Brief Profile

Nishat (Chunian) Limited was incorporated in 1990 as a public limited company with an equity investment of Rupees 100 million. A spinning mill having a capacity of 14,400 spindles was established at Bhai Pheru, Tehsil Chunian. It started commercial production on 10 March 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 spinning capacity to about 40,872 spindles. Subsequently weaving capacity was increased to 212 air jet looms while the spinning capacity was increased to 50,952 spindles. During the period ended 30 June 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 141,096 spindles and 293 looms. The Company has also diversified into Home Textile Business and a modern Dyeing and Finishing plant having capacity of 71,000 meters per day has started commercial production from April 2006. The Company has established its own gas based captive power plants with a total capacity of 28MW.

Contents

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	
	Mr. Manzar Mushtaq	
	Mr. Aftab Ahmad Khan	
Audit Committee:	Mr. Aftab Ahmad Khan	Chairman
	Mr. Shahzad Saleem	Member
	Mr. Khalid Niaz Khawaja	Member
Company Secretary:	Mr. Farrukh Ifzal	

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

Registered & Head Office:

31-Q, Gulberg-II,
Lahore, Pakistan.
Phone : 5761730-39
Fax : 5878696-97
Web : www.nishatchunian.com

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 17th 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 31 October 2006 (Tuesday) 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 year ended 30 June 2006 together with Directors' and Auditors' reports thereon.

3. To approve 15% Cash Dividend (i.e. Rs.1.50 per share) as recommended by the Board of Directors.

4. To appoint auditors for the year ending 30 June 2007 and to fix their remuneration. The present auditors M/s Riaz Ahmad & Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.

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

BOOKS CLOSURE
The Share Transfer Books of the Company will remain closed from 25 October 2006 to 31 October 2006 (both days inclusive) for the entitlement of payout.

By Order of the Board

Farrukh Ifzal
Company Secretary

Lahore: 04 October 2006

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 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) alongwith 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 an individual beneficial owner of CDC, attested copies of beneficial owner's NIC or passport, and account and participant's 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

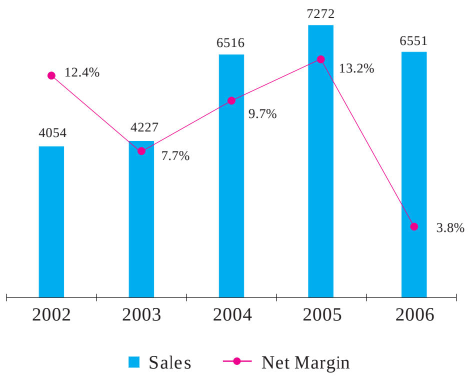
The year under review is from July 2005 to June 2006. During this year, the country's economy continued to thrive. All major sectors of the economy witnessed growth. However, the textile sector saw reduction in margins as end products were unable to fetch good prices due to increased competition from China, India, Bangladesh and Sri Lanka. At the same time, the profitability of the sector was significantly influenced by higher interest rates and lower cotton output translating into higher domestic cotton prices. Overall this was a difficult year for the textile industry.

Performance of the Company

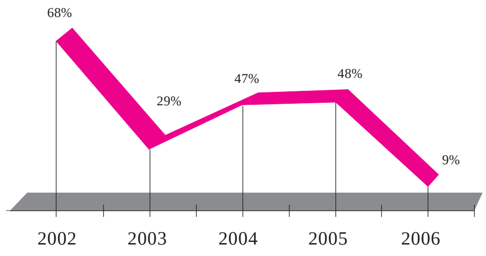
During the year under review, the Company's performance remained below last year's historic best. Sales during the year are Rs. 6.551 billion as compared to Rs. 5.454 billion for the corresponding nine months' period last year. This shows a decrease in sales of 9.92% on annualized basis. The Company earned a profit before tax of Rs. 340.80 million as compared to Rs. 759.36 million for the corresponding nine months' period. Net profit margin dropped to 3.83% from 13.23% during corresponding period. Earnings per share (EPS) is Rs. 3.34 as compared to Rs. 9.60 during nine months' period last year.

There are a number of reasons for the declined profitability of the Company. Commercial production of the Home Textiles Plant commenced from April 2006, however, capacity utilization remained around 50% which resulted into lower contribution towards fixed costs. In spinning, yarn prices remained under pressure. Our average cotton cost was higher by 10% as compared to the corresponding period of nine months, last year. Higher depreciation cost also resulted into the declined profitability. Depreciation expense increased to Rs. 517.85 million as compared to Rs. 246.03 million in the corresponding period of nine months. Higher financial cost further depressed the net margins. Financial charges during the year are Rs. 494.04 million as compared to Rs. 187.90 million during the corresponding period of nine months. This shows an increase in financial cost of almost 100% on annualized basis.

