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## Brief Profile

Nishat (Chunian) Limited was incorporated in 1990 as a public limited company with an equity investment of Rupees 100 million. A spinning mills having a capacity of 14,400 spindles was established at Bhai Phero, Tehsil Chunian. It started commercial production on March 10, 1991. The capacity was enhanced to 19,200 spindles in 1998. In 1998, the company diversified its business interest by venturing into a weaving project with the installation of 99 air jet looms. A new state of art spinning unit started production in November 2000, increasing the total capacity to about 40,872 spindles. Subsequently weaving capacity was increased to 212 air jet looms while spinning capacity was increased to 50,952 spindles. During the period ended June 30, 2005 the company enhanced its spinning capacity substantially by acquiring the operating assets of Umer Fabrics Limited comprising of 38,544 spindles and by addition of a new spinning unit with 40,128 spindles. The company is currently operating with 129,624 spindles and 271 looms. It is also diversifying into Home Textiles Business and a modern Dyeing and Finishing Unit having capacity of 140,000 meters per day is currently under erection and is likely to start production by the end of November 2005. The company has also established its own gas based captive electric generation plants of 27MW capacity which partly has started electric generation of 18MW.

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## Company Information

<b>Board of Directors:</b>	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	

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<b>Audit Committee:</b>	Mr. Shahzad Saleem	Chairman
	Mr. Aftab Ahmad Khan	Member
	Syed Jawad Gillani	Member

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**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  
NDLC IFIC Bank Limited  
Standard Chartered Bank  
The Bank of Punjab  
Union Bank Limited  
United Bank Limited

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**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](http://www.nishatchunian.com)

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**Mills:** Spinning 1, 4 & 5  
49th Kilometre, Multan Road,  
Bhai Pheru, Tehsil Chunian,  
District Kasur.

Spinning 2, 3 & Weaving  
49th Kilometre, Multan Road,  
Kamogal, Tehsil Pattoki  
District Kasur.

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

## Notice of Annual General Meeting

Notice is hereby given that the 16th Annual General meeting of the Shareholders of Nishat (Chunian) Limited will be held at the Registered Office of the Company, 31-Q, Gulberg II, Lahore on October 31, 2005 (Monday) at 10.30 a.m. to transact the following business:-

1. To confirm the minutes of the last General Meeting.
2. To receive and adopt audited accounts of the Company for the period ended 30 June 2005 together with Directors' and Auditors' reports thereon.
3. To approve 20% Cash Dividend (i.e. Rs.2.00 Per share) and 10% Bonus shares (i.e. Ten Bonus Shares against Hundred existing shares) as recommended by Board of the Directors. This is in addition to an interim issue of Bonus shares @ 50% (i.e. Fifty Bonus shares for every Hundred existing shares) already issued on March 26, 2005.
4. To appoint auditors for the year ending 30 June 2006 and to fix their remuneration. The present Auditors M/s Riaz Ahmad & Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.

### **SPECIAL BUSINESS:**

5. To consider and pass the following Special Resolutions:

**"RESOLVED THAT** the authorized capital of the company be and is hereby increased from Rs.700,000,000 divided into 70,000,000 Ordinary shares of Rs.10/- each to Rs. 800,000,000 divided into 80,000,000 Ordinary shares of Rs.10/- each. The new shares shall rank pari passu with the existing shares in all respect."

**FURTHER RESOLVED** that clause "V" of the Memorandum of Association and clause "7" of the Articles of Association of the company be and are hereby amended to read as under:

#### **Clause "V" of the Memorandum of Association**

The authorised capital of the Company is Rs.800,000,000 (Rupees Eight Hundred Million only) divided into 80,000,000 ordinary shares of Rs.10/- each with power to the Company to increase or reduce, consolidate, sub-divide, or otherwise reorganize the share capital of the Company in accordance with the Provisions of the Companies Ordinance 1984 and subject to any permission required under the law.

#### **Clause "7" of the Articles of Association**

The authorized capital of the Company is Rs.800,000,000 (Rupees Eight Hundred Million only) divided into 80,000,000 (Eighty million only) ordinary shares of Rs. 10/- each.

#### **STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984**

It is proposed to increase the authorized share capital as stated above which in turn will enable the company to issue Bonus shares.

Directors of the company have no interest in the Special Business / Special Resolution except to the extent of their shareholding.

6. To transact any other business with the permission of the Chair.

### **BOOKS CLOSURE**

The Share Transfer Books of the Company will remain closed from 24-10-2005 to 31-10-2005 (both days inclusive) for the entitlement of payout.

By Order of the Board

Farrukh Ifzal  
Company Secretary

Lahore: October 05, 2005

### **Notes:**

1. A shareholder entitled to attend and vote at this meeting may appoint another shareholder as his / her proxy to attend and vote as his/her proxy to attend and vote on his / her behalf. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be received at the Registered Office of the Company, duly stamped, signed and witnessed not later than 48 hours before the meeting.
2. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their National Identity Card (NIC) along with their Account Number in CDC for verification. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
3. In case of proxy for and individual beneficial owner of CDC attested copies of beneficial owner's NIC or passport, account and participants ID numbers must be deposited alongwith the form of proxy. Representatives of corporate members should bring the usual documents required for such purpose.
4. Shareholders are requested to notify any change in their addresses immediately.

# Directors' Report

## Economic Environment

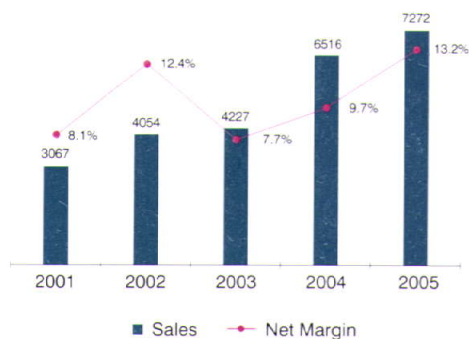
The period under review is from October 2004 to June 2005. During this period the economy continued to thrive. Large scale manufacturing and key service sectors grew at double digit rates. However rising inflation became a major concern and as a result interest rates started to climb in the latter half of the period. International price war in textiles has increased with the abolition of trade barriers and quotas. As a result the textiles industry in Pakistan remained under pressure. However the WTO regime has created huge opportunities as well and there is a lot of room for growth of export oriented industries in Pakistan. Pakistan had the largest harvest of cotton crop in its history and as a result the cotton prices remained favorable compared to the record high prices of last year. The security environment also improved with thawing out of the relations with India and improved law and order situation in the country.

## Performance of the Company

During the period under review the company's performance is at its historic best. Sales are Rs. 5,454 billion in nine months as compared to the annual Sales of Rs. 6,581 billion in Year 2004. This shows an increase in sales of 10.50% on annualized basis. The company earned a before tax profit of Rs. 759.94 million in nine months (annualized Rs. 1,013.25 million) as compared to the annual before tax profit of Rs. 685.69 million in Year 2004. Net profit margin improved from 9.65% in year ending 2004 to 13.24% during this period.

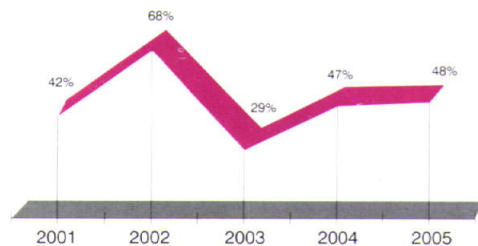
The improved performance during the period can be attributed to a number of factors. The increase in sales and profitability is mainly due to increase in production capacity, sale of high margin products, cost cutting measures and lower cotton prices. During the period, the company increased its spinning capacity substantially by addition of a new spinning unit comprising of 40,128 spindles and by acquisition of operating assets of Umer Fabrics Limited comprising of 38,544 spindles. The increase in capacity, backed with product diversity and production flexibility has helped in employing an aggressive marketing strategy resulting in better profit margins. Through aggressive marketing and better management the company has retained its position as one of the most profitable textile companies of the country. Return on equity for the period of nine months

Sales and Net Profit Margin



\* 2005 Sales figure in the chart is annualized.

