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COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Anwar Ahmed Tata

DIRECTORS:

Mr. Shahid Anwar Tata
Mr. Sheikh Pervez Ahmed
Mr. Aijaz Ahmed Tariq
Mr. Kauser Ejaz
Mr. Javed Ahmed
Mr. Farooq Advani

AUDIT COMMITTEE CHAIRMAN:

Mr. Shahid Anwar Tata

MEMBERS:

Mr. Sheikh Pervez Ahmed
Mr. Kauser Ejaz

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER:

Mr. Farooq Advani

BANKERS:

Allied Bank Limited
Habib Bank A. G. Zurich
Metropolitan Bank Limited
MCB Bank Limited
Soneri Bank Limited

AUDITORS:

M/s. M. Yousuf Adil Saleem & Co.
Chartered Accountants

LEGAL ADVISOR:

Faisal Mehmood Ghani & Co.
Advocates.

SHARE REGISTRAR:

Noble Computer Services (Pvt.) Ltd.
2nd Floor, Sohni Centre, BS 5 & 6,
Main Karimabad Block-4, Federal B. Area
Karachi- 75950
Tel# 6801880, 6802326

REGISTERED OFFICE:

8, 8th Floor Textile Plaza,
M.A Jinnah Road Karachi.
Tel#2412955-3 Lines 2426761-2-4
Fax#2417710

WEB SITE ADDRESS:

www.tatatex.com

E- MAIL ADDRESS:

finance@tatatex.com

MILLS:

HX-1, Landhi Industrial Area,
Landhi, Karachi



VISION STATEMENT

While keeping our fundamentals correct we shall build upon our recognition as a very good company known and established for our principled and honest business practices and higher quality standards with niche products and specialty items with a sustained growth in our capacities.

MISSION STATEMENT

We are committed to the higher expectations of our customers, we deliver more than we promise. We strive for the production of best quality yarns for high value products.

PICTURES
ON
PAGE NO. 04 & 05

CHAIRMAN'S REVIEW

Assalam-o-Alaikum,

Alhamdulillah, we are pleased to welcome the shareholders of the Company to the 39th Annual General Meeting and to review the operational and financial results for the year ended June 30, 2006.

We are happy to inform you that it has been a profitable year. The Company made a pre-tax profit of Rs.7.390 million for the year as compared to a pre-tax profit of Rs.14.358 million during the nine months of last year.

The new unit of this mill was commissioned in April, 2006. The turnover of this mill is expected to exceed to over Rs.1.5 billion in the coming year, Inshallah.

Mill-1 is dedicated to the production of synthetic yarn from 100% viscose and 100% polyester and their respective blends. This is our specialized production with which we have been involved for the last 20 years.

We shall continue with these items and hopefully try to produce a much improved quality and with better marketing effort, we shall make a difference, Inshallah, in our profitability.

Mill-2. This is the second unit of Salfi Textile Mills Ltd. and is dedicated exclusively for cotton. This is going to be the first year of full production. We have bought special machines to produce value added yarns for denims and we hope to get involved with the large denim industry in Karachi, catering to the demand of the high value yarn requirement. We are putting in much effort to make this unit an engine of growth. We look forward for a very bright future.

General Economic Situation

There is a very serious cost push inflation because of which our cost are rising constantly every month and we cannot pass on these costs increases to our customers as we are dealing with an internationally tradable commodity. The exchange mechanism that the government has adopted appears to penalize the exporters and subsidize the importers.

Cost Push Inflation

Due to increase in gas prices the future energy prices will also increase. Salary and wages have increased tremendously from 1st July, 2006, the impact of which will reduce our profitability. Interest rates have touched the ceiling. The price increase in these 3 areas alone will have an impact on our total cost. Due to increase in oil prices, the prices of other things like packing material, spare parts, etc. are becoming expensive. But the three major price hikes, i.e. electricity, wages and interest have had a tremendous impact on the company.

Cotton Situation

Regarding Pakistani cotton in the beginning of the year 2006-07 we started with a very good crop size but the rains and later on the news of pest attacking the crop have dampened our hopes. We believe, we are not going to have a very large crop next year. Furthermore, at the beginning of 2005 cotton season, the opening inventory was very good but this year it is not as good as last year. We think the prices are going to remain very high during the earlier part of the coming cotton season, may be even later on. Because of high interest rates there won't be much motivation to buy cotton, however, in view of our large consumption i.e. 15 million bales per annum, cotton will be more expensive than last year.



Polyester

Since last year petroleum prices are rising and there is a general consensus that the prices will remain high. This is a new reality we will have to live with and due to this the prices of polyester yarn will also remain high. This price increase phenomena will put the industry in some difficulty.

The fiber industry has existed in Pakistan under immense federal protection for the last 25 years. Now, even after 25 years, when the fiber industry still demand's protection from the government, this is very unfortunate. 25 years of protection should have been enough for an industry to get matured and be internationally competitive.

Conclusion

We may sound repetitive but repeat we will and that is that we will never compromise on quality and the high standards we have set for ourselves. We will strive to see that the coming year will also bear fruitful results and for this we seek Allah's guidance and blessings.

A handwritten signature in black ink, appearing to read 'Anwar Ahmed Tata', is positioned above the printed name.

ANWAR AHMED TATA
Chairman

Karachi

Dated: September 14, 2006



DIRECTOR'S REPORT TO THE SHAREHOLDERS

The Directors have pleasure in presenting before you the 39th Annual Report together with the Audited Accounts for the year ended June 30, 2006.

FINANCIAL RESULTS

The Company made a pre tax Profit of Rs.7,389,746/- after charging costs, expenses and depreciation for the year.

	(Rupees)
Pre Tax Profit For the Year	7,389,746
Taxation	<u>(56,783)</u>
Profit After Taxation	7,332,963
Accumulated Profit Brought Forward	129,527,323
Payment of Dividend	<u>(3,342,570)</u>
	133,517,716
Share of Associate's transfer from Surplus on Revaluation	2,884,008
Transfer from Surplus on Revaluation of Fixed Assets	<u>12,309,402</u>
Accumulated Profit Carried Forward	<u>148,711,126</u>

CHAIRMAN'S REVIEW

The Directors of the Company endorse the contents of the Chairman's review, which is deemed to be a part of the Director's report.

DIVIDEND

The Directors of the Company are pleased to recommend the cash dividend @ 10% for the Year ended June 30, 2006.

CHANGE IN ACCOUNTING POLICY

As discussed in Note 2.3 of the financial statements, IAS 28 "Investment in Associates" requires that investment in associates should be measured under "equity method" of accounting. Previously, investments in associates were accounted for under "cost method". This change in accounting policy has been applied retrospectively and the comparative information has been restated in accordance with the treatment prescribed by IAS-8 "Accounting Policies, Changes in Accounting estimates and Errors".

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

- a. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Company has maintained proper books of accounts.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. In preparation of financial statements International Accounting Standards, as applicable in Pakistan, have been followed and non-applicability, if any, has been adequately disclosed.
- e. Internal auditor is continuously reviewing the existing system of internal control and other procedures. The process of review will continue and any weakness in controls will have immediate attention of the Management.



- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations
- h. Key operating and financial data of last six years in a summarized form is annexed.
- i. During the year under review, four Board of Directors meetings were held and attended as follow:

Name of Director	No. of Meeting Attended
Mr. Anwar Ahmed Tata	3
Mr. Shahid Anwar Tata	2
Mr. Aijaz Ahmed Tariq	2
Mr. Kausar Ejaz	2
Mr. Javed Ahmed	4
Mr. Sheikh Pervez Ahmed	1
Mr. Farooq Advani	4

(However, leave of absence was granted to the Directors who could not attend the Board Meetings due to their preoccupations).

- j. The statement of pattern of share holding of the Company as at June 30,2006 is annexed. This statement is prepared in accordance with the Code of Corporate Governance.
- k. During the year, no trades in the shares of the Company were carried out by the CFO, Company Secretary, Directors, Their Spouses and minor Children.

AUDITORS

The Auditors Messrs M. Yousuf Adil Saleem & Co. Chartered Accountants retire at the conclusion of the Annual General Meeting and being eligible, offer themselves for reappointment for the financial year ending June 30, 2007.

