

Interim Financial Statements

Half Year Ended 31 December 2005



Nishat (Chunian) Ltd.



Company Information

Board of Directors:	Mr. Muhammad Saleem	Chairman
	Mr. Shahzad Saleem	Chief Executive
	Mr. Yahya Saleem	
	Mr. Manzoor Ahmed	Nominee NIT
	Mr. Khalid Niaz Khawaja	
	Syed Jawad Gillani	

Mr. Aftab Ahmad Khan

Audit Committee:	Mr. Shahzad Saleem	Chairman
	Mr. Aftab Ahmad Khan	Member
	Syed Jawad Gillani	Member

Company Secretary:	Mr. Farrukh Ifzal
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Bankers to the Company:	ABN AMRO Bank N.V.
	Allied Bank Limited
	Askari Commercial Bank Limited
	Bank Alfalah Limited
	Citibank N.A.
	Faysal Bank Limited
	Habib Bank AG Zurich
	Habib Bank Limited
	Hong Kong & Shanghai Banking Corporation Limited
	Meezan Bank Limited
	National Bank of Pakistan
	NIB Bank Limited
	Standard Chartered Bank
	The Bank of Punjab
Union Bank Limited	
United Bank Limited	

Auditors:	Riaz Ahmad & Company Chartered Accountants
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Registered & Head Office:	31-Q, Gulberg-II, Lahore, Pakistan. Phone : 5761730-39 Fax: 5878696-97 Web: www.nishatchunian.com
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Mills:	Spinning 1, 4 & 5 49th Kilometre, Multan Road, Bhai Pheru, Tehsil Chunian, District Kasur.
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Spinning 2, 3 & Weaving
49th Kilometre, Multan Road,
Kamogal, Tehsil Pattoki,
District Kasur.

Dyeing & Printing
4th Kilometre, Manga Road,
Raiwind.



Directors' Report

We are pleased to present the unaudited financial statements of the Company for the half year ended 31 December 2005. The profit before taxation is Rupees 219.975 million and Sales Rupees 3,111.901 million as compared to Rupees 551.843 million and Rupees 3,655.520 million respectively, for the corresponding period last year. Sales have declined by 14.87% and profit before taxation has decreased by 60.14%. Higher level of bank borrowings to finance expansion projects and increase in interest rates are the main factors behind the decline in profitability. Finance costs have increased by 275% as compared to the corresponding period. Moreover, higher competition in international textiles market following the abolition of trade barriers and high cotton prices have also reduced the profit margins. However, despite all these factors, performance of the Company is good as compared to the industry.

Our Dyeing and Finishing Unit is currently under trial run and will come into commercial production from July 2006. We are focusing our efforts on specializing in value added products, so as to earn higher profit margins. We expect the improvement in profitability onward from the fourth quarter of the current year.

The Directors wish to express their appreciation to the team of dedicated employees who continue to play pivotal role in the success and growth of the Company.

On behalf of the Board

Lahore: 25 February 2006

Muhammad Saleem
Chairman



Review Report to the Members

We have reviewed the annexed balance sheet of NISHAT (CHUNIAN) LIMITED as at 31 December 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 the "financial statements") for the half year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The figures of the profit and loss account, cash flow statement and statement of changes in equity for the half year ended 31 December 2004 have not been reviewed by us, as we are required to review only the cumulative figures for the half year ended 31 December 2005.

Based on our review, except for the matter referred to 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 approved accounting standards as applicable in Pakistan.

