

# **SALFI TEXTILE MILLS LIMITED**

**Financial Statement  
(Unaudited)  
For The Half Year Ended December 31, 2005**

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**COMPANY INFORMATION****BOARD OF DIRECTORS**

**CHAIRMAN AND  
CHIEF EXECUTIVE OFFICER:** Mr. Anwar Ahmed Tata

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

**AUDIT COMMITTEE  
CHAIRMAN:** Mr. Shahid Anwar Tata

**MEMBERS:** Mr. Sheikh Pervez Ahmed  
Mr. Kauser Ejaz

**COMPANY SECRETARY &  
CHIEF FINANCIAL OFFICER:** Mr. Farooq Advani

**BANKERS:** Allied Bank Ltd.  
Habib Bank A.G. Zurich  
Metropolitan Bank Limited  
M.C.B Bank Ltd.  
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

**WEB SITE ADDRESS:** [www.tatatex.com](http://www.tatatex.com)

**E- MAIL ADDRESS:** [finance@tatatex.com](mailto:finance@tatatex.com)

**MILLS:** HX-1, Landhi Industrial Area,  
Landhi, Karachi

DIRECTORS' REPORT

Assalam-o-Alaikum.

The un-audited account of the company for the Half Year ended on December 31, 2005 which is being presented before you with the following observations.

During the period under review the Company made a pre-tax profit of Rs.10.407 million as compared to a pre-tax profit of Rs.14.735 million during the corresponding period of last year.

Salfi is an old mill and for the past many years we had been modernizing it at snail pace and in a piecemeal fashion. About 2 years back the work for renovation and major overhauling of the mill began in real earnest. Renovating an old mill takes a longer time compared to putting up a new one. But we hope to accomplish this task for Salfi by April 2006.

Salfi has 2 units. Previously both the units used to produce synthetic yarn. But after the overhauling and renovation, Salfi Unit 1 will now continue to produce synthetic yarn while Salfi Unit 2 has been dedicated to 100% cotton, denim and towel yarn.

Salfi Unit 2 at the moment is closed as construction work is in its last stages and we hope this new unit will become operational, Inshallah, by April this year. This new unit contains state of the art equipment. Once Unit 2 comes into production, we hope to achieve remarkable profitability as it is fully geared to give good results.

The current cotton season has experienced a short fall of more than 2 million bales over the last year causing an increase of its price. Generally prices of cotton have remained higher this year and subsequently they have risen even further. However, we were able to purchase 70 per cent of the required cotton at the average prevailing price during the season.

We once again reiterate to maintain our quality standards and in fact even try to improve it further. We endeavor to give our customers only the best and nothing less. We pray to Almighty Allah for bestowing blessings on us and to give us strength for further improvement.

Salfi Mill has a good future as after such a comprehensive renovation, it will convert into a new mill.

We would like to thank our Staff, Officers and Workers of the Company for their hard work and dedication.

On behalf of the Board of Directors



ANWAR AHMED TATA  
Chairman / Chief Executive Officer

Karachi:

Date: February 24, 2006

**REVIEW REPORT TO THE MEMBERS**

We have reviewed the annexed balance sheet of **SALFI TEXTILE MILLS LIMITED** as at December 31, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, here-in-after referred to as "financial statements", for the half year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagement ISRE-2400 applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance about whether the above said statements are free of any material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly we do not express an audit opinion.

Separate figures of the profit and loss account for the quarter ended December 31, 2005 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31,2005. Further, as a result of change in accounting year for textile sector from September to June effective June 30, 2005, the corresponding figures in profit and loss account, cash flow statement and statement of changes in equity have not been reviewed because last year's reviewed period of half year was not identical as of half year of the current year.

