

**SAIF TEXTILE MILLS LIMITED** *First Quarterly Report 2009-2010*

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**COMPANY INFORMATION**

**BOARD OF DIRECTORS** Anwar Saifullah Khan - **Chairman**  
Osman Saifullah Khan - **Chief Executive**  
Jehangir Saifullah Khan  
Hoor Yousafzai  
Assad Saifullah Khan  
Asif Saifullah Khan  
Muhammad Ayub - **NIT Nominee**

**AUDIT COMMITTEE** Hoor Yousafzai - **Chairperson**  
Jehangir Saifullah Khan - **Member**  
Muhammad Ayub - **Member**

**CHIEF FINANCIAL OFFICER** Zaheen-ud-Din Qureshi

**COMPANY SECRETARY** Mumtaz H. Chaudhry

**LEGAL ADVISORS** Dr. Pervez Hassan  
Hassan & Hassan, Advocates  
Salahuddin Saif & Aslam  
(Attorney's at Law)

**AUDITORS** 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  
Meezan Bank Limited  
National Bank of Pakistan  
The Bank of Punjab  
HSBC Bank Middle East Limited  
United Bank Limited

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Email : stm@saifgroup.com

**REGISTERED OFFICE** APTMA House, Tehkal Payan,  
Jamrud Road, Peshawar  
Phone : +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.  
Phone : +92-42-37235081-37235082  
Fax : +92-42-37358817  
Email : info@hmaconsultants.com

**MILLS** Industrial Estate, Gadoon Amazai,  
District Swabi  
Phone : +92-938-270313, 270429  
Fax : +92-938-270514  
Email : stmgdn@saifgroup.com

**WEB SITE** [www.saiftextile.com](http://www.saiftextile.com)

**DIRECTORS' REVIEW REPORT TO THE SHAREHOLDERS**

The Un-Audited Financial Statements of the Company for the First Quarter ended on September 30, 2009 are being presented to you with the following observations.

**FINANCIAL HIGHLIGHTS**

During the first quarter of the year, your Company has shown a substantial improvement by managing to surmount some of the challenges facing the industry. The Gross Profit earned was Rs. 75.16 Million (Gross Profit Margin: 8.07%) as compared to a Gross Profit of Rs. 47.25 Million (Gross Profit Margin: 5.38%) for the same Quarter last year. Yarn sales grew by 18.6 percent from Rs. 776.08 Million for the comparable Quarter last year to Rs. 920.28 Million for the Quarter under review. The reasons for this performance coupled with the efforts of the management are:

- 1) An improvement in the global economic environment that has brought an element of stability in the textile markets, resulting in the gradual increase in the demand for yarn and other intermediary raw materials.
- 2) Stability in domestic natural gas prices, salaries and wages and other variables.
- 3) Downward trend in KIBOR.

All these factors contributed towards improvement in the Company's operations and reducing the Operating Loss down to Rs. 65.98 Million as compared to Rs. 184.81 Million for the corresponding period of the last year.

However, until the domestic operating environment stabilizes, the benefits of any recovery will be limited. Operational challenges include the deteriorating domestic security environment, power shortages and the continuing volatility of the Rupee in foreign exchange markets.

**GENERAL MARKET CONDITIONS**

The textile market conditions are showing signs of stability with emerging prospects of a recovery. However the fallout from the Global War on Terror continues to impact industries operating in Northern Pakistan. The negative effects of this uncertainty in law and order will be a major obstacle to the smooth operations of industries in the area. The continued tightening of liquidity as well as interruptions in the supply of electricity are additional factors, which may adversely impact the textile manufacturing industry.

**FUTURE OUTLOOK**

The Management is single mindedly focused on increasing your Company's efficiency and profit margins in spite of the challenges being faced. These challenges include possible power shortages and increasing input costs.

Your Company's Management is aware of the challenges that are ahead and will be making all efforts to ensure continued growth, operational efficiency and optimal results for the Company and its valued shareholders in the days to come.

**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 and diligence of the Company's employees. We look forward to the same dedication and cooperation in the year ahead.