Sales and Net Profit Margin



Return on Equity



Despite all these factors, Company's performance is satisfactory as relative to the industry.

Investments and Sources of Financing

During the year under review, the Company invested Rs. 1,762 million in expansion/BMR plans. Major expansion/BMR executed during the year are in weaving and spinning divisions. In spinning, we are currently operating five units with a combined capacity of 141,096 spindles. In weaving unit, we are currently operating 293 looms. Depreciation cash flow of Rs. 530 million, retained earnings and net increase in long term loans of Rs. 990.45 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 finance structure. We have identified the targeted level of leverage and decisions for the future investments are made subject to constraint of targeted leverage level.

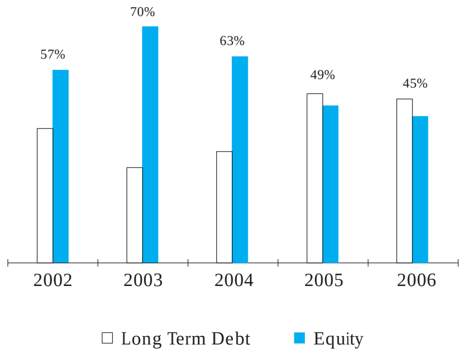
During the year under review, financial charges have almost doubled. This is mainly due to general hike in interest rates in the country and higher borrowings required for the expansion plans. The illustration shows the last five years' financial charges as a percentage of sales.

Business Strategy

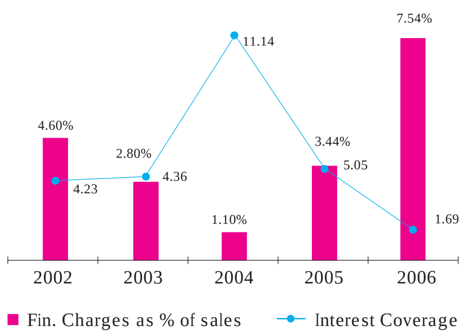
Aggressive marketing has been the major factor in our consistent profitability over the past years. Our strategy is to remain at the cutting edge in terms of exploring new markets and new products. The focus is on niche marketing with specialized products. We have differentiated our company through consistent quality, reliable delivery and proactive handling of customer's needs.

Investment in state of the art technology and top quality human resources has been key element of our business strategy. The organizational structure is lean with very little hierarchy and bureaucracy compared to other organizations of similar size.

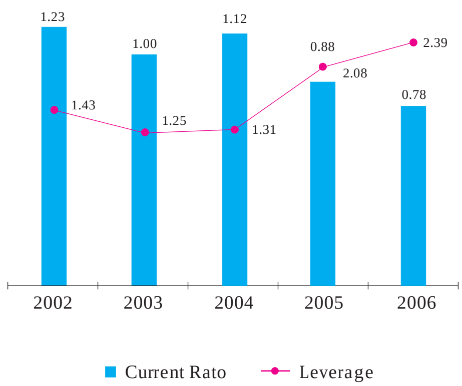
Long Term Debt to Equity Ratios

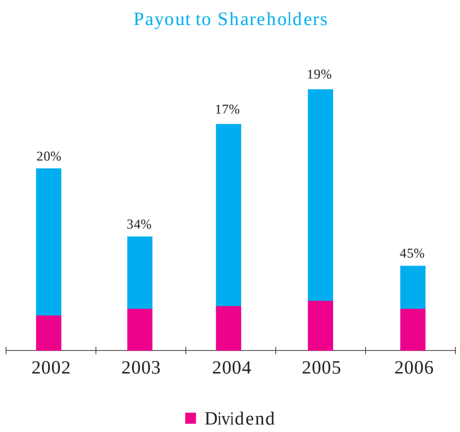


Financial Charges and Interest Coverage



Financial Ratios





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. 112.801 million as the final dividend which translates into a dividend of Rs. 1.50 per share.

Future Outlook

Post WTO regime has created huge opportunities for the textile exporters, however, challenges are equally daunting. In this regard, the Government has recently announced a textile relief package. The monetary benefits given to the textile sector include:

- 1.50% reduction in the export refinance rate.
- 3% to 6 % Research & Development Support to promote value added products.
- Swapping of high interest rate KIBOR linked long term debt with low interest loans under SBP LTF-EOP Scheme, for textile sector excluding the spinning sector.