Based on our review, except for the effect, if any, of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

**M. Yousuf Adil Saleem & Co.**

Chartered Accountants

Karachi:

Date: February 24, 2006

SALFI TEXTILE MILLS LIMITED

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BALANCE SHEET  
AS AT DECEMBER 31, 2005

	Note	Unaudited December 31, 2005	Audited June 30, 2005
.....Rupees in 000 .....			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized 5,000,000 ordinary shares of Rs.10 each		50,000	50,000
Issued, subscribed and paid-up		33,426	33,426
Capital reserve		5,996	5,996
Unappropriated profits		81,962	70,581
		121,384	110,003
Unrealized gain in value of securities available for sale		1,515	860
		122,899	110,863
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
		553,253	559,622
<b>NON-CURRENT LIABILITIES</b>			
Long term financing		566,349	186,617
Liabilities against assets subject to finance lease		4,354	5,551
Deferred liabilities		74,888	78,973
<b>CURRENT LIABILITIES</b>			
Trade and other payables		59,186	38,383
Interest / mark-up on loans		14,884	10,473
Short-term borrowings		371,081	333,971
Current portion of			
long - term financing		28,225	22,069
custom debentures		55	55
liabilities against assets subject to finance lease		3,238	4,169
Provision for taxation		56,635	50,996
		533,304	460,116
<b>CONTINGENCIES AND COMMITMENTS</b>			
	2	1,855,047	1,401,742
<b>FIXED ASSETS</b>			
Property, plant and equipment	3	830,990	842,439
Capital work-in-progress		384,330	45,951
		1,215,320	888,390
<b>LONG-TERM INVESTMENTS</b>			
		31,998	31,343
<b>LONG-TERM DEPOSITS</b>			
		2,186	2,163
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		12,129	14,048
Stock-in-trade		421,753	272,794
Trade debts - considered good		72,051	111,388
Loans and advances		74,675	58,499
Trade deposits and short term prepayments		4,085	2,766
Other receivables		9,482	2,933
Other financial assets		1,757	2,058
Cash and bank balances		9,611	15,360
		605,543	479,846
		1,855,047	1,401,742

The annexed notes form an integral part of these financial statements

  
ANWAR AHMED TATA  
Chief Executive Officer

  
SHAHID ANWAR TATA  
Director

PROFIT & LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	Note	Quarter Oct-Dec 2005	Half Year July-Dec 2005	Quarter Oct-Dec 2004	Half Year July-Dec 2004
..... Rupees in 000 .....					
Sales		183,505	502,819	189,059	451,530
Cost of goods sold	4	(155,197)	(449,623)	(169,969)	(406,237)
Gross profit		28,308	53,196	19,090	45,293
Operating expenses					
Distribution cost		(1,574)	(3,356)	(978)	(2,557)
Administration		(8,413)	(15,215)	(7,292)	(16,573)
Other operating expenses		(1,816)	(2,436)	(505)	(1,269)
Other operating income		3,800	3,836	24	318
		(8,003)	(17,171)	(8,751)	(20,081)
Finance Cost		(14,036)	(25,618)	(5,666)	(10,479)
Profit before taxation		6,269	10,407	4,673	14,733
Taxation					
Current period		(2,803)	(5,640)	(4,184)	(8,003)
Deferred		1,976	3,587	2,473	2,764
		(827)	(2,053)	(1,711)	(5,239)
Profit after taxation		5,442	8,354	2,962	9,494
Earnings per share - Basic and Diluted (Rupees)		1.63	2.50	0.89	2.84