Return on Equity



\* 2005 ROE figure in the chart is annualized.

is 35.95% (annualized 47.94%), while earning per share is Rs. 10.57 (annualized Rs. 14.09). The average return on equity during the last five years is 46.80%. Our target is to maintain a long term ROE of 30 – 40%.

### Investments and Sources of Financing

During the period under review, the company invested Rs. 2,680 million in expansion plans. Major expansions executed during the period in addition to the spinning and weaving capacity enhancement, are setting up of a modern Dyeing and Finishing Plant and installation of captive power plants with a capacity of 27 MW for producing low cost electricity. After the addition of a new spinning unit of 40,128 spindles and merger of Umer Fabrics Limited, our Spinning Division consists of 5 mills with a combined capacity of 129,624 spindles. In weaving, after the addition of 89 Looms, we are operating 271 looms. Depreciation cash flow of Rs. 256 million, retained earnings and net increase in long term loans of Rs. 1,681 million were used to finance this expansion.

### Financial Structure

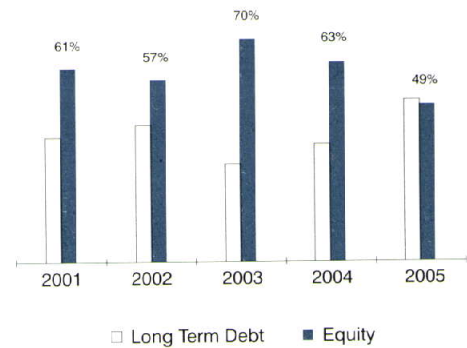
Since the seasonal and cyclical fluctuations expose the textile industry to higher risk, we have employed a conservative financial structure. We have identified the targeted levels of critical financial ratios such as the current ratio, debt to equity ratio and leverage. Decisions for future investments are made subject to the constraints of the targeted financial ratios. The illustration shows the historic figures of our current ratio and leverage.

During the period under review, financial charges have substantially increased as compared to the last year. This is mainly due to general increase in the interest rates in the country and higher level of borrowing required for expansion. The illustration shows the last five years' financial charges as a percentage of sales.

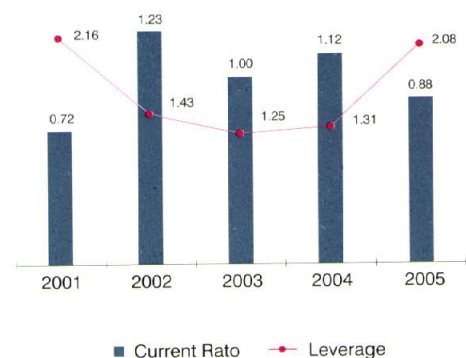
### Business Strategy

Aggressive marketing has always been one of the key reasons for our competitiveness and success. Our strategy is to remain at the cutting edge in terms of exploring new markets and products. The focus is on niche marketing with specialized products.

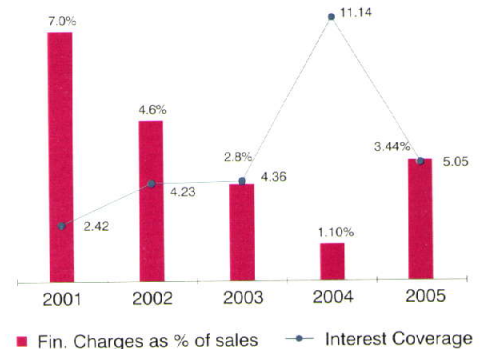
Long Term Debt to Equity Ratios

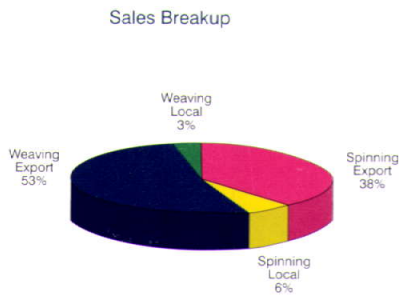


Financial Ratios



Financial Charges and Interest Coverage





Our quality products are supplemented with professional customer service to build long term relationships. We have differentiated our company through consistent quality, reliable delivery and proactive handling of customers' needs.

Investment in state of the art technology and top quality human resources has been the key element of our business strategy. The organizational structure is kept lean with very little hierarchy and bureaucracy compared with organizations of similar size. This gives us the flexibility to respond quickly to the changes in the market situation.

### Dividends

The company has maintained a steady stream of dividend payouts while retaining adequate portion of the profits for future growth. This year also we have proposed Rs. 2.00 per share as final dividend amounting to Rs. 136.73 million, in addition to the issue of bonus shares @ 10%. Rs. 294 million are being transferred to general reserves.

### Future Outlook

The upsurge in the economy of the country and the removal of trade barriers has created huge opportunities in both export oriented and domestic markets. We are focusing our efforts on capitalizing on these opportunities. In view of the increase in price competition following the abolition of trade barriers, our strategy is to enter into value added products and diversify our markets by tapping niches in the European and US Home Textiles markets. Our Dyeing and Finishing Plant is expected to come into production in November 2005. We are streamlining our weaving division with the Dyeing and Finishing Plant and for this purpose letters of credit for 67 wider width looms have been opened to increase the total capacity to 338 looms. Power plant with 18 MW production capacity is fully operational since March 2005 and is catering to the electricity requirements of weaving and two spinning units. We believe these expansions and additions will help us to maintain the trend of profitability and growth.

We are further looking into non-textile businesses to diversify our business and take advantage of the growth other sectors are experiencing in Pakistan.

## Corporate Governance

As required by the Code of Corporate Governance, directors are pleased to report that:

- a. The financial statements prepared by the management of the Company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- b. Proper books of account of the Company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.
- e. The system of internal control is sound and has been effectively implemented and monitored.
- f. There are no doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- h. The value of investment of contributory provident fund as at 30 June 2005 amounts to Rs. 15.608 Million.
- i. The pattern of shareholding as at 30 June 2005 is annexed.

## Board Meetings

During the year under review three (3) meetings were held.  
Attendance by each director is as follows:

Name of Director	Attendance
Mr. Muhammad Saleem	3
Mr. Shahzad Saleem	1
Mr. Yahya Saleem	1
Mr. Khalid Niaz Khawaja	3
Syed Jawad Gillani	-
Mr. Manzoor Ahmad	1
Mr. Aftab Ahmad Khan	2

On behalf of the board

Shahzad Saleem  
Chief Executive

Lahore: 05 October 2005



## Financial Highlights

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
	(Rupees in thousand)									
Capital	144,000	144,000	144,000	144,000	403,200	403,200	403,200	443,520	443,520	683,644
Reserves	86,988	110,627	162,237	194,792	192,289	340,409	742,888	919,106	1,444,303	1,992,547
Net Worth	230,988	254,627	306,237	338,792	595,489	743,609	1,146,088	1,362,626	1,886,823	2,676,191
Long Term Liabilities	34,737	26,765	270,431	280,856	567,030	476,321	865,539	589,642	1,116,667	2,780,833
Current Liabilities	235,245	201,965	702,242	1,015,989	619,802	1,130,202	773,885	1,110,277	1,355,126	2,790,559
Total Equity & Liabilities	500,970	483,357	1,278,910	1,635,637	1,782,321	2,350,132	2,785,512	3,062,545	4,358,616	8,247,583
Fixed Assets	271,695	258,221	886,593	956,365	1,202,614	1,537,288	1,829,775	1,954,767	2,837,084	5,778,293
Long Term Deposits	2,059	311	227	227	527	545	545	426	386	1,800
Current Assets	227,216	224,825	392,090	679,045	579,180	812,299	955,192	1,107,352	1,521,146	2,467,490
Total Assets	500,970	483,357	1,278,910	1,635,637	1,782,321	2,350,132	2,785,512	3,062,545	4,358,616	8,247,583
Sales	971,188	1,111,537	1,148,551	2,094,958	2,367,018	3,066,830	4,054,099	4,226,715	6,516,226	5,454,231
Gross Profit	172,615	186,017	183,371	362,475	628,457	684,287	966,745	742,242	968,808	1,225,206
Operating Profit plus Other Income	148,573	144,251	156,465	290,531	533,773	523,634	781,787	519,004	796,705	947,843
Financial & Other charges	91,423	91,225	93,244	185,936	155,772	237,811	218,099	143,586	111,014	187,899
Taxation	5,669	7,787	11,611	13,000	20,504	36,903	60,409	48,000	50,614	37,542
Net Profit	51,481	45,239	51,610	91,595	357,497	248,920	503,279	327,418	635,077	722,402
Gross Margin	17.8%	16.7%	16.0%	17.3%	26.6%	22.3%	18.9%	17.6%	14.9%	22.5%
Net Margin	5.3%	4.1%	4.5%	4.4%	15.1%	8.1%	12.4%	7.7%	9.7%	13.2%
Current Ratio	0.97	1.11	0.56	0.67	0.93	0.72	1.23	1.00	1.12	0.88
Leverage (Total Liab./Net Worth)	1.17	0.90	3.18	3.83	1.99	2.16	1.43	1.25	1.31	2.08
Long Term Debt : Equity	13:87	10:90	47:53	45:55	49:51	39:61	43:57	30:70	37:63	51:49
EPS	3.58	3.14	3.58	6.36	8.87	6.17	12.48	7.38	14.32	10.57

