



**SALFI TEXTILE
MILLS LIMITED**

**Interim Report
For The 1st Quarter Ended September 30, 2008**

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 Ejaz

AUDIT COMMITTEE
CHAIRMAN:

Mr. Shahid Anwar Tata

MEMBERS:

Mr. Javed Ahmed
Mr. Kausar Ejaz

COMPANY 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.
2nd Floor, Sohni Centre, BS 5 & 6, Main
Karimabad Block-4, Federal B. Area
Karachi- 75950
Tel# 6801880, 6802326

REGISTERED OFFICE:

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

WEB SITE ADDRESS:

www.tatatex.com

E- MAIL ADDRESS:

finance@tatatex.com

MILLS:

HX-1, Landhi Industrial Area,
Landhi, Karachi

DIRECTORS' REPORT

Assalam-o-Alaikum,

The un-audited Financial Statements of the company for the 1st quarter ended on September 30, 2008 is being presented before you with the following observations.

During the period under review the Company made a pre-tax profit of Rs. 0.528 million as compared to a pre-tax profit of Rs. 9.021 million during the corresponding period last year.

The first quarter has been a tumultuous one with unprecedented increase in the cost of production due to the high interest rates, non-guaranteed energy supplies, sharp rise in the price of natural gas and depreciation of Pak Rupee. There have been so many other factors governing the prices that it has become very risky to do business in this environment which continues to hamper country's export oriented industries ability to compete in the international markets.

Globally the situation is not very good; the failures of banks, the financial system and the turmoil which has resulted in low demand from foreign buyers like the USA. It has become equally burdensome for us to sell our yarns. We have a fairly good marketing strategy and team but in spite of that our yarn inventory has piled up. We are experiencing an unprecedented slow down in yarn demand since the industry is confronted with numerous problems due to increase in cost of inputs caused by the elevated price of petroleum products and natural gas, sudden increase in electricity tariffs, rising interest rates and financial charges and the political uncertainty. We have been living beyond our means and failed to do much to develop the industry.

Because of the political uncertainty, trade deficit, Rupee/ Dollar parity coupled with international recession, the industry is slowing down in demand. Such a volatile situation has never been witnessed before. The cost push-ups at a difficult time with low demand has put us in great difficulty.

In the present operating environment we will continue our efforts and endeavour to tackle these problems. May Allah give us the strength for improvement in our operations. We would like to thank our Staff, Officers and Workers for their hard work and dedication.

On behalf of the Board of Directors



ANWAR AHMED TATA
Chairman / Chief Executive

Karachi:
Dated: October 27, 2008

SALFI TEXTILE MILLS LIMITED

03

BALANCE SHEET
AS AT SEPTEMBER 30, 2008

	Notes	Un-Audited Sept 30, 2008Rupees in 000	Audited June 30, 2008
SHARE CAPITAL AND RESERVES			
Authorised			
5,000,000 ordinary shares of Rs.10 each		<u>50,000</u>	<u>50,000</u>
Issued, subscribed and paid-up		33,426	33,426
Capital reserve			
- Other reserve		5,996	5,996
- Unrealized gain in value of securities available for sale		887	904
Unappropriated profits		<u>158,558</u>	<u>143,534</u>
		<u>198,867</u>	<u>183,860</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
		970,102	980,647
NON-CURRENT LIABILITIES			
Long-term financing		588,205	594,628
Deferred liabilities		179,103	176,230
CURRENT LIABILITIES			
Trade and other payables		156,014	288,274
Interest/mark-up accrued on loans		57,229	47,372
Short-term borrowings		1,066,063	798,513
Current portion of			
long - term financing		134,154	141,807
custom debentures		55	55
liabilities against assets subject to finance lease		207	306
Taxation - income tax		74,817	74,513
		<u>1,488,539</u>	<u>1,350,840</u>
CONTINGENCIES AND COMMITMENTS			
	2	<u>3,424,816</u>	<u>3,286,205</u>
NON-CURRENT ASSETS			
Property, plant and equipment	3	1,885,042	1,918,615
Long-term investments		117,870	113,796
Long-term deposits		994	994
CURRENT ASSETS			
Stores, spares and loose tools		13,508	14,280
Stock-in-trade		1,030,297	813,218
Trade debts - considered good		253,195	254,062
Loans and advances		97,577	140,364
Trade deposits & short term prepayments		7,403	513
Sales tax refundable		6,726	6,397
Other receivables		573	573
Other financial assets		4,769	4,757
Cash and bank balances		6,862	18,636
		<u>1,420,910</u>	<u>1,252,800</u>
		<u>3,424,816</u>	<u>3,286,205</u>