We are keen to take advantage of all these measures taken by the Government and it will have substantial impact on our profitability. Our Home Textile Plant is presently operating at 60% capacity level and hopefully we will reach the 80% capacity utilization within two months. We believe that expansions and additions made in last two years will help us improve the trend of the profitability and growth.

We are further looking into non-textile businesses to diversify and take advantage of the growth other sectors are experiencing in Pakistan. In this regard we are in discussions with PPIB for the installation of a 200 MW Power Plant.

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 state of affairs, the results of its operations, cash flows and changes in equity.

b. Proper books of accounts have been maintained by the Company.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d. The International Accounting Standards, as applicable in Pakistan have been followed in preparation of financial statements.

e. The system of internal controls is sound in design 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 2006 amounts to Rupees 33.897 million.

i. The pattern of shareholding as at 30 June 2006 is annexed.

Board Meetings

During the year under review, four (4) meetings were held.

Attendance by each director is as follows:

Name of Director		Attendance
Mr. Muhammad Saleem	(Chairman)	3
Mr. Shahzad Saleem	(Chief Executive)	3
Mr. Yahya Saleem		1
Mr. Khalid Niaz Khawaja		3
Syed Jawad Gillani *		1
Mr. Manzoor Ahmad	(Nominee NIT)	2
Mr. Aftab Ahmad Khan		3
Mr. Manzar Mushtaq**		1

* Retired on 31 March 2006

** Elected in EOGM dated 31 March 2006

On behalf of the Board

SHAHZAD SALEEM
Chief Executive
Lahore: 04 October 2006

Financial Highlights

	1997	1998	1999	2000	2001	2002	2003	2004	2005*	2006
					(Rupees in thousand)					
Capital	144,000	144,000	144,000	403,200	403,200	403,200	443,520	443,520	683,644	752,008
Reserves	110,627	162,237	194,792	192,289	340,409	742,888	919,106	1,444,303	1,992,547	2,036,834
Net Worth	254,627	306,237	338,792	595,489	743,609	1,146,088	1,362,626	1,886,823	2,676,191	2,788,842
Long Term Liabilities	26,765	270,431	280,856	567,030	476,321	865,539	589,642	1,116,667	2,780,833	3,413,020
Current Liabilities	201,965	702,242	1,015,989	619,802	1,130,202	773,885	1,110,277	1,355,126	2,790,559	3,263,315
Total Equity & Liabilities	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	9,465,178
Fixed Assets	258,221	886,593	956,365	1,202,614	1,537,288	1,829,775	1,954,767	2,837,084	5,778,293	6,903,335
Long Term Deposits	311	227	227	527	545	545	426	386	1,800	4,828
Current Assets	224,825	392,090	679,045	579,180	812,299	955,192	1,107,352	1,521,146	2,467,490	2,557,015
Total Assets	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	9,465,178
Sales	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	6,550,782
Gross Profit	186,017	183,371	362,475	628,457	684,287	966,745	742,242	968,808	1,225,206	1,168,532
Operating Profit plus Other Income	144,251	156,465	290,531	533,773	523,634	781,787	519,004	796,705	947,262	834,845
Financial & Other charges	91,225	93,244	185,936	155,772	237,811	218,099	143,586	111,014	187,899	494,045
Taxation	7,787	11,611	13,000	20,504	36,903	60,409	48,000	50,614	37,542	90,000
Net Profit	45,239	51,610	91,595	357,497	248,920	503,279	327,418	635,077	721,822	250,800
Gross Margin	16.7%	16.0%	17.3%	26.6%	22.3%	18.9%	17.6%	14.9%	22.5%	17.8%
Net Margin	4.1%	4.5%	4.4%	15.1%	8.1%	12.4%	7.7%	9.7%	13.2%	3.8%
Current Ratio	1.11	0.56	0.67	0.93	0.72	1.23	1.00	1.12	0.88	0.78
Leverage (Total Liab./Net Worth)	0.90	3.18	3.83	1.99	2.16	1.43	1.25	1.31	2.08	2.39
Long Term Debt : Equity	10:90	47:53	45:55	49:51	39:61	43:57	30:70	37:63	51:49	55:45
EPS	3.14	3.58	6.36	8.87	6.17	12.48	7.38	14.32	10.56	3.34

* Performance figures for 2005 are for the period of nine months.

Statement of Compliance

with the Code of Corporate Governance for the year ended 30 June 2006

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 an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred during the year 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.