## Statement of Compliance

### with the Code of Corporate Governance for the period ended 30 June 2005

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 (Chapter XI) of Listing Regulations of Karachi Stock Exchange (Guarantee) Limited and Clause 40 (Chapter XIII) of the Listing Regulations of Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes one independent non-executive director.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy has occurred during the period under review.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged orientation courses for its directors during the year to apprise them of their duties and responsibilities.
10. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.

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15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
  16. The Board has set-up an effective internal audit function with suitably qualified and experienced staff, conversant with the policies and procedures of the Company and involved in the internal audit function on a full time basis.
  17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
  18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
  19. We confirm that all other material principles contained in the Code have been complied with.

Lahore: 05 October 2005

**Muhammad Saleem**  
Chairman

## Review Report

### to the members on statement of Compliance with best practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Nishat (Chunian) Limited to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited and Listing Regulation No. 40 (Chapter XIII) of the Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Lahore: 05 October 2005

**RIAZ AHMAD & COMPANY**  
Chartered Accountants

## Auditors' Report to the Members

We have audited the annexed balance sheet of **NISHAT (CHUNIAN) LIMITED** as at 30 June 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the period then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in notes No.4.2 and 4.8 with which we concur;
  - ii) the expenditure incurred during the period was for the purpose of the company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2005 and of the profit, its cash flows and changes in equity for the period then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

## Balance Sheet as at

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorised share capital</b>			
70,000,000 (2004: 51,530,000) ordinary shares of Rupees 10 each	5	700,000,000	515,300,000
<b>Issued, subscribed and paid up share capital</b>			
68,364,398 (2004: 45,576,265) ordinary shares of Rupees 10 each	6	683,643,980	455,762,650
<b>Reserves</b>	7	1,992,546,513	1,553,466,212
		2,676,190,493	2,009,228,862
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	8	2,762,083,333	1,091,666,665
Long term murabaha	9	18,750,000	25,000,000
Deferred taxation	10	-	24,457,801
		2,780,833,333	1,141,124,466
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	310,456,901	392,064,517
Accrued mark-up	12	54,204,616	14,766,916
Short term borrowings	13	2,202,981,307	1,266,753,534
Current portion of non-current liabilities	14	222,916,667	212,500,002
Taxation payable		-	39,145,154
		2,790,559,491	1,925,230,123
<b>CONTINGENCIES AND COMMITMENTS</b>			
	15	-	-
		8,247,583,317	5,075,583,451

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

CHIEF EXECUTIVE

## 30 June 2005

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Property, plant and equipment</b>			
Operating fixed assets	16	4,315,197,292	2,443,212,176
Capital work-in-progress	17	1,463,096,393	951,333,007
<b>Long term loans</b>	18	5,778,293,685 1,179,042	3,394,545,183 -
<b>Long term deposits</b>		620,942	743,442
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	19	117,454,634	75,990,704
Stock in trade	20	1,212,933,438	824,740,894
Trade debts	21	335,844,386	443,334,644
Investment	22	6,150,000	5,570,000
Loans and advances	23	546,380,295	95,391,242
Short term deposits and prepayments	24	2,996,461	662,403
Other receivables	25	208,364,018	203,801,841
Cash and bank balances	26	37,366,416	30,803,098
		2,467,489,648	1,680,294,826
		8,247,583,317	5,075,583,451

DIRECTOR

## Profit and Loss Account

for the period ended 30 June 2005

	NOTE	2005 Rupees	2004 Rupees
Sales	27	5,454,231,407	6,580,617,430
Cost of goods sold	28	4,229,025,833	5,547,418,807
Gross profit		1,225,205,574	1,033,198,623
Distribution and selling expenses	29	175,781,628	181,093,686
Administrative expenses	30	74,469,847	61,532,850
Other operating expenses	31	49,065,522	39,473,677
		299,316,997	282,100,213
Profit from operations		925,888,577	751,098,410
Other operating income	32	21,954,074	6,132,933
		947,842,651	757,231,343
Finance costs	33	187,898,821	71,540,677
Profit before taxation		759,943,830	685,690,666
Provision for taxation	34	37,542,199	50,614,013
Profit after taxation		722,401,631	635,076,653
Earnings per share - basic	41	10.57	9.29

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



# Cash Flow Statement

## for the period ended 30 June 2005

	NOTE	2005 Rupees	2004 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	39	409,728,279	684,760,156
Financial charges paid		(148,461,122)	(66,210,576)
Taxes paid		(132,205,649)	(65,908,206)
Payment of employees' benefits		-	(14,907,450)
<b>Net cash generated from operating activities</b>		<b>129,061,508</b>	<b>537,733,924</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Property, plant and equipment-Acquired		(2,679,720,838)	(1,100,113,467)
Acquisition of short term investment		-	(4,730,775)
Long term loans		(1,179,042)	-
Long term deposits		122,500	39,700
Sale proceeds of property, plant and equipment		37,972,649	9,209,126
<b>Net cash used in investing activities</b>		<b>(2,642,804,731)</b>	<b>(1,095,595,416)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term financing obtained		1,835,000,000	750,000,000
Long term financing repaid		(154,166,666)	(108,333,333)
Long term murabaha repaid		(6,250,000)	(12,500,000)
Dividend paid		(90,504,566)	(167,165,646)
<b>Net cash generated from financing activities</b>		<b>1,584,078,768</b>	<b>462,001,021</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(929,664,455)</b>	<b>(95,860,471)</b>
<b>Cash and cash equivalents at beginning of the period / year</b>		<b>(1,235,950,436)</b>	<b>(649,339,425)</b>
<b>Cash and cash equivalents transferred from Umer Fabrics Limited (merged entity)</b>		<b>-</b>	<b>(490,750,540)</b>
<b>Cash and cash equivalents at end of the period / year</b>	40	<b>(2,165,614,891)</b>	<b>(1,235,950,436)</b>

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

CHIEF EXECUTIVE

DIRECTOR

# Statement of Changes in Equity

## for the period ended 30 June 2005

	SHARE CAPITAL	REVENUE RESERVES			SHAREHOLDERS' EQUITY
		General reserve	Unappro- priated profit	Sub total	
	Rupees				
Balance as at 30 September 2003 - as previously reported	443,520,000	915,000,000	4,105,869	919,105,869	1,362,625,869
Effect of change in accounting policy (Note 4.2)	-	(215,000,000)	325,880,000	110,880,000	110,880,000
Balance as at 30 September 2003 ( Restated)	443,520,000	700,000,000	329,985,869	1,029,985,869	1,473,505,869
Dividend for the year ended 30 September 2003	-	-	(110,880,000)	(110,880,000)	(110,880,000)
Net profit for the year	-	-	635,076,653	635,076,653	635,076,653
Interim dividend	-	-	(55,440,000)	(55,440,000)	(55,440,000)
Transferred to general reserve	-	215,000,000	(215,000,000)	-	-
Balance as at 30 September 2004	443,520,000	915,000,000	583,742,522	1,498,742,522	1,942,262,522
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
Balance as at 01 October 2004	455,762,650	967,221,278	586,244,934	1,553,466,212	2,009,228,862
Dividend for the year ended 30 September 2004	-	-	(55,440,000)	(55,440,000)	(55,440,000)
Net profit for the period	-	-	722,401,631	722,401,631	722,401,631
Bonus shares issued	227,881,330	-	(227,881,330)	(227,881,330)	-
Transferred to general reserve	-	525,000,000	(525,000,000)	-	-
<b>Balance as at 30 June 2005</b>	<b>683,643,980</b>	<b>1,492,221,278</b>	<b>500,325,235</b>	<b>1,992,546,513</b>	<b>2,676,190,493</b>

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

# Notes to the Financial Statements

for the period ended 30 June 2005

## 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.

### Merger of Umer Fabrics Limited with Nishat (Chunian) Limited

Effective from 01 October 2004, Umer Fabrics Limited was merged with the Nishat (Chunian) Limited and Nishat Mills Limited in accordance with the scheme of arrangement sanctioned by The Honourable Lahore High Court, Lahore. Consequently, these financial statements reflect the combined results of Nishat (Chunian) Limited and Umer Fabrics Limited as per scheme of arrangement. These financial statements have been prepared on uniting of interest basis in accordance with the International Accounting Standard (IAS)-22 "Business Combinations".

