



# **SALFI TEXTILE MILLS LIMITED**

**Condensed Interim Financial Information  
For The Six - Month Period Ended December 31, 2013**

## **SALFI TEXTILE MILLS LIMITED**

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## **SALFI TEXTILE MILLS LIMITED**

01

### **COMPANY INFORMATION**

#### **BOARD OF DIRECTORS**

**CHAIRMAN:** Mr. Anwar Ahmed Tata

**CHIEF EXECUTIVE:** Mr. Adeel Shahid Anwar

**DIRECTORS:** Mr. Shahid Anwar Tata  
Mr. Aijaz Ahmed Tariq  
Mr. Bilal Shahid Anwar  
Mr. Muhammad Naseem  
Sheikh Kausar Ejaz

#### **AUDIT COMMITTEE**

**CHAIRMAN:** Mr. Muhammad Naseem

**MEMBERS:** Mr. Bilal Shahid Anwar  
Sheikh Kausar Ejaz

#### **HUMAN RESOURCE & REMMUNERATION COMMITTEE**

**CHAIRMAN:** Mr. Muhammad Naseem

**MEMBERS:** Mr. Adeel Shahid Anwar  
Mr. Bilal Shahid Anwar

#### **COMPANY SECRETARY & CHIEF FINANCIAL OFFICER:**

Mr. Farooq Advani

#### **BANKERS:**

Allied Bank Limited.  
Bank Alfalah Limited  
Bank Islami Pakistan Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited.  
National Bank of Pakistan  
Soneri Bank Limited  
JS Bank Limited  
The Bank of Punjab

#### **AUDITORS:**

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

#### **LEGAL ADVISOR:**

Ameen Bandukda & Co.  
Advocates.

#### **SHARE REGISTRAR:**

Central Depository Company of Pakistan Limited  
CDC House, 99 – B, Block 'B', S.M.C.H.S.,  
Main Shahra-e-Faisal  
Tel# (Toll Free) 0800-CDCPL (23275)  
Fax: (92-21) 34326053

#### **REGISTERED OFFICE:**

6<sup>th</sup> Floor Textile Plaza,  
M.A Jinnah Road Karachi.  
Tel # 32412955-3 Lines 32426761-2-4  
Fax # 32417710

#### **WEB SITE ADDRESS:**

[www.tatatex.com](http://www.tatatex.com)

#### **E- MAIL ADDRESS:**

[stm.corporate@tatatex.com](mailto:stm.corporate@tatatex.com)

#### **MILLS:**

HX-1, Landhi Industrial Area, Landhi, Karachi

**DIRECTORS' REPORT**

It is a source of immense pleasure for us to present to you the half yearly financial information (un-audited) of the company for the period ended on 31st December 2013.

Alhamdulillah, the company has remained profitable during the period under review despite several problems faced and has made a pre-tax profit Rs.101.306 million of in comparison to a pre-tax profit of Rs. 176.054 million during the corresponding period of last year.

The major contributing factor to the profitability is that we had good opening inventory of cotton available to us at reasonable prices; however it seems that the coming six months will not be easy.

Power availability is still an unresolved issue in this part of the country and in total our mills was faced with 382 hrs in which no power was available to us.

The unprecedented hike in power tariffs during the last six months has also become a serious issue for the industry, as it has significantly added to the cost of production.

Increase in salary, wages and other benefits plus various Inflationary pressures will also contribute to the low profitability.

Poor law and order situation is one of the impediments for the industry particularly in Karachi. Knitting cloth manufacturers maintain a minimum inventory due to this reason; therefore the mills have to carry the entire inventory burden, which in turn increase the inventory carrying costs for the company.

Uncertainty exists about the China's future cotton policy leading to uncertain cotton prices in the world. China strategy on disposal of large cotton inventory and China's decision about the cotton procurement plan will be a major factor in deciding the prices of cotton.

Besides that, China remains the only major buyer of yarn in the world, However, China has its own large cotton reserves; the country is buying yarn from other countries up till now but in future, if there is any change in policies of cotton yarn imports or domestic sales of cotton by China, it will greatly affect the cotton yarn industry.