Lahore: 25 February 2006

Riaz Ahmad & Company
Chartered Accountants



Balance Sheet

	Unaudited 31 December 2005 Rupees	Audited 30 June 2005 Rupees
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised share capital 80,000,000 (June 2005: 70,000,000) ordinary shares of Rupees 10 each	800,000,000	700,000,000
Issued, subscribed and paid up share capital 75,200,838 (June 2005: 68,364,398) ordinary shares of Rupees 10 each	752,008,380	683,643,980
Revenue reserves	1,964,428,133	1,992,546,513
	2,716,436,513	2,676,190,493
NON-CURRENT LIABILITIES		
Long term financing	2,993,663,035	2,762,083,333
Long term murabaha	12,500,000	18,750,000
	3,006,163,035	2,780,833,333
CURRENT LIABILITIES		
Trade and other payables	416,978,873	310,456,901
Accrued mark-up	74,954,242	54,204,616
Short term borrowings	3,233,316,168	2,202,981,307
Current portion of non-current liabilities	285,416,668	222,916,667
	4,010,665,951	2,790,559,491
CONTINGENCIES AND COMMITMENTS (Note 4)	-	-
	9,733,265,499	8,247,583,317

The annexed notes form an integral part of these financial statements.

Statement under Section 241 (2) of the Companies Ordinance, 1984

These financial statements have been signed by two Directors, instead of the Chief Executive and one Director, as the Chief Executive is not for the time being in Pakistan.

Director



as at 31 December 2005

	Unaudited 31 December 2005 Rupees	Audited 30 June 2005 Rupees
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment		
Operating fixed assets (Note 5)	4,995,642,546	4,315,197,292
Capital work-in-progress	1,001,409,899	1,463,096,393
	<u>5,997,052,445</u>	<u>5,778,293,685</u>
Long term loans	993,282	1,179,042
Long term deposits	665,942	620,942
CURRENT ASSETS		
Stores, spare parts and loose tools	138,330,723	117,454,634
Stock in trade	1,809,655,589	1,212,933,438
Trade debts	604,205,318	335,844,386
Investment	6,800,000	6,150,000
Loans and advances	921,121,737	546,380,295
Short term deposits and prepayments	315,340	2,996,461
Other receivables	193,185,991	208,364,018
Cash and bank balances	60,939,132	37,366,416
	<u>3,734,553,830</u>	<u>2,467,489,648</u>
	<u>9,733,265,499</u>	<u>8,247,583,317</u>

Director



Profit and Loss Account

For the Half Year Ended 31 December 2005 (Unaudited)

	Half Year Ended		Quarter Ended	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004
	Rupees	Rupees	Rupees	Rupees
Sales	3,111,900,684	3,655,519,899	1,406,050,984	1,972,968,932
Cost of sales	2,558,558,427	2,913,522,898	1,161,480,786	1,537,743,858
Gross profit	553,342,257	741,997,001	244,570,198	435,225,074
Distribution and selling expenses	54,863,794	66,597,992	21,743,094	34,461,962
Administrative expenses	51,987,448	48,855,532	27,277,754	27,024,904
Other operating expenses	24,648,192	29,306,394	6,678,355	16,955,910
	131,499,434	144,759,918	55,699,203	78,442,776
	421,842,823	597,237,083	188,870,995	356,782,298
Other operating income	16,379,639	12,806,010	11,676,462	7,744,065
Profit from operations	438,222,462	610,043,093	200,547,457	364,526,363
Finance costs	218,247,646	58,200,483	117,194,291	39,336,099
Profit before taxation	219,974,816	551,842,610	83,353,166	325,190,264
Provision for taxation	43,000,000	41,000,000	21,000,000	22,000,000
Profit after taxation	176,974,816	510,842,610	62,353,166	303,190,264
Earnings per share - basic	2.35	6.79	0.83	4.03

The annexed notes form an integral part of these financial statements.

Statement under Section 241 (2) of the Companies Ordinance, 1984

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Director

Director



Cash Flow Statement

For the Half Year Ended 31 December 2005 (Unaudited)