## 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

## 3. CHANGE IN THE FINANCIAL YEAR

During the current year, the company has changed its financial year from September to June in pursuance of SRO No. 684(I) / 2004, dated 10 August 2004 of Central Board of Revenue (CBR). As a result of which, these financial statements have been prepared for the nine months period ending on 30 June 2005 and the comparative amounts for profit and loss account, statement of changes in equity, cash flow statement and related notes of 12 months are not comparable.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments at fair value.

### 4.2 Dividend and other appropriations

In the previous years, proposed or declared dividend and other appropriations after the balance sheet date were recognised as of the balance sheet date. After the amendments in the Fourth Schedule to the Companies Ordinance, 1984, promulgated by Notification No. 589(I)/2004, dated 05 July 2004, dividend and other appropriations will be recognised in the year in which these are declared and approved to meet the requirement of International Accounting Standard (IAS)-10 "Events after The Balance Sheet Date".

The effect of change in accounting policy has been reflected in the statement of changes in equity in accordance with the recommended benchmark treatment of International Accounting Standard (IAS)-8 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies". The change in accounting policy has not resulted in any change in the profit for current period.

Had there been no change, the unappropriated profit and the current liabilities for the period ended 30 June 2005 would have been lower and higher respectively by Rupees 136.729 million.

The Board of Directors has proposed a final dividend for the period ended 30 June 2005 of Rupees 2 per share, amounting to Rupees 136.729 million and bonus share @ 10% at their meeting held on 05 October 2005 for approval of the members at the annual general meeting to be held on 31 October 2005.

### 4.3 Taxation

#### Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

## Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

However, provision for the current year is not considered necessary as the company is chargeable to tax under section 169 of the Income Tax Ordinance, 2001 and no temporary differences are expected to arise in the foreseeable future.

### 4.4 Employee benefits

The main features of the schemes operated by the company for its employees are as follows:

#### Provident fund

There are approved and unapproved contributory provident funds for site and head office employees respectively. Equal monthly contributions are made both by the employees and company to the funds in accordance with the fund rules. The company's contributions to these funds are charged to income currently.

#### Accumulating compensated absences

The company provides for accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences. Under the rules, head office employees and factory staff are entitled to 20 days leave per year and factory workers are entitled to 14 days leave per year respectively. Unutilised leaves can be accumulated upto 10 days in case of head office employees, 40 days in case of factory staff and upto 28 days in case of factory workers. Any further un-utilized leaves will lapse. Any un-utilized leave balance i.e. 40 days and 28 days in case of factory staff and workers respectively can be encashed by them at any time during their employment. Unutilised leaves can be used at any time by all employees, subject to the Company's approval. Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to income.

### 4.5 Property, plant, equipment and depreciation

Property, plant and equipment except freehold land and capital work in progress are stated at cost less accumulated depreciation. Cost in relation to certain property, plant and equipment signifies historical cost and mark up etc., as referred to Note 4.9.

Depreciation on all operating fixed assets is charged to profit on the reducing balance method so as to write off the cost of the assets over their estimated useful lives at the rates given in Note 16.

The full annual rate of depreciation is applied to the costs of additions, except major additions or extension to existing facilities, while no depreciation is charged on assets deleted during the year. Major additions or extension to existing facilities are depreciated on pro-rata basis for the period of use during the year.

Impairment loss or its reversal, if any, is also charged to income. Where an impairment loss is recognised, the depreciation charged is adjusted in future periods to allocate the assets' revised carrying amount over its estimated useful life.

Major repairs and improvements are capitalized. Minor repairs and renewals are charged to income. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense.

### 4.6 Stores, spare parts and loose tools

Useable stores, spare parts and loose tools are valued principally at moving average cost, while items

considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

#### **4.7 Stock in trade**

These are stated at the lower of cost and net realisable value except for waste stock which is valued at net realisable value. Cost of raw material represents:

- Spinning: annual average cost
- Weaving: moving average cost

Cost of work-in-process and finished goods comprises cost of direct material, labour and appropriate manufacturing overheads. Goods purchased for resale are stated at lower of cost based on FIFO and net realisable value.

Materials in transit are stated at cost comprising invoice values plus other charges paid thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

#### **4.8 Foreign currencies**

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

The company in pursuance of substituted Fourth Schedule to the Companies Ordinance, 1984 has changed its accounting policies with respect to the capitalization of exchange differences. Previously exchange differences on loans utilized for the acquisition of plant and machinery were capitalized and all other exchange differences were charged to income. The company now charges all exchange differences to profit and loss account. Had there been no change in this accounting policy, value of the property, plant and equipment and profit for the period would have been lower by Rupees 30.409 million.

#### **4.9 Borrowing cost**

Mark-up, interest, profit and other charges on borrowings are capitalized upto the date of commissioning of the respective plant and machinery, acquired out of the proceeds of such borrowings. All other mark-up, interest, profit and other charges are charged to income.

#### **4.10 Revenue recognition**

Revenue from sales is recognised on despatch of good to customers.

Return on deposits is accrued on a time basis by reference to the principal outstanding and the applicable rate of return.

Dividend income on equity investments is recognised as and when the right to receive dividend is established.

#### **4.11 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and short term borrowings. In the balance sheet, short term borrowings are included in current liabilities.

#### **4.12 Financial instruments**

Financial instruments carried on the balance sheet include receivables, investments, cash and bank balances, short term borrowings, long term loans, trade and other payables, deposits, accrued and other

liabilities. Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument.

#### **Trade debts**

Trade debts are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

#### **Borrowings**

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included in accrued mark-up to the extent of the amount remaining unpaid.

#### **Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services.

#### **Investments**

Investments available for sale are initially recognised at cost, which is the fair value of the consideration given. Subsequently, these are restated to fair value, with difference taken to the income currently.

#### **Derivative financial instruments**

These are recognized using the trade date accounting and are measured initially at cost. At subsequent reporting dates these are remeasured to fair value and any gain or loss arising from fair value measurement is reported in net profit or loss for the period.

The company uses trade date accounting for the recognition of its forward exchange contracts. It designates these forward exchange contracts as fair value hedges of recognised assets or liabilities. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, along with changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Certain derivative transactions, while providing effective economic hedges under the Company's risk management policies, do not qualify for hedge accounting under the specific rules of International Accounting Standard (IAS) - 39 "Financial Instrument: Recognition and Measurement". Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS - 39 are recognized immediately in the income statement.

### **4.13 Provisions**

Provisions are recorded when the company has a present obligation as a result of past event which it is probable will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

### **4.14 Related party transactions and transfer pricing**

Transactions and contracts with the related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method.

### **4.15 Offsetting**

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Company intends either to settle on net basis, or to realize the assets and to settle the liabilities simultaneously.

