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COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRMAN: Mr. Anwar Ahmed Tata

CHIEF EXECUTIVE OFFICER: Mr. Shahid Anwar Tata

DIRECTORS: Mr. Ajaz Ahmed Tariq
Mr. Muhammad Waris Magoon
Mr. Muhammad Ayub (NIT)
Mr. Shahid Aziz (NIT)
Mr. Farooq Advani

AUDIT COMMITTEE

CHAIRMAN: Mr. Anwar Ahmed Tata

MEMBERS: Mr. Ajaz Ahmed Tariq
Mr. Muhammad Waris Magoon

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER:

Mr. Farooq Advani

BANKERS:

ABNAMRO Bank N.V.
Bank Al-Falah Limited
Faisal Bank Limited
Habib Bank A.G. Zurich
MCB Bank Limited
National Bank of Pakistan
Soneri Bank Limited
Union Bank Limited
Metropolitan Bank Limited

AUDITORS:

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

LEGAL ADVISOR:

Muhammad Afzal Awan Advocate

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:

10th K.M. M.M. Road
Khanpur-Baggasher,
Distt. Muzaffargarh



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 , 06 & 07



CHAIRMAN'S REVIEW

Assalam-o-Alaikum,

Alhamdulillah, we are pleased to welcome the shareholders of the company to the 20th 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. Our total sales during the period under review, has been over Rs.2 billion, which is a landmark achievement for our mill. The Company made a pre-tax profit of Rs.67.334 million for the year as compared to a pre-tax profit of Rs.80.740 million during the nine month of last year. This is mainly due to increase in financial charges by Rs.115.90 million.

We will say that we have efficiently managed the mill and Alhamdulillah, we look forward to a brighter future for the company.

Tata Unit 1

We plan to continue using local cotton. Our Product-Line is well established in the market in view of our consistent quality policy and the year passed without any problem. This is due to the fact that our technical teams at the mill and our sale team at Head Office have done a commendable job. Our products have been sold at the highest prices in the international market for medium coarse counts.

Tata Unit 2

Our Unit 2 has been dedicated to the use of imported cotton, mainly from USA. It's product line is also getting established, slowly but surely. We are fetching a very good price due to our quality and the high standards that we maintain. It will take some more time before Unit 2 gets fully established as we learn and mature to utilized imported cotton.

Spinning is the only industry in Pakistan which for the last 10 years has survived and thrived without any government support or subsidy. We buy cotton at international prices and sell cotton yarn at international prices. Along with it, we carry over the inefficiencies of the infrastructure and the primitive systems that exists in Pakistan, yet the textile industry has given good results so far. But our sale proceeds, with further burden of cost increases will not be able to sustain this profitability. Unfortunately, the government has been ignoring the spinning industry for the last several years and whenever proposals are put forward to improve things, the industry gets no response. The spinning industry, which is the most value adding industry in the textile sector of Pakistan with respect to some products, is surprisingly not treated as a value added industry.

To make our point clear, we suppose buy cotton at Rs.2400 per maund and cost of cotton consumption per pound Rs.37 and we sell 40 double Yarn at Rs.79 per pound, adding more than 114% value to the cotton. Which industry in Pakistan has 114% value added to its products? There exist a lot of misconceptions about the textile industry in Pakistan and these misconceptions create a lot of problems for the industry.



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 a internationally trading commodity. The exchange mechanism that the government has adopted appears to penalize the exporters and subsidize the importers.

Cost Push Inflation

Gas prices have risen twice from 31st December, 2005 to 1st July 2006. The first increase took place on 1st January 2006 by 15.51% and was followed by second increase of 9.95%. Salary and Wages have increased tremendously from 1st July, 2006, the impact of which will be around Rs.24 million per annum. Interest rates have touched the ceiling. The price increase in these 3 areas alone will have an impact of around Rs.80 million on a per annum basis. 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. gas, wages and interest will have a tremendous impact on the company. How can we pass these price increases to our customers since we are dealing with an internationally tradable commodity?

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 this cotton season. Furthermore, at the beginning of 2005 cotton season, the opening inventory was very good but this year it may be more or less the same as 2005-06. 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, 15 million bales per annum cotton will be more expensive than last year.

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 20th 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.67.334 million after charging costs, expenses and depreciation for the year ended June 30, 2006.

	<u>(Rupees)</u>
Pre Tax Profit for the Year	67,333,729
Taxation	<u>(28,286,944)</u>
Profit After Taxation	39,046,785
Accumulated Profit Brought Forward	228,708,865
Payment of Dividend	<u>(17,324,750)</u>
	250,430,900
Transfer from Surplus on Revaluation of Fixed Assets	12,593,922
Accumulated Profit Carried Forward	<u>263,024,822</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 period ended June 30, 2006.

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. In preparation of financial statements, appropriate accounting policies have been consistently applied.
- 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*	3
Mr. Ejaz Ahmed Tariq**	1
Mr. Muhammad Waris Magoon*	3
Mr. Muhammad Ayub(NIT)*	4
Mr. Shahid Aziz(NIT)*	4
Mr. Farooq Advani*	4
Mr. Arshad Alam***	-

* Re-elected on 04th February 2006
 ** Elected on 04th February 2006
 *** Retired on 04th February 2006

(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 under review the trading in shares of the Company by the Directors, CEO, and their spouses as follows:

	Opening Balance As on 01-07-2005	Purchase	Sales	Closing Balance As on 30-06-2006
Mr. Anwar Ahmed Tata	4,129,424	34,600	-	4,164,024