ON BEHALF OF THE BOARD OF DIRECTORS

**ANWAR AHMED TATA
CHIEF EXECUTIVE OFFICER**

Karachi

Dated: September 14, 2006

KEY OPERATING AND FINANCIAL RESULTS FROM 2001 TO 2006

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

	2006	2005 (9 months) (Restated)	2004	2003	2002	2001
OPERATING DATA						
Sales	812,082	720,542	964,448	824,736	834,296	877,584
Cost of Goods Sold	720,813	672,076	889,802	776,042	744,544	781,549
Gross Profit	91,269	48,466	74,646	48,694	89,752	96,035
Profit Before Taxation	7,390	14,358	19,269	1,051	34,517	33,786
Profit/(Loss) After Taxation	7,333	13,918	12,152	(1,787)	23,307	12,139
FINANCIAL DATA						
Fixed Assets	949,342	945,022	577,719	543,083	521,651	460,098
Long Term Investment	101,326	93,392	31,291	31,479	30,658	30,678
Current Assets	776,760	479,846	366,578	403,811	416,343	293,676
Current Liabilities	773,402	460,116	362,052	409,628	446,963	322,076
KEY RATIOS						
Gross Margin (%)	11.24	6.73	7.74	5.90	10.76	10.94
Net Profit (%)	0.90	1.93	1.26	-0.22	2.79	1.38
Current Ratio	1.00	1.04	1.01	0.99	0.93	0.91
Earning Per Share (Rupees)	2.19	4.16	3.64	(0.59)	7.67	3.99
Cash Dividend (%)	10.00	10.00	10.00	-	12.50	12.50
Stock Dividend (%)	-	-	10.00	-	-	-
STATISTICS						
Number of Spindle	36,324	35,100	39,036	39,036	39,036	39,036
Production into 20/s Count in 000(kgs)	10,047	9,429	12,867	12,513	13,051	12,634



**Patterns of Holding of Shares Held by the Shareholders
As at June 30, 2006**

NO. OF SHAREHOLDERS	SHARE-HOLDING		TOTAL SHARES HELD
	FROM	TO	
700	1	100	33,392
158	101	500	31,933
30	501	1000	20,774
33	1001	5000	71,480
6	5001	10000	40,495
1	10001	15000	12,500
1	15001	20000	16,750
1	35001	40000	35,600
1	180001	185000	184,030
1	210001	215000	212,440
1	365001	370000	366,300
1	2315001	2320000	2,316,876
<u>934</u>			<u>3,342,570</u>

**CATEGORIES OF SHAREHOLDERS
As at June 30, 2006**

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARES HOLDERS	SHARE HELD	PERCENTAGE
Joint Stock Company	2	4,758	0.14
National Investment Trust	1	212,440	6.36
Public Sector Companies & Corporations	3	175	0.01
Insurance Companies	1	560	0.02
Investment Companies	2	19,695	0.59
Associated Companies	1	366,300	10.96
Directors, CEO, their Spouses and Minor Children	9	2,519,666	75.38
Others	2	5,391	0.16
Individuals	913	213,585	6.38
	<u>934</u>	<u>3,342,570</u>	<u>100.00</u>



Details of Categories of Shareholders As at June 30, 2006

	NUMBER OF SHARE HOLDERS	SHARES HELD
JOINT STOCK COMPANIES		
Guardian Modarba Management (Pvt.) Ltd		4,620
A. Sattar Motiwala Securities (Pvt.) Ltd.		138
	2	4,758
NATIONAL INVESTMENT TRUST		
National Bank of Pakistan Trustetee Dept	1	212,440
PUBLIC SECTOR COMPANIES & CORPORATIONS		
Naseer Shahid Ltd.		20
Javed Omer Vohra & Company Ltd.		100
Fateh Textile Mills Ltd.		55
	3	175
INSURANCE COMPANIES		
Central Insurance Co. Ltd	1	560
INVESTMENT COMPANIES		
Investment Corporation of Pakistan	2	19,695
ASSOCIATED COMPANIES		
Island Textile Mills Ltd.	1	366,300
DIRECTORS, CEO, THEIR SPOUSES & MINOR CHILDREN		
Mr. Anwar Ahmed Tata (Chariman/Chief Executive)		2,316,876
Mr. Shahid Anwar Tata (Director)		184,030
Mr. Aijaz Ahmed Tariq (Director)		2,750
Mr. Kausar Ejaz (Director)		2,750
Mr. Jawed Ahmed (Director)		2,750
Mr. Sheikh Pervez Ahmed (Director)		2,505
Mr. Farooq Advani (Director)		2,505
Mrs. Parveen Anwar (W/o of Mr. Anwar Ahmed Tata)		2,750
Mrs. Saiqa Shahid (W/o of Mr. Shahid Anwar Tata)		2,750
	9	2,519,666
OTHERS		
The Administrator Abandoned Properties		5,390
Securities & Exchange Authority		1
	2	5,391
INDIVIDUALS		
	913	213,585
Grand Total	934	3,342,570

Shareholders Holding 10% or More Voting Interest in the Company As at June 30, 2006

	Shares Held	Percentage
DIRECTORS, CEO, THEIR SPOUSES AND MINOR CHILDREN		
Mr. Anwar Ahmed Tata	2,316,876	69.31
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES		
Island Textile Mills Ltd.	366,300	10.96



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE YEAR ENDED 30TH JUNE 2006

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 Of listing regulations of Karachi stock Exchange (Guarantee Ltd.) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance.

The company has applied the principles contained in the Code in the following manner.

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes four non-executive directors and none representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Company.
3. All the Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs. No director in the board is a member of any stock exchanges in Pakistan.
4. There has been no casual vacancy occurred during the year under review.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors, non workmen employees and has been communicated formally to workmen employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and condition of employment of the Chief Executive Officer and other executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The Board arranged two orientation courses for its directors during the year to apprise them of them of their duties and responsibilities.
10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made during the year.

11. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and Executives do not hold any interest in the share of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.
16. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function internally/ and has outsourced some internal audit function to M/s Syed Husein Zafer Naveed & Company (Chartered Accountants) who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they (or their representatives) are involved in their internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

ON BEHALF OF THE BOARD OF DIRECTORS



**ANWAR AHMED TATA
CHIEF EXECUTIVE OFFICER**

Karachi

Dated: September 14, 2006



Notice of Annual General Meeting

Notice is hereby given that the 39th Annual General Meeting of the Shareholders of **Salfi Textile Mills Limited** will be held on **Thursday the October 12, 2006 at 11:30 A.M.** at **Beach Luxury Hotel, M.T Khan Road, Karachi**, to transact the following business: -

1. To confirm the minutes of the 38th Annual General Meeting held on October 03, 2005.
2. To receive, consider and adopt the report of the Directors and Auditors and Audited Accounts of the Company for the year ended June 30, 2006.
3. To appoint Auditors for the year 2006-07 and fix their remuneration. The retiring auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants being eligible to offer themselves for reappointment.
4. To approve the payment of Dividend @ 10% (i.e. Re. 1.00 per share) for the year ended June 30, 2006 as recommended by the Board of Directors.
5. To transact any other business with the permission of the **Chairman**.

By order of the Board of Directors

Farooq Advani
Company Secretary

Karachi:

Dated: September 18, 2006

Notes:

1. The Share Transfer Books of the Company will remain closed from October 02, 2006 to October 12, 2006 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint proxy. Proxies, in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her Original NIC or Passport to prove his/her identity and in case of Proxy must enclose additionally an attested copy of his/her NIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. Shareholders are requested to notify the change of address, if any, immediately.

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

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Fax: +92 (0) 21- 454 1314
Web: www.deloitte.com

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **SALFI TEXTILE MILLS LIMITED** to comply with the with the clause xiv of the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliances can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement of internal control covers all controls and the effectiveness of such controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the company for the year ended June 30, 2006.



M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi

Date: September 14 , 2006



Deloitte.

M. Yousuf Adil Saleem & Co
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SALFI TEXTILE MILLS LIMITED as at June 30, 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion :
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change as stated in note 2.3 with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required, and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2006 and of the profit, its cash flows and changes in equity for the period then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi
Dated: September 14, 2006

A member firm of
Deloitte Touche Tohmatsu

BALANCE SHEET

	Note	June 30, 2006 Rupees	Restated June 30, 2005 Rupees
SHARE CAPITAL AND RESERVES			
Authorised 5,000,000 ordinary shares of Rs.10 each		50,000,000	50,000,000
Issued, subscribed and paid-up	3	33,425,700	33,425,700
Capital reserve	4	5,996,360	5,996,360
Unrealized gain in value of securities available for sale		611,763	859,877
Unappropriated profits		148,711,126	129,527,323
		188,744,949	169,809,260
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	5	547,313,198	559,622,600
NON-CURRENT LIABILITIES			
Long-term financing	6	671,920,360	186,616,775
Liabilities against assets subject to finance lease	7	1,176,611	4,358,743
Deferred liabilities	8	76,935,909	82,075,172
CURRENT LIABILITIES			
Trade and other payables	9	47,902,711	38,383,556
Interest / mark-up on loans	10	41,155,460	10,472,819
Short-term borrowings	11	564,968,717	333,970,950
Current portion of long - term financing custom debentures		61,149,686 54,680	22,068,701 54,680
liabilities against assets subject to finance lease		2,564,218	4,168,900
Taxation - income tax		55,606,373	50,995,899
		773,401,845	460,115,505
CONTINGENCIES AND COMMITMENTS	12		
		2,259,492,872	1,462,598,055