### **4.16 Impairment**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognised in the profit and loss account.

	2005 (Number of Shares)	2004 (Number of Shares)
<b>5. AUTHORISED SHARE CAPITAL</b>		
Opening balance	51,530,000	51,530,000
Increase during the period	18,470,000	-
Closing balance	70,000,000	51,530,000
	2005 Rupees	2004 Rupees
<b>6. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL</b>		
12,000,000 (September 2004:12,000,000) ordinary shares of Rupees 10 each fully paid in cash	120,000,000	120,000,000
55,140,133 (September 2004: 32,532,000) ordinary shares of Rupees 10 each issued as fully paid bonus shares	551,401,330	323,520,000
1,224,265 (September 2004: 1,224,265) ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash to members of Umer Fabrics Limited as per the Scheme of arrangement as approved by the Honourable Lahore High Court, Lahore.	12,242,650	12,242,650
	683,643,980	455,762,650
	2005 (Number of Shares)	2004 (Number of Shares)
<b>6.1 Ordinary shares of the company held by related parties and associated undertaking</b>		
Nishat Mills Limited	9,786,882	6,781,988
DG Khan Cement Company Limited	6,426,019	3,953,697
Adamjee Insurance Company Limited (associated undertaking)	13,102	13,102
	16,226,003	10,748,787
<b>6.2 Reconciliation of Issued, subscribed and paid up share capital</b>		
Opening balance	45,576,265	44,352,000
Issued as per Scheme of Arrangement	-	1,224,265
Bonus shares issued	22,788,133	-
Closing balance	68,364,398	45,576,265
	2005 Rupees	2004 Rupees
<b>7. Reserves</b>		
<b>Revenue Reserves:</b>		
General reserve	1,492,221,278	967,221,278
Unappropriated profit	500,325,235	586,244,934
	1,992,546,513	1,553,466,212

## 8. LONG TERM FINANCING

### From Banking Companies-Secured

Lender	2005 Rupees	2004 Rupees	Rate of interest	Number of installments	Interest payable
Standard Chartered Bank-1	166,666,667	200,000,000	6-month KIBOR + 0.25%	Six equal half yearly instalments commencing on 27 March 2005 and ending on 26 September 2007	Quarterly
Standard Chartered Bank-2	200,000,000	-	6-month KIBOR + 0.50%	Eight equal half yearly instalments commencing on 24 August 2006 and ending on 25 February 2010	Half yearly
ABN AMRO Bank-1	83,333,333	166,666,667	3-month KIBOR + 0.25%	Twelve equal quarterly instalments commencing on 01 October 2003 and ending on 01 July 2006	Quarterly
ABN AMRO Bank-2	150,000,000	-	3-month KIBOR + 0.50%	Bullet payment	Quarterly
United Bank Limited-1	500,000,000	500,000,000	6-month KIBOR + 0.40%	Seven equal half yearly instalments commencing on 28 September 2006 and ending on 28 September 2009	Quarterly
United Bank Limited-2	500,000,000	-	6-month KIBOR + 0.40%	Seven equal half yearly instalments commencing on 23 November 2006 and ending on 23 November 2009	Quarterly
Habib Bank Limited-1	137,500,000	175,000,000	6-month KIBOR + 0.40%	Sixteen quarterly instalments commencing on 01 May 2004 and ending on 01 February 2008	Quarterly
Habib Bank Limited-2	250,000,000	250,000,000	6-month KIBOR + 0.5%	Eight equal half yearly instalments commencing on 01 April 2006 and ending on 30 September 2009	Quarterly
Habib Bank Limited-3	250,000,000	-	6-month KIBOR + 0.5%	Eight equal half yearly instalments commencing on 25 December 2006 and ending on 25 June 2009	Quarterly
Citibank N.A	235,000,000	-	6-month KIBOR + 0.5%	Six equal half yearly instalments commencing on 30 December 2007 and ending on 30 June 2010	Half yearly
Allied Bank Limited	500,000,000	-	6-month KIBOR + 0.75%	Twelve equal quarterly instalments commencing on 30 December 2006 and ending on 30 September 2009	Quarterly
	2,972,500,000	1,291,666,667			
Less: Current portion (Note 14)	210,416,667	200,000,002			
	2,762,083,333	1,091,666,665			

8.1 These are secured by first pari passu hypothecation on all present and future fixed assets of the Company and an equitable mortgage of the Company's land to the extent of Rupees 4,248 million (2004: Rupees 2,209 million).



	2005 Rupees	2004 Rupees
<b>9. LONG TERM MURABAHA</b>		
<b>Secured:</b>		
Faysal Bank Limited (Note 9.1)	31,250,000	37,500,000
Less: Current portion (Note 14)	12,500,000	12,500,000
	<b>18,750,000</b>	<b>25,000,000</b>

9.1 Murabaha facility has been availed from Faysal Bank Limited. The rate of mark-up is 6.5% per annum. The principal amount is repayable in eight equal half yearly instalments commencing from 26 March 2004 and ending on 26 September 2007. This facility is secured by joint parri passu charge on entire fixed assets to the extent of Rs. 50 million (2004: Rs. 600 million).

#### 10. DEFERRED TAXATION

This related to Umer Fabrics Limited (merged entity). As the company falls under the ambit of presumptive tax regime, this liability has been reversed.

	2005 Rupees	2004 Rupees
<b>11. TRADE AND OTHER PAYABLES</b>		
Creditors (Note 11.1)	127,282,420	176,980,676
Accrued liabilities	73,780,743	72,880,468
Advances from customers	17,423,969	39,310,797
Retention money	9,818,871	5,212,839
Payable to provident fund trust	-	331,593
Income tax deducted at source	1,039,836	3,076,934
Unpaid and unclaimed dividend	10,700,091	45,764,657
Due to associated undertaking-Adamjee Insurance Company Limited	2,743,703	-
Workers' profit participation fund (Note 11.2)	40,051,236	44,009,966
Restructuring fee on convertible forward contract	2,190,623	-
Loss on convertible forward contract	5,077,403	-
Others	20,348,006	4,496,587
	<b>310,456,901</b>	<b>392,064,517</b>

11.1 Creditors include an amount of Rupees 0.162 million (2004: Rupees Nil) payable to D.G. Khan Cement Company Limited - Related party.

	2005 Rupees	2004 Rupees
<b>11.2 Workers' profit participation fund</b>		
Balance as on 01 October	44,009,966	29,470,335
Interest for the period / year	1,029,631	1,413,115
Add: Provision for the period / year	40,051,235	44,009,965

	2005 Rupees	2004 Rupees
	85,090,832	74,893,415
Less payments		
To trust	19,771,595	15,969,954
To Government	25,268,001	14,913,495
	45,039,596	30,883,449
	40,051,236	44,009,966

**11.3** The company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the company till the date of allocation to workers.

	2005 Rupees	2004 Rupees
<b>12. ACCRUED MARK-UP</b>		
Long term financing	21,994,717	4,085,699
Long term murabaha	539,811	33,390
Short term borrowings	31,670,088	10,647,827
	54,204,616	14,766,916

### 13. SHORT TERM BORROWINGS

	2005 Rupees	2004 Rupees
From banking companies-Secured		
Short term running finances (Notes 13.1 and 13.2)	1,173,980,875	815,875,519
Export finances-Preshipment/SBP refinance (Notes 13.1 and 13.3)	481,700,000	340,878,014
Short term finances (Notes 13.1 and 13.4)	547,300,432	110,000,001
	2,202,981,307	1,266,753,534

**13.1** These finances form part of total credit facilities amounting to Rupees 4,588 million (2004: Rupees 4,155 million) available from commercial banks under mark-up arrangements and are secured by hypothecation of all present and future current assets of the company and lien on export bills.

**13.2** Short term running finances carry mark-up at the rates ranging from Rupee 0.068 to Rupee 0.284 (2004: Rupee 0.066 to Rupee 0.219) per Rupees 1,000 per diem or part thereof on the balance outstanding.

**13.3** The rates of mark-up range from Rupee 0.052 to Rupee 0.259 (2004: Rupee 0.048 to Rupee 0.1507) per Rupees 1,000 per diem or part thereof on the balance outstanding.

**13.4** The rates of mark-up range from Rupee 0.067 to Rupee 0.270 (2004: Rupee 0.055 to Rupee 0.078) per Rupees 1,000 per diem or part thereof on the balance outstanding.

