



**TATA TEXTILE
MILLS LIMITED**

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

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COMPANY INFORMATION**BOARD OF DIRECTORS****CHAIRMAN:** Mr. Anwar Ahmed Tata**CHIEF EXECUTIVE OFFICER:** Mr. Shahid Anwar Tata**DIRECTORS**
Mr. Adeel Shahid Anwar Tata
Mr. Farooq Advani
Mr. Muhammad Ayub (NIT)
Mr. Muhammad Waris Magoon
Mr. Shahid Aziz (NIT)**AUDIT COMMITTEE****CHAIRMAN:** Mr. Anwar Ahmed Tata**MEMBERS:** Mr. Adeel Shahid Anwar Tata
Mr. Muhammad Waris Magoon**COMPANY SECRETARY &
CHIEF FINANCIAL OFFICER:** Mr. Farooq Advani**BANKERS:** ABN AMRO Bank N.V.
Bank Al-Falah Ltd.
Faisal Bank Ltd.
Habib Metropolitan Bank Ltd.
MCB Bank Ltd.
National Bank of Pakistan
Soneri Bank Ltd.**AUDITORS:** M/s. M. Yousuf Adil Saleem & Co.
Chartered Accountants**LEGAL ADVISOR:** Muhammad 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,
District Muzaffargarh

DIRECTORS' REPORT

Assalam-o-Alaikum.

The unaudited account of the company for the Half Year ended on December 31, 2006 is being presented before you with the following observations.

Alhamdulillah, during the period under review the Company made a pre-tax profit of Rs. 41.980 million as compared to a pre-tax profit of Rs. 36.240 million during the corresponding period 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 performance of the two units of Tata Textile Mills Ltd. for the Half Year ended is as under:

Unit I

This unit uses only Pakistani cotton and the cotton that we purchased during the last cotton season lasted till the end of December, 2006. However, new cotton has already been purchased and this new cotton will last us till October 2007. The average purchase price of this cotton, inclusive of all the incidentals comes to around Rs.2,530/- per maund.

In spite of the stability of the US Dollar, the purchase price of cotton had increased because of increase in international prices.

The purchase of cotton in Pakistan is limited to 4 months only, i.e. from October to January, and this exposes us to the risk of price increase / variations.

Unit II

Unit II is running on imported cotton, mainly Upland Cotton & Pima Cotton and it is imported from USA. The Pima Cotton that we had bought last year and which was successfully carried over to this quarter has been consumed. Some cotton has been bought and some has to be purchased. However, we have covered the cotton requirements of Unit II for a very long period. This is a good thing, as after the withdrawal of the Step 2 Subsidy in USA, the physical cotton price has remained high internationally.

With Allah's help, we have also established a market in Europe for yarn produced from Pima and we are taking further steps to sustain our current market in Korea and Japan. Hopefully, we will be able to sustain and continue with the export of yarn produced from Pima and Upland Cotton. More than 70% of the yarn produced from this unit has been sold to these markets in the last quarter. In the coming months we hope to develop more and more export markets.

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. Gas prices have risen, interest rates have gone up, etc., have had an impact on the profitability of the company. 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, quality and yield has been surpassed by us and due to this they have had to revise their own bench marking. The only area that has been pointed out for improvement is labour productivity where we come lower than their 3rd quartile and this is the area we all have to concentrate on and devise ways of improving it.

Our down stream industry has always been a subsidized and protected industry. Since these subsidies have been eliminated, these industries are finding it difficult to survive. Hopefully, both the government and the other stakeholders will jointly take some appropriate steps to improve the situation.

We will do everything possible to ensure that any problems that we confront are handled intelligently. Boosting the profitability of this company will be our main aim.

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



SHAHID ANWAR TATA
Chief Executive Officer

Karachi:
Date: February 23, 2007

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of TATA 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

