



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

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## COMPANY INFORMATION

### BOARD OF DIRECTORS

Javed Saifullah Khan - Chairman  
 Osman Saifullah Khan - Chief Executive  
 Omar Saifullah Khan  
 Jehangir Saifullah Khan  
 Ch. Maqbool Ahmad  
 Zafar Qureshi  
 Muhammad Ayub - NIT Nominee

### AUDIT COMMITTEE

Ch. Maqbool Ahmad - Chairman  
 Zafar Qureshi - Member  
 Muhammad Ayub - 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 (Arrange Alphabetically)

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 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  
 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 : stmugd@saifgroup.com

### CYBER

www.saiftextile.com

## **DIRECTORS' REVIEW REPORT**

The un-audited financial statements of the Company for the 1st quarter ended on September 30, 2007 are being presented to you with the following observations.

### **Operating Profit**

The gross profit margin of the Company improved from 11% to 13% as compared to corresponding period of the last year and the improvement has been witnessed in the Operating Profits. Similarly, the operating profits improved from the 7.6% to 9.12% over the corresponding period of the preceding year. Due to increase in the financial cost, the company has not been able to maintain the trend of gross profit; however, the improvement of 1% has been witnessed in the profitability before tax.

### **General Market Conditions**

Although there is a slight improvement in the market conditions as compared to preceding year, the overall profitability remained depressed because of increase in financial cost. Once again during the year, the Government has increased the minimum wages and there are strong prospects for increase in fuel and power charges as well.

### **Future Outlook**

Pakistan's textile industry has not been fully recovered from the market recession. Despite several representations from the trade bodies, the Government so far has failed to provide any relief to the spinning sector making the spinning sector vulnerable and exposed to the competition with the heavily subsidized spinning industry of other countries.

Other cost factors including finance cost, human resources cost and high rates of man made fibers in the international market will impact the profitability of the Company in coming months.

### **Acknowledgement**

The Board places on record its appreciation of the support of our bankers and our valued customers. I would like 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 in the days ahead.

**On behalf of the Board of Directors**

Place : Islamabad

Dated : October 29, 2007

**JAVED SAIFULLAH KHAN**  
Chairman/Director

**BALANCE SHEET (UN-AUDITED) AS AT 30 SEPTEMBER, 2007**

	Note	Un-audited 30 Sep., 2007 (Rupees in thousand)	Audited 30 June, 2007
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
30,000,000 ordinary shares of Rs. 10 each		<b>300,000</b>	300,000
Issued, subscribed and paid-up capital		<b>264,129</b>	264,129
Reserves		<b>265,981</b>	265,981
Unappropriated profit		<b>386,687</b>	372,933
		<b>916,797</b>	903,043
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		<b>109,236</b>	111,063
<b>LONG TERM FINANCES</b>	4	<b>968,502</b>	1,070,597
<b>LONG TERM DEPOSITS</b>		<b>1,252</b>	1,375
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		-	-
<b>STAFF RETIREMENT BENEFITS - GRATUITY</b>		<b>29,371</b>	26,761
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities		<b>283,238</b>	245,358
Short term finances	5	<b>1,628,717</b>	1,496,385
Trade and other payables		<b>130,746</b>	249,112
Accrued mark-up and interest		<b>69,498</b>	59,527
Taxation		<b>23,551</b>	18,961
		<b>2,135,750</b>	2,069,343
<b>CONTINGENCIES AND COMMITMENTS</b>	6	<b>4,160,908</b>	4,182,182
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	7	<b>2,277,885</b>	2,020,541
Capital work-in-progress		<b>941</b>	282,187
Stores held for capital expenditure		-	2,279
		<b>2,278,826</b>	2,305,007
<b>LONG TERM LOANS</b>		<b>3,251</b>	3,066
<b>LONG TERM DEPOSITS</b>		<b>8,754</b>	7,163
<b>DEFERRED TAXATION</b>		<b>50,326</b>	38,826
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		<b>53,505</b>	52,877
Stock-in-trade		<b>996,646</b>	933,599
Trade debtors		<b>649,348</b>	732,669
Deposit for shares		-	-
Investments		<b>27,104</b>	17,939
Loans and advances		<b>3,082</b>	1,807
Advance payments		<b>14,114</b>	21,488
Trade deposits and prepayments		<b>2,296</b>	3,416
Sales tax refundable		<b>16,902</b>	18,691
Due from associated companies		<b>2,093</b>	-
Other receivables		<b>5,508</b>	1,842
Advance income tax and tax deducted at source		<b>45,086</b>	40,638
Bank balances		<b>4,067</b>	3,154
		<b>1,819,751</b>	1,828,120
		<b>4,160,908</b>	4,182,182

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

**JAVED SAIFULLAH KHAN**

Chairman/Director

**ZAFAR QURESHI**

Director

These financial statements are not signed by the Chief Executive as he is out of country. This information is disclosed as required under Section 241(2) of the Companies Ordinance, 1984.

**PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER, 2007**

	30 September, 2007	30 September, 2006
	(Rupees in thousand)	
SALES - Net	918,079	947,280
COST OF SALES	797,951	843,398
GROSS PROFIT	120,128	103,882
ADMINISTRATIVE AND SELLING EXPENSES	36,318	31,621
	83,810	72,261
OTHER OPERATING INCOME	338	1,366
	84,148	73,627
FINANCE COST	77,023	65,598
OTHER CHARGES	2,108	1,342
	79,131	66,940
PROFIT BEFORE TAXATION	5,017	6,687
TAXATION:-		
CURRENT	4,590	3,989
DEFERRED	(11,500)	(6,140)
	(6,910)	(2,151)
PROFIT AFTER TAXATION	11,927	8,838
<b>BASIC EARNINGS PER SHARE (RUPEE)</b>	0.45	0.47

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

Appropriations have been reflected in the statement of changes in equity.

SAIF QURESHI

Director

These financial statements are not signed by the Chief Executive as he is out of country. This information is disclosed as required under section 241(2) of the Companies Ordinance, 1984.

JAVED SAIFULLAH KHAN

Chairman/Director

**CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER, 2007**

	<b>30 September, 2007</b>	30 September, 2006
	(Rupees in thousand)	
<b>Profit for the period</b>	<b>5,017</b>	6,687
Add adjustments for:		
Depreciation	41,511	51,632
Staff retirement benefits- gratuity (net)	2,610	1,564
Gain on sale of fixed assets	(198)	(59)
Adjustment on remeasurement of investments to the fair value	606	(428)
Finance cost	75,916	63,284
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>- Before working capital changes</b>	<b>125,462</b>	122,680
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(628)	(5,157)
Stock-in-trade	(63,047)	50,671
Trade debtors	83,321	(26,622)
Loans and advances	(1,275)	(910)
Advance payments	7,374	(5,799)
Trade deposits and prepayments	1,120	(5,566)
Sales tax refundable	1,789	(2,566)
Due from associated companies	(2,093)	(2,059)
Other receivables	(3,666)	(58)
(Decrease) in trade & other payables	(118,366)	(169,792)
Short term finances - net	132,332	92,382
	<b>36,861</b>	(75,476)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>- Before taxation</b>	<b>162,323</b>	47,204
Taxes paid	(4,448)	(5,630)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>- After taxation</b>	<b>157,875</b>	41,574
Long term loans - net	(185)	(1,870)
Long term deposits and advance rentals	(1,591)	(44)
Long term deposits from employees	(123)	90
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>155,976</b>	39,750

**CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER, 2007**

	<b>30 September, 2007</b>	30 September, 2006
	(Rupees in thousand)	
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>155,976</b>	39,750
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Lease finances paid	(29)	(153)
Demand finances - net	(64,186)	65,336
Dividend paid	0	(2)
Finance cost paid	(65,944)	(60,174)
<b>NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES</b>	<b>(130,159)</b>	5,007
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Tangible fixed assets acquired	(299,785)	(39,614)
Capital work-in-progress and stores held for capital expenditure	283,525	(14,633)
Sale proceeds of fixed assets	1,128	650
Investments in quoted stocks & shares	(9,772)	(538)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(24,904)</b>	(54,135)
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>913</b>	(9,378)
<b>CASH AND CASH EQUIVALENTS:</b>		
At the beginning of the period	3,154	15,026
At the end of the period	<b>4,067</b>	<b>5,648</b>

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

**JAVED SAIFULLAH KHAN**  
Chairman/Director

**ZAFAR QURESHI**  
Director

**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER, 2007**

	Reserves			Unappropriated profit	Total	
	Share Capital	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
Profit for the quarter ended 30 September, 2006	0	0	0	0	8,838	8,838
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	2,971	2,971
Balance as at 30 September, 2006	189,129	40,981	150,000	190,981	378,896	759,006
Final dividend @ Re.0.75 per share for the year ended 30 June, 2006	0	0	0	0	(14,185)	(14,185)
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
Profit for the period of nine months from 01 October, 2006 to 30 June, 2007	0	0	0	0	3,350	3,350
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	4,872	4,872
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

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

**JAVED SAIFULLAH KHAN**  
Chairman/Director

**ZAFAR QURESHI**  
Director

**NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER, 2007**

**1. CORPORATE INFORMATION**

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 Registered Office at APTMA House, Tehkal Payan, Jamrud Road, Peshawar.

