



# **SALFI TEXTILE MILLS LIMITED**

**Financial Statements  
(Unaudited)  
For The Nine-Month Period Ended March 31, 2008**

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CONTENTS

1.	COMPANY INFORMATION	02
2.	DIRECTORS' REPORT	03
3.	BALANCE SHEET	05
4.	PROFIT AND LOSS ACCOUNTS	06
5.	CASH FLOW STATEMENT	07
6.	STATEMENT OF CHANGES IN EQUITY	08
7.	NOTES TO THE ACCOUNTS	09

## COMPANY INFORMATION

## BOARD OF DIRECTORS

CHAIRMAN AND  
CHIEF EXECUTIVE :

Mr. Anwar Ahmed Tata

DIRECTORS:

Mr. Shahid Anwar Tata  
Mr. Adeel Shahid Anwar Tata  
Mr. Aijaz Ahmed Tariq  
Mr. Farooq Advani  
Mr. Javed Ahmed  
Mr. Kausar EjazAUDIT COMMITTEE  
CHAIRMAN:

Mr. Shahid Anwar Tata

MEMBERS:

Mr. Javed Ahmed  
Mr. Kausar EjazCOMPANY SECRETARY &  
CHIEF FINANCIAL OFFICER:

Mr. Farooq Advani

BANKERS:

Allied Bank Limited.  
Habib Metropolitan Bank Limited  
KASB 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.  
2<sup>nd</sup> Floor, Sohni Centre, BS 5 & 6, Main  
Karimabad Block-4, Federal B. Area  
Karachi- 75950  
Tel# 6801880, 6802326

REGISTERED OFFICE:

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

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www.tatatex.com

E- MAIL ADDRESS:

finance@tatatex.com

MILLS:

HX-1, Landhi Industrial Area,  
Landhi, Karachi

DIRECTORS' REPORT

Assalam-o-Alaikum.

The financial statements (un-audited) of the company for the third quarter ended on March 31, 2008 are being presented before you with the following observations.

During the period under review the Company made a pre-tax loss of Rs.20.162 Million as compared to a pre-tax loss of Rs.15.619 Million during the corresponding period of last year.

Since textile is a cyclical business and there are difficult times which have to be encountered and survived with patience & sustained efforts. We hope and pray to Almighty Allah for giving us the strength thus enabling us to sustain our profitability level.

The textile industry is passing through yet another critical stage due to unprecedented increase in the cost of production besides confronting competition from the regional countries. Gas prices have gone up by further 5.50% with effective from 1st January 2008. Besides impact of increase in salaries and wages has also effected the cost. Further due to increase in oil prices, the prices of other commodities and materials viz. packing material, spare parts, etc. etc. are becoming very expensive. Since we are dealing in internationally tradable commodity and facing acute competition, how can we afford to pass on such price increases to our customers?

Income Tax is being charged on a presumptive basis with the result that even loss making companies have to pay minimum income tax @ 0.5% on their total turnover. Besides this EOBI, SESSI, Stamp duties, Cotton Cess and a long list of other levies increase the cost, irrespective of profit or loss and are basically a direct additional cost on the company. How can we afford such additional taxation under such circumstances?

Similarly besides above additional cost, we have to bear 1% presumptive income tax on export sales. For boosting export, government established export development fund yet the textile industry has to pay export development surcharge at 0.25% on export. Thus it is felt this export development fund is not contributing any way towards export promotion of textile products.

From the foregoing facts and figures our progress has retarded. Nevertheless even under such abnormally unavoidable circumstances we kept continue our efforts and endeavor for the improvement and betterment of boosting up of our production efficiencies. May Almighty Allah help us to further strengthen our operations successfully. We owe to the dedicated efforts and hard work of our Staff, Officers and Workers for which we offer them thanks and appreciation.