The annexed notes form an integral part of these financial statements



**ANWAR AHMED TATA**  
Chief Executive Officer



**SHAHID ANWAR TATA**  
Director

CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	December 31, 2005	December 31, 2004
	.....Rupees in 000 .....	
<b>A. CASH FROM OPERATING ACTIVITY</b>		
Profit before taxation	10,407	14,733
Adjustment for		
Depreciation	18,839	18,529
Loss/(gain) on disposal of fixed assets	1,555	(233)
Provision for gratuity	1,666	3,490
Provision for compensated absences	7	255
Finance cost	25,618	10,479
Operating profit before working capital changes	<u>58,092</u>	<u>47,253</u>
<b>Changes in Working Capital</b>		
(Increase)/decrease in current assets		
Stores, spares and loose tools	1,918	965
Stock in trade	(148,959)	(42,284)
Trade debts	39,337	46,284
Loans & advances	(10,454)	(18,976)
Trade deposits and short term prepayments	(1,320)	439
Other receivables	(6,549)	2,752
Other financial assets	302	(244)
Increase/(decrease) in current liabilities		
Trade and other payables	20,737	4,610
Net changes in working capital	<u>(104,988)</u>	<u>(6,454)</u>
Cash (used in) / generated from operation	(46,896)	40,799
Financial cost paid	(20,870)	(8,838)
Gratuity paid	(2,171)	(1,580)
Tax paid	(5,722)	(2,491)
<b>Net cash (outflow)/Inflow from operating activities</b> A	<u>(75,659)</u>	<u>27,890</u>
<b>B. Cash from Investing Activities</b>		
Purchase of property, plant & equipment	(353,289)	(6,993)
Sales proceeds of property, plant & equipment	5,965	565
Long-term deposits	(23)	(18)
<b>Net Cash Outflow from Investing Activities</b> B	<u>(347,347)</u>	<u>(6,446)</u>
<b>C. Cash from Financing Activities</b>		
Long-term financing acquired	395,434	31,015
Repayment of long term finance	(9,545)	(7,454)
Lease financing acquired	-	464
Repayment of finance leases	(2,465)	(2,436)
Dividend paid	(3,277)	-
Short term bank borrowings - net	37,110	(41,653)
<b>Net Cash inflow/(outflow) from financing activities</b> C	<u>417,257</u>	<u>(20,064)</u>
Net increase in cash and cash equivalents (A+B+C)	(5,749)	1,380
Cash and cash equivalent at the beginning of the period	<u>15,360</u>	<u>31,791</u>
Cash and cash equivalent at the end of the period	<u>9,611</u>	<u>33,171</u>

The annexed notes form an integral  
part of these financial statements


  
ANWAR AHMED TATA  
Chief Executive Officer

  
SHAHID ANWAR TATA  
Director

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	Share Capital	Capital Reserve	Unappropriated Profit	Unrealized Gain to Securities available for sale	Total
.....Rupees in 000.....					
Balance as at June 30, 2004	30,387	5,996	58,655	1,372	96,410
Bonus Shares for the year ended September 2004 @ 10%	3,039	-	(3,039)	-	-
Cash dividend for the year ended September 2004 @ 10%	-	-	(3,038)	-	(3,038)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the period	-	-	4,606	-	4,606
Profit for the period	-	-	9,494	-	9,494
Revaluation of securities available for sale at market value	-	-	-	(285)	(285)
Balance at December 31, 2004	33,426	5,996	66,678	1,087	107,187
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the period	-	-	5,784	-	5,784
Transferred from surplus on revaluation of fixed assets on disposal - net of deferred tax	-	-	106	-	106
(Loss) for the period	-	-	(1,987)	-	(1,987)
Revaluation of securities available for sale at market value	-	-	-	(227)	(227)
Balance as at June 30, 2005	33,426	5,996	70,581	860	110,863
Cash dividend for the Period ended June 2005 @ 10%	-	-	(3,343)	-	(3,343)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the period	-	-	3,830	-	3,830
Transferred from surplus on revaluation of fixed assets on disposal - net of deferred tax	-	-	2,540	-	2,540
Profit for the period	-	-	8,354	-	8,354
Revaluation of securities available for sale at market value	-	-	-	655	655
Balance at December 31, 2005	33,426	5,996	81,962	1,515	122,899

The annexed notes form an integral  
part of these financial statements

  
**ANWAR AHMED TATA**  
Chief Executive Officer

  
**SHAHID ANWAR TATA**  
Director

**NOTES TO THE ACCOUNTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2005**

**1. GENERAL INFORMATION**

- 1.1** Salfi Textile Mills Limited (the Company) was incorporated in Pakistan on January 05, 1968 as a public limited company under the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange. The registered office of the Company is situated at 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', except that certain fixed assets have been included at revalued amount.
- 1.3** These financial statements have been prepared in compliance with the International Accounting Standard (IAS) 34 : Interim Financial Reporting and in compliance with the requirement of section 245 of the Companies Ordinance, 1984.
- 1.4** The accounting policies and methods of computation followed in the preparation of the half year financial statements are the same as those of the published annual financial statements for the period ended June 30, 2005.
- 1.5** These interim financial statements are unaudited. However, a limited scope review of these interim financial statements has been performed by the external auditors of the Company in accordance with the requirements of clause (xxi) of the Code of Corporate Governance and they have issued their review report thereon.