	31 December 2005	31 December 2004
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations (Note 6)	(466,107,608)	(246,566,445)
Finance costs paid	(197,498,020)	(45,573,012)
Taxes paid	(33,683,290)	(75,273,024)
Net cash used in operating activities	(697,288,918)	(367,412,481)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(489,320,060)	(2,163,741,638)
Long term loans	185,760	-
Long term deposits	(45,000)	1,181,250
Sale proceeds of property, plant and equipment	26,284,855	13,300,347
Net cash used in investing activities	(462,894,445)	(2,149,260,041)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing and murabaha obtained	373,246,368	1,365,833,333
Long term financing and murabaha repaid	(85,416,666)	(18,750,000)
Dividend paid	(134,408,484)	(51,757,969)
Net cash from financing activities	153,421,218	1,295,325,364
Net decrease in cash and cash equivalents	(1,006,762,145)	(1,221,347,158)
Cash and cash equivalents at beginning of the period	(2,165,614,891)	(1,022,264,077)
Cash and cash equivalents transferred from Umer Fabrics	-	(490,750,540)
Cash and cash equivalents at end of the period	(3,172,377,036)	(2,734,361,775)

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Director

Director



Statement of Changes in Equity

For the Half Year Ended 31 December 2005 (Unaudited)

	SHARE CAPITAL	REVENUE RESERVES			SHAREHOLDERS' EQUITY
		General Reserve	Unappropriated Profit	Sub-Total	
..... R u p e e s					
Balance as at 30 June 2004	443,520,000	915,000,000	431,530,176	1,346,530,176	1,790,050,176
Interim dividend for the quarter ended 30 June 2004	-	-	(55,440,000)	(55,440,000)	(55,440,000)
Effect of the Scheme of Arrangement for merger of Umer Fabrics Limited into Nishat (Chunian) Limited, as approved by the Honourable Lahore High Court, Lahore	12,242,650	52,221,278	2,502,412	54,723,690	66,966,340
Final dividend for the year ended 30 September 2004	-	-	(55,440,000)	(55,440,000)	(55,440,000)
Net profit for the half year ended 31 December 2004	-	-	510,842,610	510,842,610	510,842,610
Bonus shares issued	227,881,330	-	(227,881,330)	(227,881,330)	-
Transferred to general reserve	-	525,000,000	(525,000,000)	-	-
Balance as at 31 December 2004	683,643,980	1,492,221,278	81,113,868	1,573,335,146	2,256,979,126
Net profit for the half year ended 30 June 2005	-	-	419,211,367	419,211,367	419,211,367
Balance as at 30 June 2005	683,643,980	1,492,221,278	500,325,235	1,992,546,513	2,676,190,493
Dividend for the year ended 30 June 2005	-	-	(136,728,796)	(136,728,796)	(136,728,796)
Bonus shares Issued	68,364,400	-	(68,364,400)	(68,364,400)	-
Net profit for the half year ended 31 December 2005	-	-	176,974,816	176,974,816	176,974,816
Balance as at 31 Decemeber 2005	<u>752,008,380</u>	<u>1,492,221,278</u>	<u>472,206,855</u>	<u>1,964,428,133</u>	<u>2,716,436,513</u>

The annexed notes form an integral part of these financial statements.

Statement under Section 241 (2) of the Companies Ordinance, 1984

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Director

Director



Notes to the Financial Statements

For the Half Year Ended 31 December 2005 (Unaudited)

1. THE COMPANY AND ITS OPERATIONS

Nishat (Chunian) Limited is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 and is listed on the Lahore and Karachi Stock Exchanges. Its registered office is situated in Lahore. The Company is principally engaged in the manufacture and sale of yarn and fabric.

2. STATEMENT OF COMPLIANCE

These financial statements are unaudited but subject to limited scope review by the auditors and are being submitted to the shareholders, as required under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the International Accounting Standard (IAS) - 34 "Interim Financial Reporting".

3. ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and methods of computation adopted for the preparation of these interim financial statements are the same as applied in the preparation of preceding annual published financial statements of the Company for the period ended 30 June 2005 except for the change as stated in Note 5.3.

4. CONTINGENCIES AND COMMITMENTS

Contingencies

The Company has issued guarantees amounting to Rupees 160.017 million (June 2005: Rupees 144.160 million) to various parties in its normal course of business. There is no other change in contingencies since the last audited financial statements.