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 program 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	SHAHZAD SALEEM
04 October 2006	Chief Executive

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, for the year ended 30 June 2006, to comply with the respective listing regulations of the two stock exchanges, 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's 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, effective as at 30 June 2006.

RIAZ AHMAD & COMPANY
Chartered Accountants

LAHORE: 04 October 2006

Auditors' Report to the Members

We have audited the annexed balance sheet of NISHAT (CHUNIAN) LIMITED as at 30 June 2006 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 year 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 note no. 4.10 with which we concur;

 ii) the expenditure incurred during the year was for the purpose of the Company's business; and

 iii) the business conducted, investments made and the expenditure incurred during the year 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 2006 and of the profit, its cash flows and changes in equity for the year 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.

RIAZ AHMAD & COMPANY
Chartered Accountants

LAHORE: 04 October 2006

Balance Sheet as at

	NOTE	30 June 2006 Rupees	30 June 2005 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 80,000,000 (2005: 70,000,000) ordinary shares of Rupees 10 each	5	800,000,000	700,000,000
Issued, subscribed and paid up share capital 75,200,838 (2005: 68,364,398) ordinary shares of Rupees 10 each	6	752,008,380	683,643,980
Reserves	7	2,036,834,357	1,992,546,513
Total Equity		2,788,842,737	2,676,190,493
NON-CURRENT LIABILITIES			
Long term financing	8	3,106,770,396	2,762,083,333
Long term murabaha	9	306,250,000	18,750,000
		3,413,020,396	2,780,833,333
CURRENT LIABILITIES			
Trade and other payables	10	302,126,632	310,456,901
Accrued mark-up	11	105,126,233	54,204,616
Short term borrowings	12	2,274,882,896	2,202,981,307
Current portion of non-current liabilities	13	581,179,605	222,916,667
		3,263,315,366	2,790,559,491
CONTINGENCIES AND COMMITMENTS	14	-	-
		9,465,178,499	8,247,583,317

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

CHIEF EXECUTIVE

30 June 2006

	NOTE	30 June 2006 Rupees	30 June 2005 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	15	6,680,266,277	4,315,197,292
Capital work-in-progress	16	223,068,675	1,463,096,393
		6,903,334,952	5,778,293,685
Long term loans	17	4,099,271	1,179,042
Long term deposits		728,945	620,942
		6,908,163,168	5,780,093,669
CURRENT ASSETS			
Stores, spare parts and loose tools	18	198,046,974	117,454,634
Stock in trade	19	1,572,827,386	1,212,933,438
Trade debts	20	542,877,601	335,844,386
Investment	21	-	6,150,000
Loans and advances	22	91,142,585	546,380,295
Short term deposits and prepayments	23	1,299,534	2,996,461
Other receivables	24	139,880,989	208,364,018
Cash and bank balances	25	10,940,262	37,366,416
		2,557,015,331	2,467,489,648
		9,465,178,499	8,247,583,317

DIRECTOR

Profit and Loss Account

for the year ended 30 June 2006

	Note	30 June 2006 Rupees	Nine months Ended 30 June 2005 Rupees
Sales	26	6,550,782,043	5,454,231,407
Cost of sales	27	5,382,250,261	4,229,025,833
Gross profit		1,168,531,782	1,225,205,574
Distribution and selling expenses	28	198,057,039	175,781,628
Administrative expenses	29	93,784,982	74,469,847
Other operating expenses	30	76,044,679	49,065,522
		367,886,700	299,316,997
		800,645,082	925,888,577
Other operating income	31	34,199,933	21,374,074
Profit from operations		834,845,015	947,262,651
Finance costs	32	494,044,750	187,898,821
Profit before taxation		340,800,265	759,363,830
Provision for taxation	33	90,000,000	37,542,199
Profit after taxation		250,800,265	721,821,631
Earnings per share - basic	40	3.34	9.60

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

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement
for the year ended 30 June 2006

