



**TATA TEXTILE
MILLS LIMITED**

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

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COMPANY INFORMATION**BOARD OF DIRECTORS**

CHAIRMAN: Mr. Anwar Ahmed Tata

CHIEF EXECUTIVE OFFICER: Mr. Shahid Anwar Tata

DIRECTORS: Mr. Ejaz 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. Ejaz Ahmed Tariq
Mr. Muhammad Waris Magoon

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

BANKERS: ABN AMRO Bank N.V.
Allied Bank Ltd.
Bank Al-Falah Ltd.
Faisal Bank Ltd.
Habib Bank AG Zurich
M.C.B. Bank Ltd
National Bank of Pakistan
Soneri Bank Ltd.
Union Bank Ltd.

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

LEGAL ADVISOR: Afzal Awan 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: 10th K.M. M.M. Road
Khanpur-Baggasher,
Distt. Muzaffargarh

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.36.240 million as compared to a pre-tax profit of Rs.52.007 million during the corresponding period of last year.

With the help of Almighty Allah and the blessings of you all, Tata Unit 2 is now a well organized unit. Our product line has been stabilized and its quality established as per our policy. The initial problems that one encounters in any new set up have been successfully overcome. As usual, Tata Unit 1 is doing a good job.

The mill operated at full capacity during the cotton season. Unit 2 has been dedicated to US Cotton and keeping this in mind, US Cotton, especially Upland cotton has been bought at a reasonable price. The prices of cotton purchased are usually fixed to obtain a competitive range. We had sufficient stock of Pima cotton that we had bought last year and which was consumed during this period.

When the cotton season commenced, initial estimates from the market were that the crop may not be as good as last year. In fact there has been a shortfall of more than 2 million bales as compared to last year causing an increase of its price by about Rs.300/- to Rs.400/- per maund. While writing this report, the prices have risen even further.

Some other important factors that contributed in denting our profitability were:

- In order to retain good workers and staff, handsome increments were awarded. This increased our overhead costs which affected our profitability.
- We had procured cotton for both the mills and in doing so we availed credit limit which was more than last year. Three months KIBOR ask rate for December 2005 was 8.75% as compared to KIBOR rate for December 2004 which was 5.24%, an increase of 67%. This resulted in increasing the financial charges which also affected our profitability.
- The push in prices due to inflationary pressure also played a role in shrinking our profitability as we could not pass on this increase to our customers.

It should also be noted that gas prices were increased by 15% and became effective from January 1, 2006. This price increase will reduce our margin of profitability in the next Half Year.

As the knitted industry is not in good shape in Pakistan and neither is it competitive, we have kept all of our Tata products for export.

New machines like 2 for 1 twister have been installed and have been commissioned. We are now producing value added yarn. Also an old Vision Shield was replaced by a new one, which will help in reducing contamination. These new machines will help in improving quality and production.

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. We hope to close the current year with better results.

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



SHAHID ANWAR TATA
Chief Executive Officer

Karachi:
Date: February 24, 2006

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of **TATA 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

**BALANCE SHEET
AS AT DECEMBER 31, 2005**

	Note	Unaudited December 31, 2005Rupees in 000	Audited June 30, 2005
SHARE CAPITAL AND RESERVES			
Authorized		200,000	200,000
20,000,000 Ordinary shares of Rs.10 each		<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid-up		173,248	173,248
Unappropriated profits		241,701	228,709
		414,949	401,957
SURPLUS ON REVALUATION OF FIXED ASSETS			
		129,606	135,929
NON-CURRENT LIABILITIES			
Long term financing		628,500	711,750
Liabilities against assets subject to finance lease		219,917	187,527
Deferred liabilities		42,460	41,414
CURRENT LIABILITIES			
Trade and other payables		80,832	58,826
Interest / mark-up on loans		36,502	30,103
Short-term borrowings		1,091,213	664,054
Current portion of:			
long- term financing		166,500	83,250
liabilities against assets subject to finance lease		57,592	46,399
Provision for taxation		91,020	77,503
		1,523,659	960,135
CONTINGENCIES AND COMMITMENTS			
	2	<u>2,959,091</u>	<u>2,438,712</u>
FIXED ASSETS			
Property, plant and equipment	3	1,454,966	1,416,230
Capital work-in-progress		29,945	30,936
		34,721	26,746
LONG-TERM DEPOSITS			
		34,721	26,746
CURRENT ASSETS			
Stores, spares and loose tools		17,818	12,884
Stock-in-trade		925,225	643,757
Trade debts - considered good		150,651	144,984
Loans and advances		123,708	72,567
Trade deposits and short term prepayments		8,827	5,405
Other receivables		6,487	3,784
Other financial assets		5,378	3,274
Cash and bank balances		201,365	78,145
		1,439,459	964,800
		<u>2,959,091</u>	<u>2,438,712</u>