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

SHAHID ANWAR TATA
 CHIEF EXECUTIVE OFFICER

KARACHI
 DATED: September 14, 2006



KEY OPERATING AND FINANCIAL RESULTS FROM 2001 TO 2006

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

OPERATING DATA	2006	2005	2004	2003	2002	2001
	(Nine months)					
Sales	2,097,249	1,095,063	1,168,565	841,150	790,118	908,942
Cost of Goods Sold	1,727,228	877,420	1,016,400	701,785	674,978	733,868
Gross Profit	370,021	217,642	152,165	139,365	115,140	175,075
Profit Before Taxation	67,334	80,740	55,060	50,748	10,447	61,346
Profit After Taxation	39,047	60,034	40,080	36,946	9,007	39,680
FINANCIAL DATA						
Equity Balance	436,272	401,956	331,669	276,399	239,453	246,821
Fixed Assets at cost	1,814,868	1,586,224	594,715	511,494	621,050	588,542
Current Assets	1,059,763	964,799	406,308	289,951	388,880	326,952
Current Liabilities	1,177,804	960,134	406,172	283,044	364,290	256,506
KEY RATIOS						
Gross Margin (%)	17.64	19.87	13.02	16.57	14.57	19.26
Net Profit (%)	1.86	5.48	3.43	4.39	1.14	4.37
Current Ratio	0.90	1.00	1.00	1.02	1.07	1.27
Earning Per Share (Rupees)	2.25	3.47	2.31	2.45	0.69	3.03
Cash Dividend (%)	10.00	10.00	-	-	12.50	12.50
Stock Dividend (%)	-	-	15.00	15.00	-	-
STATISTICS						
Number of Spindle	44,400	44,400	19,200	19,200	19,200	19,200
Production into 20/s Count (in '000' Kgs)	15,170	9,313	7,386	7,256	7,103	7,022



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

NO. OF SHAREHOLDERS	SHARE-HOLDING		TOTAL SHARES HELD
	FROM	TO	
204	1	100	12,199
336	101	500	74,661
417	501	1000	274,646
77	1001	5000	167,506
16	5001	10000	108,036
10	10001	15000	132,271
8	15001	20000	157,192
4	20001	25000	91,010
7	25001	30000	187,396
1	40001	45000	40,204
1	55001	60000	55,545
4	65001	70000	264,500
1	90001	95000	93,300
1	135001	140000	139,920
1	140001	145000	141,200
1	235001	240000	238,051
1	280001	285000	284,337
1	315001	320000	317,400
1	685001	690000	687,700
1	1470001	1475000	1,474,579
1	3965001	3970000	3,967,500
1	4160001	4165000	4,164,024
1	4250001	4255000	4,251,573
<u>1,096</u>			<u>17,324,750</u>

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

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDER	SHARES HELD	PERCENTAGE
National Investment Trust	1	4,251,573	24.54
Invesment Carporation of Pakistan	2	1,285	0.01
Public Sector Companies & Corporation	1	141,200	0.82
Development Finance Instituions	1	4,323	0.02
Joint Stock Company	5	1,846	0.01
Associated Companies, Undertaking and Related Parties	1	3,967,500	22.90
Directors, CEO, their Spouses and Minor Children	7	6,195,876	35.76
Individuals	1,078	2,761,147	15.94
	<u>1,096</u>	<u>17,324,750</u>	<u>100.00</u>



Details of Categories of Shareholders As at June 30, 2006

	Number of shareholders	Share Held
NATIONAL INVESTMENT TRUST N.B.P. Trustee Deptt.	1	4,251,573
INVESTMENT COMPANIES Investment Corporation of Pakistan	2	1,285
PUBLIC SECTORE COMPANIES & CORPORATIONS Naveena Industries (Pvt.) Ltd.	1	141,200
DEVELOPMENT FINANCE INSTITUTIONS National Development Finance Corporation (Investor)	1	4,323
JOINT STOCK COMPANIES ACE Securities (Pvt) Ltd.		661
Adeel & Nadeem Securities (Pvt) Ltd.		431
Kai Securities (Pvt.) Ltd.		311
Progressive Securities (Pvt.) Ltd.		311
Y. S. Securities & Services (Pvt) Ltd.		132
	5	<u>1,846</u>
ASSOCIATED COMPANIES, UNDERTAKING & RELATED PARTIES Salfi Textile Mills Ltd.	1	3,967,500
DIRECTORS, CEO, THEIR SPOUSES & MINOR CHILDREN Mr. Anwar Ahmed Tata (Chairman/Director)		4,164,024
Mr. Shahid Anwar Tata (Chief Executive Officer)		1,474,579
Mrs. Parveen Anwar (W/o Mr. Anwar Ahmed Tata)		238,051
Mrs. Saiqa Shahid (W/o Mr. Shahid Anwar Tata)		317,400
Mr. Ejaz Ahmed Tariq		500
Mr. Muhammad Waris Magoon (Director)		661
Mr. Farooq Advani (Director)		661
	7	<u>6,195,876</u>
INDIVIDUALS	1,078	2,761,147
Grand Total	<u>1,096</u>	<u>17,324,750</u>

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

	Share Held	Percentage
DIRECTORS, CEO, THEIR SPOUSES AND MINOR CHILDREN Mr. Anwar Ahmed Tata	4,164,024	24.04
FINANCIAL INSTITUTION N. B. P. Trustee Deptt.	4,251,573,	24.54
ASSOCIATED COMPANIES, UNDERTAKING & RELATED PARTIES Salfi Textile Mills Ltd.	3,967,500	22.90



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.) and chapter XIII of Lahore 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 an orientation course 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. However, the Board has approved annual remuneration and terms and condition of employment, as determined by the Chief Executive Officer.



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

**SHAHID ANWAR TATA
CHIEF EXECUTIVE OFFICER**

Karachi

Dated: September 14, 2006



Notice of Annual General Meeting

Notice is hereby given that the 20th Annual General Meeting of the Shareholders of **Tata Textile Mills Limited** will be held on **Thursday the October 12, 2006** at **12:30 P.M.** at **Beach Luxury Hotel, M.T Khan Road, Karachi**, to transact the following business: -

1. To confirm the minutes of the 19th 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

A handwritten signature in black ink, appearing to read 'Farooq Advani', is written over a horizontal line.