	2005 Rupees	2004 Rupees
<b>14. CURRENT PORTION OF NON-CURRENT LIABILITIES</b>		
Long term financing (Note 8)	210,416,667	200,000,002
Long term murabaha (Note 9)	12,500,000	12,500,000
	<b>222,916,667</b>	<b>212,500,002</b>

#### **15. CONTINGENCIES AND COMMITMENTS**

##### **Contingencies**

- 15.1** The company has issued counter-guarantees amounting to Rupees 144.16 million (2004: Rupees 58.90 million) in favour of bank for issuing letters of guarantee favouring Sui Northern Gas Pipelines Limited for gas connections.
- 15.2** The Collectorate of Customs (Export) has issued show cause notices with the intention to reject the duty draw back claims aggregating to Rupees 8.520 million on blended grey fabrics exported under Duty and Tax Remission Rules for Export (DTRE) scheme. The department is of the view that company has not submitted Appendix-1 as per rule 297-A of the above referred scheme. The company considers that since it has taken benefit of remission of sales tax only, it is entitled to full duty draw back and has applied to CBR to allow replacement of appendix-1 with appendix 1-B as per rule 297(B) under DTRE Rules 2001, which is under consideration of CBR.
- 15.3** Orders were issued by the Taxation Officer under Section 221 of the Income Tax Ordinance, 2001 for assessment years 1998-99 to 2000-01 under which the assessing officer has levied tax under Section 80D on local sales of the Company irrespective of the tax paid under Section 80CC and thus creating a demand of Rupees 1.470 million, Rupees 1.436 million and Rupees 2.250 million respectively for said years. An appeal against said order has been filed before the CIT (Appeals). No provision has been made in these financial statements for this liability as management is confident for favourable outcome.
- 15.4** While framing assessment orders of Umer Fabrics Limited (merged entity) for the assessment years 1998-99, 2000-01, 2001-02 and 2002-03, the Income Tax Officer disallowed certain expenses on pro-rata basis. The company being aggrieved has filed appeals with the Commissioner of Income Tax (Appeals) which have been decided in company's favour against which the department has preferred an appeal to Income Tax Appellate Tribunal (ITAT). No provision against these disallowances has been made in the books of account as the management is confident that the matter would be settled in the company's favour. If the decision of CIT (Appeals) is not upheld, provision for taxation amounting to Rupees 17.157 million would be required.

##### **Commitments**

- i) Contracts for capital expenditure are amounting to Rupees 237.932 million (2004: Rupees 937.813 million).
- ii) Letters of credit other than for capital expenditure are amounting to Rupees 11.599 million (2004: Rupees 204.401 million).

16. OPERATING FIXED ASSETS

DESCRIPTION	C O S T			ACCUMULATED DEPRECIATION			Book Value as at 30 June 2005	Depreciation	
	As at 01 October 2004	Additions/ (Deletions)	As at 30 June 2005	As at 01 October 2004	Adjustment	As at 30 June 2005		Charge for the period	Rate %
Rupees									
Freehold land	48,445,864	33,137,468	81,583,332	-	-	-	81,583,332	-	-
Buildings on freehold land	632,176,003	28,789,153	660,965,156	306,562,499	-	333,142,698	327,822,458	26,580,199	10
Plant and machinery	3,162,670,252	2,019,783,008 (84,970,745)	5,097,482,515	1,235,534,022	(45,562,868)	1,400,288,822	3,697,193,693	210,317,668	10
Electrical installations	103,057,625	51,297,109	154,354,734	45,029,662	-	51,207,179	103,147,555	6,177,517	10
Factory equipment	52,694,205	3,037,745	55,731,950	25,610,517	-	27,831,748	27,900,202	2,221,231	10
Furniture and fixtures	18,749,707	2,386,837	21,136,544	8,566,908	-	9,494,977	11,641,567	928,069	10
Office equipment	21,301,524	4,914,089	26,215,613	8,681,791	-	9,988,943	16,226,670	1,307,152	10
Vehicles	63,293,911	24,612,043 (1,182,174)	86,723,780	29,191,516	(651,265)	37,041,965	49,681,815	8,501,714	20
<b>Rupees 2005</b>	<b>4,102,389,091</b>	<b>2,167,957,452</b> <b>(86,152,919)</b>	<b>6,184,193,624</b>	<b>1,659,176,915</b>	<b>(46,214,133)</b>	<b>1,868,996,332</b>	<b>4,315,197,292</b>	<b>256,033,550</b>	
Rupees 2004	3,917,472,063	209,102,952 (24,185,924)	4,102,389,091	1,396,828,822	(8,473,497)	1,659,176,915	2,443,212,176	270,821,590	

16.1 Additions to building, plant and machinery and electrical installations include mark up amounting to Rupees 23.584 million (2004: Rupees Nil).

16.2 Depreciation charge for the period/year has been allocated as follows:

Cost of goods sold	(Note 28)	246,033,004
Administrative expenses	(Note 30)	8,940,829
Capital work in progress	(Note 17)	1,059,717
		<b>256,033,550</b>

16.3 Disposal of Operating Fixed Assets

Description	Quantity Nos.	Cost Rupees	Book Value Rupees	Sale Proceeds	Mode of Disposal	Particulars of Purchasers
<b>Plant and machinery</b>						
Draw Frame Finisher	2	633,358	144,892	1,800,000	Negotiation	Khawaja Spinning Mills Limited, Khawaja Nagar, Dewan Road, Gujranwala.
Draw Frame Finisher	1	316,679	72,446	900,000	Negotiation	Chinot Textile Mills Limited, 45/50 Industrial Area, Gulberg III, Lahore.
Draw Frame Finisher	2	633,358	144,892	1,750,000	Negotiation	Punjad Textile Mills (Private) Limited, Multan.
Draw Frame Finisher	4	1,266,716	289,784	3,500,000	Negotiation	Mezan Textile Mills (Private) Limited, plot No. 90/1, Industrial Estate, Gadoon Amazi, Sawabi.
Draw Frame Finisher	1	316,679	72,446	875,000	Negotiation	Bilal Spinning Mills Limited, 53-K.M. Multan Road, Phool Nagar, Kasur.
Draw Frame Finisher	2	633,358	144,892	700,000	Negotiation	Qureshi Textile Mills Limited, 2nd Floor Khawaja Arcade, 22/19-A, Abbot Road, Lahore.
Draw Frame Finisher	2	633,358	144,892	850,000	Negotiation	Al-Azhar Textile Mills Limited, 10 KM Hasilpur Road Bahawalpur Off 1646/10-M, Nizamabad Chungi No 8, Multan.
Graf Card Simplex	1	1,103,916	184,102	150,000	Negotiation	Syed Hasnat Ali Shah, Khawaja Arcade, Lahore.
Simplex	3	19,691,121	4,054,227	4,500,000	Negotiation	Qureshi Textile Mills Limited, 2nd Floor Khawaja Arcade, 22/19-A, Abbot Road, Lahore.
Simplex	1	6,563,707	1,351,409	1,400,000	Negotiation	Alliance Textile Mills Limited, Rawalpindi Road, Jehlum.
Simplex	1	6,563,707	1,351,409	1,500,000	Negotiation	Harum Textile Mills Limited, 145-E-I, Gulberg III, Lahore.
Picanol Looms	6	17,083,758	8,927,693	4,500,000	Negotiation	Zafar Fabrics, Chak No. 119 JB, Samana Sargodha Road, Faisalabad.
Picanol Looms	10	29,531,030	22,524,793	15,000,000	Negotiation	Rajbi Industries, Plot No. 38/39, Sector 27 Korangi Industrial Area, Karachi.
<b>Vehicles</b>						
Suzuki Baleno -LXV 5271	1	638,617	209,262	223,232	Negotiation	Balqees Azam, Defence Housing Society, Lahore.
Suzuki Alto -LRG 3341	1	474,140	303,450	300,000	Company policy	Shahzad Qamar, 31-Q Gulberg II, Lahore-employee
Yamaha -LXL 5932	1	69,417	18,197	69,417	Company policy	Muhammad Asghar, 31-Q Gulberg II, Lahore-employee

	2005 Rupees	2004 Rupees
<b>17. CAPITAL WORK-IN-PROGRESS</b>		
Plant, machinery and equipment	982,104,107	743,082,692
Civil works	479,932,569	208,250,315
Unallocated depreciation (Note 16.2)	1,059,717	-
	<b>1,463,096,393</b>	<b>951,333,007</b>

17.1 Capital work in progress includes mark-up amounting to Rupees 13.290 million (2004: Rupees 1.455 million).

	2005 Rupees	2004 Rupees
<b>18. LONG TERM LOANS</b>		
Secured-considered good:		
Executives (Note 18.1)	276,316	-
Other employees	1,905,540	-
	<b>2,181,856</b>	<b>-</b>
Less: Current portion (Note 23)		
Executives	90,828	-
Other employees	911,986	-
	<b>1,002,814</b>	<b>-</b>
	<b>1,179,042</b>	<b>-</b>

18.1 Reconciliation of carrying amount of loans to executives:

Opening balance	-	-
Disbursements	550,000	-
Less: Repayments	273,684	-
Closing balance	<b>276,316</b>	<b>-</b>

18.2 These represent car loans to executives and employees, payable in 48 monthly installments and carry interest at the rate of 5% per annum. These loans are secured against registration of cars in the name of company.