On behalf of the Board of Directors



**ANWAR AHMED TATA**

Chief Executive

Karachi:

Date: April 28, 2008

## SALFI TEXTILE MILLS LIMITED

05

CONDENSED INTERIM BALANCE SHEET  
AS AT MARCH 31, 2008

	Notes	Unaudited March 31, 2008 .....Rupees in 000 .....	Audited June 30, 2007
<b>EQUITY</b>			
<b>Share capital and reserves</b>			
Authorised			
5,000,000 ordinary shares of Rs.10 each		50,000	50,000
Issued, subscribed and paid-up			
3,342,570 ordinary shares of Rs.10 each		33,426	33,426
Capital reserve			
- Other reserve		5,996	5,996
- Unrealized gain in value of securities available for sale		2,047	2,833
Unappropriated profits		124,274	135,700
		165,743	177,955
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		544,865	549,060
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term financing		659,961	693,820
Liabilities against assets subject to finance lease		-	306
Deferred liabilities		67,710	58,144
		727,671	752,270
<b>Current liabilities</b>			
Trade and other payables		54,323	54,257
Accrued interest / mark-up on loans		40,447	24,127
Short-term borrowings		890,930	276,489
Current portion of:			
long - term financing		141,181	148,099
custom debentures		55	55
liabilities against assets subject to finance lease		441	864
Taxation - income tax		71,305	64,127
		1,198,682	568,018
<b>Contingencies and commitments</b>	2	<b>2,636,961</b>	<b>2,047,303</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	1,379,807	1,355,519
Long-term investments		104,789	115,795
Long-term deposits		994	994
		1,485,590	1,472,308
<b>Current assets</b>			
Stores, spares and loose tools		16,222	13,866
Stock-in-trade		842,391	238,154
Trade debts - considered good		176,285	184,787
Loans and advances		94,336	96,486
Trade deposits & short term prepayment		4,797	23
Other receivables		6,930	5,371
Other financial assets		3,757	3,639
Cash and bank balances		6,653	32,669
		1,151,371	574,995
		<b>2,636,961</b>	<b>2,047,303</b>

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

  
**ANWAR AHMED TATA**  
 Chief Executive

  
**SHAHID ANWAR TATA**  
 Director

CONDENSED INTERIM PROFIT & LOSS ACCOUNT (UN-AUDITED)  
FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2008

Note	Quarter ended		Nine-month period ended	
	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
.....Rupees in '000'.....				
Sales	473,932	390,919	1,322,260	1,196,821
Cost of goods sold	4	(412,712)	(357,016)	(1,150,032)
<b>Gross profit</b>		61,220	33,903	172,228
Distribution cost		(7,315)	(9,802)	(23,788)
Administrative expenses		(9,203)	(8,553)	(29,217)
Other operating expenses		(11,540)	913	(17,077)
Other operating income		1,021	571	1,650
Finance cost		(42,093)	(33,366)	(98,845)
Share of (loss)/profit from associate		(12,252)	715	(7,499)
<b>Loss before taxation</b>		(20,162)	(15,619)	(2,548)
Taxation				
-current		(2,738)	(1,955)	(7,178)
-deferred		3,379	(3,179)	(3,737)
		641	(5,134)	(10,915)
<b>Loss for the period</b>		(19,521)	(20,753)	(13,463)
<b>Earnings per share</b>				
- Basic and diluted (Rupees)		(5.84)	(6.21)	(4.03)