BALANCE SHEET
AS AT DECEMBER 31, 2006

	Note	Unaudited December 31, 2006Rupees in 000	Audited June 30, 2006
EQUITY			
Share capital and reserves			
Authorized			
20,000,000 Ordinary shares of Rs.10 each		200,000	200,000
Issued, subscribed and paid-up		173,248	173,248
Unappropriated profits		275,965	263,025
		449,213	436,273
Surplus on revaluation of property, plant and equipment		119,254	123,335
LIABILITIES			
Non-current liabilities			
Long-term financing		456,383	547,191
Liabilities against assets subject to finance lease		188,919	224,698
Deferred liabilities		49,121	46,476
Current liabilities			
Trade and other payables		98,257	64,039
Interest / mark-up on loans		35,688	39,989
Short-term borrowings		1,271,869	730,336
Current portion of:			
long- term financing		167,730	167,029
liabilities against assets subject to finance lease		72,386	71,940
Taxation - income tax		118,702	104,469
		1,764,632	1,177,802
Contingencies and commitments	2		
Total equity and liabilities		3,027,522	2,555,775
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,458,267	1,495,267
Long-term deposits		748	746
Current assets			
Stores, spares and loose tools		18,023	19,777
Stock-in-trade		1,090,024	735,568
Trade debts - considered good		135,504	133,145
Loans and advances		135,331	139,825
Trade deposits and short term prepayments		8,764	5,231
Other receivables		-	594
Sales tax refundable		7,210	9,776
Other financial assets		151,413	1,401
Cash and bank balances		22,238	14,445
		1,568,507	1,059,762
Total assets		3,027,522	2,555,775

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, 2006

	Note	Quarter Oct-Dec 2006	Quarter Oct-Dec 2005	Half Year July-Dec 2006	Half Year July-Dec 2005
.....Rupees.....					
Sales		623,770	452,829	1,226,118	870,688
Cost of goods sold	4	(506,003)	(363,281)	(1,020,438)	(700,516)
Gross profit		117,767	89,548	205,680	170,172
Other operating income		733	348	1,593	855
Distribution cost		(12,499)	(13,182)	(29,465)	(25,944)
Administrative expenses		(12,320)	(9,985)	(25,103)	(18,641)
Other operating expenses		4,077	(788)	(5,948)	(4,076)
Finance cost		(60,224)	(51,207)	(104,777)	(86,126)
Profit before taxation		37,534	14,734	41,980	36,240
Taxation					
Current		(6,432)	(7,064)	(14,232)	(13,517)
Deferred		(1,767)	375	(1,564)	1,270
		(8,199)	(6,689)	(15,796)	(12,247)
Profit for the period		29,335	8,045	26,184	23,993
Earnings per share					
- Basic and diluted (Rupees)		1.69	0.47	1.51	1.39

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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, 2006

	December 31, 2006	December 31, 2005
Rupees in 000	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	41,980	36,240
Adjustments for:		
Depreciation	54,043	76,431
Gain on disposal of property, plant and equipment	(1,426)	(609)
Provision for staff gratuity and compensated absences	3,488	2,946
Finance cost	<u>104,777</u>	<u>86,126</u>
Operating cash flows before working capital changes	202,862	201,134
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	1,754	(4,934)
Stock-in-trade	(354,456)	(281,468)
Trade debts - considered good	(2,359)	(5,667)
Loans and advances	20,975	(34,826)
Trade deposits and short term prepayments	(3,533)	(3,422)
Other receivables	594	610
Sales tax refundable	2,566	(3,314)
Other financial assets	(150,012)	(2,104)
Increase / (decrease) in current liabilities		
Trade and other payables	<u>33,884</u>	<u>20,725</u>
Cash used in operations	(247,725)	(113,266)
Finance cost paid	(94,920)	(70,752)
Staff gratuity paid	(2,406)	(630)
Income taxes paid	<u>(16,481)</u>	<u>(16,314)</u>
Net cash used in operating activities	A <u>(361,532)</u>	<u>(200,962)</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(18,157)	(50,822)
Proceeds on disposal of property, plant and equipment	2,540	1,775
Long-term deposits	<u>(2)</u>	<u>(7,975)</u>
Net cash used in investing activities	B <u>(15,619)</u>	<u>(57,022)</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term financing	4,026	-
Repayment of long term financing	(94,133)	-
Repayment of finance lease	(49,491)	(29,911)
Short-term borrowings - net	541,533	427,159
Dividends paid	<u>(16,991)</u>	<u>(16,044)</u>
Net cash from financing activities	C <u>384,944</u>	<u>381,204</u>
Net increase in cash and cash equivalent	(A+B+C) 7,793	123,220
Cash and cash equivalent at the beginning of the period	<u>14,445</u>	<u>78,145</u>
Cash and cash equivalent at the end of the period	<u>22,238</u>	<u>201,365</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, 2006