	Note	30 June 2006 Rupees	Nine months Ended 30 June 2005 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	1,258,011,979	409,728,279
Long term deposits - net		(108,003)	122,500
Finance costs paid		(443,123,133)	(148,461,122)
Taxes paid		(78,436,577)	(132,205,649)
Net cash from operating activities		736,344,266	129,184,008
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,761,900,958)	(2,679,720,838)
Long term loans		(2,920,229)	(1,179,042)
Proceeds from sale of investment		10,451,977	-
Proceeds from sale of property, plant and equipment		64,615,674	37,972,649
Net cash used in investing activities		(1,689,753,536)	(2,642,927,231)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		934,200,002	1,835,000,000
Proceeds from long term murabaha		300,000,000	-
Repayment of long term financing		(231,250,001)	(154,166,666)
Repayment of long term murabaha		(12,500,000)	(6,250,000)
Dividend paid		(135,368,475)	(90,504,566)
Net cash from financing activities		855,081,526	1,584,078,768
Net decrease in cash and cash equivalents		(98,327,743)	(929,664,455)
Cash and cash equivalents at the beginning of the year/period		(2,165,614,891)	(1,235,950,436)
Cash and cash equivalents at the end of the year/period	39	(2,263,942,634)	(2,165,614,891)

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

CHIEF EXECUTIVE

DIRECTOR

Statement of Changes in Equity
for the year ended 30 June 2006

	SHARE CAPITAL	RESERVES: CAPITAL RESERVE: Fair value reserve	RESERVES: REVENUE RESERVES: General reserve	RESERVES: REVENUE RESERVES: Unappropriated profit	RESERVES: REVENUE RESERVES: Sub Total	RESERVES: TOTAL	SHAREHOLDERS' EQUITY
	.... Rupees						
Balance as at 01 October 2004 - as previously reported	455,762,650	-	967,221,278	586,244,934	1,553,466,212	1,553,466,212	2,009,228,862
Effect of change in accounting policy (Note 4.10)	-	839,225	-	(839,225)	(839,225)	-	-
Balance as at 01 October 2004 - as restated	455,762,650	839,225	967,221,278	585,405,709	1,552,626,987	1,553,466,212	2,009,228,862
Transferred to general reserve	-	-	525,000,000	(525,000,000)	-	-	-
Dividend for the year ended 30 September 2004	-	-	-	(55,440,000)	(55,440,000)	(55,440,000)	(55,440,000)
Fair value surplus on revaluation of investment	-	580,000	-	-	-	580,000	580,000
Net profit for the nine months ended 30 June 2005	-	-	-	721,821,631	721,821,631	721,821,631	721,821,631
Bonus shares issued	227,881,330	-	-	(227,881,330)	(227,881,330)	(227,881,330)	-
Balance as at 30 June 2005 - as restated	683,643,980	1,419,225	1,492,221,278	498,906,010	1,991,127,288	1,992,546,513	2,676,190,493
Dividend for the period ended 30 June 2005	-	-	-	(136,728,796)	(136,728,796)	(136,728,796)	(136,728,796)
Bonus shares Issued	68,364,400	-	-	(68,364,400)	(68,364,400)	(68,364,400)	-
Cumulative fair value gain transferred to profit and loss account	-	(1,419,225)	-	-	-	(1,419,225)	(1,419,225)
Net profit for the year ended 30 June 2006	-	-	-	250,800,265	250,800,265	250,800,265	250,800,265
Balance as at 30 June 2006	752,008,380	-	1,492,221,278	544,613,079	2,036,834,357	2,036,834,357	2,788,842,737

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

CHIEF EXECUTIVE

DIRECTOR

Notes to the Financial Statements

for the year ended 30 June 2006

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 at 31-Q, Gulberg II, Lahore. The Company is engaged in business of spinning, weaving, dyeing, stitching, processing, doubling, sizing, buying, selling and otherwise dealing in yarn, fabric and made-ups made from raw cotton, synthetic fibre and cloth and to generate electricity for internal use.

2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IASs) 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.

2.2 Standards, interpretations and amendments to published approved accounting standards that are yet not effective

The following IASs which have been published, have been revised and the amendments are applicable to the financial statements of the Company covering accounting periods beginning on or after 01 January 2006 or later periods:

a)	IAS-1 Presentation of financial statements – Capital disclosures	Effective from 01 January 2007
b)	IAS – 19 (Amendments) Employee benefits	Effective from 01 January 2006
c)	IAS – 39 Financial Instruments : Recognition and measurement – Fair value option	Effective from 01 January 2006

Adoption of the above amendments would result in an impact on the extent of disclosures presented in the future financial statements of the Company.

3. CHANGE IN THE FINANCIAL YEAR

The Company has changed its financial year-end from September to June last year, in pursuance of SRO No. 684(I) / 2004, dated 10 August 2004 of Central Board of Revenue (CBR), as a result of which, financial statements for that year were prepared for the nine months period ended on 30 June 2005. Accordingly, the comparative amounts for profit and loss account, statement of changes in equity, cash flow statement and related notes of last 9 months period 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 certain financial instruments carried at fair value.