Overcapacity is apparent in the spinning sector in the world specially India. India has been giving us tough competition in yarn from quite some time and the competition has now somewhat increased more, since Indian government is providing quite a large number of subsidies to its farmers and Indian yarn has been imported locally according to SAFTA (South Asian Free Trade Area) trade agreement.

GSP Plus (Generalized System of Preferences) status given by European Union at this crucial time would speed up the economic development in the country and hopefully textile industry will also have a positive impact, the results of which should be evident at the end of this year.

In the coming six months, we may face some tough times, due to huge built up of inventories, slow down in global economy, price wars, and the China factor, since it no more remains an aggressive buyer.

It will be completely unjustified if we do not acknowledge the role of our hard working team members, they are our real assets and we value the commitment they have shown over all these years. We sincerely thank our bankers, brokers, suppliers, agents and specially our customers for their unshakable trust and confidence in our products thus paving the way for the organization's growth.

On behalf of the Board of Directors



**ADEEL SHAHID ANWAR**  
Chief Executive

Karachi:  
Date: February 22, 2014

**Deloitte.**

**M. Yousuf Adil Saleem & Co**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Sharea Faisal,  
Karachi-75350  
Pakistan  
Phone: +92 (0) 21 34546494-7  
Fax: +92 (0) 21- 34541314  
Web: www.deloitte.com

**AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION****Introduction**

We have reviewed the accompanying condensed interim balance sheet of **SALFI TEXTILE MILLS LIMITED** (the Company) as at December 31, 2013 and the related condensed interim profit and loss account, condensed interim statement of changes in equity, condensed interim cash flow statement and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as "condensed interim financial information"). Management is responsible for the preparation and fair presentation of the condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2013.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements - 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as of and for the six-month period ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

**Chartered Accountants****Engagement Partner**

Mushtaq Ali Hirani


Dated: February 22, 2014  
Karachi

Member of  
**Deloitte Touche Tohmatsu Ltd.**

**SALFI TEXTILE MILLS LIMITED****CONDENSED INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2013**

	Note	December 31, 2013 (Un-audited) .....Rupees in '000' .....	June 30, 2013 Restated (Audited)
<b>SHARE CAPITAL AND RESERVES</b>	<b>6</b>	<b>1,109,099</b>	<b>1,010,762</b>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		<b>1,065,340</b>	<b>1,080,131</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term finances	7	643,582	634,120
Deferred liabilities		193,090	183,140
<b>CURRENT LIABILITIES</b>			
Trade and other payables		456,661	308,525
Accrued interest / mark-up		34,878	32,703
Short-term borrowings		1,440,000	603,946
Current portion of long-term finances		29,365	48,129
Taxation - income tax		4,541	-
		<b>1,965,445</b>	<b>993,303</b>
<b>Contingencies and commitments</b>	<b>8</b>	<b>4,976,556</b>	<b>3,901,456</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	2,409,627	2,356,479
Intangible assets		4,803	5,276
Long-term investments		432	417
Long-term deposits		463	463
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		35,830	34,570
Stock-in-trade		1,987,932	1,049,400
Trade debts		331,277	287,022
Loans and advances		111,659	80,906
Trade deposits and short-term prepayments		4,745	1,464
Other receivables		194	2,430
Other financial assets		18,175	17,212
Sales tax refundable		18,478	12,779
Cash and bank balances		52,941	53,038
		<b>2,561,231</b>	<b>1,538,821</b>
		<b>4,976,556</b>	<b>3,901,456</b>

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.


  
**ADEEL SHAHID ANWAR**  
 Chief Executive

  
**ANWAR AHMED TATA**  
 Chairman/Director

**SALFI TEXTILE MILLS LIMITED****05****CONDENSED INTERIM PROFIT & LOSS ACCOUNT (UN-AUDITED)  
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2013**

