

SAIF TEXTILE MILLS LIMITED *First Quarterly Report 2008-2009*

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COMPANY INFORMATION

BOARD OF DIRECTORS	Javed Saifullah Khan Osman Saifullah Khan Omar Saifullah Khan Jehangir Saifullah Khan Ch. Maqbool Ahmad Mrs. Hoor Yousafzai Muhammad Ayub	- Chairman / Chief Executive - NIT Nominee
AUDIT COMMITTEE	Ch. Maqbool Ahmad Mrs. Hoor Yousafzai Muhammad Ayub	- Chairman - Member - Member
CHIEF FINANCIAL OFFICER	Zaheen-ud-Din Qureshi	
COMPANY SECRETARY	Mumtaz H. Chaudhry	
LEGAL ADVISOR	Dr. Pervez Hassan Hassan & Hassan, Advocates Abdul Latif Yousafzai, Advocates	
AUDITORS	M/s Hameed Chaudhri & Co., Chartered Accountants HM House, 7-Bank Square, Lahore	
BANKERS	Albaraka Islamic Bank B.S.C (E.C) Allied Bank Limited Dubai Islamic Bank Pakistan Limited Faysal Bank Limited Habib Bank Limited ING Asia Private Bank Limited Meezan Bank Limited National Bank of Pakistan The Bank of Punjab The Hong Kong and Shanghai Banking Corporation Limited United Bank Limited	
HEAD OFFICE	Kulsum Plaza, 4th Floor, 2020 - Blue Area, Islamabad-44000 Telephone : +92-51-2823924, 2829415 Fax : +92-51-2277843, 2822564 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 Telephon : +92-42-7235081-7235082 Fax : +92-42-7358817 email : info@hmaconsultants.com	
MILLS	Industrial Estate, Gadoon Amazai, District Sawabi Telephone : +92-938-270313, 270429 Fax : +92-938-270514 email : stmgdn@saifgroup.com	
WEBSITE	www.saiftextile.com	

DIRECTORS' REVIEW REPORT TO THE SHAREHOLDERS

The un-audited financial statements of Saif Textile Mills Limited for the 1st quarter ended on 30 September, 2008 are being presented to you with the following observations.

Operating Profit

The gross profit margin of the Company decreased from 13.49% to 5.39% as compared to corresponding period of the last year, with a consequent decrease in the profitability of the Company. The operating profit dropped from a profit of 9.07% to a loss of 0.38% as compared to the corresponding period of the preceding year. The simultaneous effects of an increase in cotton prices, rising fuel and energy charges and increased cost of finance meant that the Company has not been able to maintain the trend of gross profit during the 1st quarter ending 30 September, 2008.

General Market Conditions

The prevailing depressed market condition during the quarter has badly affected the country. The global financial emergency has badly jolted the Pakistan economy, and the country is going through a severe liquidity crisis. Amongst the major difficulties facing the textile industry are:

- ♦ Continuous devaluation of Pakistani rupee.
- ♦ Internationally depressed demand for textile products.
- ♦ Erratic and intermittent power supply despite sky rocketing electricity tariffs.
- ♦ High interest rates.

Future Outlook

The political and social instability in and around Pakistan's borders is causing the economy to suffer. The industrial sector of the country and specifically textile sector is bearing the brunt of these worsening conditions. In the present circumstances, predicting the successful outcome of government policies becomes moot. Prolonged power shortages, the rising cost of power and high interest costs will be the key challenges facing the manufacturing industry in the near term.

Your management is putting in their best efforts to deal with the operationally challenging environment despite the lack of support of the Government.

Acknowledgement

The Board places on record its appreciation of the support of our bankers and our valued customers. In these very trying times, it gives me great pleasure to highlight the hard work put in by the members of our corporate family.

We are confident they will continue to show the same dedication and sense of purpose in the days ahead.

On behalf of the Board of Directors

Dated : 27 October, 2008

Place : Islamabad

Javed Saifullah Khan
Chairman/Chief Executive

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**CONDENSED BALANCE SHEET
AS AT 30 SEPTEMBER, 2008**