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



**ANWAR AHMED TATA**  
Chief Executive



**SHAHID ANWAR TATA**  
Director

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

	March 31, 2008	March 31, 2007
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>	.....Rupees in 000 .....	
Loss before taxation	(2,548)	(31,639)
Adjustments for :		
Depreciation	51,453	47,593
Gain on disposal of property, plant and equipment	(312)	(3,283)
Provision for staff gratuity and compensated absences	8,130	4,337
Finance cost	98,845	104,296
Share of loss/(profit) from associate	7,499	(6,712)
Operating cash flows before working capital changes	<u>163,067</u>	<u>114,592</u>
<b>Changes in working capital</b>		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(2,356)	(1,982)
Stock-in-trade	(604,237)	129,468
Trade debts - considered good	8,502	(6,229)
Loans and advances	12,008	12,806
Trade deposits and short term prepayments	(4,774)	(369)
Other receivable	(1,559)	6,585
Other financial assets	(118)	(834)
Increase/ (decrease) in current liabilities		
Trade and other payables	24	4,990
Cash (used in)/generated from operations	<u>(429,443)</u>	<u>259,027</u>
Finance cost paid	(82,525)	(111,200)
Staff gratuity paid	(2,363)	(1,788)
Income taxes paid	(9,858)	(9,260)
Net cash (used in)/generated from operating activities	<b>A</b> <u>(524,189)</u>	<u>136,779</u>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(80,189)	(35,193)
Proceeds on disposal of property, plant and equipment	4,760	9,891
Dividend received from associate	3,969	3,969
Net cash used in investing activities	<b>B</b> <u>(71,460)</u>	<u>(21,333)</u>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term financing	53,649	32,405
Repayment of long - term financing	(94,427)	(34,556)
Repayment of finance lease	(729)	(2,162)
Short-term borrowing- Foreign Exchange Loan	464,761	315,735
Dividend paid	(3,301)	(3,289)
Net cash generated from financing activities	<b>C</b> <u>419,953</u>	<u>308,133</u>
Net (decrease)/increase in cash and cash equivalents (A+B+C)	(175,696)	423,579
<b>Cash and cash equivalents at July 1</b>	31,152	(494,847)
<b>Cash and cash equivalents at March 31</b>	<u>(144,544)</u>	<u>(71,268)</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	6,653	42,722
Short - term running finance under markup arrangements	(151,197)	(113,990)
	<u>(144,544)</u>	<u>(71,268)</u>

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

  
**ANWAR AHMED TATA**  
 Chief Executive

  
**SHAHID ANWAR TATA**  
 Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2008

	Capital reserve				Total
	Issued, subscribed and paid-up	Other reserve	Unrealized gain/(loss) in value of securities available for sale	Unappropriated Profit	
	Rupees in 000				
<b>Balance at July 01, 2006</b>	33,426	5,996	612	148,711	188,745
<b>Changes in equity for the nine-month period ended March 31, 2007</b>					
Available-for-sale investment - valuation gains taken to equity		-	1,030	-	1,030
Transfer from surplus on revaluation of property, plant and equipment on account of : -incremental depreciation -net of deferred tax -disposal - net of deferred tax		-	-	2,243	2,243
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		-	-	348	348
				888	888
<b>Net income recognized directly in equity</b>		-	1,030	3,479	4,509
Loss for the Period	-	-	-	(45,999)	(45,999)
<b>Total recognised income and expense for the nine-month period ended March 2007</b>	-	-	1,030	(42,520)	(41,490)
Final Cash Dividend for the year ended June 30, 2006 at Re.1 per Ordinary Share				(3,343)	(3,343)
<b>Balance as at March 31, 2007</b>	<u>33,426</u>	<u>5,996</u>	<u>1,642</u>	<u>102,848</u>	<u>143,912</u>
<b>Balance at July 01, 2007</b>	33,426	5,996	2,833	135,700	177,955
<b>Changes in equity for the nine-month period ended March 31, 2008</b>					
Available-for-sale investment - valuation losses taken to equity		-	(786)	-	(786)
Transfer from surplus on revaluation of property, plant and equipment on account of : -incremental depreciation -net of deferred tax -disposal - net of deferred tax		-	-	3,671	3,671
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		-	-	524	524
				1,185	1,185
<b>Net income recognized directly in equity</b>		-	(786)	5,380	4,594
Loss for the Period	-	-	-	(13,463)	(13,463)
<b>Total recognised income and expense for the nine-month period ended March 2008</b>		-	(786)	(8,083)	(8,869)
Final Cash Dividend for the year ended June 30, 2007 at Re.1 per Ordinary Share				(3,343)	(3,343)
<b>Balance as at March 31, 2008</b>	<u>33,426</u>	<u>5,996</u>	<u>2,047</u>	<u>124,274</u>	<u>165,743</u>

The annexed notes form an integral part of these financial statements

  
**ANWAR AHMED TATA**  
Chief Executive

  
**SHAHID ANWAR TATA**  
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2008**1. SELECTED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

- 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** These financial statements have been prepared under 'historical cost convention' modified by:
- revaluation of certain property, plant and equipment
  - investment in associate under equity method
  - investment available for sale at fair value
- 1.3** These accounts are unaudited and submitted to shareholders as required by SRO. No. 764 (I)/2001 Dated November 5, 2001 of S.E.C.P
- 1.4** The accounting policies and methods of computation followed in the preparation of these condensed interim financial statements are the same as those of the published annual financial statements for the year ended June 30, 2007.