Note	Six-month period ended		Three-month period ended	
	December 31, 2013	December 31, 2012 (Restated)	December 31, 2013	December 31, 2012
.....Rupees in '000'.....				
Sales	1,995,986	2,018,813	839,338	1,099,730
Cost of goods sold	10 (1,698,854)	(1,677,170)	(737,945)	(900,704)
<b>Gross profit</b>	<b>297,132</b>	<b>341,643</b>	<b>101,393</b>	<b>199,026</b>
Distribution cost	(73,126)	(85,794)	(32,086)	(47,713)
Administrative expenses	(39,114)	(33,123)	(21,688)	(18,345)
Other operating expenses	(13,315)	(24,804)	4,583	(18,129)
Finance cost	(80,131)	(54,972)	(42,999)	(29,178)
Other income	9,860	5,447	8,291	3,344
Share of profit from an associate-net of tax	-	27,657	-	15,606
<b>Profit before taxation</b>	<b>101,306</b>	<b>176,054</b>	<b>17,494</b>	<b>104,611</b>
Provision for taxation	5 (11,089)	(34,808)	(4,331)	(19,315)
<b>Profit for the period</b>	<b>90,217</b>	<b>141,246</b>	<b>13,163</b>	<b>85,296</b>
<b>Other comprehensive income</b>				
Unrealised gain on remeasurement of investment - available for sale	14	112	24	96
Items that will never be reclassified to profit and loss account				
Remeasurements of defined benefit liability	3.1 -	(1,226)	-	-
Recognition of deferred tax	-	84	-	-
	-	(1,142)	-	-
<b>Total comprehensive income for the period</b>	<b>90,231</b>	<b>140,216</b>	<b>13,187</b>	<b>85,392</b>
<b>Earnings per share</b>				
- Basic and diluted (Rupees)	<b>26.99</b>	<b>42.26</b>	<b>3.94</b>	<b>25.52</b>

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

  
ADEEL SHAHID ANWAR  
Chief Executive

  
ANWAR AHMED TATA  
Chairman/Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2013**

	December 31, 2013	December 31, 2012
	.....Rupees in '000'.....	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	101,306	176,054
Adjustments for:		
Depreciation on property, plant and equipment	47,463	38,524
Amortisation on intangible assets	655	536
Provision for staff gratuity and compensated absences	8,442	7,837
Finance cost	80,131	54,972
Share of profit from an associate - net of tax	-	(27,657)
Exchange loss on forward booking contracts	3,203	12,954
Loss / (gain) on disposal of property, plant and equipment	1,849	(2,259)
Operating cash flows before working capital changes	243,049	260,961
(Increase) / decrease in current assets		
Stores, spares and loose tools	(1,260)	(1,692)
Stock-in-trade	(938,532)	(370,090)
Trade debts	(44,255)	(111,009)
Loans and advances	(11,167)	(9,016)
Trade deposits and short-term prepayments	(3,281)	(943)
Other financial assets	(963)	(557)
Other receivables	2,236	(272)
Sales tax refundable	(5,699)	2,776
Increase in current liabilities		
Trade and other payables	144,767	34,978
Cash used in operations	(615,107)	(194,864)
Finance cost paid	(77,956)	(100,129)
Income tax paid	(19,586)	(18,057)
Staff gratuity and compensated absences paid	(5,038)	(4,521)
Net cash used in operating activities	(717,687)	(317,570)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net additions in property, plant and equipment and capital work-in-progress	(105,634)	(3,945)
Proceeds from disposal of property, plant and equipment	3,174	6,418
Purchase of intangible assets	(182)	-
Dividend received	-	3,967
Net cash (used in) / generated from investing activities	(102,642)	6,441
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term finance obtained	-	172,839
Repayment of long-term finance	(9,302)	(276,572)
Repayment of the short-term borrowings	(90,024)	(35,807)
Dividend paid	(6,519)	(9,810)
Net cash used in financing activities	(105,845)	(149,350)
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>(926,174)</b>	<b>(460,480)</b>
<b>Cash and cash equivalents at July 01</b>	<b>(299,111)</b>	<b>(139,717)</b>
<b>Cash and cash equivalents at December 31</b>	<b>(1,225,285)</b>	<b>(600,197)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	52,940	25,964
Short term running finance	(1,278,225)	(626,161)
	<b>(1,225,285)</b>	<b>(600,197)</b>