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



AS AT JUNE 30, 2006

	Note	June 30, 2006 Rupees	Restated June 30, 2005 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,380,413,255	888,389,646
Long-term investments	14	101,326,183	93,391,745
Long-term deposits		993,688	970,188
CURRENT ASSETS			
Stores, spares and loose tools	15	10,962,804	14,047,627
Stock-in-trade	16	523,342,566	272,793,952
Trade debts considered good	17	141,109,921	111,388,349
Loans and advances	18	80,040,737	58,499,349
Trade deposits and short-term prepayments	19	909,900	2,765,610
Other receivables - Sales tax		13,081,223	2,933,110
Other financial assets	20	1,806,392	2,058,583
Cash and bank balances	21	5,506,203	15,359,896
		776,759,746	479,846,476
		<u>2,259,492,872</u>	<u>1,462,598,055</u>

**ANWAR AHMED TATA
CHIEF EXECUTIVE OFFICER**

**SHAHID ANWAR TATA
DIRECTOR**

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2006**

	Note	For year ended June,30 2006 Rupees	Restated For 9 months period ended June 30, 2005 Rupees
Sales	22	812,081,599	720,542,094
Cost of goods sold	23	(720,812,884)	(672,075,928)
Gross profit		91,268,715	48,466,166
Distribution cost	24	(6,633,589)	(5,116,667)
Administrative expenses	25	(30,026,736)	(20,907,132)
Other operating expenses	26	(7,123,637)	(830,697)
Other operating income	27	198,513	66,087
Finance cost	28	(49,235,234)	(21,067,650)
Share of profit of associate	14.1	8,941,714	13,747,778
		(83,878,969)	(34,108,281)
Profit before taxation		7,389,746	14,357,885
Taxation	29	(56,783)	(439,418)
Profit for the year / period		7,332,963	13,918,467
Earnings per share - Basic and diluted	30	2.19	4.16

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



ANWAR AHMED TATA
CHIEF EXECUTIVE OFFICER



SHAHID ANWAR TATA
DIRECTOR



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2006

	For year ended June,30 2006 Rupees	Restated For 9 months period ended June 30, 2005 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,389,746	14,357,885
Adjustments for		
Depreciation	38,512,912	30,056,857
Provision for staff gratuity	3,261,081	2,976,836
Provision / (write back) for compensated absences	233,805	(197,920)
Finance cost	49,235,234	21,067,650
Loss on sale of property, plant and equipment	6,640,180	561,479
Share of profit of associate	(8,941,714)	(13,747,778)
Operating cash flows before working capital changes	96,331,244	55,075,009
 Changes in working capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	3,084,823	1,142,530
Stock-in-trade	(250,548,614)	(110,144,382)
Trade debts - considered good	(29,721,572)	(1,716,501)
Loans and advances	(15,382,596)	1,484,819
Trade deposits and short term prepayments	1,855,710	(1,646,922)
Other financial assets	252,191	(323,631)
Other receivables - Sales tax	(10,148,113)	(1,165,311)
 Increase/ (decrease) in current liabilities		
Trade and other payables	9,471,498	(2,526,122)
Cash used in operations	(194,805,429)	(59,820,511)
Finance cost paid	(17,880,965)	(16,110,852)
Income taxes paid	(6,158,792)	(3,066,208)
Staff gratuity paid	(4,080,458)	(3,198,606)
Net cash used in operating activities	(222,925,644)	(82,196,177)



		For year ended June,30 2006 Rupees	Restated For 9 months period ended June 30, 2005 Rupees
B. CASH FLOWS FROM FINANCING ACTIVITIES			
Purchases of property, plant and equipment		(552,429,201)	(79,745,029)
Proceeds on disposal of property, plant and equipment		15,252,500	4,605,000
Investment made during the year		(324,330)	-
Long-term deposits		(23,500)	810,049
Dividend received		3,967,500	-
Net cash used in investing activities	B	<u>(533,557,031)</u>	<u>(74,329,980)</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term financing		546,171,000	81,896,000
Repayment of long-term financing		(21,786,430)	(13,245,000)
Repayment of finance lease		(5,458,442)	(3,692,016)
Short-term borrowings - net		230,997,767	92,381,849
Dividends paid		(3,294,913)	(2,979,027)
Net cash from financing activities	C	<u>746,628,982</u>	<u>154,361,806</u>
Net (decrease) in cash and cash equivalents (A+B+C)		(9,853,693)	(2,164,351)
Cash and cash equivalents at the beginning of the year / period		15,359,896	17,524,247
Cash and cash equivalents at the end of the year / period		<u>5,506,203</u>	<u>15,359,896</u>

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

ANWAR AHMED TATA
CHIEF EXECUTIVE OFFICER


SHAHID ANWAR TATA
DIRECTOR



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2006

	Reserve			Total	
	Capital	Revenue			
Issued subscribed and paid-up	Capital reserve	Unrealized gain/ (loss) in value of securities available for sale	Unappropriated profit		
Rupees.....					
Balance at September 30, 2004 as previously reported	30,387,000	5,996,360	807,983	67,611,959	104,803,302
Effect of change in accounting policy: Note (2.3) IAS 28					
Change from cost method to equity method - net of deferred tax	-	-	-	43,655,538	43,655,538
Balance at September 30, 2004 as restated	30,387,000	5,996,360	807,983	111,267,497	148,458,840
Changes in equity for the period 2005					
Available-for-sale investment valuation gain taken to equity	-	51,894	-	-	51,894
Transfer from surplus on revaluation of property, plant and equipment on account of :					
-incremental depreciation - net of deferred tax	-	-	-	6,419,637	6,419,637
-disposal - net of deferred tax	-	-	-	1,651,090	1,651,090
Share of associate's transfer from surplus on revaluation of property, plant and equipment on account of					
-incremental depreciation - net of deferred tax and disposal	-	-	-	2,348,032	2,348,032
Net income recognised directly in equity	-	51,894	-	10,418,759	10,470,653
Profit for the nine months period - restated	-	-	-	13,918,467	13,918,467
Total recognised income and expense for the nine months period - restated	-	51,894	-	24,337,226	24,389,120
Final cash dividend for the year ended September 30, 2004 at Re. 1 per ordinary share				(3,038,700)	(3,038,700)
Bonus shares for the year ended September 30, 2004 @10% of issued share capital	3,038,700	-	-	(3,038,700)	-
Balance at June 30, 2005 as restated	33,425,700	5,996,360	859,877	129,527,323	169,809,260
Changes in equity for the year 2006					
Available-for-sale investment valuation losses taken to equity	-	(248,114)	-	-	(248,114)
Transfer from surplus on revaluation of property, plant and equipment on account of :					
-incremental depreciation - net of deferred tax	-	-	-	7,097,789	7,097,789
-disposal - net of deferred tax	-	-	-	5,211,613	5,211,613
Share of associate's transfer from surplus on revaluation of property, plant and equipment on account of					
-incremental depreciation - net of deferred tax and disposal	-	-	-	2,884,008	2,884,008
Net income recognised directly in equity	-	(248,114)	-	15,193,410	14,945,296
Profit for the year	-	-	-	7,332,963	7,332,963
Total recognised income and expense for the year	-	(248,114)	-	22,526,373	22,278,259
Final cash dividend for the year ended June 30, 2005 at Re. 1 per ordinary share				(3,342,570)	(3,342,570)
Balance at June 30, 2006	33,425,700	5,996,360	611,763	148,711,126	188,744,949

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


ANWAR AHMED TATA
CHIEF EXECUTIVE OFFICER


SHAHID ANWAR TATA
DIRECTOR

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED JUNE 30, 2006**

1. GENERAL INFORMATION

- 1.1 Salfi Textile Mills Limited (the company) was incorporated in Pakistan on January 05, 1968 as a public limited company under the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange. The registered office of the company is situated at 8, 8th floor Textile Plaza, M.A. Jinnah Road, Karachi. The principal activity of the company is manufacturing and sale of yarn. The company's manufacturing facilities are located at Landhi Industrial Estate, Karachi in the province of Sindh.
- 1.2 The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved Accounting Standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

The SRO 684 (1) 2004 dated August 10, 2004, issued by the Central Board of Revenue, required the company's tax year to end on June 30, instead of September 30 was applied in the last year. Therefore, prior year financial statements of the company were prepared for nine months period. Since the audited figures are available for nine months period ended June 30, 2005, the same have been disclosed as comparatives.

