

| | | |
|--------------------------|---------|-------|
| Trade and other payables | 164,257 | 9,130 |
| Other receivables | 595 | 554 |

12. CASH USED IN OPERATIONS

| | Un-audited Half-year ended | |
|---|-------------------------------|------------------|
| | 31 Dec., 2016 | 31 Dec., 2015 |
| | (Rupees in thousand) | |
| Profit / (loss) for the period - before taxation | 24,415 | (64,362) |
| Adjustments for non-cash charges and other items: | | |
| Depreciation and amortisation | 158,395 | 118,415 |
| Staff retirement benefits - gratuity (net) | (16,007) | (2,740) |
| Gain on sale of operating fixed assets - net | (138) | 0 |
| Finance cost | 162,134 | 158,890 |
| Exchange fluctuation loss on sub-ordinated loan | 500 | 15,500 |
| Exchange fluctuation gain (others) - net | 2,338 | 0 |
| Adjustment on remeasurement of investments to fair value - net | (1,811) | (68) |
| Profit before working capital changes | 329,826 | 225,635 |
| Effect on cash flow due to working capital changes | | |
| (Increase) / decrease in current assets: | | |
| Stores, spare parts and loose tools | 16,056 | (141) |
| Stock-in-trade | (95,526) | (489,068) |
| Trade debts | (62,223) | 117,828 |
| Loans and advances | 31,122 | 65,501 |
| Trade deposits and short term prepayments | (5,286) | 7,446 |
| Other receivables | 87 | 1,361 |
| Taxes refundable | (26,883) | (32,978) |
| Increase in trade and other payables | 83,890 | 92,814 |
| | (58,763) | (237,237) |
| Cash generated from / (used in) operating activities | 271,063 | (11,602) |
| Income taxes paid | (32,644) | (37,329) |
| Long term deposits from employees | 3,581 | 1,172 |
| Long term loans | 2,134 | 3,228 |
| Net cash generated from / (used in) operating activities | 244,134 | (44,531) |

13. 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, 2016, 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.

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, 2016.

14. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet has been compared with the balances of audited annual financial statements of the Company for the year ended June 30, 2016, 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 condensed interim financial information of the Company for the half year ended December 31, 2015.

15. GENERAL

This condensed interim financial information was approved by the Board of Directors and authorised for issue on 27 February, 2017.

ZAHEEN UD DIN QURESHI
Chief Executive

ASSAD SAIFULLAH KHAN
Director