**for and on behalf of the Board**

Place : Islamabad  
Dated : 29 October, 2009

**Anwar Saifullah Khan**  
Chairman

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**CONDENSED BALANCE SHEET  
AS AT 30 SEPTEMBER, 2009**

	Note	(Un-audited) 30 September, 2009	(Audited) 30 June, 2009
<b>(Rupees in thousand)</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 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
Reserves		265,981	265,981
Unappropriated profit		<u>(285,716)</u>	<u>(212,897)</u>
		244,394	317,213
Surplus on revaluation of fixed assets		179,633	182,479
<b>NON-CURRENT LIABILITIES</b>			
Sub-ordinated loan		415,350	405,600
Long term financing	3	1,081,909	1,167,938
Liabilities against assets subject to finance lease		2,451	2,631
Long term deposits		600	532
Deferred liability- staff retirement benefits		37,524	34,827
		<u>1,537,834</u>	<u>1,611,528</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		174,084	257,801
Accrued interest / mark-up		144,354	115,064
Short term borrowings		1,339,481	1,348,779
Current portion of :-			
- long term financing		242,059	166,780
- liabilities against assets subject to finance lease		681	656
		<u>1,900,659</u>	<u>1,889,080</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	4	<u>3,862,520</u>	<u>4,000,300</u>
<b>NON-CURRENT ASSETS</b>			
Property plant and equipment	5	2,192,788	2,225,806
Intangible assets		441	535
Long term loans		2,387	2,483
Long term deposits		7,128	7,128
Deferred taxation		188,244	192,994
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		52,033	51,005
Stock-in-trade		663,641	685,765
Trade debts		661,932	740,173
Loans and advances		27,844	36,831
Trade deposits and short term prepayments		9,671	5,557
Other receivables		2,680	774
Investments		12,370	10,019
Deposit for shares		-	-
Taxation		15,121	16,168
Taxes refundable		22,343	21,856
Cash and bank balances		3,897	3,206
		<u>1,471,532</u>	<u>1,571,354</u>
		<u>3,862,520</u>	<u>4,000,300</u>

The annexed notes form an integral part of these 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.

**Jehangir Saifullah Khan**  
Director

**Hoor Yousafzai**  
Director

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**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN - AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER, 2009**

	July - Sep 2009	July - Sep 2008
	(Rupees in thousand)	
Sales	930,472	876,930
Cost of Sales	855,306	829,673
Gross profit	75,166	47,257
Administrative & Distribution cost	47,144	50,616
Other operating expenses	-	5,237
	47,144	55,853
	28,022	(8,596)
Other operating income	2,686	624
	30,708	(7,972)
Finance cost	78,443	74,862
	(47,735)	(82,834)
Exchange fluctuation loss - net	18,250	101,976
Loss before taxation	(65,985)	(184,810)
Taxation		
- current	4,930	1,815
- prior	-	-
- deferred	4,750	(38,106)
	9,680	(36,291)
Loss after taxation	(75,665)	(148,519)
	(Rupees)	
LOSS PER SHARE	(2.86)	(5.62)

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**Jehangir Saifullah Khan**  
Director

**Hoor Yousafzai**  
Director

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**CONDENSED INTERIM CASH FLOW STATEMENT (UN - AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER, 2009**

	July - Sep 2009	July - Sep 2008
<b>(Rupees in thousand)</b>		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss for the period - before taxation	(65,985)	(184,810)
Adjustments for non cash items and other charges:		
Depreciation & amortization	38,913	39,317
Deferred liability - staff retirement benefits - net	2,697	(158)
Gain on disposal of fixed assets - net	(169)	(311)
Loss on revaluation of long term foreign currency loan	19,500	99,400
Loss on revaluation - others	10,596	0
Loss on remeasurement of investments to fair value - net	(2,351)	5,237
Financial charges (excluding interest on WPPF & bank charges)	76,772	72,479
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>79,973</b>	<b>31,154</b>
- Before working capital changes		
(increase) / decrease in current assets:		
Store, spare parts & loose tools	(1,028)	797
Stock-in-trade	22,124	(92,828)
Trade debts	78,241	(67,482)
Loans and advances	9,068	(18,515)
Trade deposits and short term prepayments	(4,114)	(8,567)
Taxes refundable	(487)	(232)
Other receivables	(1,906)	30,830
Decrease in trade and other payables (excluding unclaimed dividend)	(83,717)	(107,368)
	18,181	(263,365)
<b>CASH OUT FLOW FROM OPERATING ACTIVITIES</b>	<b>98,154</b>	<b>(232,211)</b>
- Before taxation	(3,883)	(5,829)
Taxes paid		
<b>CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>94,271</b>	<b>(238,040)</b>
- After taxation		
Long term loans - net	15	664
Long term deposits	68	(19)
Long term deposits from employees	0	(136)
	83	509
<b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>94,354</b>	<b>(237,531)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term financing - net	(20,500)	(93,277)
Lease finances - net	(155)	(11)
Short term borrowings - net	(9,298)	376,874
Financial charges paid	(58,078)	(40,207)
<b>NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES</b>	<b>(88,031)</b>	<b>243,379</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Addition to property plant and equipments	(6,571)	(6,488)
Capital work-in-progress - net	292	0
Sale proceeds of property plant and equipments	647	2,142
Sale proceeds of investments - net	0	497
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(5,632)</b>	<b>(3,849)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>691</b>	<b>1,999</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
- At the beginning of the period	3,206	4,892
- At the end of the period	3,897	6,891

The annexed notes form an integral part of these 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.