2.2 New and revised International Accounting Standards and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following Interpretations were in issue but not yet effective:

- i) IFRIC 4 - Determining whether an Arrangement contains a Lease
- ii) IFRIC 5 - Right to Interest Arising from Decommission, Restoration and Environmental Rehabilitation
- iii) IFRIC 6 - Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
- iv) IFRIC 9 - Reassessment of Embedded Derivatives

The management anticipate that the adoption of these Interpretations in future periods will have no material impact on the financial statements of the company.



2.3 Change in accounting policy

The impact of change in accounting policy is as follows:

IAS 28 “Investments in Associates” as applicable for annual periods beginning on or after 1 January 2005 has replaced IAS 28 “Accounting for Investments in Associates” (revised in 2000) and requires that investments in associates should be measured under “equity method” of accounting. Previously, investments in associates were accounted for under “cost method”. This change in accounting policy has been applied retrospectively and the comparative information have been restated in accordance with the treatment prescribed by IAS -8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

Had there been no change in accounting policy, the carrying amount of investment and related deferred tax liability would have been lower by Rs. 69.907 million and Rs. 3.495 million (2005: Rs. 62.049 million and Rs. 3.102 million) respectively, profit for the year and unappropriated profit would have been lower by Rs. 4.581 million and 66.412 million (2005: 12.943 million and Rs. 58.947 million) respectively.

2.4 Basis of preparation

The financial statements have been prepared under the historical cost convention modified by:

- revaluation of certain property, plant and equipment
- recognition of certain employee retirement benefits at present value
- investment in associate under equity method

The principal accounting policies adopted are set out below.

2.5 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As Lessee

Assets held under finance leases are recognised as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy on borrowing costs.



2.6 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.7 Staff retirement benefits

The company has categorized its employees into workmen and non-workmen for post-employment benefits that comprise both the defined contribution plan and defined benefit plan. Both plans are un-funded. The details of plans are as follows:

2.7.1 Defined benefit plan

The company operates a gratuity scheme for all its employees under workmen category. Provisions are made to cover the obligations under the schemes on the basis of actuarial assumptions using "Projected Unit Credit" method.

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses.

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceeds 10% of the greater of the present value of the company's obligation is amortised over the average expected remaining working lives of the employees.

2.7.2 Defined contribution plan

The company also operates a contributory scheme for all its employees under non-workmen category. Under this plan, every employee under non-workmen category is entitled to receive gratuity of one month salary based on last month on each year's service. The company accounts for liability against gratuity amount of each employee at year end and such liability is treated as full and final liability of that year. In future years, the liability amount is not revised for any increment or reduction in salary of any non-workmen.

2.8 Employee compensated absences

The company provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

2.9 Taxation

2.9.1 Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any or minimum taxation at the rate of one-half percent of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.



2.9.2 Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

2.10 Property, plant and equipment

2.10.1 Company owned

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land, building and plant and machinery, which are stated at revalued amount.

Depreciation is charged to income applying the reducing balance method at the rates specified in the property, plant and equipment note no.13.

Depreciation on additions is charged on the basis of whole year, while no depreciation is charged on deletion during the year. Whereas, the capitalization of entire or part of project cost is depreciated proportionately from the date of capitalization.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income statement during the financial year in which they are incurred.

Gains or losses on disposal of assets, if any, are recognised as and when incurred.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the company to its unappropriated profit.

2.10.2 Assets held under finance lease

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

2.10.3 Capital work-in-progress

Capital work-in-progress (CWIP) is stated at cost. All expenditures connected with the specific assets incurred during installation and construction period are carried under CWIP. These are transferred to specific assets as and when such assets are available for their intended use.

2.11 Investment

2.11.1 Regular way purchase or sale of investments

All purchases and sales of investments are recognised using settlement date accounting. Settlement date is the date that the investments are delivered to or by the company.

2.11.2 Investment in associates

Associates are all entities over which the company has significant influence, but not control, generally accompanying a shareholding of 20% or more of the voting rights.

These investments are accounted for using equity method of accounting and initially are recognized at cost.

2.11.3 Available-for-sale investments

Investment securities held by the company are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising in changes in fair value are recognized directly in the unrealized gain in the value of securities available for sale, until the investment is disposed off or is determined to be impaired, at which time the cumulative gain or loss previously recognized in the unrealized gain or loss in the value of securities available for sale is included in profit or loss for the period.

2.11.4 Held to maturity

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity. Held to maturity investments are initially recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost using effective interest rate method.

2.11.5 Derecognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

2.12 Stores, spares and loose tools

These are valued at lower of cost and net realizable value, except items in transit which are stated at cost accumulated upto the balance sheet date, applying the following basis:

Cost is determined using moving average cost method.

Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.



2.13 Stock-in-trade

These are valued at lower of cost and net realizable value applying the following basis:

- Raw material and trading stocks - at weighted average cost.
- Material in transit -at cost accumulated upto the date of balance sheet.
- Work-in-process -at average manufacturing cost.
- Finished goods -at average manufacturing cost.
- Waste-at net realizable value.

Average cost in relation to work-in-process and finished goods signifies average manufacturing cost including a portion of related direct overheads. Net realizable value is determined on the basis mentioned in note 2.12.

2.14 Provisions

Provisions are recognized when the company has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.15 Trade debts and other receivables

Trade debts and other receivables are recognized and arrived at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

2.16 Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All exchange differences are included in income currently.

2.17 Financial Instruments

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument and de-recognised when the company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

Other particular recognition methods adopted by the company are disclosed in the individual policy statements associated with each item of financial instruments.

2.18 Offsetting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.



2.19 Impairment

The company assesses at each balance sheet date whether there is any indication that assets except deferred tax and inventories may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognised as income.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

2.20 Revenue recognition

- Sales are recorded on dispatch of goods or on segregation of goods for delivery against confirmed customers' orders.
- Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

2.21 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks on current and savings and deposits accounts.

2.22 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received whether billed to company or not.

2.23 Critical judgments in applying the accounting policies

In the process of applying the company's accounting policies, the management has not identified any area where critical judgements have been exercised which have significant impact on the financial statements. Further, there are no key assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date that have significant risks of causing a material adjustment within the next financial year.



3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

June 30, 2006 Number of shares	June 30, 2005 Number of shares		June 30, 2006 Rupees	June 30, 2005 Rupees
2,000,000	2,000,000	Ordinary shares of Rs. 10 each fully paid In cash	20,000,000	20,000,000
1,038,700	1,038,700	For consideration other than cash	10,387,000	10,387,000
303,870	303,870	As Bonus shares	3,038,700	3,038,700
<u>3,342,570</u>	<u>3,342,570</u>		<u>33,425,700</u>	<u>33,425,700</u>

- 3.1 There were no movements during the year.
 3.2 The company has one class of ordinary shares which carries no right to fixed income.
 3.3 Following shares were held by associates of the company as at the balance sheet date.

Number of ordinary shares of Rs. 10 each

Island Textile Mills Ltd.	<u>366,300</u>	<u>366,300</u>
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- 3.4 The company has no reserved shares for issuance under options and sales contracts.

4. CAPITAL RESERVE

This represents the remission of principal amount payable to associated undertaking and directors in term of revival package in the year 1983.

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX

This represents surplus over book values resulting from the revaluation of property, plant and equipment carried out in 1994, 2003 and June 2005 (land only) by M/S Iqbal A. Nanjee & Co., adjusted by surplus realized on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation.