The annexed notes form an integral part of these financial statements


ANWAR AHMED TATA
Chief Executive


SHAHID ANWAR TATA
Director

PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2008

	Notes	Sept 30, 2008	Sept 30, 2007
	Rupees in 000	
Sales		527,413	435,816
Cost of goods sold	4	(434,786)	(382,326)
Gross profit		92,627	53,490
Distribution cost		(11,184)	(7,156)
Administrative expenses		(10,857)	(9,681)
Other operating expenses		(13,620)	(751)
Other operating income		4,566	1,473
Finance cost		(61,425)	(31,025)
Share of profit from associate - net of tax		421	2,671
		(92,099)	(44,469)
Profit before taxation		528	9,021
Taxation		465	(5,199)
Profit for the period		993	3,822
Earnings per share - Basic and diluted		0.30	1.14

The annexed notes form an integral
part of these financial statements



ANWAR AHMED TATA
Chief Executive



SHAHID ANWAR TATA
Director

CASH FLOW STATEMENT (UN-AUDITED)
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2008

	Sept 30, 2008	Sept 30, 2007
Rupees in 000	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	528	9,021
Adjustments for :		
Depreciation of property, plant and equipment	22,413	15,900
Provision for staff gratuity	3,863	3,424
Provision for compensated absences	27	246
Finance cost	61,425	31,025
Loss/(gain) on disposal of property, plant and equipment	4,521	(300)
Share of profit from associate	(421)	(2,671)
Operating cash flows before movements in working capital	<u>92,356</u>	<u>56,645</u>
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	772	(2,922)
Stock-in-trade	(217,079)	(98,685)
Trade debts - considered good	867	(48,862)
Loans and advances	44,823	15,063
Trade deposits & short term prepayment	(6,890)	(2,210)
Sales tax refundable	(329)	(1,148)
Other financial assets	(12)	(118)
Increase/ (decrease) in current liabilities		
Trade and other payables	<u>(132,260)</u>	<u>41,362</u>
Cash generated used in operations	<u>(217,752)</u>	<u>(40,875)</u>
Finance cost paid	(51,568)	(27,105)
Income taxes paid	(2,037)	(2,157)
Staff gratuity paid	(431)	(902)
Net cash used in operating activities	<u>(271,788)</u>	<u>(71,039)</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	953	(11,927)
Proceeds on disposal of property, plant and equipment	5,686	1,445
Net cash from/(used in) investing activities	<u>6,639</u>	<u>(10,482)</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term financing	5,598	969
Repayment of long - term financing	(19,674)	(18,971)
Repayment of finance lease	(99)	(430)
Proceeds from short -term borrowing-import/export	(128,175)	67,426
Dividend paid	-	(3)
Net cash (used in)/from financing activities	<u>(142,350)</u>	<u>48,991</u>
Net decrease in cash and cash equivalents (A+B+C)	(407,499)	(32,530)
Cash and cash equivalents at July 1	<u>(298,304)</u>	<u>31,152</u>
Cash and cash equivalents at Sept 30	<u>(705,803)</u>	<u>(1,378)</u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	6,862	13,508
Short - term running finance under markup arrangements	(712,665)	(14,886)
	<u>(705,803)</u>	<u>(1,378)</u>

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


ANWAR AHMED TATA
Chief Executive


SHAHID ANWAR TATA
Director

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2008

	RESERVE				Total
	Share Capital	CAPITAL		REVENUE	
		Other Reserves	Unrealized Gain/ (Loss) on remeasurement of Securities available for Sale	Unappropriated profit	
	Rupees in '000'				
Balance at July 01, 2007	33,426	5,996	2,833	135,700	177,955
Changes in equity for the Quarter ended Sept 30, 2007					
Available-for-sale investment valuation Loss taken to equity	-	-	(494)	-	(494)
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	-	-	-	395	395
Transfer from surplus on revaluation of property, plant and equipment on account of : - incremental depreciation - net of deferred tax	-	-	-	1,198	1,198
- disposal - net of deferred tax	-	-	-	126	126
Profit for the Period	-	-	-	3,822	3,822
Total recognised income and expense for the Quarter	-	-	(494)	5,541	5,047
Balance as at September 30, 2007	33,426	5,996	2,339	141,241	183,002
Balance at July 01, 2008	33,426	5,996	904	143,534	183,860
Changes in equity for the Quarter ended September 30, 2008					
Available-for-sale investment valuation Loss taken to equity	-	-	(17)	-	(17)
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	-	-	-	3,486	3,486
Transfer from surplus on revaluation of property, plant and equipment on account of : - incremental depreciation - net of deferred tax	-	-	-	6,096	6,096
- disposal - net of deferred tax	-	-	-	4,449	4,449
Profit for the period	-	-	-	993	993
Total recognised income and expense for the Quarter	-	-	(17)	15,024	15,007
Balance as at September 30, 2008	33,426	5,996	887	158,558	198,867