	Note	(Un-audited) 30 September, 2008	(Audited) 30 June, 2008
(Rupees in thousand)			
SHARE CAPITAL AND RESERVES			
Authorised capital 30,000,000 ordinary shares of Rs. 10 each		300,000	300,000
Issued, subscribed and paid-up capital		264,129	264,129
Reserves		265,981	265,981
Unappropriated profit		193,702	340,518
		723,812	870,628
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
		102,052	103,754
NON-CURRENT LIABILITIES			
Long term financing	3	1,283,961	1,291,185
Liabilities against assets subject to finance lease		3,142	3,173
Long term deposits		1,560	1,696
Deferred liability - staff retirement benefits		31,789	31,947
		1,320,452	1,328,001
CURRENT LIABILITIES			
Trade and other payables		130,802	238,170
Accrued mark-up and financial charges		66,546	34,274
Short term borrowings	4	1,855,486	1,478,612
Current portion of :			
- long term financing		252,724	239,377
- liabilities against assets subject to finance lease		613	593
		2,306,171	1,991,026
CONTINGENCIES AND COMMITMENTS			
	5	4,452,487	4,293,409
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	2,159,810	2,194,375
Intangible assets		816	910
Long term loans		1,737	2,401
Long term deposits		7,495	7,476
Deferred taxation		137,977	99,871
		2,307,835	2,305,033
CURRENT ASSETS			
Stores, spare parts and loose tools		50,466	51,263
Stock-in-trade	7	1,004,344	911,516
Trade debts		959,565	892,083
Loans and advances		44,767	26,252
Trade deposits and short term prepayments		12,551	3,984
Other receivables		10,125	40,955
Investments		11,388	17,122
Deposit for shares		-	-
Taxation		14,829	10,815
Taxes refundable		29,726	29,494
Cash and bank balances		6,891	4,892
		2,144,652	1,988,376
		4,452,487	4,293,409

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

Javed Saifullah Khan
Chairman/Chief Executive

Mrs. Hoor Yousafzai
Director

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**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER, 2008**

	July - Sep. 2008	July - Sep. 2007
	(Rupees in thousand)	
SALES	876,930	922,353
COST OF SALES	829,673	797,951
GROSS PROFIT	47,257	124,402
ADMINISTRATIVE AND DISTRIBUTION COST	50,616	40,697
	(3,359)	83,705
FINANCE COST	74,862	77,023
EXCHANGE LOSS - Net	101,976	663
OTHER OPERATING EXPENSES	5,237	1,340
	182,075	79,026
	(185,434)	4,679
OTHER INCOME	624	338
(LOSS) / PROFIT BEFORE TAXATION	(184,810)	5,017
TAXATION:-		
Current	1,815	4,590
Deferred	(38,106)	(11,500)
	(36,291)	(6,910)
(LOSS) / PROFIT AFTER TAXATION	(148,519)	11,927
	(5.62)	0.45
(LOSS) / EARNINGS PER SHARE	(5.62)	0.45

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

Javed Saifullah Khan
Chairman/Chief Executive

Mrs. Hoor Yousafzai
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER, 2008**

	July - Sep. 2008	July - Sep. 2007
(Rupees in thousand)		
(Loss) / Profit for the period - before taxation	(184,810)	5,017
Adjustments for non-cash and other charges		
Depreciation and amortisation	39,317	41,511
Staff retirement benefits - gratuity (net)	(158)	2,610
Gain on disposal of operating fixed assets - net	(311)	(198)
Loss on revaluation of long term foreign currency loan.	99,400	0
Loss on sale and remeasurement of investments to fair value - net	5,237	781
Finance cost (excluding interest on workers workers' profit participation fund and bank charges)	72,479	75,916
CASH FLOW FROM OPERATING ACTIVITIES		
- Before working capital changes	31,154	125,637
(Increase) / decrease in current assets:		
Stores, spares and loose tools	797	(628)
Stock-in-trade	(92,828)	(63,047)
Trade debts	(67,482)	83,321
Loans and advances	(18,515)	6,099
Trade deposits and short term prepayments	(8,567)	1,120
Taxes refundable	(232)	1,789
Other receivables	30,830	(5,759)
Decrease in trade and other payables	(107,368)	(118,366)
Short term borrowings - net	376,874	132,332
	113,509	36,861
CASH INFLOW FROM OPERATING ACTIVITIES		
- Before taxation	144,663	162,498
Taxes paid	(5,829)	(4,448)
CASH INFLOW FROM OPERATING ACTIVITIES		
- After taxation	138,834	158,050
Long term loans - net	664	(185)
Long term deposits	(19)	(1,591)
Long term deposits from employees	(136)	(123)
NET CASH INFLOW FROM OPERATING ACTIVITIES	139,343	156,151
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(6,488)	(16,260)
Sale proceeds of property, plant and equipment	2,142	1,128
Investments	(2,444)	(293,283)
Sale proceeds of investments	2,941	283,336
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(3,849)	(25,079)
CASH FLOW FROM FINANCING ACTIVITIES:		
Liabilities against assets subject to finance lease	(11)	(29)
Long term financing - repaid	(93,277)	(64,186)
Finance cost paid	(40,207)	(65,944)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(133,495)	(130,159)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,999	913
CASH AND CASH EQUIVALENTS:		
At the beginning of the period	4,892	3,154
At the end of the period	6,891	4,067

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

Javed Saifullah Khan
Chairman/Chief Executive

Mrs. Hoor Yousafzai
Director

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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER, 2008**

