



**SALFI TEXTILE
MILLS LIMITED**

**Financial Statement
(Unaudited)
For The Half Year Ended December 31, 2006**

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COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRMAN AND
CHIEF EXECUTIVE OFFICER: 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. Kauser Ejaz

AUDIT COMMITTEE
CHAIRMAN: Mr. Shahid Anwar Tata

MEMBERS: Mr. Adeel Shahid Anwar Tata
Mr. Kauser Ejaz

COMPANY SECRETARY &
CHIEF FINANCIAL OFFICER: Mr. Farooq Advani

BANKERS: Allied Bank Ltd.
Habib Metropolitan Bank Limited
MCB 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.
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 account of the company for the Half Year ended on December 31, 2006 is being presented before you with the following observations.

During the period under review the Company made a pre-tax loss of Rs.16.020 million as compared to a pre-tax profit of Rs.12.132 million during the corresponding period of last year.

The textile industry is passing through a critical stage due to unprecedented increase in the cost of production besides confronting unhealthy competition from the regional countries.

The two units of Salfi Textile Mills Ltd. performed as under during the half year.

Salfi Unit I

This unit manufactures 100% synthetic yarn. Unfortunately, it is under going a very difficult period and we anticipate tough days ahead. But, we have confidence in our selves because our product line has been established and with the passage of time it will further get better.

One problem we are encountering is that the export market for fabric has been obliterated due to various factors. The cross border trade along the Pak Afghan border has ended due to political tension existing between the two countries. This closure of trade has reduced the demand for synthetic fabric produced from polyester viscose blend and there is not much demand for synthetic fabric in Pakistan.

On top of this, very cheap fabric from China is pouring into Pakistan. There already exists a 9% tariff on imported fiber and this has resulted in making our yarn costlier. Therefore, we can not compete with the cheap fabric coming from China.

Salfi Unit II

This unit remains for the production of 100% cotton yarn, catering for the denim and weaving industry. We have bought imported and local cotton for this unit at a very reasonable price and we are well covered uptill September, 2007.

As you may be aware that there is tremendous inflationary pressure and combined with the inefficiency of the infrastructure that exist in this country, the cost of doing business in Pakistan has become prohibitive. This inflationary trend is also being projected by APTMA in the newspapers. So we will have to take some measures to ensure cost reduction.

We consulted M/s Werner International on ways to improve our efficiency. The Werner Report has now been received. We had asked them to bench mark us in the areas of Production, Yield, Quality, Maintenance and Labour Productivity. We are happy to say that the parameters set by them for production, maintenance and yield has surpassed even their parameters and due to this they have had to revise their bench marking. We are a little below their bench marking in the area of quality in Salfi Unit 1 and the labour productivity needs a lot of improvement according to this report.

We will do everything possible to ensure that any problems that we confront are handled intelligently, and at the same time we will develop a strategy to further improve the working of the company.

We pray to Almighty Allah to help us and give us strength for further improvement. 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 Officer

Karachi:
Date: February 23, 2007

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of SALFI TEXTILE MILLS LIMITED as at December 31, 2006 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. The figures of the profit and loss account for the quarters ended December 31, 2006 and 2005 have not been reviewed by us as we were not required to do so.

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's 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.

Based on our review, 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 23, 2007

SALFI TEXTILE MILLS LIMITED

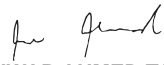
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BALANCE SHEET

AS AT DECEMBER 31, 2006

	Note	Unaudited December 31, 2006	Audited June 30, 2006
.....Rupees in 000			
EQUITY			
Share capital and reserves			
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
Unrealized gain in value of securities available for sale		1,642	612
Unappropriated profits		123,601	148,711
		164,665	188,745
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		544,722	547,313
LIABILITIES			
Non-current liabilities			
Long-term financing		627,807	671,920
Liabilities against assets subject to finance lease		592	1,177
Deferred liabilities		84,268	76,936
Current liabilities			
Trade and other payables		65,721	47,903
Interest / mark-up on loans		27,934	41,155
Short-term borrowings		388,177	564,969
Current portion of:			
long- term financing		120,269	61,150
custom debentures		55	55
liabilities against assets subject to finance lease		1,821	2,564
Taxation - income tax		59,649	55,606
		663,626	773,402
Contingencies and commitments	2		
Total equity and liabilities		2,085,680	2,259,493
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,369,911	1,380,413
Long-term investments		105,320	101,326
Long-term deposits		994	994
Current assets			
Stores, spares and loose tools		11,274	10,963
Stock-in-trade		360,619	523,343
Trade debts - considered good		135,517	141,110
Loans and advances		76,032	80,041
Trade deposits and short term prepayments		2,493	910
Sales tax refundable		7,050	13,081
Other financial assets		2,639	1,806
Cash and bank balances		13,831	5,506
		609,455	776,760
Total assets		2,085,680	2,259,493

