



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
 Hoor Yousafzai
 Ch. Maqbool Ahmad
 Muhammad Ayub - NIT Nominee

AUDIT COMMITTEE

Ch. Maqbool Ahmad - Chairman
 Hoor Yousafzai - 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

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 : stmgn@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 nine months ended 31 March 2008.

FINANCIAL HIGHLIGHTS

Your Company has achieved **19.77%** growth in the turnover against the corresponding period of the previous year. Our Export sales have increased by **40.17%** as compared, to corresponding period of the previous year.

- Gross profit margin has increased from **8.76%** to **10.31%** despite severe external pressures arising from the depressed market conditions, increase in energy cost with the shortage of electricity & gas and increased cost of raw material during the cotton season with the poor quality of cotton produced.
- Operating profit is **Rs. 205.21** million as compared to **Rs. 131.94** million for the corresponding period of last year.
- Profit before tax is **Rs. 2.45 million** as compared to a loss of **Rs. 68.97 million** for the corresponding period of last year.

GENERAL MARKET CONDITIONS

Your company is not shielded from the difficulties that are affecting the profitability of the entire textile sector. The most crippling factor is the simultaneous shortage of electricity and natural gas, thereby undermining our ability to effectively utilize the installed captive power plant. In addition, the following market conditions are also prevailing:

- Increase in the cost of inputs caused by the elevated price of petroleum products and natural gas.
- Major increase in cotton prices.
- Poor quality of cotton during the cotton season.
- Sudden increase in electricity tariffs of about 33%.
- Rising interest rates and financial charges.
- Domestic and regional political uncertainty.

FUTURE OUTLOOK

The management is consistently focusing its efforts to increase exports in order to increase your company's efficiency and profit margins despite the challenges before us.

The entire domestic manufacturing sector, not just the textile sector is heading towards a downturn. The primary driver of this downturn is the escalating cost of borrowing, which is fuelled by the inability of the government to reduce the fiscal deficit. Unfortunately, so long as the government fails to curtail its own expenditure and the consequent inflation, the State Bank will continue to impose a restrictive monetary policy. If the government fails to arrest this trend, the result could be crippling for the textile manufacturing industry.

The electricity deficit is also at an all time high, resulting in frequent power shutdowns causing lower efficiencies and machinery breakdowns. These occur during peak as well as off-peak hours. Increasingly, the supply of natural gas to industrial units is also prone to shutdowns especially in the winter season. The result is that even gas fueled captive power plants cannot provide the standby economic benefits that they were installed for.

At the same time, the 33% rise in electricity tariff, followed by a 20% hike in the petroleum prices are causing rapid erosion in Pakistan's cost competitiveness. There is strong expectation that the ocean freight will also be increased by US \$ 600 per container in coming future.

This operationally challenging environment has come at the same time as the energy crisis, and has had a telling effect on the operating cost and efficiency of the textiles manufacturing sector. This sector is in crisis and requires support from the regulatory authorities in helping it to regain cost effectiveness and international market share.

Instead, the government has increased the mandatory minimum wage at a time when the textiles manufacturing sector is determined to control costs in order to survive in these difficult times.

Prices of cotton have also risen unjustifiably considering that the quality of the crop is below par. With an estimated shortage of 2 million bales, it is likely that cotton prices will continue to rise without any commensurate increase in the quality of the bales.

In this operating environment, the mission facing your Company's management is an extremely challenging one. Our goal 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 quarter, our operating results are unlikely to improve beyond their current levels.

ACKNOWLEDGEMENT

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 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 : 25 April, 2008