The annexed notes form an integral part of these financial statements



SHAHID ANWAR TATA
Chief Executive Officer



ANWAR AHMED TATA
Chairman/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.....					
Sales		452,829	870,688	256,793	521,937
Cost of goods sold	4	(363,281)	(700,516)	(202,427)	(417,884)
Gross profit		89,548	170,172	54,366	104,053
Distribution cost		(13,182)	(25,944)	(8,924)	(16,721)
Administrative expenses		(9,985)	(18,641)	(7,550)	(15,325)
Other operating expenses		(788)	(4,076)	(4,770)	(8,260)
Other operating income		348	855	1,451	1,690
		(23,607)	(47,806)	(19,793)	(38,616)
Other charges					
Finance cost		(51,207)	(86,126)	(8,975)	(13,430)
Profit before taxation		14,734	36,240	25,598	52,007
Taxation					
Current period		(7,064)	(13,517)	(3,557)	(8,922)
Deferred		375	1,270	454	332
		(6,689)	(12,247)	(3,103)	(8,590)
Profit after taxation		8,045	23,993	22,495	43,417
Earnings per share - Basic and diluted (Rupees)		0.47	1.39	1.30	2.51

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

	December 31, 2005	December 31, 2004
Rupees in 000	
A. CASH FROM OPERATING ACTIVITIES		
Profit before taxation	36,240	52,007
Adjustments for:		
Depreciation	76,431	27,040
Gain on disposal of fixed assets	(609)	(228)
Provision for gratuity	2,740	1,553
Provision for compensated absences	206	118
Financial charges reversed	-	605
Finance cost	86,126	13,430
Operating profit before working capital changes	<u>201,134</u>	<u>94,525</u>
Changes in Working capital (Increase) / decrease in current assets		
Stores, spares and loose tools	(4,934)	(14,697)
Stock-in-trade	(281,468)	(577,737)
Trade debts	(5,667)	52,336
Loans and advances	(34,826)	(38,361)
Trade deposits and short term prepayments	(3,422)	(15,015)
Other receivables	(2,704)	(3,805)
Other financial assets	(2,104)	(562)
Increase / (decrease) in current liabilities		
Trade and other payables	20,725	38,419
	<u>(314,400)</u>	<u>(559,422)</u>
Cash used in operations	(113,266)	(464,897)
Financial charges paid	(70,752)	-
Gratuity paid	(630)	(561)
Tax paid	(16,314)	(6,246)
Net cash outflow from operating activities	<u>(200,962)</u>	<u>(471,704)</u>
B. CASH FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(115,341)	(802,151)
Sale of property, plant and equipment	1,775	759
Long-term deposits	(7,975)	(7,728)
Net cash outflow from investing activities	<u>(121,541)</u>	<u>(809,120)</u>
C. CASH FROM FINANCING ACTIVITIES		
Repayment of long-term loans	-	(320,038)
Long-term loans obtained	-	1,040,038
Finance leases obtained	64,519	118,547
Repayment of finance leases	(29,911)	(14,969)
Short term borrowing -net	427,159	418,776
Payment of dividend	(16,044)	-
Net cash inflow from financing activities	<u>445,723</u>	<u>1,242,354</u>
Net increase/(decrease) in cash and cash equivalent (A+B+C)	123,220	(38,470)
Cash and cash equivalent at the beginning of the period	78,145	63,261
Cash and cash equivalent at the end of the period	<u>201,365</u>	<u>24,791</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 (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	Share Capital	Unappropriated Profit	Total
Rupees in 000		
Balance as at July 01, 2004	150,650	156,297	306,947
Bonus shares issued during the year	22,598	(22,598)	-
Incremental depreciation arising due to surplus on revaluation of fixed assets transferred to unappropriated profit-net of deferred taxation	-	7,216	7,216
Profit for the period	-	43,417	43,417
Balance as at December 31, 2004	<u>173,248</u>	<u>184,332</u>	<u>357,580</u>
Incremental depreciation arising due to surplus on revaluation of fixed assets transferred to unappropriated profit-net of deferred taxation	-	6,835	6,835
Profit for the period	-	37,542	37,542
Balance as at June 30, 2005	<u>173,248</u>	<u>228,709</u>	<u>401,957</u>
Final cash dividend 10%	-	(17,325)	(17,325)
Incremental depreciation arising due to surplus on revaluation of fixed assets transferred to unappropriated profit-net of deferred taxation	-	6,324	6,324
Profit for the period	-	23,993	23,993
Balance as at December 31, 2005	<u><u>173,248</u></u>	<u><u>241,701</u></u>	<u><u>414,949</u></u>