**Jehangir Saifullah Khan**  
Director

**Hoor Yousafzai**  
Director

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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN - AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER, 2009**

	Share Capital	Reserves			Unap-pro-riated profit	Total Equity
		Capital	Revenue	Sub-Total		
(Rupees in thousand)						
Balance as at 30 June, 2008	264,129	115,981	150,000	265,981	340,518	870,628
Total comprehensive income for the quarter ended 30 September, 2008						
Loss for the quarter	0	0	0	0	(148,519)	(148,519)
Other comprehensive income for the quarter	0	0	0	0	0	0
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	(148,519)	(148,519)
Balance as at 30 September, 2008	264,129	115,981	150,000	265,981	193,702	723,812
<b>Total comprehensive income for the nine months from 01 October, 2008 to 30 June, 2009</b>						
Loss for the period	0	0	0	0	(411,707)	(411,707)
Other comprehensive income for the period	0	0	0	0	0	0
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	(411,707)	(411,707)
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	5,108	5,108
Balance as at 30 June, 2009	264,129	115,981	150,000	265,981	(212,897)	317,213
<b>Total comprehensive income for the quarter ended 30 September, 2009</b>						
Loss for the quarter	0	0	0	0	(75,665)	(75,665)
Other comprehensive income for the quarter	0	0	0	0	0	0
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	(75,665)	(75,665)
Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation for the period of three months - net of deferred taxation					2,846	2,846
<b>Balance as at 30 September, 2009</b>	<b>264,129</b>	<b>115,981</b>	<b>150,000</b>	<b>265,981</b>	<b>(285,716)</b>	<b>244,394</b>

The annexed notes form an integral part of these 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.

**Jehangir Saifullah Khan**  
Director

**Hoor Yousafzai**  
Director

**SELECTED EXPLANATORY NOTES TO THE CONDENSED  
INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER, 2009**

**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 statements 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 statements 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, 2009

The accounting policies, significant judgment, estimates and assumptions used by the management in preparation of this condensed interim financial statements are the same as those applied to the preceding published annual financial statements of the Company for the year ended 30 June, 2009.

**3. LONG TERM FINANCING - Secured**

	<b>(Un-audited) 30 September, 2009</b>	<b>(Audited) 30 June, 2009</b>
	<b>(Rupees in thousand)</b>	
Balance at the beginning of the period / year	1,334,718	1,530,562
Add: obtained during the period / year	0	446,000
	1,334,718	1,976,562
Less: repaid during the period / year	20,500	365,444
	1,314,218	1,611,118
Add: adjustment of exchange fluctuation loss	9,750	129,200
	1,323,968	1,740,318
Less: transfer as subordinated loan	-	405,600
	1,323,968	1,334,718
Less: Current portion grouped under current liabilities	242,059	166,780
	<u>1,081,909</u>	<u>1,167,938</u>

These finances, during the period, carried mark-up at the rates ranging from 3.065% to 15.69% (30 June, 2009: 3.065% to 17.68%) per annum.

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**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:

	(Un-audited) 30 September, 2009	(Audited) 30 June, 2009
	(Rupees in thousand)	
- capital expenditure	0	1,223
- others	193,911	68,874
	193,911	70,097

**5. PROPERTY, PLANT AND EQUIPMENT**

Opening written down value	2,225,806	2,194,375
Add: Additions made during the period / year	6,279	62,456
	2,232,085	2,256,831
Add: Revaluation surplus - net	-	136,059
	2,232,085	2,392,890
Less: Written down value of disposals made during the period / year	478	9,188
	2,231,607	2,383,702
Less: Depreciation charged during the period / year	38,819	157,896
	2,192,788	2,225,806

**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.

	Jul- Sep 2009	Jul- Sep 2008
	(Rupees in thousand)	
- sale of fixed assets	200	1401
- sale of goods and services	18,486	106,618
- purchase of goods and services	8,860	15,822
- purchase of fixed assets	0	0

**7. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on 29 October, 2009 by the board of directors of the Company.

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**8. FIGURES**

- 8.1** Figures in the condensed interim financial information have been rounded-off to the nearest thousand Rupees except stated otherwise.
- 8.2** 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.

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.

**Jehangir Saifullah Khan**  
Director

**Hoor Yousafzai**  
Director