4.2 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.

4.3 Employee benefits

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

Provident fund

There is an approved contributory provident fund for employees of the Company. Equal monthly contributions are made both by the employees and Company to the fund in accordance with the fund rules. The Company's contributions to the fund 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. Unutilized 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.

4.4 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 4.7.

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 15.

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying of the asset) is included in the income statement in the year the asset is derecognized.

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 year and book value of operating fixed assets would have been lower by Rupees 19,468,823. Accordingly, earnings per share for the year ended 30 June 2006 would have also been lower by Rupees 0.26 per share.

Residual values of operating fixed assets have been estimated as at 30 June 2006 and the depreciable amounts have been adjusted accordingly. Had the residual values of operating fixed assets not been considered for charging depreciation, profit after taxation for the year ended 30 June 2006 and written down value of operating fixed assets as at 30 June 2006 would have been lower by Rupees 13,254,543. Accordingly, earnings per share for the year ended 30 June 2006 would have also been lower by Rupees 0.18 per share.

The Company has accounted for the above stated changes in accounting estimates prospectively in accordance with International Accounting Standard - 8 "Accounting policies, changes in Accounting Estimates and Error". Quantification and disclosure of these changes for the future years is impracticable.

4.5 Inventories

Inventories, except for stock in transit and waste stock, are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores and spares

Usable stores and spares 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 value plus other charges paid thereon.

Stock in trade

Cost of raw material represents:

- Spinning:	annual average cost
- Weaving, dyeing and stitching:	moving average cost

Cost of work-in-process and finished goods comprises cost of direct material, labour and appropriate manufacturing overheads. Cost of goods purchased for resale are based on FIFO.

Materials in transit are stated at cost comprising invoice values plus other charges paid thereon. Waste stock is valued at net realizable value.

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

4.6 Foreign currencies

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

4.7 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.

4.8 Revenue recognition

Revenue from sales is recognized on dispatch of goods to customers.

Return on bank 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 recognized as and when the right to receive dividend is established.

4.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at book value which approximate their fair value 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.

4.10 Financial instruments

Financial instruments carried on the balance sheet include receivables, investments, cash and bank balances, short term borrowings, long term financing, trade and other payables and deposits. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item. Financial assets are derecognized when the Company losses control of the contractual rights that comprise the financial asset. The Company losses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except investments) and derecognition is charged to the profit and loss account currently.

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Changes in accounting policy

During the year the Company adopted IAS - 39 “Financial Instruments : Recognition and Measurement” (Revised) which has resulted in change in accounting policy for initial recognition and measurement of financial assets and liabilities in the scope of IAS - 39. Under the new accounting policy financial assets and liabilities are recognized initially at fair value. Previously, these were recognized initially at cost. The change in accounting policy has no material recognition / measurement impact on current and prior period.

Trade and other receivables

Trade debts and other receivables 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

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost; any difference between the proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

Investments

Investments available for sale are initially recognized at fair value. Subsequently, these are restated to fair value, with difference taken to the equity.

Change in accounting policy

Previously the gain / loss on restatement of available for sale investments to fair value was taken to profit and loss account. This change in accounting policy has been made to comply with the requirements of International Accounting Standards (IAS-39) which is applicable for the periods beginning on or after 01 January 2006. The change in accounting policy has been accounted for retrospectively and the comparative information has been restated in accordance with the treatment specified in IAS-8 “Accounting Policies, changes in Accounting Estimates and Errors”. Had there been no change in the accounting policy the profit for the year would have been lower by Rupees 1.419 million. Accordingly, earnings per share for the year ended 30 June 2005 would have also been lower by Rupees 0.019 per share.

4.11 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.

4.12 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.

4.13 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 recognized in the profit and loss account.

4.14 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company’s accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company’s financial statements or where judgments were exercised in application of accounting policies are as follow:

- Useful lives and residual values of property, plant and equipment (Note 15);
- Accumulating compensated absences

4.15 Dividend and transfer of reserves

Dividends and transfer among reserves are treated as post balance sheet non adjusting events hence do not qualify for provision in the financial statements as per the requirements of IAS - 10 "Events after the balance sheet date". These transfers are therefore recorded in the next year's financial statements.