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,
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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 **TATA 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
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of TATA 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;
 - (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 year 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	June 30, 2005 Rupees
SHARE CAPITAL AND RESERVES			
Authorized 20,000,000 Ordinary shares of Rs.10 each		200,000,000	200,000,000
Issued, subscribed and paid-up	3	173,247,500	173,247,500
Unappropriated profits		263,024,822	228,708,865
		436,272,322	401,956,365
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
	4	123,334,951	135,928,873
NON-CURRENT LIABILITIES			
Long-term financing	5	547,190,923	711,750,000
Liabilities against assets subject to finance lease	6	224,697,810	161,422,131
Deferred liabilities	7	46,475,719	41,413,879
CURRENT LIABILITIES			
Trade and other payables	8	64,039,198	58,825,748
Interest / mark-up on loans	9	39,988,970	30,102,706
Short-term borrowings	10	730,336,130	664,053,859
Current portion of:			
Long- term financing		167,029,668	83,250,000
liabilities against assets subject to finance lease		71,940,432	46,398,507
Taxation - income tax		104,469,225	77,503,100
		1,177,803,623	960,133,920
CONTINGENCIES AND COMMITMENTS			
	11	2,555,775,348	2,412,605,168

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



AS AT JUNE 30, 2006

	Note	June 30, 2006 Rupees	June 30, 2005 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	12	1,495,267,189	1,447,166,054
Long-term deposits		745,567	640,567
CURRENT ASSETS			
Stores, spares and loose tools	13	19,777,110	12,883,442
Stock-in-trade	14	735,567,875	643,756,692
Trade debts - considered good	15	133,144,919	144,983,739
Loans and advances	16	139,825,010	72,566,576
Trade deposits and short term prepayments	17	5,230,524	5,405,170
Other receivables		593,981	1,215,803
Sales tax refundable		9,776,480	2,568,336
Other financial assets	18	1,401,213	3,274,008
Cash and bank balances	19	14,445,480	78,144,781
		1,059,762,592	964,798,547
		<u><u>2,555,775,348</u></u>	<u><u>2,412,605,168</u></u>

**SHAHID ANWAR TATA
CHIEF EXECUTIVE OFFICER**

**ANWAR AHMED TATA
CHAIRMAN /DIRECTOR**

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

	Note	For year ended June,30 2006 Rupees	For 9 months period ended June 30, 2005 Rupees
Sales	20	2,097,249,218	1,095,062,582
Cost of goods sold	21	(1,727,228,275)	(877,420,371)
Gross profit		370,020,943	217,642,211
Distribution cost	22	(61,512,696)	(38,225,361)
Administrative expenses	23	(44,661,804)	(25,725,788)
Other operating expenses	24	(17,069,069)	(9,400,147)
Other operating income	25	550,437	533,017
Finance cost	26	(179,994,082)	(64,083,854)
		(302,687,214)	(136,902,133)
Profit before taxation		67,333,729	80,740,078
Taxation	27	(28,286,944)	(20,706,115)
Profit for the year / period		39,046,785	60,033,963
Earnings per share - Basic and diluted	28	2.25	3.47

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



**SHAHID ANWAR TATA
 CHIEF EXECUTIVE OFFICER**



**ANWAR AHMED TATA
 CHAIRMAN /DIRECTOR**



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2006

	For year ended June,30 2006 Rupees	For 9 months period ended June 30, 2005 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	67,333,729	80,740,078
Adjustments for :		
Depreciation	165,229,944	80,569,718
Provision for staff gratuity and compensated absences	6,273,908	2,583,514
Finance cost	179,994,082	64,083,854
Gain on sale of property, plant and equipment	(208,584)	(279,740)
	418,623,079	227,697,424
Changes in working capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(6,893,668)	4,671,547
Stock-in-trade	(91,811,183)	(390,586,310)
Trade debts - considered good	11,838,820	(91,248,766)
Loans and advances	(32,312,869)	5,614,820
Trade deposits and short term prepayments	174,646	2,579,609
Other receivables	621,822	(1,215,803)
Sales tax refundable	(7,208,144)	(1,783,170)
Other financial assets	1,872,795	(1,310,006)
Increase / (decrease) in current liabilities		
Trade and other payables	4,894,678	15,969,425
Cash generated from / (used) in operations	299,799,976	(229,611,230)
Finance cost paid	(148,435,734)	(31,846,380)
Income taxes paid	(34,945,565)	(11,374,713)
Staff gratuity paid	(2,532,887)	(839,876)
Net cash from / (used) in operating activities	A 113,885,790	(273,672,199)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(65,623,501)	(413,195,147)
Proceeds on disposal of property, plant and equipment	10,830,000	1,315,000
Long-term deposits	(105,000)	(14,194,100)
Net cash used in investing activities	B (54,898,501)	(426,074,247)

For year ended June,30 2006 Rupees For 9 months period ended June 30, 2005 Rupees

C. CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds form long term loan		3,238,000	497,307,428
Repayment of long term financing		(84,017,409)	(50,546,924)
Repayment of finance lease		(91,183,474)	(76,049,074)
Short-term borrowings - net		66,282,271	402,874,433
Dividends paid		(17,005,978)	(1,736)
Net cash (used) in / from financing activities	C	<u>(122,686,590)</u>	<u>773,584,127</u>
Net (decrease) / increase in cash and cash equivalents (A+B+C)		(63,699,301)	73,837,681
Cash and cash equivalents at the beginning of the year / period		78,144,781	4,307,100
Cash and cash equivalents at the end of the year / period		<u><u>14,445,480</u></u>	<u><u>78,144,781</u></u>

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



SHAHID ANWAR TATA
CHIEF EXECUTIVE OFFICER



ANWAR AHMED TATA
CHAIRMAN /DIRECTOR




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

	Issued, Subscribed and paid-up	<u>Revenue Reserve</u> Unappropriated Profit	Total
Rupees.....		
Balance as at October 01, 2004	150,650,000	181,018,989	331,668,989
Changes in equity for the period 2005			
Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	10,253,413	10,253,413
Net income recognised directly in equity		10,253,413	10,253,413
Profit for the nine months period	-	60,033,963	60,033,963
Total recognised income and expense for the nine months period	-	70,287,376	70,287,376
Bonus shares for the year ended September 30 ,2004 @10% of issued share capital	22,597,500	(22,597,500)	-
Balance as at June 30, 2005	173,247,500	228,708,865	401,956,365
Changes in equity for the year 2006			
Transfer from surplus on revaluation of property, plant and equipment on account of :			
-incremental depreciation - net of deferred tax	-	11,706,378	11,706,378
-disposal - net of deferred tax	-	887,544	887,544
Net income recognised directly in equity	-	12,593,922	12,593,922
Profit for the year	-	39,046,785	39,046,785
Total recognised income and expense for the year	-	51,640,707	51,640,707
Final cash dividend for the nine months period ended June 30, 2005 @ Re.1 per share	-	(17,324,750)	(17,324,750)
Balance as at June 30, 2006	173,247,500	263,024,822	436,272,322

The annexed notes form an integral part of these financial statements


SHAHID ANWAR TATA
CHIEF EXECUTIVE OFFICER


ANWAR AHMED TATA
CHAIRMAN /DIRECTOR



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

GENERAL INFORMATION

- 1.1 Tata Textile Mills Limited (the company) was incorporated in Pakistan on April 15, 1987 as a public limited company under the Companies Ordinance, 1984 and is listed on Karachi and Lahore Stock Exchanges. 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 District of Muzaffargarh in the province of Punjab.
- 1.2 The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

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 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 authorization 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 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

The principal accounting policies adopted are set out below.