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

  
**ADEEL SHAHID ANWAR**  
 Chief Executive

  
**ANWAR AHMED TATA**  
 Chairman/Director



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2013**

	Reserve				
	Capital		Revenue		
	Issued, subscribed and paid-up Capital	General reserve	Other reserve	Unrealized loss on remeasurement of securities available for-sale	Unappr- opriated profit (Restated)
					Total
.....Rupees in '000' .....					
<b>Balance at July 01, 2012 as previously reported</b>	<b>33,426</b>	-	<b>5,996</b>	<b>(434)</b>	<b>845,383</b>
Impact of change in accounting policy - note 3.1	-	-	-	-	<b>(2,669)</b>
<b>Balance at July 01, 2012 - restated</b>	<b>33,426</b>	-	<b>5,996</b>	<b>(434)</b>	<b>842,714</b>
					<b>881,702</b>
<b>Comprehensive income</b>					
Profit after taxation for the six-month period - ended December 31, 2012	-	-	-	-	141,246
Other comprehensive income - net of tax	-	-	-	112	(1,142)
Total comprehensive income for the period - restated	-	-	-	112	140,104
Transferred from surplus on revaluation of property, plant and equipment on account of- incremental depreciation - net of deferred tax - disposal - net of deferred tax	-	-	-	-	14,258
	-	-	-	-	2,170
Share of surplus on revaluation of property, plant and equipment from associate on account of incremental depreciation - net of deferred tax	-	-	-	-	16,428
	-	-	-	-	4,563
<b>Transactions with owners:</b>					
Final cash dividend for the year ended June 30, 2012 - @ Rs 3 per share	-	-	-	-	(10,028)
<b>Balance at December 31, 2012 - restated</b>	<b>33,426</b>	-	<b>5,996</b>	<b>(322)</b>	<b>993,781</b>
					<b>1,032,881</b>

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2013**

	Reserve			Revenue		
	Capital	General reserve	Other reserve	Unrealized loss on re-measurement of securities available for-sale	Unappropriated profit (Restated)	Total
Issued, subscribed and paid-up Capital						
.....Rupees in '000' .....						
<b>Comprehensive income</b>						
Profit after taxation for the six-month period - ended June 30, 2013	-	-	-	-	218,647	218,647
Other comprehensive income - net of tax	-	-	-	(68)	(1,142)	(1,210)
Transferred from surplus on revaluation of property, plant and equipment on account of - incremental depreciation - net of deferred tax	-	-	-	-	14,421	14,421
- disposal - net of deferred tax	-	-	-	-	53,193	53,193
Transfer to general reserve	-	750,000	-	-	67,614	67,614
Specie dividend	-	-	-	-	(750,000)	-
Change in value of investment due to specie dividend	-	-	-	-	(135,490)	(135,490)
	-	-	-	-	(171,680)	(171,680)
	-	-	-	-	(307,170)	(307,170)
<b>Balance at June 30, 2013 - restated</b>	<b>33,426</b>	<b>750,000</b>	<b>5,996</b>	<b>(390)</b>	<b>221,730</b>	<b>1,010,762</b>
<b>Comprehensive income</b>						
Profit after taxation for the six-month period ended December 31, 2013	-	-	-	-	90,217	90,217
Other comprehensive income - net of tax	-	-	-	14	-	14
Transferred from surplus on revaluation of property, plant and equipment on account of - incremental depreciation - net of deferred tax	-	-	-	14	90,217	90,231
- disposal - net of deferred tax	-	-	-	-	12,874	12,874
	-	-	-	-	1,917	1,917
	-	-	-	-	14,791	14,791
<b>Transactions with owners:</b>						
Final cash dividend for the year ended June 30, 2013 - @ Rs 2 per share	-	-	-	-	(6,685)	(6,685)
<b>Balance at December 31, 2013</b>	<b>33,426</b>	<b>750,000</b>	<b>5,996</b>	<b>(376)</b>	<b>320,053</b>	<b>1,109,099</b>

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

*Adeel Shahid Anwar*  
**ADEEL SHAHID ANWAR**  
Chief Executive

*Anwar Ahmed Tata*  
**ANWAR AHMED TATA**  
Chairman/Director

**SELECTED EXPLANATORY NOTES TO THE  
CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2013****1. STATUS AND NATURE OF BUSINESS**

Salfi Textile Mills Limited (the Company) was incorporated in Pakistan on January 05, 1968 as a public limited company under the Companies Act, 1913 as repealed by the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange. The registered office of the Company is situated at 6th floor Textile Plaza, M.A. Jinnah Road, Karachi in the province of Sindh. 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.