**2. STATEMENT OF COMPLIANCE**

- These financial statements are un-audited and being presented in condensed form and comply with the requirements of International Accounting Standard 34 (Interim Financial Reporting).
- These financial statements are being circulated to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

**3. BASIS OF PREPARATION**

**3.1** These financial statements have been prepared using the same accounting policies, which were applied in the preparation of the annual audited financial statements of the Company for the year ended 30 June, 2007 except for;

**3.2 Amendments to published approved accounting standards that are not yet effective.**

**a) IAS I (Presentation of Financial Statements)**

Amendments in IAS I relate to capital disclosures, which are effective for annual periods beginning on or after 01 January, 2007.

**b) IAS 19 (Employee Benefits)**

Amendments in IAS 19 concern reporting actuarial gains or losses, which are effective for annual periods beginning on or after 01 January, 2006; these amendments will not have any effect on the Company's financial statements.

**c) IAS 39 (Financial Instruments: Recognition and Measurement)**

Amendments in IAS 39 relate to treatment and disclosure requirements regarding cash flow hedges of forecast intragroup transactions, fair value option and financial guarantee contracts, which are effective for annual periods beginning on or after 01 January, 2006; these amendments will also have no effect on the Company's financial statements.

	<b>Un-audited 30 September, 2007 (Rupees in thousand)</b>	Audited 30 June, 2007
<b>4. LONG TERM FINANCES - Secured</b>		
National Bank of Pakistan	84,000	84,000
Faysal Bank Limited	245,729	258,665
United Bank Limited (UBL)	307,500	358,750
Habib Bank Limited	542,500	542,500
The Bank of Punjab	72,000	72,000
	<b>1,251,729</b>	<b>1,315,915</b>
Less: Current portion grouped under current liabilities	<b>283,227</b>	<b>245,318</b>
	<b>968,502</b>	<b>1,070,597</b>

**5. SHORT TERM FINANCES - secured**

Short term cash, murabaha, running and foreign currency finance facilities available from commercial banks aggregate Rs.2,491 million (30 June, 2007: Rs.2,430 million). These facilities, during the period, carried markup at the rates ranging from 4.71% to 12.09% per annum; payable on quarterly basis. Facilities available for opening Letter of Credit / Guarantee from commercial banks aggregate Rs.1,686 million (30 June, 2007 Rs.1,686 million). The aggregate facilities are secured against pledge of stocks and charge on current and fixed assets of the company. These facilities are expiring on various dates by February, 2008.

**6. CONTINGENCIES AND COMMITMENTS**

**6.1** 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, 2007.

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

- Capital expenditure	-	758
- Others	416,975	206,057
	<b>416,975</b>	<b>206,815</b>

**7. OPERATING FIXED ASSETS**

Opening written down value	2,020,541	2,047,793
Add: additions made during the period/ year	299,784	127,579
	<b>2,320,325</b>	<b>2,175,372</b>
Less: Written down value of disposals made during the period/ year	929	3,347
	<b>2,319,396</b>	<b>2,172,025</b>
Less: Depreciation charged during the period/ year	41,511	151,484
	<b>2,277,885</b>	<b>2,020,541</b>

**8. TRANSACTIONS WITH RELATED PARTIES**

- sale of fixed assets	-	1,127
- sale of goods and services	26,305	426,002
- purchase of goods and services	209,120	557,662
- dividend paid	-	3,932

Maximum aggregate balance due from Associated Companies, on account of normal trading transactions, at any month end during the period was Rs.2.093 million (30 June, 2007: Rs.40.829 million)

**9. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS**

These financial statements were authorised for issue on 29 October, 2007 by the Board of Directors of the Company.

**10. PROPOSED DIVIDEND FOR APPROVAL AT THE ANNUAL GENERAL MEETING**

The Board of Directors decided not to recommend any dividend (30 June, 2006: Rs.14.185 million, Re.0.75 per share) for the period ended 30 June, 2007 at their meeting held on 08 October, 2007.

**11 FIGURES**

- in the financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise.
- corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison; however, no material re-arrangements/reclassifications have been made in these financial statements.