2.4 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 recognized 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 capitalized in accordance with the company's general policy on borrowing costs.

2.5 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 recognized in profit or loss in the period in which they are incurred.

2.6 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:

2.6.1 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 recognized 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 amortized over the average expected remaining working lives of the employees.

2.6.2 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.



2.7 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.

2.8 Taxation

2.8.1 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.

2.8.2 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.

2.9 Property, plant and equipment

2.9.1 Company owned

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land, building on freehold land, plant and machinery and electric installations 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.12.

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 recognized 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 of losses on disposal of assets, if any, are recognized 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.



2.9.2 Assets held under finance lease

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

2.9.3 Capital work-in-progress

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

2.10 Investment

2.10.1 Regular way purchase or sale of investments

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

2.10.2 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.

2.10.3 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.

2.11 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.

2.12 Stock-in-trade

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

- Raw material and trading stock - at weighted average cost.
- Material in transit - at cost accumulated upto balance sheet date.
- 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 2.11



2.13 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.

2.14 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.

2.15 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.

2.16 Financial Instruments

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument and de-recognized 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.

2.17 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.

2.18 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 recognized 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 recognized as an income or expense.



2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

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

2.20 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.

2.21 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.

2.22 Critical judgments and accounting estimates in applying the accounting policies

In the process of applying the company's accounting policies, the management has not identified any area where critical judgments 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.

ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

June 30, 2006	June 30, 2005		June 30, 2006 Rupees	June 30, 2005 Rupees
Number of shares				
13,100,000	13,100,000	Ordinary shares of Rs. 10 each fully paid	131,000,000	131,000,000
4,224,750	4,224,750	in cash	42,247,500	42,247,500
<u>17,324,750</u>	<u>17,324,750</u>	As Bonus shares	<u>173,247,500</u>	<u>173,247,500</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 an associate of the company as at the balance sheet date

	Number of ordinary shares of Rs. 10 each	
Salfi Textile Mills Ltd	<u>3,967,500</u>	<u>3,967,500</u>

- 3.4 The company has no reserved shares for issuance under options and sales contracts.



4. 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 on September 30, 2003 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	148,055,060	159,291,676
Transferred to unappropriated profit on account of incremental depreciation - net off deferred tax	(11,706,378)	(10,253,413)
disposal of property, plant and equipment - net off deferred tax	(887,544)	-
Related deferred tax liability	(1,207,637)	(983,203)
	(13,801,559)	(11,236,616)
Surplus on revaluation of property, plant and equipment as at June 30	134,253,501	148,055,060
Related deferred tax liability on:		
Revaluation as at July 01 / October 01	12,126,187	13,109,390
Transferred to profit and loss account on account of incremental depreciation	(1,122,530)	-
disposal	(85,107)	(983,203)
	(10,918,550)	(12,126,187)
	<u>123,334,951</u>	<u>135,928,873</u>

5. LONG -TERM FINANCING

From banking companies-Secured

Demand finances (5.1)	590,500,000	660,000,000
Term finance (5.2)	96,250,000	110,000,000
Vehicle loans (5.3)	2,470,591	-

From related party-Unsecured

Associated company (5.4)	25,000,000	25,000,000
	<u>714,220,591</u>	<u>795,000,000</u>

Current portion from banking companies

Demand finances	(139,000,000)	(69,500,000)
Term finance	(27,500,000)	(13,750,000)
Vehicle loan	(529,668)	-
	(167,029,668)	(83,250,000)
	<u>547,190,923</u>	<u>711,750,000</u>



- 5.1** The loans are secured against first pari passu charge over property, plant and equipment of the company. The loans comprise of Demand finance-I amounting Rs. 520 million, which is subject to markup at an average cut-off yield of last three six months' T-Bills plus 3.5% with a floor of 5% and a cap of 12% revised semi annually and Demand finance-II amounting Rs. 140 million, which is subject to markup at six months' average KIBOR ask rate plus 2% per annum revised semi annually. These loans are repayable in 8 - 10 equal semi-annual installments commencing from March / April 2006.
- 5.2** The loan is secured against first pari passu specific charge over property, plant and equipment of the company and personal guarantee of sponsor directors. The loan carries markup at a rate of six months' average KIBOR ask rate plus 1.5% to 2.5% with a floor of 6% per annum revised semi annually. The loan is repayable in 8 semi-annual equal installments commencing from March 23, 2006.
- 5.3** These loans are secured against vehicles acquired from such loans. These loans carry markups at fixed rate ranging from 12% to 13% per annum. These loans are repayable in 60 equal monthly installments commencing from April 2006.
- 5.4** This finance carries mark-up at 6 months average KIBOR plus 1.5% per annum. The loan is repayable in 6 equal semi-annual installment commencing from May 19, 2007

6. 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 payments	Present Value	Minimum lease payments	Present Value
Rupees.....	Rupees.....	
Within one year	97,738,660	71,940,432	60,597,052	46,398,507
After one year but not more than five years	262,358,342	224,697,810	186,804,727	161,422,131
Total minimum lease payments	360,097,002	296,638,242	247,401,779	207,820,638
Amount representing finance charges	(63,458,760)	-	(39,581,141)	-
Present value of minimum lease payments	296,638,242	296,638,242	207,820,638	207,820,638
Current portion	(71,940,432)	(71,940,432)	(46,398,507)	(46,398,507)
	<u>224,697,810</u>	<u>224,697,810</u>	<u>161,422,131</u>	<u>161,422,131</u>

- 6.1** These represent finance lease entered into with leasing companies for plant & machinery and vehicles. Rates of finance cost range from 6.5% to 12.29% (2005: 5.37% to 8.65%) per annum and are used as discounting factors. The lease terms are of 3 to 5 years.
- 6.2** The company intends to exercise the option to purchase the leased assets upon completion of the lease periods.
- 6.3** Liabilities are secured against demand promissory notes and security deposits.