	June 30, 2006 Rupees	June 30, 2005 Rupees
Surplus on revaluation of property, plant and equipment as at July 01/ October 01	602,239,670	302,416,174
Effect of revaluation carried at year/period end	-	312,240,000
Transferred to unappropriated profit on account of incremental depreciation - net off deferred tax disposal - net off deferred tax	(7,097,789) (5,211,613)	(6,419,637) (1,651,090)
Related deferred tax liability	(6,628,139) (18,937,541)	(4,345,777) (12,416,504)
Surplus on revaluation of property, plant and equipment as at June 30	<u>583,302,129</u>	<u>602,239,670</u>
Related deferred tax liability on:		
Revaluation as at July 01 / October 01	42,617,070	46,962,845
Transferred to profit and loss account on account of incremental depreciation disposal	(3,722,634) (2,905,505) (35,988,931)	(3,456,724) (889,051) (42,617,070)
	<u>547,313,198</u>	<u>559,622,600</u>

	June 30, 2006 Rupees	June 30, 2005 Rupees
6. LONG -TERM FINANCING		
From banking companies - Secured		
Term finance (6.1)	622,480,900	127,310,900
NIDF finance (6.2)	8,236,313	11,374,576
Vehicle loan (6.3)	3,552,833	-
From related party-Unsecured		
Associated company (6.4)	70,000,000	70,000,000
Directors (6.5)	28,800,000	-
	<u>733,070,046</u>	<u>208,685,476</u>
Current portion:		
Term finance (6.1)	(57,842,900)	17,874,500
NIDF finance (6.2)	(2,534,250)	4,194,201
Vehicle loan (6.3)	(772,536)	-
	<u>61,149,686</u>	<u>(22,068,701)</u>
	<u><u>671,920,360</u></u>	<u><u>186,616,775</u></u>

- 6.1** Term finance carries mark-up at 6 months KIBOR plus rate ranging from 1.5% to 2% per annum (2005: KIBOR plus 2.47%). These are secured against joint pari passu charge over company's property, plant and equipment comprising of land, buildings, plant and machinery. These loans are further second by way of personal guarantees of sponsor directors of the company. The aggregate unavailed long term financing facilities available amounted to Rs. 31.703 million (2005: Rs.57.5 million). These loans are repayable in 8 - 10 equal semi-annual instalments commencing from March / April 2006.
- 6.2** These are non interest demand finance secured against bank guarantee provided on behalf of the company and are repayable in sixteen (NIDF) equal quarterly installments commencing from November 2005.
- 6.3** These represent secured finance obtained from a banking company carrying mark-up at 12% to 13% and is repayable in 60 equal monthly instalments commencing from January 2006.
- 6.4** These represent unsecured finance obtained from an associated company carrying mark-up at 6 months KIBOR plus 1.5%. Rs. 30 million is repayable in six equal half yearly instalments commencing from December 2007. Finance of Rs. 40 million is subordinated on account of debt-subordinate agreement dated 26th June 2006 with Allied Bank Limited and is repayable after the repayment of term finance loan obtained from Allied Bank Limited amounting to Rs. 230 million.
- 6.5** These represent unsecured finance obtained from sponsor directors carrying mark-up at 6 months KIBOR plus 1.5% and is repayable in six equal half yearly instalments commencing from November 2009.



7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows :

	June 30, 2006		June 30, 2005	
	Minimum lease paymentRupees.....	Present value	Minimum lease paymentRupees.....	Present value
Within one year	2,713,454	2,564,218	4,739,547	4,168,900
After one year but not more than five years	1,249,667	1,176,611	4,691,906	4,358,743
Total minimum lease payments	3,963,121	3,740,829	9,431,453	8,527,643
Less : Amount representing finance charges	(222,292)	-	(903,810)	-
Present value of minimum lease payments	3,740,829	3,740,829	8,527,643	8,527,643
Less : Current portion	(2,564,218)	(2,564,218)	(4,168,900)	(4,168,900)
	<u>1,176,611</u>	<u>1,176,611</u>	<u>4,358,743</u>	<u>4,358,743</u>

7.1 These represent finance lease entered into with leasing companies for plant and machinery and vehicles. Rates of finance charges ranges from 6.5% to 10.74% (2005: 5.37% to 8.54%) per annum and are used as discounting factors. The lease terms are of 3 to 5 years.

7.2 The company intends to exercise the option to purchase the leased assets upon completion of the lease periods.

7.3 Liabilities are secured against demand promissory notes and security deposits.

	June 30, 2006 Rupees	June 30, 2005 Rupees
8. DEFERRED LIABILITIES		
Staff gratuity (8.1)	8,598,108	9,417,485
Compensated absences	992,387	758,582
Deferred taxation - restated (8.2)	67,345,414	71,899,105
	<u>76,935,909</u>	<u>82,075,172</u>
8.1 Staff gratuity		
Workmen (8.1.1)	1,029,373	2,870,105
Non workmen (8.1.2)	7,568,735	6,547,380
	<u>8,598,108</u>	<u>9,417,485</u>
8.1.1 Workmen - Defined benefit plan		
(a) Charge for the year		
Current service cost	821,441	1,085,619
Interest cost	389,240	217,436
Actuarial loss	34,858	-
	<u>1,245,539</u>	<u>1,303,055</u>



	June 30, 2006 Rupees	June 30, 2005 Rupees
(b) Company's liability		
As at July 01 / October 01	2,870,105	3,176,850
Charge for the year as above	1,245,539	1,303,055
Paid during the year / period	<u>(3,086,271)</u>	<u>(1,609,800)</u>
As at June 30	<u>1,029,373</u>	<u>2,870,105</u>
(c) Reconciliation		
Present value of defined benefit obligation	4,069,796	4,324,887
Unrecognized actuarial loss	<u>(3,040,423)</u>	<u>(1,454,782)</u>
	<u>1,029,373</u>	<u>2,870,105</u>

The principal assumptions used in the valuation of gratuity are as follows:

Discount rate	9.00%	9.00%
Expected rate of salary increase	8.50%	8.50%

8.1.2 Non-workmen - Defined contribution plan

As at July 01 / October 01	6,547,380	6,462,405
Charge for the year / period	2,015,542	1,673,782
Paid during the year / period	<u>(994,187)</u>	<u>(1,588,807)</u>
As at June 30	<u>7,568,735</u>	<u>6,547,380</u>

8.2 Deferred taxation - restated

This comprises of the following :

Deferred tax liabilities on taxable temporary differences arising in respect of :		
company owned assets	30,870,457	29,475,702
Investment in associates	3,495,364	3,102,453
Surplus on revaluation of property, plant and equipment	<u>35,988,931</u>	<u>42,617,070</u>
	<u>70,354,752</u>	<u>75,195,225</u>
Deferred tax assets on deductible temporary difference arising in respect of :		
Gratuity	<u>(3,009,338)</u>	<u>(3,296,120)</u>
	<u>67,345,414</u>	<u>71,899,105</u>

9. TRADE AND OTHER PAYABLES

Creditors	12,573,321	10,723,576
Accrued charges (9.1)	26,446,745	19,309,049
Central excise duty on borrowings	6,315,203	6,315,203
Withholding income tax	160,624	116,068
Workers' profit participation fund (9.2)	278,669	43,956
Workers' welfare fund	1,805,618	1,600,830
Unclaimed dividend	322,531	274,874
	<u>47,902,711</u>	<u>38,383,556</u>



	June 30, 2006 Rupees	June 30, 2005 Rupees
9.1	This includes Rs. 11,578,328 (2005: Rs. 8,362,233) payable to an associated undertaking in respect of power charges.	
9.2	Workers ' profit participation fund	
	43,956	1,042,761
As at July 01 / October 01	278,669	43,956
Allocation during the year / period	1,703	83,992
Interest on funds utilized in the company's business	<u>324,328</u>	<u>1,170,709</u>
Amount paid to the fund	<u>(45,659)</u>	<u>(1,126,753)</u>
As at June 30	<u><u>278,669</u></u>	<u><u>43,956</u></u>
10.	INTEREST / MARK-UP ON LOANS	
Long-term financing		
- from banking companies	25,501,741	4,741,989
- from associate company	1,834,208	1,096,292
- from directors	360,552	-
Short-term borrowings	<u>13,458,959</u>	<u>4,634,538</u>
	<u><u>41,155,460</u></u>	<u><u>10,472,819</u></u>
11.	SHORT-TERM BORROWINGS	
	From banking companies- Secured	
Running finances (11.1)	500,352,703	146,688,920
Demand finance	-	50,000,000
Trust receipts	-	34,221,800
Finance against imported merchandise (11.2)	64,616,014	103,060,230
	<u><u>564,968,717</u></u>	<u><u>333,970,950</u></u>
11.1	The company has aggregated running finance facilities amounting to Rs. 710 million (2005: Rs. 270 million) from various commercial banks. These are subject to mark-up ranging from 3 month KIBOR plus 0.75 % to 1% (2005:3.5% to 7.86 %). These are secured against hypothecation charge over raw material, finished goods , store and spares, receivables and personal guarantee of sponsor directors.	
11.2	The company has aggregated finance facilities amounting to Rs. 500 million (2005: Rs. 103.06 million) from a commercial bank. These are subject to mark-up of 3 months KIBOR + 1% (2005: 5% to 7.03%).	
12.	CONTINGENCIES AND COMMITMENTS	
	Contingencies	
Bank guarantees	16,422,400	12,577,630
Labour and workmen compensation cases in court of law	200,150	158,238
Panel interest	145,366	145,366
	Commitments	
Civil works	21,446,842	30,143,486
Letters of credit for store and machinery	38,955,893	13,476,000

13 PROPERTY, PLANT AND EQUIPMENT

	Notes	June 30, 2006 Rupees	June 30, 2005 Rupees
Operating assets	13.1	812,651,118	842,438,834
Capital work in progress	13.5	587,762,137	15,950,812
		<u>1,380,413,255</u>	<u>858,389,646</u>