**2. BASIS OF PREPARATION**

- 2.1** This condensed interim financial information of the Company for the six-month period ended December 31, 2013 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information does not include all of the information required for the full financial information and therefore should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2013.
- 2.2** This condensed interim financial information has been prepared under 'historical cost convention' modified by:
- certain items of property, plant and equipment have been included at the revalued amounts
  - financial instruments at fair value.
  - recognition of certain staff retirement benefits at present value
- 2.3** This condensed interim financial information are presented in Pakistan Rupees which is also the Company's functional currency and figures presented in this condensed interim financial information has been rounded off to the nearest thousand rupee.
- 2.4** This condensed interim financial information is unaudited. However, a limited scope review of this condensed interim financial information has been performed by the external auditors of the Company in accordance with the requirements of clause (xix) of the Code of Corporate Governance and they have issued their review report thereon.
- 2.5** The comparative balance sheet presented has been extracted from annual financial statements for the year ended June 30, 2013, whereas comparative condensed profit and loss account, condensed cash flow statement and condensed statement of changes in equity are stated from unaudited condensed interim financial information for the six-month ended December 31, 2012.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies, estimates, judgments and methods of computation followed in the preparation of this condensed interim financial information are the same as those applied in the preparation of the published annual audited financial statements for the year ended June 30, 2013 except for adoption of IAS 19, as more described in note 3.1 below.

**3.1 Change in accounting policy for employee benefits - defined benefit plan**

AS 19 (revised) 'Employee benefits' amends the accounting for employment benefits which became effective to the Company from July 1, 2013. The changes introduced by the IAS 19 (revised) are as follows:

- (a) The standard requires past service cost to be recognised immediately in profit and loss;
- (b) The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year;
- (c) There is new term "remeasurement". This is made up of actuarial gains and losses, the differences between actual investment returns and return implied by the net interest cost; and
- (d) The amendment requires an entity to recognise remeasurements immediately in other comprehensive income. Actuarial gains or losses beyond corridor limits were previously amortised over the expected future services of the employees.

The management believes that the effects of these changes would not have significant effect on this condensed interim financial information except for the changes referred to in ( d ) above that has been accounted for retrospectively in accordance with International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors", resulting in restatement of financial statements of prior periods.

As a result of the above mentioned changes, the cumulative balance for un-recognised actuarial losses that existed as at July 1, 2012 has been presented and disclosed as part of the statement of changes in equity, while the corresponding period adjustment through other comprehensive income is re-stated and disclosed as part of the profit and loss account. The Balance sheet also presents the prior year numbers as restated, due to the above said change.

The effect of the change in accounting policy has been demonstrated below:

	June 30, 2013	July 1, 2012
<b>Effect on balance sheet</b>	<b>...Rupees in '000'...</b>	
<i>Unappropriated profit</i>		
As previously reported	226,683	845,383
Effect of change in accounting policy	(4,953)	(2,669)
As restated	<u>221,730</u>	<u>842,714</u>
<i>Staff gratuity</i>		
As previously reported	37,626	33,884
Effect of change in accounting policy	5,660	3,208
As restated	<u>43,286</u>	<u>37,092</u>
<i>Deferred taxation</i>		
As previously reported	138,660	216,447
Effect of change in accounting policy	(707)	(540)
As restated	<u>137,953</u>	<u>215,907</u>
<b>Effect on profit and loss account</b>	<b>Six month period ended December 31, 2012</b>	<b>Prior to July 1, 2012</b>
	<b>...Rupees in '000'...</b>	
Remeasurement of defined benefit liability recognised in other comprehensive income (decrease)	(1,226)	(3,208)
Recognition of tax	84	540
	<u>(1,142)</u>	<u>(2,669)</u>

The effect on respective expenditure account due to lapse of corridor approach in the current and prior period being immaterial has not been presented. After carrying out actuarial valuation for the whole year, management will determine the effect of the change if any to the amount to be recognised through comprehensive income for the year ending June 30, 2014.