**2. CONTINGENCIES & COMMITMENTS**

	March 31, 2008	June 30, 2007
<b>Contingencies</b>	.....Rupees in 000 .....	
Penal interest on debentures claimed by custom authorities not acknowledged as the same is against the terms of revival package.	145	145
Bank guarantees issued on behalf of the Company.	22,500	18,534
Labour and workmen compensation cases in court of law.	407	407
Export bills discounted	93,173	116,148
 <b>Commitments</b>		
Civil works	2,052	4,447
Letters of credit for store, machinery and raw material	140,221	301,140

**3. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT**

	For 3rd Quarter Ended March 31,2008		
	Acquisitions/ transfers from CWIP	Disposal (W.D.V)	Sale Proceed
	..... Rupees in '000' .....		
Building	302	-	-
Equipment	246	-	-
Vehicles	138	786	925
<b>March 31, 2008</b>	<u>686</u>	<u>786</u>	<u>925</u>

	Quarter ended		Nine-month period ended	
	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
	.....Rupees in '000'.....			
<b>4. COST OF GOODS SOLD</b>				
Opening stock - finished goods	129,232	140,199	82,329	159,211
Cost of goods manufactured (4.2)	421,009	345,838	1,205,232	1,049,396
	550,241	486,037	1,287,561	1,208,607
Closing stock - finished goods	(137,529)	(129,021)	(137,529)	(129,021)
	<u>412,712</u>	<u>357,016</u>	<u>1,150,032</u>	<u>1,079,586</u>
<b>4.1</b> Finished goods stock also includes waste stock carried at net realizable value				
<b>4.2 Cost of goods manufactured</b>				
Raw material consumed (4.2.1)	322,236	253,580	905,941	764,452
Packing material consumed	7,579	7,162	22,713	21,068
Stores and spares consumed	5,824	5,844	18,215	17,046
Salaries, wages and benefits	29,925	27,899	94,662	88,026
Fuel and power	34,513	32,517	105,257	98,790
Insurance	2,784	963	4,356	2,994
Repairs and maintenance	152	557	1,161	1,715
Depreciation	16,402	15,970	49,481	45,770
Other overheads	1,573	2,498	3,767	5,906
	420,988	346,990	1,205,553	1,045,767
Work-in-process				
Opening stock	16,049	14,171	15,707	18,952
Closing stock	(16,028)	(15,323)	(16,028)	(15,323)
	21	(1,152)	(321)	3,629
	<u>421,009</u>	<u>345,838</u>	<u>1,205,232</u>	<u>1,049,396</u>
<b>4.2.1 Raw material consumed</b>				
Opening stock	434,657	206,249	140,119	345,180
Purchases - net	576,413	296,863	1,454,656	668,804
	1,011,070	503,112	1,594,775	1,013,984
Closing stock	(688,834)	(249,532)	(688,834)	(249,532)
	<u>322,236</u>	<u>253,580</u>	<u>905,941</u>	<u>764,452</u>

	Quarter ended	
	March 31, 2008	March 31, 2007
<b>5. TRANSACTIONS WITH RELATED PARTIES</b>	.....Rupees in '000'.....	
<b>5.1 Associates</b>		
Share of expense received	112	465
Share of expense paid	58	5
Purchase of electricity	34,062	31,863
Sale of Goods	39,313	12,360
Mark-up on long term financing	1,720	3,404

	March 31, 2008	June 30, 2007
	.....Rupees in '000'.....	
Amount owed to	73,480	74,366

	Quarter ended	
	March 31, 2008	March 31, 2007
<b>5.2 Transactions with key management personnel</b>	.....Rupees in '000'.....	
Short-term benefits	4,995	4,206
Directors meetings fee	10	8
Rent	192	192
Mark-up on long term financing	717	-
Amount owed to	25,717	25,811

**6. GENERAL**

-Figures have been rounded off to nearest thousand rupee.  
-Corresponding figures have been rearranged / regrouped,  
wherever necessary, for the purpose of comparison.



**ANWAR AHMED TATA**  
Chief Executive



**SHAHID ANWAR TATA**  
Director

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