Share Capital	Reserves			Unapprop- riated profit	Total Equity
	Capital	Revenue	Sub- total		

Rupees in thousand

Balance as at 30 June, 2007	264,129	115,981	150,000	265,981	372,933	903,043
Profit for the quarter ended 30 September, 2007	0	0	0	0	11,927	11,927
Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation for the period of three months - net of deferred taxation	0	0	0	0	1,827	1,827
Balance as at 30 September, 2007	264,129	115,981	150,000	265,981	386,687	916,797
Loss for the period of nine months from 01 October, 2007 to 30 June 2008	0	0	0	0	(51,651)	(51,651)
Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation for the period of nine months - net of deferred taxation	0	0	0	0	5,482	5,482
Balance as at 30 June, 2008	264,129	115,981	150,000	265,981	340,518	870,628
Loss for the quarter ended 30 September, 2008	0	0	0	0	(148,519)	(148,519)
Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation for the period - net of deferred taxation	0	0	0	0	1,703	1,703
Balance as at 30 September, 2008	264,129	115,981	150,000	265,981	193,702	723,812

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

Javed Saifullah Khan
Chairman/Chief Executive

Mrs. Hoor Yousafzai
Director

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER, 2008**

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 statements 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, 2008

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, 2008.

3. LONG TERM FINANCES - Secured

Balance at the beginning of the period / year
Add: obtained during the period / year

Less: repaid during the period / year

Add: adjustment of exchange loss

Less: Current portion grouped under current liabilities

(Un-audited) 30 September, 2008	(Audited) 30 June, 2008
(Rupees in thousand)	
1,530,562	1,315,915
-	651,200
1,530,562	1,967,115
93,277	467,353
1,437,285	1,499,762
99,400	30,800
1,536,685	1,530,562
252,724	239,377
1,283,961	1,291,185

These finances, during the period, carried mark-up at the rates ranging from 4.75% to 16.19% (30 June, 2008: 4.75% to 16.19%) per annum.

4 SHORT TERM BORROWINGS - Secured

Short term finance facilities available from various commercial / investment banks under mark-up arrangements aggregate Rs.2,777 million (30 June, 2008: Rs.2,777 million) and are secured against pledge of stock-in-trade, charge on fixed and current assets of the Company and lien on export bills. These facilities, during the period, carried markup at the rates ranging from 4.70% to 15.38% (2008: 4.71% to 16.38%) per annum and are expiring on various dates by February, 2009. Facilities available for opening Letter of Credit / Guarantee from commercial banks aggregate Rs.1,768 million (30 June, 2008 Rs.1,768 million). The aggregate facilities are secured

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against pledge of stocks and charge on current and fixed assets of the company. These facilities are expiring on various dates by February, 2009.

Facilities available for opening Letter of Credit and guarantee from various commercial banks aggregate Rs.1,768 million (30 June, 2008 Rs.1,768 million) and are secured against lien on import documents and charge on fixed assets of the Company. These facilities are expiring on various dates by February, 2009.

5 CONTINGENCIES AND COMMITMENTS

5.1 There has been no significant change in the status of contingencies since the Company's latest annual audited financial statements, for the year ended 30 June, 2008.

5.2 Commitments for irrevocable letters of credit outstanding at the period/ year end were as follows:

	(Un-audited) 30 September, 2008	(Audited) 30 June, 2008
	(Rupees in thousand)	
- Capital expenditure	-	1,058
- Others	192,701	64,341
	<u>192,701</u>	<u>65,399</u>

6. PROPERTY, PLANT AND EQUIPMENT

Opening balance owned/leased
Add: Additions made during the period / year

	2,194,375	2,303,353
	6,488	58,874
	<u>2,200,863</u>	<u>2,362,227</u>
Less: Written down value of disposals made during the period / year	1,830	929
	<u>2,199,033</u>	<u>2,361,298</u>
Less: Depreciation charged during the period / year	39,223	166,923
	<u>2,159,810</u>	<u>2,194,375</u>

7. STOCK-IN-TRADE

Raw material:

-at mills	560,878	476,326
-in transit	5,607	247,715
	<u>566,485</u>	<u>724,041</u>
Work-in-process	59,735	41,851
Finished goods	378,124	145,624
	<u>1,004,344</u>	<u>911,516</u>

8. TRANSACTIONS WITH RELATED PARTIES

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

- purchase of fixed assets	-	529
- sale of fixed assets	1,401	-
- sale of goods and services	102,618	267,535
- purchase of goods and services	15,822	738,513

9. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 27 October, 2008 by the Board of Directors of the Company.

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10. GENERAL

- 10.1** Figures in the condensed interim financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise.
- 10.2** Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison; however, no significant rearrangements reclassifications have been made in these financial statements.

Javed Saifullah Khan
Chairman/Chief Executive

Mrs. Hoor Yousafzai
Director