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, 2006

Note	Quarter Oct-Dec 2006	Restated Quarter Oct-Dec 2005	Half Year July-Dec 2006	Restated Half Year July-Dec 2005
..... Rupees in 000				
Sales	382,866	183,505	800,475	502,819
Cost of goods sold	4 (338,849)	(155,197)	(724,656)	(449,623)
Gross profit	44,017	28,308	75,819	53,196
Other operating income	2,979	31	3,212	67
Distribution cost	(6,693)	(1,574)	(11,884)	(3,356)
Administrative expenses	(8,724)	(8,413)	(17,142)	(15,215)
Other operating expenses	(1,092)	(1,816)	(1,092)	(2,436)
Finance cost	(36,980)	(14,036)	(70,930)	(25,618)
Share of profit of associate	6,719	1,842	5,997	5,494
Profit/(Loss) before taxation	226	4,342	(16,020)	12,132
Taxation				
Current	(1,931)	(2,803)	(4,042)	(5,640)
Deferred	(4,927)	1,884	(5,184)	3,312
	(6,858)	(919)	(9,226)	(2,328)
(Loss) / profit for the period	(6,632)	3,423	(25,246)	9,804
Earnings per share - Basic and diluted (Rupees)	(1.98)	1.02	(7.55)	2.93

The annexed notes form an integral part of these financial statements



ANWAR AHMED TATA
Chief Executive Officer

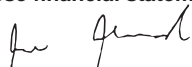


SHAHID ANWAR TATA
Director

CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2006

	December 31, 2006	Restated December 31, 2005
Rupees in 000	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(16,020)	12,132
Adjustments for:		
Depreciation	30,976	18,839
(Gain) / loss on disposal of property, plant and equipment	(3,073)	1,555
Provision for staff gratuity and compensated absences	3,073	1,673
Finance cost	70,930	25,618
Share of profit from associate	(5,997)	(5,494)
Operating cash flows before working capital changes	<u>79,889</u>	<u>54,323</u>
Changes in working capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(311)	1,918
Stock-in-trade	162,724	(148,959)
Trade debts -considered good	5,593	39,337
Loans and advances	11,492	(10,454)
Trade deposits and short term prepayments	(1,583)	(1,320)
Sales tax refundable	6,031	(6,549)
Other financial assets	(833)	302
Increase / (decrease) in current liabilities		
Trade and other payables	17,761	20,737
Cash generated from / used in operations	<u>280,763</u>	<u>(50,665)</u>
Finance cost paid	(84,005)	(20,870)
Staff gratuity paid	(971)	(2,171)
Income taxes paid	(7,483)	(5,922)
Net cash from / used in operating activities	A <u>188,304</u>	<u>(79,628)</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(26,844)	(353,289)
Proceeds on disposal of property, plant and equipment	9,443	5,965
Dividend received	3,968	3,969
Long-term deposits	-	(23)
Net cash used in investing activities	B <u>(13,433)</u>	<u>(343,378)</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term loan	32,405	395,434
Repayment of long term financing	(17,399)	(9,545)
Repayment of finance lease	(1,474)	(2,465)
Short-term borrowings - net	(176,792)	37,110
Dividends paid	(3,286)	(3,277)
Net cash used in / from financing activities	C <u>(166,546)</u>	<u>417,257</u>
Net increase / (decrease) in cash and cash equivalent (A+B+C)	8,325	(5,749)
Cash and cash equivalent at the beginning of the period	5,506	15,360
Cash and cash equivalent at the end of the period	<u>13,831</u>	<u>9,611</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, 2006

	Issued, subscribed and paid-up	Capital Reserve	Reserve Unrealized Gain/(Loss) in value of Securities available for sale	Unappropriated Profit	Total
	Rupees in 000.....				
Balance at June 30, 2005 as previously reported	33,426	5,996	860	70,581	110,863
Effect of change in accounting policy: Note (1.4) IAS 28					
Change from cost method to equity method - net of deferred tax	-	-	-	58,946	58,946
Balance at June 30, 2005- as restated	33,426	5,996	860	129,527	169,809
Changes in equity for half year ended December 31, 2005					
Available-for-sale investment valuation gain taken to equity -	-	-	655	-	655
Transfer from surplus on revaluation of property, plant and equipment on account of :					
- incremental depreciation - net of deferred tax	-	-	-	3,830	3,830
- disposal - net of deferred tax	-	-	-	2,540	2,540
Share of associate's transfer from surplus on revaluation of property, plant and equipment on account of					
- incremental depreciation - net of deferred tax	-	-	-	1,376	1,376
Net income recognized directly in equity	-	-	655	7,746	8,401
Profit for the period - as restated	-	-	-	9,804	9,804
Total recognized income and expense for half year ended December 31, 2005	-	-	655	17,550	18,205
Final cash dividend for the nine months period ended June 30, 2005 at Re. 1 per ordinary share	-	-	-	(3,343)	(3,343)
Balance as at December 31, 2005- as restated	33,426	5,996	1,515	143,734	184,671
Balance as at July 01, 2006	33,426	5,996	612	148,711	188,745
Changes in equity for half year ended December 31, 2006					
Available-for-sale investment valuation gain 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	-	-	-	2,243	2,243
- disposal - net of deferred tax	-	-	-	348	348
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	-	-	-	888	888
Net income recognized directly in equity	-	-	1,030	3,479	4,509
Loss for the period	-	-	-	(25,246)	(25,246)
Total recognized income and expense for half year ended December 31, 2006	-	-	1,030	(21,767)	(20,737)
Final cash dividend for the year ended June 30, 2006 at Re. 1 per ordinary share	-	-	-	(3,343)	(3,343)
Balance as at December 31, 2006	33,426	5,996	1,642	123,601	164,665