	2006	2005
	(Number of Shares)	
5. AUTHORISED SHARE CAPITAL		
Opening balance	70,000,000	51,530,000
Increase during the year / period	10,000,000	18,470,000
Closing balance	80,000,000	70,000,000

	2006 Rupees	2005 Rupees
6. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL		
12,000,000 (2005:12,000,000) ordinary shares of Rupees 10 each fully paid in cash	120,000,000	120,000,000
61,976,573 (2005: 55,140,133) ordinary shares of Rupees 10 each issued as fully paid bonus shares	619,765,730	551,401,330
1,224,265 (2005: 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
	752,008,380	683,643,980

	2006	2005
	(Number of Shares)	
6.1 Ordinary shares of the company held by related parties and associated undertaking		
Nishat Mills Limited (related party)	10,233,329	9,786,882
D.G. Khan Cement Company Limited (associated undertaking)	7,068,620	6,426,019
Adamjee Insuarance Company Limited (associated undertaking)	14,412	13,102
	17,316,361	16,226,003
6.2 Reconciliation of Issued, subscribed and paid up share capital		
Opening balance	68,364,398	45,576,265
Bonus shares issued	6,836,440	22,788,133
Closing balance	75,200,838	68,364,398

	2006 Rupees	2005 Rupees
7. RESERVES		
Capital reserve	-	1,419,225
General reserve	1,492,221,278	1,492,221,278
Unappropriated profit	544,613,079	498,906,010
	2,036,834,357	1,992,546,513

8. LONG TERM FINANCING

From banking companies - secured

Lender	2006 Rupees	2005 Rupees	Rate of interest per annum	Number of installments	Interest repricing	Interest payable
Standard Chartered Bank-1	100,000,000	166,666,667	6-month KIBOR + 0.25%	Six equal half yearly installments commencing on 27 March 2005 and ending on 26 September 2007	Quarterly	Quarterly
Standard Chartered Bank-2	200,000,000	200,000,000	6-month KIBOR + 0.50%	Eight equal half yearly installments commencing on 25 August 2006 and ending on 25 Feburary 2010	Half yearly	Half yearly
ABN AMRO Bank-1	-	83,333,333	3-month KIBOR + 0.40%	Twelve equal quarterly installments commencing on 01 October 2003 and ending on 01 July 2006	Quarterly	Quarterly
ABN AMRO Bank-2	150,000,000	150,000,000	3-month KIBOR + 0.50%	Bullet payment on 16 August 2008	Quarterly	Quarterly
ABN AMRO Bank-3	300,000,000	-	6-month KIBOR + 1.25%	Bullet payment on 30 June 2009	Half yearly	Half yearly
United Bank Limited-1	500,000,000	500,000,000	6-month KIBOR + 0.50%	Seven equal half yearly installments commencing on 28 September 2006 and ending on 28 September 2009	Half yearly	Quarterly
United Bank Limited-2	500,000,000	500,000,000	6-month KIBOR + 0.50%	Six equal half yearly installments commencing on 31 December 2001 and ending on 30 June 2010	Half yearly	Quarterly
Habib Bank Limited-1	87,500,000	137,500,000	6-month KIBOR + 0.40%	Sixteen quarterly installments commencing on 01 May 2004 and ending on 07 Feburary 2008	Quarterly	Quarterly
Habib Bank Limited-2	218,750,000	250,000,000	6-month KIBOR + 0.50%	Eight equal half yearly installments commencing on 01 April 2006 and ending on 30 September 2009	Quarterly	Quarterly
Habib Bank Limited-3	250,000,000	250,000,000	6-month KIBOR + 0.50%	Eight equal half yearly installments commencing on 25 December 2006 and ending on 25 June 2009	Quarterly	Quarterly
Habib Bank Limited-4	73,246,369	-	SBP rate for LTF-EOP + 3%	Eight equal half yearly installments commencing on 24 May 2007 and ending on 24 November 2010	As and when notified by SBP	Quarterly
Habib Bank Limited-5	60,953,632	-	SBP rate for LTF-EOP + 3%	Eight equal half yearly installments commencing on 03 August 2007 and ending on 03 February 2011	As and when notified by SBP	Quarterly
Citibank N.A	235,000,000	235,000,000	6-month KIBOR + 0.50%	Six equal half yearly installments commencing on 26 December 2007 and ending on 26 June 2010	Half yearly	Half yearly
Allied Bank Limited - 1	500,000,000	500,000,000	6-month KIBOR + 0.75%	Twelve equal quarterly installments commencing on 27 December 2006 and ending on 27 September 2009	Half yearly	Quarterly
Allied Bank Limited - 2	500,000,000	-	3-month KIBOR + 1.25%	Six equal quarterly installments commencing on 15 March 2008 and ending on 15 June 2009	Quarterly	Quarterly
	3,675,450,001	2,972,500,000				
Less: Current portion (Note 13)	568,679,605	210,416,667				
	3,106,770,396	2,762,083,333				

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 4,965 million (2005: Rupees 4,248 million).