The annexed notes form an integral part of these financial statements


ANWAR AHMED TATA
Chief Executive


SHAHID ANWAR TATA
Director

NOTES TO THE ACCOUNTS (UN-AUDITED)
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 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
 - recognition of certain employee retirement benefits at present value
 - 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 the 1st Quarterly financial statements are the same as those of the published annual financial statements for the period ended June 30, 2008.

	Sept 30, 2008	June 30, 2008
Rupees in 000	
2. CONTINGENCIES & COMMITMENTS		
Contingencies		
Labour and workmen compensation cases in court of law.	407	407
Penal interest on debentures claimed by custom authorities not acknowledged as the same is against the terms of revival package.	145	145
Commitments		
Civil works	415	1,278
Letters of credit for store and stocks	181,270	268,037
Bank guarantees issued on behalf of the Company.	22,600	22,600
Export bills discounted	177,996	93,135

3. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

	For the 1st Quarter Ended September 30,2008		
	Acquisitions/ transfers from CWIP	Disposal (W.D.V)	Sale Proceeds
Rupees in 000		
Building	637	-	-
Plant & Machinery	4,511	9,398	4,400
Furniture & Equipment	1,538	-	-
Vehicles	706	809	1,286
September 30, 2008	<u>7,392</u>	<u>10,207</u>	<u>5,686</u>

4. COST OF GOODS SOLD

	Sept 30, 2008	Sept 30, 2007
Rupees in 000	
Opening stock - finished goods	79,202	82,329
Cost of goods manufactured (4.2)	<u>529,558</u>	<u>386,228</u>
	608,760	468,557
Closing stock - finished goods	<u>(173,974)</u>	<u>(86,231)</u>
	<u>434,786</u>	<u>382,326</u>

Sept 30, 2008 Sept 30, 2007

.....Rupees in 000

4.1	Finished goods stock also includes waste stock carried at net realizable value.		
4.2	Cost of goods manufactured		
	Raw material consumed (4.2.1)	406,968	290,050
	Packing material consumed	8,672	7,583
	Stores and spares consumed	10,144	5,545
	Salaries, wages and benefits	35,466	30,867
	Fuel and power	45,119	34,937
	Insurance	2,536	1,000
	Repairs and maintenance	304	295
	Depreciation	21,836	15,383
	Other overheads	2,280	1,066
		<u>533,325</u>	<u>386,726</u>
	Work-in-process		
	Opening stock	15,292	15,707
	Closing stock	(19,059)	(16,205)
		<u>(3,767)</u>	<u>(498)</u>
		<u>529,558</u>	<u>386,228</u>
4.2.1	Raw material consumed		
	Opening stock	504,841	140,119
	Purchases - net	739,391	384,334
		<u>1,244,232</u>	<u>524,453</u>
	Closing stock	(837,264)	(234,403)
		<u>406,968</u>	<u>290,050</u>

Sept 30,
2008Sept 30,
2007

.....Rupees in 000

5. TRANSACTIONS WITH RELATED PARTIES**5.1 Associates**

	Purchase of electricity	45,119	34,373
	Sale of Goods	119	-
	Purchase of goods	-	48,025
	Share of expense received	146	240
	Share of expense paid	92	851
	Long term loans obtained	5,000	-
	Mark-up on long term financing	2,089	1,892
		<u>Sept 30, 2008</u>	<u>June 30, 2008</u>
		<u>.....Rupees in 000</u>	<u>.....Rupees in 000</u>
	Amount owed to	81,975	66,200

Sept 30,
2008Sept 30,
2007

.....Rupees in 000

5.2 Transactions with key management personnel

	Short-term benefits	4,857	4,726
	Directors meetings fee	-	8
	Rent	191	191
	Mark-up on long term financing	985	725

Sept 30,
2008June 30,
2008

.....Rupees in 000

Amount owed to

25,985

25,739

6. GENERAL

Figures have been rounded off to nearest thousand rupee.



ANWAR AHMED TATA
Chief Executive



SHAHID ANWAR TATA
Director

BOOK POST

Printed Matter



If Undelivered please return to :
SALFI TEXTILE MILLS LIMITED
8, 8th Floor, Textile Plaza,
M. A. Jinnah Road,
Karachi-74000