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, 2006

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 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, 2006. However, from July 01, 2005, in line with the requirements of IAS-28 'Investment in Associates', the Company has changed its accounting policy for measuring investment in associates from cost method to equity method. Therefore, the comparative figures for half year ended December 31, 2005 has been restated accordingly.
- 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

	December 31, 2006	June 30, 2006
Rupees in 000.....	
Contingencies		
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.	16,422	16,422
Labour and workmen compensation cases in court of law.	200	200
Export bills	126,158	-
Commitments		
Civil works	22,997	21,447
Letters of credit for store and machinery	333,648	38,956

3. ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	December 31, 2006			
	Acquisitions/ transfer from CWIP	Disposal (W.D.V)	Sales Proceeds	
Rupees in 000.....			
Building	13,120	-	-	
Plant and machinery	504,134	6,362	9,408	
Electric installation	1,999	8	35	
Factory equipments	77	-	-	
Furniture	381	-	-	
Office equipments	854	-	-	
Vehicles	2,106	-	-	
December 31, 2006	522,671	6,370	9,443	
June 30, 2006	36,618	21,893	15,253	
4. COST OF GOODS SOLD	Quarter Oct-Dec 2006	Quarter Oct-Dec 2005	Half Year July-Dec 2006	Half Year July-Dec 2005
Rupees in 000.....			
Opening stock - finished goods	136,203	68,239	159,211	136,540
Cost of goods manufactured (4.2)	342,845	195,562	705,644	421,687
	479,048	263,801	864,855	558,227
Closing stock - finished goods	(140,199)	(108,604)	(140,199)	(108,604)
	338,849	155,197	724,656	449,623
4.1 Finished goods stock also includes waste stock carried at net realizeable value.				
4.2 Cost of goods manufactured				
Raw material consumed (4.2.1)	855,807	131,774	512,958	290,654
Packing material consumed	6,859	2,704	13,906	5,756
Stores and spares consumed	4,436	4,201	11,202	9,749
Salaries, wages and benefits	30,772	21,687	60,127	42,768
Fuel and power	33,130	21,227	66,273	43,518
Insurance	958	483	2,031	753
Repairs and maintenance	(16)	344	1,158	527
Depreciation	8,852	8,888	29,800	18,112
Other overheads	1,959	927	3,408	2,301
	342,757	192,235	700,863	414,138
Work-in-process				
Opening stock	14,259	12,412	18,952	16,634
Closing stock	(14,171)	(9,085)	(14,171)	(9,085)
	88	3,327	4,781	7,549
	342,845	195,562	705,644	421,687
4.2.1 Raw material consumed				
Opening stock	173,394	116,889	345,180	119,619
Purchases - net	288,662	318,949	374,027	475,099
	462,056	435,838	719,207	594,718
Closing stock	(206,249)	(304,064)	(206,249)	(304,064)
	255,807	131,774	512,958	290,654

	December 31, 2006	December 31, 2005
Rupees in 000.....	
5. TRANSACTIONS WITH RELATED PARTIES		
5.1 Associates		
Purchase of electricity	65,138	42,640
Purchase of goods	1,225	-
Sale of Goods	44,757	212
Sale of assets	1,300	-
Share of expense received	295	833
Share of expense paid	1,077	616
Mark-up on long term financing	6,403	3,578
Long term loans obtained	15,000	-
Dividend received	3,967	3,769
Dividend paid	366	366
	December 31, 2006	June 30, 2006
Rupees in 000.....	
Amount owed to	98,063	83,412

The transactions with related parties are made at commercial terms. Outstanding balances at the period end includes the loan amount of Rs. 85 million (June 2006: Rs.70 million) that carries markup at a rate of 6 months average KIBOR plus 1.5% per annum (June 2006: average KIBOR plus 1.5% per annum).

	December 31, 2006	December 31, 2005
Rupees in 000.....	
5.2 Transactions with key management personnel		
Short-term benefits	8,259	3,110
Directors meetings fee	14	16
Rent	383	383
	December 31, 2006	June 30, 2006
Rupees in 000.....	
Amount owed to	29,666	29,161

Outstanding balances at the period end includes the loan amount of Rs. 28.8 million (June 2006: Rs.28.8 million) that carries markup at a rate of 6 months average KIBOR plus 1.5% per annum.

6. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue on 23 February, 2007 by the Board of Directors of the Company.

7. GENERAL

Figures have been rounded off to nearest thousand rupee.



ANWAR AHMED TATA
Chief Executive Officer



SHAHID ANWAR TATA
Director