18.3 Maximum aggregate balance due from executives at the end of any month during the period is Rupees 0.276 million (2004: Rupees Nil).

	2005 Rupees	2004 Rupees
<b>19. STORES, SPARE PARTS AND LOOSE TOOLS</b>		
Stores (Note 19.1)	80,210,708	33,730,243
Spare parts	37,031,672	42,231,461
Loose tools	212,254	29,000
	<b>117,454,634</b>	<b>75,990,704</b>

		2005 Rupees	2004 Rupees
19.1	Stores includes the following items held by third parties.		
	<b>Description</b>	<b>Name of Party</b>	
	Miscellaneous store items	Shahtaj Weaving Mills Limited	9,739
	Miscellaneous store items	Faisal Weaving Mills Limited	8,172
	Miscellaneous store items	Kohinoor Weaving Mills Limited	-
	Miscellaneous store items	Faisal Weaving Mills Limited	37,350
	Miscellaneous store items	Zaphyr Textile Mills Limited	-
	Miscellaneous store items	Colony Weaving Mills Limited	706,287
	Miscellaneous store items	Yousaf Weaving Mills Limited	-
	Miscellaneous store items	Prosperity Weaving Mills Limited	-
			29,654
			5,931
			148,269
			296,537
			9,739
			499,869
			751,809
<b>20. STOCK IN TRADE</b>			
	Raw materials		871,697,621
	Work in process		525,854,616
	Finished goods - own produced		95,893,760
	Finished goods - trading stock		210,693,641
	Waste		147,159,779
			27,441,378
			7,207,038
			7,358,829
			1,212,933,438
			824,740,894
<b>21. TRADE DEBTS</b>			
	Considered good:		
	Secured (Against letters of credit)		243,558,489
	Unsecured		306,184,250
			92,285,897
			137,150,394
			335,844,386
			443,334,644
<b>22. INVESTMENT</b>			
	<b>Available for sale - Quoted</b>		
	Sui Northern Gas Pipelines Limited		
	100,000 (2004: 100,000) fully paid ordinary shares of Rupees 10 each	6,150,000	5,570,000
<b>23. LOANS AND ADVANCES</b>			
	<b>Considered good:</b>		
	Employees:		
	- Executives	276,101	1,041,575
	- Other employees	2,427,689	1,564,784
		2,703,790	2,606,359
	Current portion of long term loans (Note 18)	1,002,814	-
	Suppliers (Note 23.1)	90,742,809	79,708,412
	Contractors	1,372,622	548,556
	Letters of credit	450,558,260	12,527,915
		546,380,295	95,391,242

23.1 Advances to suppliers include Rupees 10.386 million (2004: Rupees 7.878 million) due from Nishat Mills Limited- related party.

	2005 Rupees	2004 Rupees
<b>24. SHORT TERM DEPOSITS AND PREPAYMENTS</b>		
Short term deposits	185,000	70,000
Prepayments	2,811,461	592,403
	2,996,461	662,403

**25. OTHER RECEIVABLES**

Sales tax refundable	147,493,750	181,966,431
Advance income tax	46,278,004	15,217,509
Export rebate	8,638,759	4,843,217
Insurance claim receivable from Adamjee Insurance Company Limited (associated undertaking)	1,889,069	-
Others	4,064,436	1,774,684
	208,364,018	203,801,841

**26. CASH AND BANK BALANCES**

With Banks:		
On PLS saving accounts	8,609	346,425
On current accounts (Including USD 38,819-2004: USD 88,604) (Note 26.1)	37,262,440	30,226,529
	37,271,049	30,572,954
Cash in hand	95,367	230,144
	37,366,416	30,803,098

26.1 Included in cash at bank Rupees 27.90 million (2004: Rupees 19.67 million) deposited at MCB Bank Limited - associated undertaking.

	2005 Rupees	2004 Rupees
<b>27. SALES</b>		
Export	4,939,036,211	5,922,317,905
Local (Note 27.1)	499,741,782	638,362,996
Export rebate	15,453,414	19,936,529
	5,454,231,407	6,580,617,430
<b>27.1 LOCAL SALES</b>		
Sales	558,368,983	729,636,240
Doubling income	6,254,436	16,755,306
	564,623,419	746,391,546
Less: Sales tax	64,881,637	108,028,550
	499,741,782	638,362,996

	2005 Rupees	2004 Rupees
<b>31. OTHER OPERATING EXPENSES</b>		
Workers' profit participation fund	40,051,235	36,273,313
Donations (Note 31.1)	7,048,150	2,922,180
Loss on sale of operating fixed assets	1,966,137	-
Exchange loss	-	278,184
	<b>49,065,522</b>	<b>39,473,677</b>

31.1 Donations

Name of donee in which a director or his spouse has an interest:

Mian Muhammad Yahya Trust, Lahore

Mr. Muhammad Saleem, Chairman and

Mr. Shahzad Saleem, Chief Executive are trustees.

6,004,000

1,274,000

**32. OTHER OPERATING INCOME**

**Income from financial assets:**

Dividend income	250,000	-
Fair value gain on investment	580,000	839,225
Mark-up on saving accounts	36,293	14,868
Exchange gain	16,780,467	-

**Income from non financial assets:**

Profit on sale of operating fixed assets	-	476,262
Sale of scrap	4,145,887	962,570
Rental income	-	1,200,000
Others	161,427	2,640,008

**21,954,074**

**6,132,933**

**33. FINANCE COSTS**

Mark-up on:

- long term financing	68,450,960	18,863,639
- long term murabaha	1,715,154	3,035,102
- short term running finances	32,501,614	10,404,536
- export finances - Preshipment / SBP refinances	27,971,099	9,105,146
- short term finances	25,323,898	6,766,459
Restructuring fee on convertible forward contract	6,187,653	-
Loss on convertible forward contract	5,077,403	-
Interest on workers' profit participation fund	1,029,631	968,930
Bank and other charges	19,641,409	22,396,865

**187,898,821**

**71,540,677**

**34. PROVISION FOR TAXATION**

Current - for the period / year (Note 34.1)	62,000,000	71,000,000
Prior year	-	(20,385,987)
Deferred tax reversed	(24,457,801)	-

**37,542,199**

**50,614,013**



34.1 The company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. For purposes of current year taxation the tax losses available for carry forward as at 30 June 2005 are estimated at Rupees 16.839 million (2004: Rupees 18.813 million).

34.2 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate.

	%	%
Applicable tax rate	35.00	35.00
Tax effect under presumptive tax regime	(26.84)	(24.65)
Effect of change in prior year's tax	-	(2.97)
Effect of deferred tax liability reversal	(3.22)	-
	(30.06)	(27.62)
Average effective tax rate charged to profit and loss account	4.94	7.38

### 35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the period/year for remuneration including certain benefits to the Chief Executive, Directors and Executives of the company is as follows:

	Chief Executive		Director		Executive	
	2005 Rupees	2004 Rupees	2005 Rupees	2004 Rupees	2005 Rupees	2004 Rupees
Managerial remuneration	903,402	1,059,327	2,020,650	2,369,403	6,198,693	5,348,089
Contribution to provident fund	-	-	-	-	2,249,149	190,805
House rent	406,531	476,697	909,293	1,066,233	2,665,595	1,835,831
Conveyance	39,375	-	78,750	-	-	-
Utilities	45,170	551,269	101,033	669,878	443,834	298,081
Others	1,309,623	2,015,344	1,818,537	3,023,539	621,078	517,305
	2,704,101	4,102,637	4,928,263	7,129,053	12,178,349	8,190,111
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>13</b>	<b>8</b>

35.1 The company also provides to Chief Executive, Directors and certain Executives with free use of company maintained cars and residential telephones.