JAVED SAIFULLAH KHAN
Chairman/Director

**CONDENSED INTERIM BALANCE SHEET AS AT
31 MARCH, 2008**

	Note	Un-audited 31 Mar, 2008 (Rupees in thousand)	Audited 30 June, 2007
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		397,944	372,933
		928,054	903,043
SURPLUS ON REVALUATION OF FIXED ASSETS			
		105,582	111,063
NON-CURRENT LIABILITIES			
Long term finances	6	776,161	1,070,597
Long term deposits		1,574	1,375
Liabilities against assets subject to finance lease		0	0
Staff retirement benefits - gratuity		30,473	26,761
CURRENT LIABILITIES			
Current portion of :-			
- long term finances		309,318	245,318
- liabilities against assets subject to finance lease		0	40
Short term finances	7	1,770,318	1,496,385
Trade and other payables		111,865	249,112
Due to associated companies		2,041	0
Accrued interest / mark-up		58,578	59,527
Taxation		15,831	18,961
		2,267,951	2,069,343
CONTINGENCIES AND COMMITMENTS			
		4,109,795	4,182,182
PROPERTY, PLANT AND EQUIPMENT			
Operating assets	9	2,216,748	2,020,541
Capital work-in-progress		3,683	282,187
Stores held for capital		1,464	2,279
		2,221,895	2,305,007
INVESTMENT IN ASSOCIATED COMPANY		1	0
LONG TERM LOANS		2,645	3,066
LONG TERM DEPOSITS AND PREPAYMENTS		7,197	7,163
DEFERRED TAXATION		71,883	38,826
CURRENT ASSETS			
Stores, spares and loose tools		54,794	52,877
Stock-in-trade		952,999	933,599
Trade debtors		692,499	732,669
Deposit for shares		0	0
Short Term Investments		11,972	17,939
Loans and advances		2,752	1,807
Advance payments		16,462	21,488
Trade deposits and short term prepayments		6,757	3,416
Sales tax refundable		19,784	18,691
Due from associated companies		1,033	0
Other receivables		1,905	1,842
Advance income tax and tax deducted at source		35,866	40,638
Cash and bank balances		9,351	3,154
		1,806,174	1,828,120
		4,109,795	4,182,182

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

HOOR YOUSAFZAI
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 31 MARCH, 2008
(UN-AUDITED)**

	Quarter Ended		Nine Months Ended	
	31, March 2008	31, March 2007	31, March 2008	31, March 2007
	(Rupees in thousand)			
SALES				
Local	703,150	502,196	2,181,785	1,941,181
Export	316,261	239,810	984,441	702,326
	1,019,411	742,006	3,166,226	2,643,507
LESS:				
Commission	8,531	5,766	23,489	15,563
Sales - net	1,010,880	736,240	3,142,737	2,627,944
COST OF SALES	922,642	692,814	2,818,743	2,397,616
GROSS PROFIT	88,238	43,426	323,994	230,328
ADMINISTRATION EXPENSES	19,465	17,547	57,721	56,964
DISTRIBUTION COST	22,596	20,140	64,400	41,603
OTHER OPERATING EXPENSES	(335)	353	362	1,781
	41,726	38,040	122,483	100,348
	46,512	5,386	201,511	129,980
OTHER INCOME	793	650	3,704	1,961
	47,305	6,036	205,215	131,941
FINANCE COST	57,038	68,352	202,761	200,915
(LOSS)/PROFIT BEFORE TAXATION	(9,733)	(62,316)	2,454	(68,974)
TAXATION				
- CURRENT	5,097	3,682	15,831	13,140
- PRIOR	0	0	151	(3)
- DEFERRED	(2,545)	(23,880)	(33,058)	(63,981)
	2,552	(20,198)	(17,076)	(50,844)
(LOSS)/PROFIT AFTER TAXATION	(12,285)	(42,118)	19,530	(18,130)
	Rupees			
(LOSS)/EARNINGS PER SHARE	(0.47)	(2.23)	0.74	(0.96)

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

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

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JAVED SAIFULLAH KHAN
Chairman/Director

HOOR YOUSAFZAI
Director

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED 31 MARCH, 2008
(UN-AUDITED)**

	Note	From July to March	
		2008	2007
(Rupees in thousand)			
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	A	195,281	(41,463)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances - net		(230,436)	69,057
Lease finances - net		(40)	(377)
Short term finances - net		273,933	361,564
Dividend paid		(37)	(13,770)
Finance cost paid		(198,878)	(186,553)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		(155,458)	229,921
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(322,425)	(69,676)
Capital work in progress		279,319	(227,574)
Sale proceeds of fixed assets		1,127	2,567
Investments net		8,353	767
Share deposit money		0	100,000
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(33,626)	(193,916)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		6,197	(5,458)
CASH AND CASH EQUIVALENTS:			
- At the beginning of the period		3,154	15,026
- At the end of the period		9,351	9,568

