



In The Name Of Allah
The Merciful
The Compassionate

C O N T E N T S	Page No.
COMPANY INFORMATION	2
DIRECTORS' REVIEW REPORT	3
AUDITORS' REPORT	4
BALANCE SHEET	5
PROFIT AND LOSS ACCOUNT	6
CASH FLOW STATEMENT	7
STATEMENT OF CHANGES IN EQUITY	8
NOTES TO THE FINANCIAL STATEMENTS	9

COMPANY INFORMATION

BOARD OF DIRECTORS	Javed Saifullah Khan Osman Saifullah Khan Omar Saifullah Khan Jehangir Saifullah Khan Ch. Maqbool Ahmad Zafar Qureshi Muhammad Ayub	- Chairman - Chief Executive - NIT Nominee
AUDIT COMMITTEE	Ch. Maqbool Ahmad Zafar Qureshi 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 Telephone : +92-42-7235084 Fax : +92-42-7235083 E-mail : hcc@pol.com.pk	
BANKERS	Albaraka Islamic Bank B.S.C (E.C) Allied Bank Limited Faysal Bank Limited Habib Bank Limited Meezan Bank Limited National Bank of Pakistan The Bank of Punjab The Hongkong and Shanghai Banking Corporation United Bank Limited	
HEAD OFFICE	Kulsum Plaza, 4th Floor, 2020 - Blue Area, Islamabad-44000 Telephone : +92-51-2823924, 2829415 Fax : +92-51-2277843, 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' REVIEW REPORT

It is my pleasure to present, on behalf of the Board of Directors, this report of your Company's performance for the half year ended 31 December 2007.

FINANCIAL HIGHLIGHTS

Your Company has achieved **12.90%** growth in the turn over against the corresponding period of the previous year. Our Export sales have increased by **44.47%** as compared, to corresponding period of the previous year.

- Gross profit margin has been increased from **9.88%** to **11.06%** despite severe external pressures arising from the depressed market conditions, increase in energy cost and increased cost of raw material during the cotton season.
- Profit before tax is **Rs. 12.19 million** as compared to a loss of **Rs. 6.66 million** of the corresponding period of last year.
- Earnings per share worked out to be **Rs.1.20** (31 December 2006 Rs.1.27).

GENERAL MARKET CONDITIONS

The following market conditions are prevailing and affecting the profitability not only of your company but also the overall textile sector:

- Increase in the cost of inputs caused by the elevated price of petroleum products and gas.
- Major increase in cotton prices.
- Shortage of gas and electricity in the country.
- Political uncertainty in the country.
- Higher borrowing costs.

FUTURE OUTLOOK

The management is consistently focusing its efforts to increase exports in order to increase the margin of profits and to smooth line the productivity.

Pakistan's textile sector is heading towards a downturn, primarily due to prevailing impediments in the national economy and political uncertainty. The sharp rise in the cost of domestic borrowing, accompanied by similar unilateral escalation in the cost of energy and shortage of gas & electricity are creating an extremely challenging environment for all manufacturers. The tariff on natural gas and minimum wages has already risen resulting increase in the cost of production and these factors have affected the profitability of the entire textile sector.

In this operating environment, the challenge before your Company's management is indeed a Herculean one. The mission before us is to operate in a dedicated and efficient manner as much as possible and by doing so, to minimize the adverse impact of the depressed market and economic conditions. In the absence of any positive change in government economic policies & developments during the next two quarters, our operating results are unlikely to improve beyond current levels.

ACKNOWLEDGEMENT

The Board places on record its appreciation of 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.

Place : Islamabad
Dated : 26 February, 2008

JAVED SAIFULLAH KHAN
Chairman/Director

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

We have reviewed the accompanying condensed interim balance sheet of **SAIF TEXTILE MILLS LIMITED** as at 31 December, 2007 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 "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended 31 December, 2007 and 2006 have not been reviewed, as we are required to review only the cumulative figures for the half-year ended 31 December, 2007.

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 interim financial information as of and for the half-year ended 31 December, 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Place : Lahore
Dated: 26 February, 2008