	Issued, subscribed and paid-up	Unappropriated Profit	Total
Rupees in 000		
Balance as at July 01, 2005	173,248	228,709	401,957
Changes in equity for half year ended December 31, 2005			
Transfer from surplus on revaluation of property, plant and equipment on account of: -incremental depreciation - net of deferred tax		6,324	6,324
Net income recognized directly in equity	-	6,324	6,324
Profit for the period		23,993	23,993
Total recognized income and expense for half year ended December 31, 2005	-	30,317	30,317
Final cash dividend for the nine months period ended June 30, 2005 @ Re. 1 per share	-	(17,325)	(17,325)
Balance as at December 31, 2005	173,248	241,701	414,949
Balance as at July 01, 2006	173,248	263,025	436,273
Changes in equity for half year ended December 31, 2006			
Transfer from surplus on revaluation of property, plant and equipment on account of: -incremental depreciation - net of deferred tax		4,081	4,081
Net income recognized directly in equity	-	4,081	4,081
Profit for the period	-	26,184	26,184
Total recognized income and expense for half year ended December 31, 2006	-	30,265	30,265
Final cash dividend for the year ended June 30, 2006 @ Re. 1 per share	-	(17,325)	(17,325)
Balance as at December 31, 2006	173,248	275,965	449,213

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, 2006

1. SELECTED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

- 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 property, plant and equipment have been included at the revalued amounts and certain employee retirement benefits are recognized at present 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 year ended June 30, 2006.
- 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, 2006	Audited June 30, 2006
ContingenciesRupees in 000.....	
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.	21,794	41,969
Delayed payments surcharge on debentures, demanded by Collector of Custom not acknowledged by the Company.	496	496
Foreign bills discounted	700,728	591,192
Commitments		
Letters of credit for stores, machinery and raw material	186,395	378,705

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.....			
Freehold land	3,557	-	-	
Buildings on free hold land	8,526	-	-	
Plant & machinery	4,197	-	-	
Furniture & fixtures	81	-	-	
Office equipment	640	-	-	
Vehicle	4,656	1,114	2,540	
December 31, 2006	21,657	1,114	2,540	
June 30, 2006	242,761	10,621	10,830	
	Quarter Oct-Dec 2006	Quarter Oct-Dec 2005	Half Year July-Dec 2006	Half Year July-Dec 2005
Rupees in 000.....			
4. COST OF GOODS SOLD				
Opening stock - finished goods	58,464	68,576	45,287	46,036
Finished goods purchased	49,898	16,115	144,468	16,115
Cost of goods manufactured (4.2)	490,658	383,721	923,700	743,496
	599,020	468,412	1,113,455	805,647
Closing stock - finished goods	(93,017)	(105,131)	(93,017)	(105,131)
	506,003	363,281	1,020,438	700,516
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)	382,418	276,587	690,048	534,163
Packing material consumed	8,875	7,940	18,385	15,925
Stores and spares consumed	6,512	4,704	13,508	10,070
Salaries, wages and benefits	31,248	24,861	61,511	47,129
Power and fuel	44,990	31,174	85,403	60,593
Insurance	1,553	858	3,266	2,387
Repairs and maintenance	201	744	1,107	936
Depreciation	15,507	39,767	51,576	74,528
Other overheads	501	1,159	2,141	2,661
	491,805	387,794	926,945	748,392
Work-in-process				
Opening stock	18,669	15,542	16,571	14,719
Closing stock	(19,816)	(19,615)	(19,816)	(19,615)
	(1,147)	(4,073)	(3,245)	(4,896)
	490,658	383,721	923,700	743,496
4.2.1 Raw material consumed				
Opening stock	763,115	425,208	673,710	583,001
Purchases - net	596,494	651,859	993,529	751,642
	1,359,609	1,077,067	1,667,239	1,334,643
Closing stock	(977,191)	(800,480)	(977,191)	(800,480)
	382,418	276,587	690,048	534,163

	December 31, 2006	December 31, 2005
Rupees in 000.....	
5 TRANSACTIONS WITH RELATED PARTIES		
5.1 Associates		
Share of expenses received	1,076	562
Share of expenses paid	488	177
Mark-up on long-term financing	1,020	1,278
Purchase of goods	44,739	4,486
Purchase of stores	-	212
Sales of goods	24,523	-
	December 31, 2006	June 30, 2006
Rupees in 000.....	
Amount owed to	15,420	25,655

The transactions with related parties are made at commercial terms. Outstanding balances at the period end includes the loan amount of Rs. 15 million (June 2006: Rs.25 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	8,642	6,301
Directors meetings fee	18	22
Rent	120	120

6. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue on February 23, 2007 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