	June 30, 2006 Rupees	June 30, 2005 Rupees
7. DEFERRED LIABILITIES		
Staff gratuity (7.1)	11,223,324	8,248,024
Compensated absences	1,486,366	720,645
Deferred taxation - restated (7.2)	33,766,029	32,445,210
	<u>46,475,719</u>	<u>41,413,879</u>
7.1 Staff gratuity		
Workmen (7.1.1)	2,403,251	1,971,591
Non workmen (7.1.2)	8,820,073	6,276,433
	<u>11,223,324</u>	<u>8,248,024</u>
7.1.1 Workmen - Defined benefit plan		
(a) Charge for the year / period		
Current service cost	1,354,696	624,552
Interest cost	245,360	130,803
Actuarial loss	14,551	-
	<u>1,614,607</u>	<u>755,355</u>
(b) Movement in liability		
As at July 01 / October 01	1,971,591	1,898,182
Charge for the year / period as above	1,614,607	755,355
Paid during the year/period	(1,182,947)	(681,946)
As at June 30	<u>2,403,251</u>	<u>1,971,591</u>
(c) Reconciliation		
Present value of defined benefit obligation	4,305,986	2,726,220
Unrecognized actuarial loss	(1,902,735)	(754,629)
	<u>2,403,251</u>	<u>1,971,591</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%
7.1.2 Non-workmen - Defined contribution plan		
As at July 01 / October 01	6,276,433	4,866,033
Charge for the year / period	3,893,580	1,568,330
Paid during the year / period	(1,349,940)	(157,930)
As at June 30	<u>8,820,073</u>	<u>6,276,433</u>



	June 30, 2006 Rupees	June 30, 2005 Rupees
7.2 Deferred taxation - Restated		
This comprises of the following :		
Deferred tax liabilities on taxable temporary differences arising in respect of :		
Property, plant and equipment - owned assets	23,829,520	21,040,726
Surplus on revaluation of property, plant and equipment	10,918,550	12,126,187
	<u>34,748,070</u>	<u>33,166,913</u>
Deferred tax assets on deductible temporary differences arising in respect of :		
Staff gratuity	(982,041)	(721,703)
	<u>33,766,029</u>	<u>32,445,210</u>
8. TRADE AND OTHER PAYABLES		
Creditors	5,780,895	9,193,449
Accrued liabilities	49,316,080	41,979,535
Retention money	1,298,921	-
Sales tax payable	50	16,566
Withholding income tax	379,305	151,069
Workers' profit participation fund (8.1)	3,549,645	4,258,766
Workers' welfare fund	1,295,875	1,126,708
Unclaimed dividend	2,418,427	2,099,655
	<u>64,039,198</u>	<u>58,825,748</u>
8.1 Workers' profit participation fund		
As at July 01 / October 01	4,258,766	2,921,082
Allocation during the year / period	3,549,645	4,258,766
Interest on funds utilized in the company's business	148,940	176,465
	<u>7,957,351</u>	<u>7,356,313</u>
Amount paid to the fund	(4,407,706)	(3,097,547)
As at June 30	<u>3,549,645</u>	<u>4,258,766</u>
9. INTEREST / MARK-UP ON LOANS		
Long-term financing		
- from banking companies	19,455,216	16,274,003
- from related party	655,076	455,623
Short-term borrowings	19,878,678	13,373,080
	<u>39,988,970</u>	<u>30,102,706</u>

	June 30, 2006 Rupees	June 30, 2005 Rupees
10. SHORT-TERM BORROWINGS		
From banking companies- Secured		
Export finances (10.1)	482,190,951	108,215,000
Running finances (10.2)	248,145,179	451,838,859
Cash finance (10.3)	-	104,000,000
	730,336,130	664,053,859

10.1 These facilities are available from various commercial banks amounting to Rs.604 million (2005: Rs. 570 million). These carry mark-ups at the rates ranging of LIBOR plus 1.25% to 1.50% (2005: 1% to 1.25%). These arrangements are secured against pledge of stocks, lien on export documents and L/Cs, pari passu charge over current assets and personal guarantee of sponsor directors.

10.2 These facilities are available from various banks amounting to Rs. 620 million (2005: Rs. 695 million). These carry mark-up at the rates ranging from three months KIBOR plus 1% to 1.5% (2005: 1%). These arrangements are secured against by way of pledge of stocks, foreign currency deposits, rupee deposits and lien on export documents.

10.3 These facilities are available from various banks amounting to Rs.440 million (2005: Rs. 520 million). These carry mark-up at a rate of one month KIBOR plus 1% (2005: 1%). These arrangements are secured against pledge of raw material and pari passu charge over current assets.

	June 30, 2006 Rupees	June 30, 2005 Rupees
11. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Amount claimed by WAPDA against installation of requisite panel, not acknowledged by the company,	337,114	337,114
Bank guarantees issued on behalf of the company	41,968,600	36,630,000
Delayed payment surcharge on debentures, demanded by Collector of Customs not acknowledged by the company	496,166	496,166
Commitments		
Civil works	-	7,495,105
Foreign bills discounted	591,191,701	494,487,714
Letters of credit for store, machinery and raw material	378,705,460	111,413,305



12 PROPERTY, PLANT AND EQUIPMENT

	June 30, 2006	June 30, 2005
Notes	Rupees	Rupees
Operating assets	1,483,139,960	1,416,230,218
Capital work in progress	12,127,229	30,935,836
	<u>1,495,267,189</u>	<u>1,447,166,054</u>