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

**CONDENSED INTERIM BALANCE SHEET AS AT
31 DECEMBER, 2007**

	Note	Un-audited 31 Dec., 2007 (Rupees in thousand)	Audited 30 June, 2007
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		300,000	300,000
Issued, subscribed and paid-up capital		264,129	264,129
Reserves		265,981	265,981
Unappropriated profit		408,402	372,933
		938,512	903,043
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		107,409	111,063
NON-CURRENT LIABILITIES			
Long term finances	6	910,756	1,070,597
Long term deposits		1,422	1,375
Staff retirement benefits - gratuity		30,080	26,761
		942,258	1,098,733
CURRENT LIABILITIES			
Current portion of:			
- long term finances	6	284,318	245,318
- liabilities against assets subject to finance lease		0	40
Short term finances		1,626,419	1,496,385
Trade and other payables		322,468	249,112
Due to Associated Companies		2,007	0
Accrued mark-up and interest		54,802	59,527
Taxation	7	10,734	18,961
		2,300,748	2,069,343
CONTINGENCIES AND COMMITMENTS	8	4,288,927	4,182,182
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,247,968	2,019,828
Capital work-in-progress	10	2,324	282,187
Stores held for capital expenditure		1,464	2,279
Intangible assets		229	713
Investment in an Associated Company		1	0
Loans to employees		3,084	3,066
Security deposits		7,163	7,163
Deferred taxation	11	69,339	38,826
		2,331,572	2,354,062
CURRENT ASSETS			
Stores, spares and loose tools		60,131	52,877
Stock-in-trade		1,154,036	933,599
Trade debts		626,865	732,669
Deposit for shares	12	0	0
Investments		16,833	17,939
Loans and advances		1,827	1,807
Advance payments		31,175	21,488
Trade deposits and prepayments		9,679	3,416
Sales tax refundable		16,422	18,691
Other receivables		1,091	1,842
Advance income tax and tax deducted at source		32,563	40,638
Cash and bank balances		6,733	3,154
		1,957,355	1,828,120
		4,288,927	4,182,182

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

The Chief Executive is out of Pakistan and in his absence these financial statements have been signed by two Directors as required under section 241(2) of the Companies Ordinance, 1984.

JAVED SAIFULLAH KHAN
Chairman/Director

ZAFAR QURESHI
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2007
(UN-AUDITED)**

	For the 2nd Quarter		Cumulative	
	Oct. - Dec. 2007	Oct. - Dec. 2006	Jul. - Dec. 2007	Jul. - Dec. 2006
	(Rupees in thousand)			
Sales				
Local	881,207	809,666	1,478,635	1,438,985
Export	343,255	287,920	668,180	462,516
	<u>1,224,462</u>	<u>1,097,586</u>	<u>2,146,815</u>	<u>1,901,501</u>
Less: commission	10,684	4,191	14,958	9,797
Sales - net	<u>1,213,778</u>	<u>1,093,395</u>	<u>2,131,857</u>	<u>1,891,704</u>
Cost of sales	<u>1,098,150</u>	<u>1,010,375</u>	<u>1,896,101</u>	<u>1,704,802</u>
Gross profit	<u>115,628</u>	<u>83,020</u>	<u>235,756</u>	<u>186,902</u>
Administrative expenses	<u>21,686</u>	<u>19,894</u>	<u>38,256</u>	<u>39,417</u>
Distribution cost	<u>22,056</u>	<u>9,365</u>	<u>41,804</u>	<u>21,463</u>
Other operating expenses	<u>(631)</u>	<u>580</u>	<u>697</u>	<u>1,428</u>
	<u>43,111</u>	<u>29,839</u>	<u>80,757</u>	<u>62,308</u>
	<u>72,517</u>	<u>53,181</u>	<u>154,999</u>	<u>124,594</u>
Other operating income	<u>2,573</u>	<u>439</u>	<u>2,911</u>	<u>1,311</u>
	<u>75,090</u>	<u>53,620</u>	<u>157,910</u>	<u>125,905</u>
Finance cost	<u>68,700</u>	<u>66,965</u>	<u>145,723</u>	<u>132,563</u>
Profit / (loss) before taxation	<u>6,390</u>	<u>(13,345)</u>	<u>12,187</u>	<u>(6,658)</u>
Taxation				
- current (note 7.1)	<u>6,144</u>	<u>5,469</u>	<u>10,734</u>	<u>9,458</u>
- prior years'	<u>151</u>	<u>(3)</u>	<u>151</u>	<u>(3)</u>
- deferred (note 11)	<u>(19,013)</u>	<u>(33,961)</u>	<u>(30,513)</u>	<u>(40,101)</u>
	<u>(12,718)</u>	<u>(28,495)</u>	<u>(19,628)</u>	<u>(30,646)</u>
Profit for the period	<u>19,108</u>	<u>15,150</u>	<u>31,815</u>	<u>23,988</u>
	Rupees			
Basic earnings per share	<u>0.72</u>	<u>0.80</u>	<u>1.20</u>	<u>1.27</u>

- The annexed notes form an integral part of this condensed interim financial information.
- Appropriations have been reflected in the statement of changes in equity.

The Chief Executive is out of Pakistan and in his absence these financial statements have been signed by two Directors as required under section 241(2) of the Companies Ordinance, 1984.