**4. FINANCIAL RISK MANAGEMENT**

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements as at and for the year ended June 30, 2013.

**5. TAXATION**

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

**6. SHARE CAPITAL AND RESERVES**

Authorized

5,000,000 ordinary shares of Rs.10/- each

Issued, subscribed and paid-up

3,342,570 ordinary shares of Rs. 10/- each

Capital reserve

-General reserve

-Other reserve

Revenue reserve

-Unrealized loss in value of Investments available for sale

-Unappropriated profit

December 31, 2013  
(Un-audited)  
...Rupees in '000'...  
June 30, 2013  
Restated (Audited)  
...Rupees in '000'...

50,000	50,000
33,426	33,426
750,000	750,000
5,996	5,996
(376)	(390)
320,053	221,730
1,109,099	1,010,762

**7. LONG TERM FINANCE**

**From banking companies and other financial institutions - secured**

Term finances

Export oriented projects

Vehicle loans

668,970	676,715
2,314	3,473
1,662	2,060
672,947	682,249

**Less: Current portion**

Term finance

Export oriented projects

Vehicle loans

(26,276)	(45,026)
(2,314)	(2,318)
(775)	(785)
(29,365)	(48,129)
643,582	634,120

- 7.1** These finances are secured against first/ joint pari passu charge on all present and future fixed assets and specific charge over imported machinery of the Company, vehicles acquired from vehicle loans and guarantee of the Company. These finances carry mark-up at the rates ranging from 9.7% to 13% per annum (2013: 9.7% to 13% per annum).

**8. CONTINGENCIES AND COMMITMENTS****8.1 Contingencies**

- 8.1.2** There is no contingency to report as at December 31, 2013 and June 30, 2013.

**8.2 Commitments**

Civil works and machinery

Letters of credit for

- machinery and stores and spares

- raw material

Bank guarantees

Bills discounted

Outstanding sales contracts

Forward contracts

Note	December 31, 2013 (Un-audited) ...Rupees in '000'...	June 30, 2013 (Audited) ...Rupees in '000'...
	75,720	10,005
	20,019	25,368
	582,477	-
8.2.1	95,166	90,166
	355,610	212,455
	168,800	124,954
	-	15,491

- 8.2.1 This includes bank guarantee related to infrastructure cess amounting to Rs. 54.1 million (June 30, 2013: Rs. 49.1 million) for which provision amounting to Rs. 38.21 million (June 30, 2013: 38.09 million) has been made.

9. PROPERTY, PLANT AND EQUIPMENT	Note	December 31, 2013	June 30, 2013
		(Un-audited)	(Audited)
		...Rupees in '000'...	
Operating fixed assets	9.1	2,297,784	2,310,456
Capital work-in-progress		111,843	46,023
		<u>2,409,627</u>	<u>2,356,479</u>

- 9.1 Following additions and disposals in operating fixed assets were made during the period.

	Additions	Disposal (W.D.V)	Sales Proceeds
	.....Rupees in '000'.....		
<b>During the period ended</b>			
<b>December 31, 2013 (Unaudited)</b>			
Building - Mills	1,288	-	-
Plant and machinery	17,678	4,019	2,023
Office equipment	491	-	-
Mills equipment	2,743	-	-
Furniture and fixtures	285	-	-
Vehicles	17,331	1,004	1,151
	<u>39,816</u>	<u>5,023</u>	<u>3,174</u>
	Additions	Disposal (W.D.V)	Sales Proceeds
	.....Rupees in '000'.....		
<b>During the year ended June 30, 2013 (Audited)</b>			
Building - Mills	2,075	-	-
Plant and machinery	461,192	82,601	58,682
Office equipment	2,043	-	-
Mills equipment	1,249	-	-
Furniture and fixtures	486	-	-
Vehicles	7,217	1,070	2,143
	<u>474,262</u>	<u>83,671</u>	<u>60,825</u>
	<u>Six-month period ended</u>	<u>Three-month period ended</u>	
Note	December 31, 2013	December 31, 2012	December 31, 2013
	.....Un-audited.....		
	.....Rupees in '000'.....		