12.1 Operating Assets

Particulars	Cost/valuation at July 01, 2005	Additions/(disposal)/transfer during the year/period	Cost/valuation at June 30 2005	Accumulated depreciation at July 01, 2005	Depreciation/(Disposal)/(Adjustment) for the year/period	Accumulated depreciation at June 30, 2006	Written down value at June 30, 2006	Rate %
	Rupees							
Company owned								
Land - free hold	11,898,600	9,916,972	21,814,572	-	-	-	21,814,572	-
Buildings on free hold land	229,781,798	46,457,971	276,239,769	23,495,803	25,274,397	48,770,200	227,469,569	10
Plant and machinery	1,004,425,770	17,480,229	1,021,905,999	97,141,518	91,523,166	188,664,684	833,241,315	10
		(11,480,822)			(1,918,013)			
Factory and workshop equipments	5,047,939	67,775	5,115,714	2,657,775	245,793	2,903,568	2,212,146	10
Electric installations	45,031,681	1,056,814	46,088,495	3,965,153	4,212,334	8,177,487	37,911,008	10
Office premises	4,714,674	254,264	4,968,938	1,047,502	392,144	1,439,646	3,529,292	10
Furniture and fixtures	5,931,404	2,283,903	8,215,307	3,043,545	5,176	3,560,721	4,654,586	10
Office equipment	7,082,595	859,734	7,942,329	3,790,543	961,179	4,751,722	3,190,607	10-30
Vehicles	14,302,509	6,056,448	20,358,957	9,635,068	1,926,858	9,983,826	7,707,424	20
		(2,666,705)			(1,578,098)			
	1,328,216,970	84,432,108	1,398,531,551	144,776,907	125,053,045	266,333,841	1,132,197,710	
		(14,117,527)			(3,496,111)			
Assets held under finance lease								
Plant and machinery	245,054,341	156,265,994	401,320,335	20,851,036	38,046,929	58,897,965	342,422,370	10
Vehicles	12,953,000	2,063,000	15,016,000	4,386,150	2,129,970	6,496,120	8,519,880	20
	258,007,341	158,328,994	416,336,335	25,237,186	40,176,899	65,394,085	350,942,250	
June 30, 2006	1,586,224,311	242,761,102	1,814,867,866	169,994,093	165,229,944	331,727,926	1,483,139,960	
		(14,117,527)			(3,496,111)			
June 30, 2005	594,714,981	993,346,747	1,586,224,311	90,226,532	80,569,718	169,994,093	1,416,230,218	
		(1,837,417)			(802,157)			



	For Year ended June 30, 2006 Rupees	For Nine months period ended June 30, 2005 Rupees
12.2 Depreciation for the year has been allocated as under:		
Cost of goods manufactured (21.1)	159,681,112	77,602,171
Administrative expenses (23)	5,548,832	2,967,550
	<u>165,229,944</u>	<u>80,569,721</u>

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

	June 30, 2006	Written down Value	June 30, 2005	Written down Value
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
	Rupees			
Freehold land	12,344,500	-	12,344,500	2,428,528
Building on freehold land	235,554,556	65,918,090	169,636,466	189,096,584
Plant and machinery	1,174,380,108	410,612,732	763,767,376	1,170,847,078
Electric installations	51,151,224	20,249,414	30,901,810	50,094,410
	<u>1,473,430,388</u>	<u>496,780,236</u>	<u>976,650,152</u>	<u>1,412,466,600</u>
			<u>395,022,204</u>	<u>1,017,444,396</u>

Revaluation of land, building, plant and machinery and electric installations had been carried out on September 30, 2003 by independent professional valuers M/s. Iqbal A. Nanjee & Co. on the basis of market value or depreciated replacement values as applicable. Revaluation surplus has been credited to surplus on revaluation of property, plant and equipment account to comply with the requirement of Section 235 of the Companies Ordinance, 1984.

12.4 Disposal of property, plant and equipment - by negotiations

Particular and mode of disposal	Cost	Accumulated depreciation	Written down value	Sale proceed	Name and Address
	Rupees				
Plant and Machinery	11,007,628	1,843,778	9,163,850	9,000,000	Salfi Textile Mills Limited 8, 8th Floor, Textile Plaza, M.A. Jinnah Road, Karachi.
Plant and Machinery	443,194	74,235	368,959	250,000	A W Traders 662, Ayyob Colony, Near Khizra Masjid, Latifabad No. 11, Hyderabad
Vehicle	974,825	311,944	662,881	675,000	Muhammad Naveed Memon House No. D/12, Bano Plaza, Nishtar Road, Garden East, Karachi
Vehicle	1,145,000	876,670	268,330	550,000	Mr. Amjad House No. 51, Street # 3, Fatima Jinnah Colony
Vehicle	474,000	341,978	132,022	300,000	Khurram Haroon House No. 248 Nazimabad, Block 13-D, Karachi
Motor Cycle	72,880	47,506	25,374	55,000	Insurance Claim, EFU General Insurance
June 30, 2006 Rupees	<u>14,117,527</u>	<u>3,496,111</u>	<u>10,621,416</u>	<u>10,830,000</u>	
June 30, 2005 Rupees	<u>1,837,417</u>	<u>802,157</u>	<u>1,035,260</u>	<u>1,315,000</u>	



	June 30, 2006 Rupees	June 30, 2005 Rupees
12.5 Capital work in progress		
Plant and machinery	-	12,322
Civil work	12,127,229	30,923,514
	<u>12,127,229</u>	<u>30,935,836</u>
13. STORES, SPARES AND LOOSE TOOLS		
Stores	10,565,250	8,053,343
Spares	9,190,028	4,722,913
Loose tools	21,832	107,186
	<u>19,777,110</u>	<u>12,883,442</u>
14. STOCK-IN-TRADE		
Raw material	673,710,198	583,001,480
Work-in-process	16,570,786	14,718,849
Finished goods (14.1)	37,316,512	38,152,033
Waste	7,970,379	7,884,330
	<u>735,567,875</u>	<u>643,756,692</u>
14.1 Finished goods of Rs. Nil (2005: Rs. 2,473,015) carried at net realizable value.		
15. TRADE DEBTS - CONSIDERED GOOD		
Secured		
Export (15.1)	78,267,397	100,678,358
Unsecured		
Local	54,877,522	44,305,381
	<u>133,144,919</u>	<u>144,983,739</u>
15.1 These are secured against letter of credit in favor of the company.		
16. LOANS AND ADVANCES		
Considered good		
Due from employees	3,906,765	2,723,508
Advances to creditors	1,683,386	2,076,334
Advances for expenses	360,767	414,113
Advance income tax	99,424,028	64,478,463
Letters of credit	34,450,064	2,874,158
	<u>139,825,010</u>	<u>72,566,576</u>
17. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Bank guarantee margin	3,595,872	2,615,751
Deposits	-	113,773
Short term prepayments	1,634,652	2,675,646
	<u>5,230,524</u>	<u>5,405,170</u>