JAVED SAIFULLAH KHAN
Chairman/Director

ZAFAR QURESHI
Director

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2007
(UN-AUDITED)**

	Half-year ended	
	31Dec., 2007	31Dec., 2006
Cash flow from operating activities		
Profit / (loss) for the period - before taxation	12,187	(6,658)
Adjustments for:		
Depreciation	82,924	102,856
Amortisation of intangible assets	484	485
Staff retirement benefits - gratuity (net)	3,319	5,153
Gain on sale of operating fixed assets - net	(198)	(154)
Remeasurement of investments to fair value - net	61	(301)
Finance cost	144,436	129,151
Cash flow from operating activities - before working capital changes	243,213	230,532
Decrease / (increase) in current assets:		
Stores, spares and loose tools	(7,254)	(21,866)
Stock-in-trade	(220,437)	(19,619)
Trade debts	105,804	(237,524)
Loans and advances	(20)	(298)
Advance payments	(9,687)	(6,817)
Trade deposits and prepayments	(6,263)	(5,476)
Due to associated companies	2,007	(912)
Sales tax refundable	2,269	(1,000)
Other receivables	751	2,588
Increase in trade and other payables	73,388	44,045
	(59,442)	(246,879)
Cash inflow / (outflow) from operating activities - before taxation	183,771	(16,347)
Taxes paid	(11,037)	(5,000)
Cash inflow / (outflow) from operating activities - after taxation	172,734	(21,347)
Loans to employees	(18)	(2,060)
Long term deposits from employees	47	282
Security deposits	0	(49)
Net cash inflow / (outflow) from operating activities	172,763	(23,174)
Cash flow from investing activities		
Property, plant and equipment acquired	(31,315)	(202,985)
Sale proceeds of operating fixed assets	1,127	1,698
Investments - net	1,044	6,985
Net cash outflow from investing activities	(29,144)	(194,302)
Cash flow from financing activities		
Long term finances	(120,841)	148,923
Lease finances - net	(40)	(309)
Short term finances - net	130,034	184,754
Dividend paid	(32)	(4,014)
Finance cost paid	(149,161)	(120,512)
Net cash (outflow) / inflow from financing activities	(140,040)	208,842
Net increase / (decrease) in cash and cash equivalents	3,579	(8,634)
Cash and cash equivalents - at the beginning of the period	3,154	15,026
Cash and cash equivalents - at the end of the period	6,733	6,392

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

The Chief Executive is out of Pakistan and in his absence these financial statements have been signed by two Directors as required under section 241(2) of the Companies Ordinance, 1984.

JAVED SAIFULLAH KHAN
Chairman/Director

ZAFAR QURESHI
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2007
(UN-AUDITED)**

Share Capital	Reserves			Unappropriated profit	Total
	Capital	Revenue	Sub-total		

----- Rupees in thousand -----

Balance as at 30 June, 2006	189,129	40,981	150,000	190,981	367,087	747,197
Final dividend @ Re.0.75 per share for the year ended 30 June, 2006	0	0	0	0	(14,185)	(14,185)
Profit for the half-year ended 31 December, 2006	0	0	0	0	23,988	23,988
Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation - net of deferred taxation	0	0	0	0	5,942	5,942
Balance as at 31 December, 2006	189,129	40,981	150,000	190,981	382,832	762,942
Loss for the half-year ended 30 June, 2007	0	0	0	0	(11,800)	(11,800)
Nominal value of ordinary right shares issued	75,000	0	0	0	0	75,000
Premium received on issue of ordinary right shares	0	75,000	0	75,000	0	75,000
Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation - net of deferred taxation	0	0	0	0	1,901	1,901
Balance as at 30 June, 2007	264,129	115,981	150,000	265,981	372,933	903,043
Profit for the half-year ended 31 December, 2007	0	0	0	0	31,815	31,815
Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation - net of deferred taxation	0	0	0	0	3,654	3,654
Balance as at 31 December, 2007	264,129	115,981	150,000	265,981	408,402	938,512

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

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JAVED SAIFULLAH KHAN
Chairman/Director

ZAFAR QURESHI
Director

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL
INFORMATION FOR THE HALF-YEAR ENDED 31 DECEMBER, 2007
(UN-AUDITED)**

1. The Company was incorporated in Pakistan on 24 December, 1989 as a Public Company and its shares are quoted on Stock Exchanges in 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 its Registered Office at APTMA House, Tehkal Payan, Jamrud Road, Peshawar.
2. This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34 (Interim Financial Reporting) and has been reviewed by the external Auditors as required by the Code of Corporate Governance.
3. 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, 2007.
4. The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in preparation of the preceding published annual financial statements of the Company for the year ended 30 June, 2007.
5. The 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, 2007.
6. **LONG TERM FINANCES - Secured**