#### 10. COST OF GOODS SOLD

Opening finished goods	175,450	271,114	104,545	299,760
Cost of goods manufactured	10.2 <u>1,871,378</u>	<u>1,618,739</u>	<u>981,375</u>	<u>813,627</u>
	<u>2,046,829</u>	<u>1,889,853</u>	<u>1,085,920</u>	<u>1,113,387</u>
Closing finished goods	<u>(347,975)</u>	<u>(212,683)</u>	<u>(347,975)</u>	<u>(212,683)</u>
	<u>1,698,854</u>	<u>1,677,170</u>	<u>737,945</u>	<u>900,704</u>

- 10.1 Net realisable value of finished goods was lower than its cost, which resulted in write down of Nil (Dec 31, 2012: Rs. 1.333 million) charged to cost of sales.

**SALFI TEXTILE MILLS LIMITED**
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Note	Six-month period ended		Three-month period ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	.....Un-audited.....			
	.....Rupees in '000'.....			
<b>10.2 Cost of goods manufactured</b>				
Raw material	10.2.1 1,458,075	1,263,248	759,423	623,410
Packing material	30,336	29,097	16,165	14,508
Stores and spares	22,649	26,923	8,355	15,767
Salaries, wages and benefits	103,297	98,750	51,290	54,117
Fuel and power	191,674	152,857	110,745	76,579
Insurance	5,684	5,309	3,018	2,821
Repairs and maintenance	4,321	3,182	2,506	2,172
Depreciation	44,430	35,673	22,386	17,832
Other overheads	7,552	9,964	3,955	7,172
	<u>1,868,018</u>	<u>1,625,003</u>	<u>977,843</u>	<u>814,378</u>
Work-in-process				
Opening stock	26,796	21,677	26,967	27,190
Closing stock	(23,435)	(27,941)	(23,435)	(27,941)
	<u>3,361</u>	<u>(6,264)</u>	<u>3,532</u>	<u>(751)</u>
	<u>1,871,378</u>	<u>1,618,739</u>	<u>981,375</u>	<u>813,627</u>
<b>10.2.1 Raw material consumed</b>				
Opening stock	847,154	323,226	820,572	593,569
Purchases - net	<u>2,227,444</u>	<u>1,711,780</u>	<u>1,555,374</u>	<u>801,599</u>
	<u>3,074,597</u>	<u>2,035,006</u>	<u>2,375,946</u>	<u>1,395,168</u>
Closing stock	<u>(1,616,523)</u>	<u>(771,758)</u>	<u>(1,616,523)</u>	<u>(771,758)</u>
	<u>1,458,075</u>	<u>1,263,248</u>	<u>759,423</u>	<u>623,410</u>

**11. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise associated undertakings and key management personnel. The transactions between the Company and the related parties are carried out as per agreed terms. Significant transactions with related parties are as follows:

Relationship with the party	Nature of transactions	Six-month period ended	
		December 31, 2013	December 31, 2012
		(Un-audited)	
		...Rupees in '000'...	
<b>Associated undertakings</b>	Share of expense received	5,531	1,917
	Share of expense paid	952	2
	Mark-up on long-term finance	-	719
	Licensing fee received	2,138	2,124
	Purchase of raw material	-	14,077
	Purchase of power	191,483	152,767
	Dividend paid	733	-
<b>Directors</b>	Meetings fee	55	55
	Short-term benefits	3,017	1,573
	Rent expense	1,814	1,814
	Markup on long-term finance paid	-	220
<b>Key management personnel</b>	Short-term benefits	17,405	13,034

**12. APPROVAL OF CONDENSED INTERIM FINANCIAL INFORMATION**

This condensed interim financial information was authorized for issue on February 22, 2014 by the Board of Directors of the Company.

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

  
ADEEL SHAHID ANWAR  
Chief Executive

  
ANWAR AHMED TATA  
Chairman/Director

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