	June 30, 2006 Rupees	June 30, 2005 Rupees
18. OTHER FINANCIAL ASSETS		
Investment -held to maturity	<u>1,401,213</u>	<u>3,274,008</u>
18.1	This represents investment made in TermDeposit Receipts held for a period of 3 months with a markup rate of 3.75% per quarter.	
19. CASH AND BANK BALANCES		
Cash at bank		
On current accounts	13,671,228	70,373,041
On PLS accounts	545,048	7,511,436
	14,216,276	77,884,477
Cash in hand	<u>229,204</u>	<u>260,304</u>
	<u>14,445,480</u>	<u>78,144,781</u>
	For Year ended June 30, 2006 Rupees	For Nine monts period ended June 30, 2005 Rupees
20. SALES-Net		
Local	489,884,468	129,627,098
Export	1,521,603,793	936,070,007
Waste-local	36,509,606	26,187,176
Waste-export	75,989,830	38,056,879
	2,123,987,697	1,129,941,160
Commission and discount	(26,738,479)	(16,464,357)
Sales tax	-	(18,414,221)
	(26,738,479)	(34,878,578)
	<u>2,097,249,218</u>	<u>1,095,062,582</u>
21. COST OF GOODS SOLD		
Cost of goods manufactured (21.1)	1,595,726,393	883,938,806
Finished goods		
Opening stock	46,036,363	15,531,748
Transferred from trial production	-	23,986,180
Purchase of finished goods	130,752,410	-
Closing stock	(45,286,891)	(46,036,363)
	131,501,882	(6,518,435)
	<u>1,727,228,275</u>	<u>877,420,371</u>



	For Year ended June 30, 2006 Rupees	For Nine months period ended June 30, 2005 Rupees
21.1 Cost of goods manufactured		
Raw material consumed (21.1.1)	1,130,964,207	650,445,368
Packing material consumed	37,941,347	19,137,283
Stores and spares consumed	21,088,454	11,456,775
Salaries, wages and benefits (21.1.2)	96,959,714	54,487,547
Power and fuel	135,382,853	63,402,643
Insurance	7,584,381	4,301,822
Repairs and maintenance	3,996,628	943,461
Depreciation (12.2)	159,681,112	77,602,171
Other overheads	3,979,634	2,981,846
	<u>1,597,578,330</u>	<u>884,758,916</u>
Work-in-process		
Opening stock	14,718,849	7,765,950
Transferred from trial production	-	6,132,789
Closing stock	(16,570,786)	(14,718,849)
	<u>(1,851,937)</u>	<u>(820,110)</u>
	<u>1,595,726,393</u>	<u>883,938,806</u>
21.1.1 Raw material consumed		
Opening stock	583,001,480	229,872,684
Purchases - net	1,221,672,925	1,034,966,818
Consumption related to trial production	-	(31,392,654)
	<u>1,804,674,405</u>	<u>1,233,446,848</u>
Closing stock	(673,710,198)	(583,001,480)
	<u>1,130,964,207</u>	<u>650,445,368</u>

21.1.2 Salaries, wages and benefits include Rs. 4,046,462 (2005 : Rs.1,335,041) in respect of staff retirement benefits.

22. DISTRIBUTION COST

Export development surcharge	3,987,263	2,369,580
Local freight	793,122	611,432
Inland freight on export	7,721,850	7,085,875
Ocean freight	24,348,750	15,405,425
Bank charges	10,115,796	4,705,014
Forwarding charges	2,835,695	1,997,616
Postage and telegram	1,054,076	791,154
Wharfage	3,131,637	1,861,836
Miscellaneous export expenses	3,353,471	2,028,707
Godown rent	240,000	180,000
Loading / unloading	21,150	14,060
Others	3,909,886	1,174,662
	<u>61,512,696</u>	<u>38,225,361</u>



	For Year ended June 30, 2006 Rupees	For Nine months period ended June 30, 2005 Rupees
23. ADMINISTRATIVE EXPENSES		
Director's remuneration	2,304,140	1,249,770
Staff salaries and benefits (23.1)	16,528,960	10,427,177
Traveling and conveyance	5,120,234	2,992,054
Printing and stationery	745,040	527,289
Postage and telephone	1,110,369	705,827
Legal and professional	668,100	422,000
Advertisement	356,899	193,200
Rent, rates and taxes	64,936	39,568
Repairs and maintenance	1,119,179	506,324
Vehicles running and maintenance	1,416,614	807,870
Auditors' remuneration (23.2)	323,676	284,000
Fees and subscription	2,484,574	852,277
Electricity	1,397,070	753,358
Insurance	309,019	224,481
Entertainment	1,523,014	722,841
Charity and donation (23.3)	3,617,624	2,041,307
Depreciation (12.2)	5,548,832	2,967,550
Other	23,524	8,895
	<u>44,661,804</u>	<u>25,725,788</u>
23.1	Staff salaries and benefits include Rs. 1,461,725 (2005: Rs. 661,133) in respect of staff retirement benefits.	
23.2 Auditors' remuneration		
Audit fee	125,000	125,000
Out of pocket expenses	18,676	5,000
Other remuneration as auditor		
- Half yearly review fee	40,000	34,000
- Other services	140,000	120,000
	<u>323,676</u>	<u>284,000</u>
23.3	None of the directors or their spouses had any interest in the donee's fund.	
24. OTHER OPERATING EXPENSES		
Workers' profit participation fund	3,549,645	4,258,766
Workers' welfare fund	169,167	-
Exchange loss	13,350,257	5,141,381
	<u>17,069,069</u>	<u>9,400,147</u>



	For Year ended June 30, 2006 Rupees	For Nine months period ended June 30, 2005 Rupees
25. OTHER OPERATING INCOME		
Profit on bank accounts	341,853	253,277
Gain on disposal of property, plant and equipment	208,584	279,740
	<u>550,437</u>	<u>533,017</u>
26. FINANCE COST		
Mark-up on :		
Long-term financing		
- from banking companies	82,367,518	23,282,283
- from related party	2,580,870	1,703,610
Short-term borrowings	71,474,102	30,278,279
Lease finance charges	21,672,084	7,198,991
Interest on workers' profit participation fund	148,940	176,465
Bank guarantee commission	265,435	554,525
Bank charges	1,485,133	889,701
	<u>179,994,082</u>	<u>64,083,854</u>
27. TAXATION		
Current	26,966,125	11,245,682
Deferred	1,320,819	9,460,433
	<u>28,286,944</u>	<u>20,706,115</u>

27.1 The relationship between tax expense and accounting profit has not been presented in these financial statements as the significant portion of total income of the company falls under final tax regime and hence tax has been provided under section 154 and 169 of the Income Tax Ordinance, 2001.