**2. CONTINGENCIES AND COMMITMENTS**

**2.1 Contingencies**

Penal interest of Rs.145,366 (June 30, 2005: Rs. 145,366) on debentures claimed by custom authorities not acknowledged as the same is against the terms of revival package.

Guarantees issued by banks on behalf of the Company amounts to Rs.12,577,630 (June 30, 2005: Rs. 12,577,630).

Labour and workmen compensation cases in court of law amounts to Rs.110,218 (June 30, 2005: Rs. 158,238).

	<b>December 31, 2005</b>	<b>June 30, 2005</b>
	<b>.....Rupees in 000.....</b>	
<b>Commitments</b>		
Civil works	29,766	30,143
Letters of credit for store and machinery	132,612	13,476

**3. ACQUISITION AND DISPOSAL OF  
PROPERTY PLANT AND EQUIPMENT**

	Acquisitions	Disposal (W.D.V)	Sales Proceeds
	.....Rupees in 000.....		
Plant and machinery	14,623	7,520	5,965
Electric installation	26	-	-
Office equipment	125	-	-
Vehicles	85	-	-
Furniture	51	-	-

**4. COST OF GOODS SOLD**

	Quarter Oct-Dec 2005	Half Year July-Dec 2005	Quarter Oct-Dec 2004	Half Year July-Dec 2004
	.....Rupees in 000.....			
Opening stock - finished goods	68,239	136,540	48,990	43,595
Cost of goods manufactured (4.1)	195,562	421,687	249,491	491,154
	263,801	558,227	298,481	534,749
Closing stock - finished goods	(108,604)	(108,604)	(128,512)	(128,512)
	155,197	449,623	169,969	406,237

**4.1 Cost of goods manufactured**

Raw material consumed (4.1.1)	131,774	290,654	188,086	364,363
Packing material consumed	2,704	5,756	3,338	6,924
Stores and spares consumed	4,201	9,749	5,181	12,159
Salaries, wages and benefits	21,687	42,768	22,243	39,888
Fuel and power	21,227	43,518	24,437	49,162
Insurance	483	753	710	1,318
Repairs and maintenance	344	527	232	832
Depreciation	8,888	18,112	8,195	17,458
Other overheads	927	2,301	1,016	1,985
	192,235	414,138	253,438	494,089
Work-in-process				
Opening stock	12,412	16,634	11,480	12,492
Closing stock	(9,085)	(9,085)	(15,427)	(15,427)
	3,327	7,549	(3,947)	(2,935)
	195,562	421,687	249,491	491,154

**4.1.1 Raw material consumed**

Opening stock	116,889	119,619	102,179	133,752
Purchases - net	318,949	475,099	174,090	318,794
	435,838	594,718	276,269	452,546
Closing stock	(304,064)	(304,064)	(88,183)	(88,183)
	131,774	290,654	188,086	364,363

**December    December**  
**31, 2005    31, 2004**  
**.....Rupees in 000.....**

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

Purchase of electricity	42,640	48,659
Sale of goods	212	-
Share of expenses received	833	400
Share of expenses paid	616	25
Mark-up on loan	3,578	1,770
Long term Loan obtained	-	60,000
Amount owed to	71,789	60,829

The transactions with related parties are made at commercial terms. Outstanding balances at the period end includes the loan amount of Rs. 70 million that carries markup at a rate of 6 months average KIBOR plus 1.5% per annum. No guarantees have been provided or received for any related party receivables or payables.

**Transactions with key management personnel**

Short-term benefits	3,110	1,733
Rent	383	382
Directors meetings fee	16	18
Amount owed to	122	106

**6. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were authorized for issue on February 24, 2006 by the Board of Directors of the Company.

**7. General**

Figures have been rounded off to the nearest thousand rupees.



**ANWAR AHMED TATA**  
Chief Executive Officer



**SHAHID ANWAR TATA**  
Director

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