	Un-audited 31 Dec., 2007	Audited 30 June, 2007
	(Rupees in thousand)	
National Bank of Pakistan: - demand finances	84,000	84,000
Faysal Bank Limited: - murabaha finance - I - murabaha finance - II	124,574 105,000	138,665 120,000
United Bank Limited: - demand finance - I - demand finance - II	120,000 187,500	140,000 218,750
The Bank of Punjab: - demand finances	64,000	72,000
Habib Bank Limited: - demand finance - I - demand finance - II	260,000 250,000	292,500 250,000
	1,195,074	1,315,915
Less: current portion grouped under current liabilities	284,318	245,318
	910,756	1,070,597

7. TAXATION

- 7.1 In view of available tax losses, the current tax expense represents the minimum tax on turnover for the half-year due under section 113 of the Income Tax Ordinance, 2001.
- 7.2 There has been no significant change in the Company's taxation status since the date of preceding published financial statements for the year ended 30 June, 2007.

8. CONTINGENCIES AND COMMITMENTS

- 8.1 The Company had imported textile plant & machinery availing exemption from customs duty and sales tax on importation 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.
- 8.2 Commitments for irrevocable letters of credit outstanding as at 31 December, 2007 aggregated Rs.199.996 million (30 June, 2007: Rs.206.815 million).

	Un-audited Half-year ended 31 Dec., 2007	Audited Year ended 30 June, 2007
	(Rupees in thousand)	
9. PROPERTY, PLANT AND EQUIPMENT	Note	
Opening book value	2,019,828	2,046,111
Additions / transfers during the period / year:		
- leasehold land	0	229
- buildings on leasehold land	12,946	37,082
- plant and machinery	278,165	40,428
- generators	2,076	31,190
- electric installations	12,677	469
- air-conditioning equipment	1,783	6,517
- furniture & fixtures	236	4,100
- office equipment	797	2,353
- telephone installations	414	403
- weighing scales	0	38
- fire extinguishing equipment	0	63
- gas fittings	0	70
- vehicles	2,899	4,637
	<u>311,993</u>	<u>127,579</u>
Book value of assets sold during the period	(929)	(3,347)
Depreciation charge for the period / year	<u>(82,924)</u>	<u>(150,515)</u>
Closing book value	<u>2,247,968</u>	<u>2,019,828</u>
10. CAPITAL WORK-IN-PROGRESS		
Factory buildings	810	0
Plant and machinery	0	256,468
Electric installations	0	11,829
Advance payments:		
- leasehold land	941	941
- factory buildings	0	12,256
- generators	71	693
- vehicle	502	0
	<u>2,324</u>	<u>282,187</u>

- 10.1 The Company is in the process of obtaining leasehold rights of the land; therefore, these advances have been grouped under capital work-in-progress.

11. DEFERRED TAXATION	Note	Un-audited Half-year ended 31 Dec., 2007 (Rupees in thousand)	Audited Year ended 30 June, 2007
Net deferred tax asset comprises of temporary differences arising due to:			
Debit balances arising in respect of:			
- unused tax losses	11.1	311,548	265,226
- provision for doubtful deposit for shares		2,411	2,564
- staff retirement benefits - gratuity		7,252	6,863
- minimum tax recoverable against normal tax charge in future years		<u>57,108</u>	<u>54,844</u>
		<u>378,319</u>	<u>329,497</u>
Credit balances arising in respect of:			
- accelerated tax depreciation allowances		<u>269,152</u>	<u>246,838</u>
- surplus on revaluation of property, plant and equipment		<u>39,828</u>	<u>43,790</u>
- lease finances		<u>0</u>	<u>43</u>
		<u>308,980</u>	<u>290,671</u>
		<u>69,339</u>	<u>38,826</u>

11.1 Deferred tax asset has been recognised based on the projections prepared by the management indicating reasonable probability that taxable profits will be available in the foreseeable future against which the unused tax losses will be utilised.

12. 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 published financial statements for the year ended on 30 June, 2007.

13. TRANSACTIONS WITH RELATED PARTIES

13.1 Aggregate transactions made during the period / year with Associated Companies were as follows:

- sale of fixed assets	0	1,127
- sale of goods and services	76,167	462,002
- purchase of goods and services	451,012	557,662
- dividend paid	0	3,932

13.2 No other transactions, other than remuneration and benefits to key management personnel under the terms of their employment, were executed with other related parties during the period.

13.3 Sales, purchases and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the Associated Companies, which are on the actual basis.

14. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

This condensed interim financial information has been authorised for issue by the Board of Directors of the Company in its meeting held on 26 February, 2008.

15. FIGURES

- Figures in the condensed interim financial information have been rounded-off to the nearest thousand Rupees except stated otherwise.
- Corresponding figures have neither been re-arranged nor re-classified.

The Chief Executive is out of Pakistan and in his absence these financial statements have been signed by two Directors as required under section 241(2) of the Companies Ordinance, 1984.

JAVED SAIFULLAH KHAN
Chairman/Director

ZAFAR QURESHI
Director