27.2 The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements as the significant portion of total income of the company falls under final tax regime and hence tax has been provided under sections 154 and 169 of the Income Tax Ordinance, 2001.

28. 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>39,046,785</u>	<u>60,033,963</u>
Weighted average number of ordinary shares outstanding during the year		<u>17,324,750</u>	<u>17,324,750</u>
Earnings per share	Rs.	<u>2.25</u>	<u>3.47</u>



29. REMUNERATION TO DIRECTORS AND EXECUTIVES

	For year ended June 30, 2006			For nine months ended June 30, 2005		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
 Rupees.....					
Meeting fee	-	48,000	-	-	34,000	-
Managerial remuneration	2,304,140	-	7,901,704	1,249,770	-	4,870,930
Retirement benefits	-	-	685,766	-	-	1,286,472
Leave encashment	-	-	342,883	-	-	235,000
	<u>2,304,140</u>	<u>48,000</u>	<u>8,930,353</u>	<u>1,249,770</u>	<u>34,000</u>	<u>6,392,402</u>
No. of person	1	6	7	1	6	6

The Chief Executive and Executive Directors are also entitled for use of cars owned and maintained by the company, the monetary value of which is Rs. 207,903 (2005: Rs. 186,385) approximately.

	For Year ended June 30, 2006 Rupees	For Nine months period ended June 30, 2005 Rupees
30. PLANT CAPACITY AND ACTUAL PRODUCTION		
Number of spindles installed	44,400	44,400
Number of spindles worked	44,400	44,400
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count-kgs	13,088,089	9,816,066
Actual production of yarn after conversion into 20/s count-kgs	15,169,949	9,312,801

31. 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. There is no balance outstanding with or from associated undertakings except long term loans disclosed in note 5. Remuneration of key management personnel is disclosed in note 29 and amount due in respect of staff retirement benefits is disclosed in note 7. Other significant transactions with related parties are as follows:

Relationship with company	Name of transaction		
Associated undertakings	Purchase of goods	50,922,923	201,300
	Share of expenses paid	318,383	399,711
	Share of expenses received	771,157	374,802
	Rent of godown	240,000	180,000
	Markup charges	2,580,870	1,761,574
	Purchase of stores and spares	212,000	-
	Sale of stores and spares	316,306	-
	Purchase of property, plant and equipment	577,500	-
	Sale of property, plant and equipment	9,000,000	-
	Dividend paid	3,967,500	-

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

32.1 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.

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

	Interest bearing		Non-Interest bearing		Sub Total	June 30, 2006 Total Rupees	June 30, 2005 Total Rupees
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year			
Financial assets							
Long term deposits	-	-	-	715,567	715,567	715,567	610,567
Trade debts-considered good	-	-	133,144,919	-	133,144,919	133,144,919	144,993,739
Loans and advances	-	-	3,906,765	-	3,906,765	3,906,765	2,723,508
Trade deposits	-	-	3,595,872	-	3,595,872	3,595,872	2,729,524
Other receivables	-	-	593,981	-	593,981	593,981	1,215,803
Other financial assets	1,401,213	-	-	-	1,401,213	1,401,213	3,274,008
Cash and bank balances	545,048	-	13,900,432	-	14,445,480	14,445,480	78,144,781
	1,946,261	-	155,141,969	745,567	155,887,536	157,833,797	233,711,930
Financial liabilities							
Long-term financing	167,029,668	547,190,923	-	-	714,220,591	714,220,591	795,000,000
Liabilities against assets subject to finance lease	71,940,432	224,697,910	-	-	296,638,242	296,638,242	207,820,638
Trade and other payables	-	-	58,814,323	-	58,814,323	58,814,323	53,227,639
Interest / markup on loans	-	-	39,988,970	-	39,988,970	39,988,970	30,102,706
Short-term borrowings	730,336,130	-	-	-	730,336,130	730,336,130	664,053,859
	969,306,230	771,888,733	98,803,293	-	1,839,998,256	1,839,998,256	1,750,204,842
Off balance sheet items:							
Letters of credit	-	-	-	-	-	-	111,413,305
Other commitments	-	-	-	-	-	591,191,701	501,982,819
Total						969,997,161	613,396,124
On balance sheet gap	(967,359,969)	(771,888,733)	(1,739,248,702)	56,338,676	715,567	(1,682,161,159)	(1,516,492,912)
Off balance sheet gap	-	-	-	-	-	(969,997,161)	(613,396,124)

32.3

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. 157,833,797 (2005: Rs. 233,711,930), the financial asset which are subject to credit risk amounted to Rs. 155,604,593 (2005: Rs. 233,451,626). The company believes that it is not 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.



32.4 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.

32.5 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.

32.6 Fair values of financial instruments

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

32.7 Interest Rates

The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

33. 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. 17.325 million (2005: Rs 17.325 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.

34. DATE OF AUTHORIZATION FOR ISSUE

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

35. 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 deposit	Liabilities against assets subject to finance lease	Security deposit	26,105,350
Capital work	Property, plant and equipment	Tangible assets	30,935,836

SHAHID ANWAR TATA
CHIEF EXECUTIVE OFFICER

ANWAR AHMED TATA
CHAIRMAN /DIRECTOR



PROXY FORM

TATA TEXTILE MILLS LIMITED

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

I/We _____

of _____

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

Ordinary Shares, do hereby appoint _____

of _____

or falling him/her _____

of _____

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

as my/our proxy to act on my/our behalf at the 20th Annual General Meeting of the Company to be held

on Monday the October 12, 2006 at 12 : 30 P.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.