13.1 Operating Assets

Particulars	Cost/Revaluation at July 01, 2005		Additions/ (deletion) for the year/ period	Cost/Revaluation at June 30 2006	Accumulated depreciation at July 01, 2005	(Adjustment)/ Disposal	Depreciation for the year / period	Accumulated depreciation at June 30, 2006	Written down value at June 30, 2006	Rate %
	Revaluation	Revaluation								
Rupees										
Company owned										
Land - lease hold	481,440,000	-	-	481,440,000	-	-	-	-	481,440,000	-
Buildings on lease hold land										
- Factory	89,979,726	-	-	89,979,726	15,071,604	-	7,490,812	22,562,416	67,417,310	10
- Non Factory	118,900	-	-	118,900	29,814	-	8,909	38,723	80,177	10
Office Premises	450,000	-	-	450,000	354,774	-	9,523	364,297	85,703	10
Plant and machinery	291,806,796	-	23,622,874 (26,297,514)	289,132,156	43,518,554	(4,404,834)	25,007,344	64,115,564	225,016,592	10
Air conditioner , gas and electric installations	28,890,985	-	26,100	28,917,085	14,320,575	-	1,409,651	16,230,226	12,686,859	10
Factory equipments	6,222,508	-	-	6,222,508	3,446,660	-	277,584	3,724,244	2,498,264	10
Furniture and fixtures	4,743,532	-	50,726	4,794,258	2,325,536	-	196,872	3,022,408	1,771,850	10
Office equipment	7,840,918	-	437,787	8,278,705	5,068,287	-	613,096	5,681,383	2,597,322	0-30
Office renovation	1,346,681	-	-	1,346,681	935,859	-	41,082	976,941	369,740	10
Vehicles	12,215,971	-	6,480,389	18,696,360	9,448,464	-	1,849,579	11,298,043	7,398,317	20
	925,056,017	-	30,617,876 (26,297,514)	929,376,379	95,520,227	(4,404,834)	36,898,952	128,014,245	801,362,134	
Assets held under finance lease										
Plant and machinery	14,334,760	-	-	14,334,760	4,668,473	-	966,629	5,635,102	8,699,658	10
Vehicles	5,631,110	-	-	5,631,110	2,394,453	-	647,331	3,041,784	2,589,326	20
	19,965,870	-	-	19,965,870	7,062,926	-	1,613,960	8,676,886	11,288,984	
June 30, 2006	945,021,887	-	30,617,876 (26,297,514)	949,342,249	102,583,053	(4,404,834)	38,512,912	136,691,31	812,651,118	
June 30, 2005	577,718,558	312,240,000	62,297,428 (7,234,099)	945,021,887	74,593,816	(2,067,620)	30,056,957	102,583,053	842,438,834	



		For year ended June 30, 2006 Rupees	For 9 months period ended June 30, 2005 Rupees
13.2	Depreciation for the year / period has been allocated as under:		
	Cost of goods manufactured	23.1	36,198,858
	Administrative expenses	25	2,314,054
		<u>38,512,912</u>	<u>30,056,857</u>

13.3 Had there been no revaluation the related figures of freehold land, building and plant and machinery at June 30, 2006 would have been as follows :

	June 30, 2006			June 30, 2005		
	Cost	Accumulated Depreciation	Written down Value	Cost	Accumulated Depreciation	Written down Value
Rupees.....		Rupees.....		
Freehold land	963,387	-	963,387	963,387	-	963,387
Building	45,162,960	28,740,693	16,422,267	45,162,960	26,915,997	18,246,963
Plant and machinery	364,658,327	191,472,210	173,186,117	358,308,971	175,122,625	183,186,346
	<u>410,784,674</u>	<u>220,212,903</u>	<u>190,571,771</u>	<u>404,435,318</u>	<u>202,038,622</u>	<u>202,396,696</u>

Revaluation of land, building and plant and machinery had been carried out in 1994, 2003 and June 2005 (land only) by independent professional valuers M/s. Iqbal A. Nanjee & Co. on the basis of market value or depreciated replacement values as applicable.

Particulars and mode of disposal	Cost	Accumulated depreciation	Written down value	Sale proceed	Name and Address
Rupees.....				
Plant and Machinery	448,676	75,154	373,522	260,000	Ali Shear & Sons Engineering Works, 243, Block C/1, Unit No. 8, Latifabad, Hyderabad.
Plant and Machinery	897,352	150,306	747,046	520,000	Ali Shear & Sons Engineering Works, 243, Block C/1, Unit No. 8, Latifabad, Hyderabad.
Plant and Machinery	448,676	75,154	373,522	260,000	Ali Shear & Sons Engineering Works, 243, Block C/1, Unit No. 8, Latifabad, Hyderabad.
Plant and Machinery	448,676	75,154	373,522	260,000	Ali Shear & Sons Engineering Works, 243, Block C/1, Unit No. 8, Latifabad, Hyderabad.
Plant and Machinery	673,014	112,729	560,285	390,000	Ali Shear & Sons Engineering Works, 243, Block C/1, Unit No. 8, Latifabad, Hyderabad.
Plant and Machinery	1,600,000	268,000	1,332,000	1,350,000	Bisma Textile Mills Ltd, Y-190, CommercialZone, D.H.A. Lahore.
Plant and Machinery	1,600,000	268,000	1,332,000	1,300,000	Shoab Salman Textile Mills, 68-B, Six Grain Market, Sahiwal.
Plant and Machinery	897,352	150,306	747,046	500,000	Haji Sahabuddin, House No. 319, Block E, Sir Syed Town, Faisalabad.
Plant and Machinery	897,352	150,306	747,046	500,000	Haji Sahabuddin, House No. 319, Block E, Sir Syed Town, Faisalabad.

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Particulars and mode of disposal	Cost	Accumulated depreciation	Written down value	Sale proceed	Name and Address
Rupees.....				
Plant and Machinery	1,121,691	187,883	933,808	625,000	Haji Sahabuddin, House No. 319, Block E, Sir Syed Town, Faisalabad.
Plant and Machinery	2,100,000	351,750	1,748,250	975,000	Agar Textile (Pvt.) Limited, 61/1, Haji Band-e-Ali Bldg, New Neham Road, Kharadar, Karachi.
Plant and Machinery	2,100,000	351,750	1,748,250	975,000	Agar Textile (Pvt.) Limited, 61/1, Haji Band-e-Ali Bldg, New Neham Road, Kharadar, Karachi.
Plant and Machinery	4,200,000	703,500	3,496,500	1,950,000	Agar Textile (Pvt.) Limited, 61/1, Haji Band-e-Ali Bldg, New Neham Road, Kharadar, Karachi.
Plant and Machinery	889,725	149,029	740,696	577,500	Tata Textile Mills Limited, 8, 8th Floor Textile Plaza, M.A. Jinnah Road, Karachi.
Plant and Machinery	1,300,000	217,750	1,082,250	650,000	Agar Textile (Pvt.) Limited, 61/1, Haji Band-e-Ali Bldg, New Neham Road, Kharadar, Karachi.
Plant and Machinery	300,000	50,250	249,750	260,000	Abdul Majid Sons, 27-A, New Cloth Market, M.A. Jinnah Road, Karachi.
Plant and Machinery	375,000	62,813	312,187	325,000	Abdul Majid Sons, 27-A, New Cloth Market, M.A. Jinnah Road, Karachi.
Plant and Machinery	150,000	25,125	124,875	130,000	Abdul Majid Sons, 27-A, New Cloth Market, M.A. Jinnah Road, Karachi.
Plant and Machinery	900,000	150,750	749,250	530,000	Iqbal Adil Textile Engineering, Gole Hajiabad, Amin Chowk, Near Makkah Iron Store, Sheikhupura Road, Faisalabad.
Plant and Machinery	900,000	150,750	749,250	530,000	Iqbal Adil Textile Engineering, Gole Hajiabad, Amin Chowk, Near Makkah Iron Store, Sheikhupura Road, Faisalabad.
Plant and Machinery	450,000	75,375	374,625	265,000	Iqbal Adil Textile Engineering, Gole Hajiabad, Amin Chowk, Near Makkah Iron Store, Sheikhupura Road, Faisalabad.
Plant and Machinery	1,350,000	226,125	1,123,875	795,000	Iqbal Adil Textile Engineering, Gole Hajiabad, Amin Chowk, Near Makkah Iron Store, Sheikhupura Road, Faisalabad.
Plant and Machinery	1,350,000	226,125	1,123,875	795,000	Iqbal Adil Textile Engineering, Gole Hajiabad, Amin Chowk, Near Makkah Iron Store, Sheikhupura Road, Faisalabad.
Plant and Machinery	900,000	150,750	749,250	530,000	Iqbal Adil Textile Engineering, Gole Hajiabad, Amin Chowk, Near Makkah Iron Store, Sheikhupura Road, Faisalabad.
2006 Rupees	26,297,514	4,404,834	21,892,680	15,252,500	
2005 Rupees	7,234,099	2,067,620	5,166,479	4,605,000	