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

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

HOOR YOUSAFZAI
Director

Saif Textile Mills Limited *Third Quarterly Report 2007-2008*

Note 'A'	From July to March	
	2008	2007
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) for the period - before taxation	2,454	(68,974)
Add adjustments for:		
Depreciation	125,290	155,533
Staff retirement benefits - gratuity (net)	3,712	5,130
Gain on sale of fixed assets - net	(198)	(464)
(Gain)/ Loss on sale and remeasurement of investments	(2,387)	1,407
Finance cost (excluding interest on WPPF)	197,929	196,223
CASH FLOW FROM OPERATING ACTIVITIES		
- Before working capital changes	326,800	288,855
Decrease / (increase) in current assets:		
Stores, spares and tools	(1,917)	(13,019)
Stock-in-trade	(19,400)	(111,239)
Trade debtors	40,170	(148,163)
Loans and advances	(1,266)	(328)
Advance payments	5,026	(1,290)
Trade deposits and short term prepayments	(3,341)	(3,186)
Sales tax refundable	(1,093)	4,511
Due from associated companies	(1,033)	(2,829)
Other receivables	(63)	1,639
Due to associated companies	2,041	0
Decrease in trade and other payables (excluding unclaimed dividend)	(137,210)	(43,133)
	(118,086)	(317,037)
CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		
- Before taxation	208,714	(28,182)
Taxes paid	(14,340)	(9,242)
CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		
- After taxation	194,374	(37,424)
Long term loans - net	742	(4,421)
Long term deposits	199	431
Long term deposits and advance rentals	(34)	(49)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	195,281	(41,463)

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

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

HOOR YOUSAFZAI
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 31 MARCH, 2008
(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 period from July 01, 2006 to March 31, 2007	0	0	0	0	(18,130)	(18,130)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation for current period- net of deferred taxation	0	0	0	0	8,913	8,913
Balance as at 31 March, 2007	189,129	40,981	150,000	190,981	343,685	723,795
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 quarter ended 30 June, 2007	0	0	0	0	30,318	30,318
Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation for the year - net of deferred taxation	0	0	0	0	(1,070)	(1,070)
Balance as at 30 June, 2007	264,129	115,981	150,000	265,981	372,933	903,043
Profit for the nine months ended 31 March, 2008	0	0	0	0	19,530	19,530
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	5,481	5,481
Balance as at 31 March, 2008	264,129	115,981	150,000	265,981	397,944	928,054

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

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

HOOR YOUSAFZAI
Director

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED 31 MARCH, 2008
(UN-AUDITED)**

1. CORPORATE INFORMATION

The Company was incorporated in Pakistan on 24 December, 1989 as a Public Company and its shares are quoted on all 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. 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 the 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 March, 2008	Audited 30 June, 2007
(Rupees in thousand)		
National Bank of Pakistan	84,000	84,000
Faysal Bank Limited	211,729	258,665
United Bank Limited		
- demand finance I	100,000	140,000
- demand finance - II	156,250	218,750
Habib Bank Limited		
- demand finance - I	227,500	292,500
- demand finance - II	250,000	250,000
The Bank of Punjab	56,000	72,000
	1,085,479	1,315,915
Less: Current portion grouped under current liabilities	309,318	245,318
	776,161	1,070,597

7. SHORT TERM FINANCES - Secured

Short term finance facilities available from various commercial / investment banks under mark-up arrangements aggregate Rs.2,215 million (30 June, 2007: Rs.2,430 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 mark-up at the rates ranging from 4.71% to 12.64% per annum and are expiring on various dates by August, 2008.

Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.1,215 million (30 June, 2007: Rs.1,686 million) and are secured against lien on import documents, cash margin deposits and charge on fixed assets of the Company. These facilities are expiring on various dates by August, 2008.

8. CONTINGENCIES AND COMMITMENTS

- 8.1 There has been no significant change in the status of contingencies since the Company's latest annual audited financial statements.
- 8.2 Commitments against irrevocable letters of credit outstanding at the period-end were as follows:

	Un-audited 31 March, 2008	Audited 30 June, 2007
	(Rupees in thousand)	
- capital expenditure	0	758
- others	117,016	206,057
	<u>117,016</u>	<u>207,732</u>

9. OPERATING ASSETS

	Un-audited Nine Months ended 31 March, 2008	Audited 30 June, 2007
	(Rupees in thousand)	
Opening written down value	2,020,541	2,047,793
Add:- Additions/transfers made during the period / year	322,425	130,034
	<u>2,342,966</u>	<u>2,177,827</u>
Less:- Written down value of disposals/transfers made during the period	(928)	(7,196)
Less:- Depreciation charged during the period / year	(125,290)	(150,090)
	<u>2,216,748</u>	<u>2,020,541</u>

10. TRANSACTIONS WITH RELATED PARTIES

The Company has related party relationship with its Associated Companies, employee benefit plans, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. There were no transactions with key management personnel other than under the terms of employment. Aggregate transactions with Associated Companies during the period were as follows:

- sale of fixed assets	0	1,127
- sale of goods and services	123,752	426,002
- purchase of goods and services	561,806	557,662
- dividend paid	0	3,932

11. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 25 April, 2008 by the board of directors of the Company.

12. FIGURES

- Figures in the financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise.
- Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison.

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

HOOR YOUSAFZAI
Director