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

1. SELECTED EXPLANATORY NOTES TO THE ACCOUNTS

- 1.1** The Company was incorporated in Pakistan on April 15, 1987 as public limited company and is listed on Karachi and Lahore Stock Exchanges. The principal activity of the Company is manufacturing and sale of yarn. The Company's manufacturing facilities are located at District Muzaffargarh in the Province of Punjab.
- 1.2** These financial statements have been prepared under 'historical cost convention', except that certain fixed assets have been included at the revalued amounts.
- 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 & COMMITMENTS

	Unaudited December 31, 2005	Audited June 30, 2005
Rupees in 000.....	
Contingencies		
Amount claimed by WAPDA against installation of requisite panel, not acknowledged by the Company, case is pending in Lahore High Court Multan Bench.	337	337
Bank guarantees issued on behalf of the Company.	41,969	36,630
Delayed payments surcharge on debentures, demanded by Collector of Custom not acknowledged by the Company.	496	496
Commitments		
Civil works	11,155	7,495
Foreign bills discounted	451,484	494,488
Letters of credit for stores, machinery and raw material	416,006	111,413

3. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

	December 31, 2005		
	Acquisitions/ Transfer from CWIP	Disposal (W.D.V)	Sales Proceeds
Rupees in 000.....		
Freehold land	9,916	-	-
Buildings on free hold land	23,058	-	-
Plant & Machinery	79,455	102	250
Factory and workshop equipments	23	-	-
Office Premises	254	-	-
Furniture & Fixtures	74	-	-
Office Equipment	138	-	-
Vehicle	3,413	1,063	1,525

	Quarter Oct-Dec 2005	Half Year July-Dec 2005	Quarter Oct-Dec 2004	Half Year July-Dec 2004
Rupees in 000.....			

4. COST OF GOODS SOLD

Opening stock - finished goods	68,576	46,036	15,531	22,648
Finished goods purchased	16,115	16,115	-	-
Cost of goods manufactured (4.1)	383,721	743,496	198,803	407,143
	468,412	805,647	214,334	429,791
finished goods	(105,131)	(105,131)	(11,907)	(11,907)
	363,281	700,516	202,427	417,884

4.1 Cost of goods manufactured

Raw material consumed (4.1.1)	276,587	534,163	150,925	309,543
Packing material consumed	7,940	15,925	4,241	8,315
Stores and spares consumed	4,704	10,070	2,994	6,422
Salaries, wages and benefits	24,861	47,129	14,368	25,341
Power and fuel	31,174	60,593	13,454	26,285
Insurance	858	2,387	1,547	2,924
Repairs and maintenance	744	936	85	455
Depreciation	39,767	74,528	12,084	25,454
Other overheads	1,159	2,661	1,098	2,073
	387,794	748,392	200,796	406,812

Work-in-process

Opening stock	15,542	14,719	7,766	10,090
Closing stock	(19,615)	(19,615)	(9,759)	(9,759)
	(4,073)	(4,896)	(1,993)	331
	383,721	743,496	198,803	407,143

4.1.1 Raw material consumed

Opening stock	425,208	583,001	229,873	211,417
Purchases - net	651,859	751,642	721,277	898,351
	1,077,067	1,334,643	951,150	1,109,768
Closing stock	(800,480)	(800,480)	(800,225)	(800,225)
	276,587	534,163	150,925	309,543

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

5. TRANSACTIONS WITH RELATED PARTIES

ASSOCIATES

Share of expenses received	562	227
Share of expenses paid	177	493
Mark-up on loan	1,278	1,820
Purchase of goods	4,486	-
Purchase of stores	212	-
Amount owed to	25,639	25,345

The transactions with related parties are made at commercial terms. Outstanding balances at the period end includes the loan amount of Rs.25 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	6,301	3,406
Directors meetings fee	22	22
Rent	120	120
Amount owed to	152	132

6. APPROVAL OF FINANCIAL STATEMENTS

The 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 nearest thousand rupee.



SHAHID ANWAR TATA
Chief Executive Officer



ANWAR AHMED TATA
Chairman/Director

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