	June 30, 2006 Rupees	June 30, 2005 Rupees
13.5 Capital work in Progress		
Civil work	57,657,340	36,853,995
Machinery under installation (13.5.1)	464,470,831	9,096,817
Capital inventory items	45,164,966	-
Vehicles	469,000	-
	<u>567,762,137</u>	<u>45,950,812</u>

13.5.1 It includes initial losses on trial production details of which are as follows:

Trial production losses

Sales (including export sales of Rs. 3,376,452)	66,902,977	-
Cost of goods sold	64,653,307	-
Selling expenses	626,388	-
Finance cost	22,408,073	-
	<u>(87,687,768)</u>	-
Net loss	<u>(20,784,791)</u>	-

14. LONG -TERM INVESTMENTS

	June 30, 2006 Rupees	Restated June 30, 2005 Rupees
Investments in associate (14.1)	99,907,230	92,049,008
Investments- Available-for-sale (14.2)	1,418,953	1,342,737
	<u>101,326,183</u>	<u>93,391,745</u>

**14.1 Investment in TATA Textile Mills Limited (TTML)
- an associated undertaking**

Balance as at July 01 / October 01	92,049,008	75,953,198
Share of incremental depreciation	2,884,008	2,348,032
Share of profit of associate	8,941,714	13,747,778
Dividend received	(3,967,500)	-
	7,858,222	16,095,810
Total (Rupees) (14.1.1)	<u>99,907,230</u>	<u>92,049,008</u>
Number of shares held	3,967,500	3,967,500
Cost of investments (Rupees)	30,000,000	30,000,000
Ownership interest	<u>22.90%</u>	<u>22.90%</u>

14.1.1 The market value of associate company's shares as at June 30, 2006 is Rs. 119,025,000 (2005: Rs. 198,375,000).



	June 30, 2006 Rupees	Restated June 30, 2005 Rupees
14.1.2 Summarized financial statements of TTML is as follows:		
Total assets as at	2,555,775,348	2,412,605,168
Total liabilities as at	1,996,168,075	1,874,719,930
Revenue (12 months period from July 01 to June 30) (2005: 9 months from October 01 to June 30)	2,097,249,218	1,095,062,582
Profit for the year / nine months period ended	39,046,785	60,033,963

14.2 Investments - Available-for-sale

Investment in shares - at fair value (14.2.1)	<u>1,418,953</u>	<u>1,342,737</u>
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14.2.1 This represents investment in 162,166 ordinary shares of Rs. 10 each including 32,433 right shares of Rs. 10 each acquired during the year (2005: 129,733 shares) in Crescent Commercial Bank Limited.

15. STORES, SPARES AND LOOSE TOOLS

Stores	8,168,626	10,164,155
Spares	2,711,733	3,799,551
Loose tools	82,445	83,921
	<u>10,962,804</u>	<u>14,047,627</u>

June 30, 2006 Rupees	June 30, 2005 Rupees
-------------------------------------	-------------------------------------

16. STOCK-IN-TRADE

Raw material	345,179,563	119,619,447
Work-in-process	18,951,873	16,634,217
Finished goods (16.1)	158,111,748	136,357,211
Waste	1,099,382	183,077
	<u>523,342,566</u>	<u>272,793,952</u>

16.1 Finished goods of Rs. 12,082,138 (2005: Rs. 5,327,825) carried at net realizable value.

17. TRADE DEBTS - CONSIDERED GOOD

Secured - export (17.1)	3,376,452	-
Unsecured - local	<u>137,733,469</u>	<u>111,388,349</u>
	<u>141,109,921</u>	<u>111,388,349</u>

17.1 These are secured against letter of credit in favour of the company.



	June 30, 2006 Rupees	June 30, 2005 Rupees
18. LOANS AND ADVANCES		
Considered good		
Due from employees	2,327,454	745,545
Advances to creditors	1,101,248	5,656,985
Income tax	58,175,602	52,016,810
Letters of credit margin	18,436,433	80,009
	<u>80,040,737</u>	<u>58,499,349</u>
19. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Bank guarantee margin	800,000	1,494,500
Deposits	109,900	810,000
Short- term prepayments	-	461,110
	<u>909,900</u>	<u>2,765,610</u>
20. OTHER FINANCIAL ASSETS		
Investments - Held to maturity	<u>1,806,392</u>	<u>2,058,583</u>
<p>This represents investment made in term deposit receipts held for a period of three months with a mark-up rate of 3.75% per quarter</p>		
21. CASH AND BANK BALANCES		
Cash at bank		
On current accounts	3,895,827	13,954,153
On PLS accounts	1,076,218	742,376
	4,972,045	14,696,529
Cash in hand	534,158	663,367
	<u>5,506,203</u>	<u>15,359,896</u>
22. SALES- net	For year ended June 30, 2006 Rupees	For 9 months period ended June 30, 2005 Rupees
Local		
Yarn	822,736,353	826,318,073
Waste	1,026,355	1,659,583
Raw material	892,248	-
	824,654,956	827,977,656
Discount	(9,138,170)	(7,559,285)
Brokerage and commission	(3,435,187)	(1,618,698)
Sales tax	-	(98,257,579)
	<u>(12,573,357)</u>	<u>(107,435,562)</u>
	<u>812,081,599</u>	<u>720,542,094</u>



	For year ended June 30, 2006 Rupees	For Nine months period ended June 30, 2005 Rupees
23. COST OF GOODS SOLD		
Cost of goods manufactured (23.1)	704,646,467	759,626,357
Finished goods		
Opening stock	136,540,288	48,989,859
Closing stock	(120,373,871)	(136,540,288)
	16,166,417	(87,550,429)
	720,812,884	672,075,928
23.1 Cost of goods manufactured		
Raw material consumed (23.1.1)	481,027,855	569,689,739
Packing material consumed	10,001,437	9,857,379
Stores and spares consumed	18,756,108	15,997,487
Salaries, wages and benefits (23.1.2)	69,065,170	63,835,833
Power and fuel	74,506,922	71,115,556
Insurance	2,213,322	1,609,103
Repairs and maintenance	997,695	736,650
Depreciation (13.1)	36,198,858	28,819,761
Other overheads	4,756,829	3,118,765
	697,524,196	764,780,273
Work-in-process		
Opening stock	16,634,217	11,480,301
Closing stock	(9,511,946)	(16,634,217)
	7,122,271	(5,153,916)
	704,646,467	759,626,357
23.1.1 Raw material consumed		
Opening stock	119,619,447	102,179,410
Purchases - net	793,843,711	587,129,776
	913,463,158	689,309,186
Transferred to trial production	(87,255,740)	-
Closing stock	(345,179,563)	(119,619,447)
	481,027,855	569,689,739
23.1.2 Salaries, wages and benefits include Rs. 2,154,680 (2005 : 2,548,300) in respect of staff retirement benefits.		
24. DISTRIBUTION COST		
Local freight	6,233,589	4,628,157
Debtors written off	-	482,716
Others	400,000	5,794
	6,633,589	5,116,667



	For year ended June 30, 2006 Rupees	For Nine months period ended June 30, 2005 Rupees
25. ADMINISTRATIVE EXPENSES		
Director remuneration	1,553,390	1,026,160
Staff salaries and benefits (25.1)	16,593,190	11,087,215
Postage and telephone	1,247,114	804,677
Printing and stationery	461,450	369,830
Travelling and conveyance	1,103,974	757,447
Legal and professional	861,092	711,705
Utilities	1,001,077	754,761
Advertisement	8,000	22,800
Vehicles running	1,287,336	647,108
Auditor's remuneration (25.2)	723,520	837,500
Depreciation (13.1)	2,314,054	1,237,096
Repairs and maintenance	642,856	703,333
Other	2,229,683	1,947,500
	<u>30,026,736</u>	<u>20,907,132</u>
25.1	Staff salaries and benefits include Rs. 1,106,401 (2005 : Rs. 428,536) in respect of the staff retirement benefits.	
25.2 Auditor's remuneration		
Audit fee	125,000	125,000
Out of pocket expenses	8,520	5,000
Other remuneration as auditor		
- Half yearly review fee	40,000	35,000
Tax and other services		
- Other assignments	550,000	360,000
- Tax services	-	312,500
	<u>723,520</u>	<u>837,500</u>
26. OTHER OPERATING EXPENSES		
Workers' profit participation fund	278,669	43,956
Workers' welfare fund	204,788	225,064
Loss on disposal of property, plant and equipment	6,640,180	561,677
	<u>7,123,637</u>	<u>830,697</u>
27. OTHER OPERATING INCOME		
Profit on savings accounts	125,090	39,915
Profit on PLS term deposits	73,423	26,172
	<u>198,513</u>	<u>66,087</u>



	For year ended June 30, 2006 Rupees	For Nine months period ended June 30, 2005 Rupees
28. FINANCE COST		
Mark-up on :		
Long-term financing		
- from banking companies	16,252,630	5,490,111
- from associated company	7,226,426	3,006,526
- from directors	360,552	-
Short-term borrowings	23,899,035	11,640,090
Lease finance charges	671,628	645,583
Interest on workers' profit participation fund	1,703	83,992
Bank charges and guarantee commission	823,260	201,348
	<u>49,235,234</u>	<u>21,067,650</u>

29. TAXATION

Current	4,610,474	3,859,851
Deferred	(4,553,691)	(3,420,433)
	<u>56,783</u>	<u>439,418</u>

29.1 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001.