Commitments

- i) Commitments in respect of capital expenditure are Rupees 312.886 million (June 2005: Rupees 237.932 million).
- ii) Letters of credit other than for capital expenditure are Rupees 48.464 million (June 2005: Rupees 11.599 million).

5. OPERATING FIXED ASSETS

	Unaudited 31 December 2005 Rupees	Audited 30 June 2005 Rupees
Opening book value	4,315,197,292	2,443,212,176
Additions during the period (Note 5.1)	951,598,659	2,167,957,452
	5,266,795,951	4,611,169,628
Book value of operating fixed assets disposed of during the period (Note 5.2)	33,001,244	39,938,786
Depreciation charged during the period	238,152,161	256,033,550
	271,153,405	295,972,336
Closing book value	4,995,642,546	4,315,197,292



	Unaudited 31 December 2005 Rupees	Audited 30 June 2005 Rupees
5.1 Additions during the period		
Freehold land	107,193,000	33,137,468
Building on freehold land	312,148,084	28,789,153
Machinery and electric installation	475,232,246	2,071,080,117
Furniture, fixtures and office equipment	39,153,327	10,338,671
Vehicles	17,872,002	24,612,043
	<u>951,598,659</u>	<u>2,167,957,452</u>
5.2 Deletions during the period		
Machinery and electric installation	31,115,326	39,407,877
Vehicles	1,885,918	530,909
	<u>33,001,244</u>	<u>39,938,786</u>

5.3 Change in accounting estimate

In the previous years/periods, no depreciation was charged on assets deleted during the year while full year's depreciation was charged on additions. However, as required by IAS-16 "Property, Plant and Equipment (revised 2003)", the Company has revised its accounting estimate and now depreciation on additions is charged from the month in which the assets are available for use and on deletions up to the month in which the assets are deleted. Had there been no change in this estimate, profit for the period and book value of operating fixed assets would have been lower by Rupees 4.389 million.

	Unaudited 31 December 2005 Rupees	Unaudited 31 December 2004 Rupees
6. CASH USED IN OPERATIONS		
Profit before taxation	219,974,816	551,842,610
Adjustment for non cash charges and other items:		
Depreciation	237,435,875	124,268,582
(Profit) / loss on sale of operating fixed assets	6,840,570	(11,191,158)
Fair value (gain) / loss on investment	(650,000)	560,000
Finance costs	218,247,646	58,200,483
Cash from operating activities before working capital changes	<u>681,848,907</u>	<u>723,680,517</u>
(Increase)/decrease in current assets		
- Stores, spare parts and loose tools	(20,876,089)	(79,771,972)
- Stock in trade	(596,722,151)	(466,427,082)
- Trade debts	(268,360,932)	(799,512,238)
- Loans and advances	(374,741,442)	(69,430,297)
- Short term deposits and prepayments	2,681,121	457,805
- Other receivables	5,861,317	145,173,857
Increase in current liabilities		
- Trade and other payables	104,201,661	299,262,965
Cash used in working capital	<u>(1,147,956,515)</u>	<u>(970,246,962)</u>
	<u>(466,107,608)</u>	<u>(246,566,445)</u>



	Unaudited 31 December 2005	Unaudited 31 December 2004
	Rupees	Rupees
7. TRANSACTIONS WITH RELATED PARTIES		
Purchase of goods and services	29,545,912	65,899,127
Sale of goods and services	12,352,096	29,572,891
Insurance premium paid	9,545,624	5,072,204
Insurance claim received	1,185,135	476,930

8. AUTHORISED FOR ISSUE

These financial statements were approved by the Board of Directors and authorised for issue on 25 February 2006.

9. GENERAL

Due to revision of the Fourth Schedule to the Companies Ordinance, 1984 by the Securities and Exchange Commission of Pakistan vide SRO 589(I)2004 dated 05 July 2004, corresponding figures of profit and loss account and cash flow statement have been re-arranged and/or reclassified, for the purpose of comparison. The entire reclassification and re-arrangement due to revision are impracticable to list and disclose.

Statement under Section 241 (2) of the Companies Ordinance, 1984

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Director

Director