### 36. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related companies and key management personnel. The company in the normal course of business carried out transactions with various related parties. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2005 Rupees	2004 Rupees
Purchase of goods and services	395,423,263	219,336,254
Sales of goods and services	26,128,291	25,446,627
Insurance premium paid	15,131,381	876,450
Insurance claims received	753,917	208,584

	2005 Rupees	2004 Rupees
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### 38. PLANT CAPACITY AND ACTUAL PRODUCTION

#### Spinning

Number of spindles installed	129,624	89,496
Number of spindles worked	127,023	88,756
Number of shifts per day	3	3
Capacity after conversion into 20/1 count (Kgs.)	28,403,565	32,232,568
Actual production of yarn after conversion into 20/1 count (Kgs.)	27,984,475	31,661,448

Under utilisation of available capacity was due to normal maintenance and time lost in shifting to coarser counts and vice versa.

	2005 Rupees	2004 Rupees
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#### Weaving

Number of looms installed (Average)	262	212
Number of looms worked	262	212
Number of shifts per day	3	3
Capacity after conversion into 50 picks - square yards	125,217,388	151,356,941
Actual production after conversion into 50 picks - square yards	123,066,723	145,160,563

Under utilisation of available capacity was due to the following reasons:

- change of articles required
- width loss due to specification of the cloth
- due to normal maintenance

#### Power Plant

Number of engines installed	3	-
Number of engines worked	3	-
Number of shifts per day	3	-
Generation capacity (KWH)	52,642,512	-
Actual generation (KWH)	37,170,289	-

Under utilisation of available capacity was due to actual demand.

### 39. CASH GENERATED FROM OPERATIONS

Profit before taxation	759,943,830	685,690,666
Add/(less) adjustment for non cash charges and other items:		
Depreciation	256,033,550	209,063,433
(Profit) / loss on sale of operating fixed assets	1,966,137	(476,262)
Provision for employees' benefits	1,571,400	6,198,851
Fair value gain on investment	(580,000)	(839,225)
Financial charges	187,898,821	71,540,678
Working capital changes (Note 39.1)	(797,105,459)	(286,417,985)

	409,728,279	684,760,156
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	2005 Rupees	2004 Rupees
39.1 Working capital changes		
(Increase)/decrease in current assets		
- Stores, spare parts and loose tools	(41,463,930)	(1,134,004)
- Stock in trade	(388,192,544)	(156,246,105)
- Trade debts	107,490,258	(152,311,641)
- Loans and advances	(450,989,053)	(6,932,911)
- Short term deposits and prepayments	(2,334,058)	14,401,083
- Other receivables	26,498,318	(100,687,921)
	(748,991,009)	(402,911,499)
Increase/(decrease) in current liabilities		
- Trade and other payables	(48,114,450)	116,493,514
	(797,105,459)	(286,417,985)

#### 40. CASH AND CASH EQUIVALENTS

Cash and bank balances (Note 26)	37,366,416	30,803,098
Short term borrowings (Note 13)	(2,202,981,307)	(1,266,753,534)
	(2,165,614,891)	(1,235,950,436)

#### 41. EARNINGS PER SHARE - BASIC

There is no dilutive effect on the basic earnings per share which is based on

Profit attributable to ordinary shareholders (Rupees)	722,401,631	635,076,653
Weighted average number of shares	68,364,398	68,364,398
Earnings per share-basic (Rupees)	10.57	9.29

#### 42. NUMBER OF EMPLOYEES

Number of employees at the period / year end	4,859	2,322
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#### 43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 05 October 2005 by the board of directors of the company.

#### 44. COMPARATIVE FIGURES

Due to the 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, previous year's figures have been rearranged and / or reclassified, for the purpose of comparison. The entire reclassifications and rearrangements due to revision are impracticable to list and disclose. Comparative figures of the balance sheet and the statement of changes in equity have been restated / re-arranged due to Merger Scheme. However, comparative figures in the Profit and Loss Account and the Cash Flow Statement could not be restated due to the problem of divisibility between Nishat (Chunian) Limited and Nishat Mills Limited.

CHIEF EXECUTIVE

DIRECTOR

## INFORMATION UNDER CLAUSE XIX(i) OF THE CODE OF CORPORATE GOVERNANCE

	Shareholding as at 30 June 2005	Percentage
<b>1. Associated Compaines:</b>		
M/s Adamjee Insurance Co. Ltd.	13,102	0.02%
<b>2. NIT &amp; ICP:</b>		
National Bank Of Pakistan Trustee Deptt.	4,862,205	7.11%
Investment Corporation of Pakistan	18,722	0.03%
<b>3. Directors, CEO and their spouse and minor children:</b>		
Mr. Muhammad Saleem (Chairman)	3,143,300	4.60%
Mr. Shahzad Saleem (Chief Executive)	6,500,000	9.51%
Mr. Yahya Saleem (Director)	6,600,000	9.65%
<b>Spouse:-</b>		
Mrs. Farhat Saleem w/o Mr. Muhammad Saleem	3,300,000	4.83%
Mrs. Ayesha Shahzad w/o Mr. Shahzad Saleem	67,650	0.10%
<b>4. Executives:</b>	24,420	0.04%
<b>5. Public Sector, Companies &amp; Corporations</b>		
Joint Stock Companies	18,175,058	26.59%
<b>6. Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds:</b>		
a) Investment Companies	101,350	0.15%
b) Insurance Companies	2,852,205	4.17%
c) Financial Institutions	5,723,945	8.37%
d) Modaraba Companies	56,576	0.08%
e) Mutual Funds	7,551,125	11.05%
<b>7. Share holders holding ten percent or more voting interest in the company:</b>		
M/s. Nishat Mills Limited	9,786,882	14.32%

## INFORMATION UNDER CLAUSE XIX(j) OF THE CODE OF CORPORATE GOVERNANCE

All trade in the Companys shares, carried out by its Directors,CEO,CFO, Company Secretary and their spouses and minor children during the period 01 October 2004 to 30 June 2005:

	Sale	Purchase
Mr. Muhammad Saleem (Chairman)	118,700	-
Mr. Shahzad Saleem (Chief Executive)	100,000	-

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# Proxy Form

The Company Secretary,  
Nishat (Chunian) Limited  
31-Q, Gulberg-II,  
Lahore.

I / We \_\_\_\_\_

of \_\_\_\_\_ being a member(s) of

Nishat (Chunian) Limited, and a holder of \_\_\_\_\_ Ordinary shares

as per Share Register Folio No. \_\_\_\_\_

(in case of Central Depository System Account Holder A/c No. \_\_\_\_\_

Participant I.D. No. \_\_\_\_\_) hereby appoint \_\_\_\_\_

of \_\_\_\_\_ another member of the Company as per

Share Register Folio No. \_\_\_\_\_ or (failing him / her \_\_\_\_\_

of \_\_\_\_\_ another member of the Company) as my / our Proxy to attend and vote for me / us and on my / our behalf at Annual General Meeting of the Company, to be held on 31 October 2005 (Monday) at 10:30 a.m. at the Registered Office of the Company (31-Q, Gulberg-II, Lahore) and at any adjournment thereof.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2005

signed by the said \_\_\_\_\_ in presence

of \_\_\_\_\_

Witness

Signature



Signature

## Notes:

1. Proxies, in order to be effective, must be received at the Company's Registered Office / Head Office not less than 48 hours before the meeting duly stamped, signed and witnessed.
2. Signature must agree with the specimen signature registered with the Company.
3. In case of Central Depository System Account Holder, an attested copy of identity card should be attached to this Proxy Form.
4. No person shall act as proxy unless he is member of the Company.

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