29.2 The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements as the total income of the company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001.

30. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the company which is based on :

Profit for the year / period	Rs. <u>7,332,963</u>	<u>13,918,467</u>
Weighted average number of ordinary shares outstanding during the year / period	<u>3,342,570</u>	<u>3,342,570</u>
Earnings per share	Rs. <u>2.19</u>	<u>4.16</u>



31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	For year ended June 30, 2006			For nine months period ended June 30, 2005		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Rupees.....					
Meeting fees	-	32,000	-	-	22,000	-
Remuneration	1,521,390	-	9,174,079	1,004,160	-	4,001,926
Retirement benefits	-	-	928,870	-	-	815,272
	<u>1,521,390</u>	<u>32,000</u>	<u>10,102,949</u>	<u>1,004,160</u>	<u>22,000</u>	<u>4,817,198</u>
No. of person	1	6	9	1	6	5

The Chief Executive is entitled for the reimbursement of residential telephone and other utilities. The approximate amount of such benefit was Rs. 159,270 (2005 : Rs. 303,010).

32. PLANT CAPACITY AND ACTUAL PRODUCTION

	For year ended June 30, 2006 Rupees	For Nine months period ended June 30, 2005 Rupees
Number of spindles installed	36,324	35,100
Number of spindles worked	36,324	35,100
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count-kgs	13,529,339	9,015,598
Actual production of yarn after conversion into 20/s count-kgs	10,046,675	9,428,961

32.1 In current year, new unit has been installed in April 28, 2006 resulting in increase of installed capacity, however, the same unit was in trial production phase, therefore, actual production of yarn was below than the installed capacity.

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 Interest rate / mark-up risk

Interest / mark-up rate risk arise from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The effective interest/mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

33.2 The analysis of interest rate / markup rate risk is as under :

	Interest bearing Maturity upto Maturity after		Non-Interest bearing Maturity upto Maturity after		Sub Total	2006 Total Rupees	Restated 2005 Total Rupees
	one year	one year	one year	one year			
.....Rupees.....							
Financial assets							
Long- term investments	-	-	1,418,953	99,907,230	101,326,183	101,326,183	93,391,745
Long- term deposits	-	-	-	993,688	993,688	993,688	970,188
Trade debts considered good	-	-	141,109,921	-	141,109,921	141,109,921	11,388,349
Trade deposits	-	-	909,900	-	909,900	909,900	2,304,500
Loans and advances	-	-	2,327,454	-	2,327,454	2,327,454	745,545
Other financial assets	1,806,392	-	-	-	1,806,392	1,806,392	2,058,583
Cash and bank balances	1,076,218	-	4,429,985	-	4,429,985	5,506,203	15,359,896
Total	2,882,610	-	150,196,213	100,900,918	251,097,131	253,979,741	226,218,806
Financial liabilities							
Long- term financing Liabilities against asset subject to finance lease	61,149,686	671,920,360	-	-	733,070,046	733,070,046	208,685,476
Trade and other payables	2,564,218	1,176,611	-	-	3,740,829	3,740,829	8,527,645
Interest / mark-up on loans	-	-	39,342,597	-	39,342,597	39,342,597	30,307,499
Short- term borrowings	564,968,717	-	41,155,460	-	41,155,460	564,968,717	10,472,819
Total	628,682,621	673,096,971	80,498,057	-	1,301,779,592	1,362,277,649	591,964,389
Off balance sheet items:							
Civil works	-	-	-	-	-	21,446,842	30,143,486
Bank guarantees	-	-	-	-	-	16,422,400	12,577,630
Letters of credit	-	-	-	-	-	38,955,893	13,476,000
Total	-	-	-	-	-	76,825,135	56,197,116
On balance sheet gap	(625,800,011)	(573,096,971)	59,698,756	100,900,918	170,599,074	(1,128,297,908)	(365,745,583)
Off balance sheet gap	-	-	-	-	-	(76,825,135)	(56,197,116)

33.3 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 253,979,741 (2005: Rs. 226,218,806), the financial asset which are subject to credit risk amounted to Rs. 253,445,583 (2005: Rs. 225,555,439). The company believes that it is exposed to major concentration of credit risk. The management monitors and limits the company's exposure of credit risk through assets, if any, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.



33.4 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company's management closely monitors the company's liquidity and cash flow position.

33.5 Foreign exchange risk

Foreign exchange risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. The company is not materially exposed to foreign currency risk on assets and liabilities.

33.6 Fair values of financial instruments

The carrying value of all the financial instruments reported in the financial statements approximate their fair value.

34. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, key management personnel and post employment benefit scheme. The company in the normal course of business carries out transactions with various related parties. Long term loans acquired from associated undertaking and director and accrued mark-up thereon are disclosed in note 6 and 10 respectively whereas, amount due from associated undertaking is disclosed in note 9. Remuneration of key management personnel is disclosed in note 31 and amount due in respect of staff retirement benefits are disclosed in note 8. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	For year ended	For Nine months period ended
		June 30, 2006	June 30, 2005
		Rupees	Rupees
Associated undertakings	Purchase of power	82,475,192	70,164,889
	Sale of property, plant and equipment	577,500	100,000
	Sale of goods	9,110,750	-
	Share of expenses paid	764,789	116,558
	Share of expenses received	1,013,453	414,989
	Rent expense	765,780	574,335
	Mark-up on long term loan	7,075,817	3,006,526
	Long term loans obtained	-	10,000,000
	Purchase of store items	316,305	201,300
	Purchase of fixed asset	9,000,000	-
	Dividend paid	366,300	333,000
	Dividend received	3,967,500	-
Sale of store items	212,000	-	



35. DIVIDEND

The Board of Director proposed the final dividend for the year ended June 30, 2006 of Re. 1.00 per share (2005: Re. 1.00 per share) amounting to Rs. 3.343 million (2005: Rs 3.343 million) at their meeting held on September 14, 2006 for the approval of the members at the Annual General Meeting to be held on October 12, 2006. These financial statements do not reflect dividend payable.

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the company and authorised for issue on September 14, 2006

37. RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparison. Significant reclassifications made are as follows:

From	To	Nature	Amount re-classified Rupees
Long-term deposits	Liabilities against assets subject to finance lease	Lease security deposits	1,192,776
Capital work-in-progress	Property, plant and equipment	Tangible assets	45,950,812

ANWAR AHMED TATA
CHIEF EXECUTIVE OFFICER

SHAHID ANWAR TATA
DIRECTOR



PROXY FORM

SALFI TEXTILE MILLS LIMITED

8, 8th Floor, Textile Plaza,
M. A. Jinnah Road, Karachi.

I/We _____

of _____

being a member(s) of **SALFI TEXTILE MILLS LIMITED** and holder of _____

Ordinary Shares, do hereby appoint _____

of _____

or falling him/her _____

of _____

a member of **SALFI TEXTILE MILLS LIMITED**, vide Registered Folio No. _____

as my/our proxy to act on my/our behalf at the 39th Annual General Meeting of the Company to be held

on Thursday the October 12, 2006 at 11 : 30 A.M. and/or at any adjournment thereof.

Signature this _____ day of _____ 2006.

Signature

Affix
Five Rupees
Revenue
Stamp

(Signature should agree with the Specimen
Signature registered with the Company).

NOTE

1. No proxy shall be valid unless it is duly stamped with a revenue stamp worth Five Rupees.
2. In the case of Bank or Company, the proxy form must be executed under its Common seal and signed by its authorized person.
3. If this proxy form is signed under a power of attorney or other authority then a notarially certified copy of that power of attorney/authority must be deposit alongwith this proxy form.
4. This form of proxy duly completed must be deposited at the Registered Office of Company at least 48 hours before the time of holding the meeting.