	2006 Rupees	2005 Rupees
9. LONG TERM MURABAHA		
Secured:		
Faysal Bank Limited (Note 9.1)	18,750,000	31,250,000
Meezan Bank Limited (Note 9.2)	300,000,000	-
	318,750,000	31,250,000
Less: Current portion (Note 13)	12,500,000	12,500,000
	306,250,000	18,750,000

9.1 This facility carries mark-up @ 6-month KIBOR + 0.50% per annum (2005: 6.50% per annum). The principal amount is repayable in eight equal half yearly installments 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 Rupees 50 million (2005: Rupeess 50 million).

9.2 This facility carries mark-up @ 3-month KIBOR+1% per annum and repayable on 30 August 2008. This facility is secured by first joint pari passu charge with 20% margin on all present and future current assets.

	2006 Rupees	2005 Rupees
10. TRADE AND OTHER PAYABLES		
Creditors (Note 10.1)	114,417,335	127,282,420
Accrued liabilities	96,550,296	73,780,743
Advances from customers	25,624,505	17,423,969
Retention money	15,127,752	9,818,871
Payable to provident fund trust	1,177,968	-
Income tax deducted at source	261,865	1,039,836
Unpaid and unclaimed dividend	12,060,412	10,700,091
Due to associated undertaking-Adamjee Insurance Company Limited	-	2,743,703
Workers' profit participation fund (Note 10.2)	20,612,232	40,051,236
Restructuring fee on convertible forward contract	-	2,190,623
Loss on convertible forward contract	-	5,077,403
Others	16,294,267	20,348,006
	302,126,632	310,456,901

10.1 Creditors include an amount of Rupees 0.189 million (2005: Rupees 0.162 million) payable to D.G. Khan Cement Company Limited - associated undertaking.

	2006 Rupees	2005 Rupees
10.2 Workers' profit participation fund		
Balance as on 01 July/October	40,051,236	44,009,966
Interest for the year/period (Note 32)	6,700,900	1,029,631
Add: Provision for the year/period (Note 30)	18,289,535	40,051,235
	65,041,671	85,090,832
Less :		
Payments to trust	31,228,203	19,771,595
Deposited in the Government treasury	13,201,236	25,268,001
	44,429,439	45,039,596
	20,612,232	40,051,236

10.3 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.

	2006 Rupees	2005 Rupees
11. ACCRUED MARK-UP		
Long term financing	44,427,680	21,994,717
Long term murabaha	481,094	539,811
Short term borrowings	60,217,459	31,670,088
	105,126,233	54,204,616
12. SHORT TERM BORROWINGS		
From banking companies-Secured		
Short term running finances (Notes 12.1 and 12.2)	570,010,783	1,173,980,875
Export finances-Preshipment/SBP refinance (Notes 12.1 and 12.3)	1,074,872,113	481,700,000
Other short term finances (Notes 12.1 and 12.4)	630,000,000	547,300,432
	2,274,882,896	2,202,981,307

12.1 These finances are obtained 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.

12.2 Short term running finances carry mark-up at the rates ranging from Rupee 0.231 to Rupee 0.306 (2005: Rupee 0.068 to Rupee 0.284) per Rupees 1,000 per diem or part thereof on the balance outstanding.

12.3 The rates of mark-up range from Rupee 0.143 to Rupee 0.30 (2005: Rupee 0.052 to Rupee 0.259) per Rupees 1,000 per diem or part thereof on the balance outstanding.

12.4 The rates of mark-up range from Rupee 0.190 to Rupee 0.264 (2005: Rupee 0.067 to Rupee 0.270) per Rupees 1,000 per diem or part thereof on the balance outstanding.

	2006 Rupees	2005 Rupees
13. CURRENT PORTION OF NON-CURRENT LIABILITIES		
Long term financing (Note 8)	568,679,605	210,416,667
Long term murabaha (Note 9)	12,500,000	12,500,000
	581,179,605	222,916,667

14. CONTINGENCIES AND COMMITMENTS

Contingencies

14.1 The Company has issued counter-guarantees amounting to Rupees 144.16 million (2005: Rupees 144.16 million) in favour of bank for issuing letters of guarantee favouring Sui Northern Gas Pipelines Limited for gas connections

14.2 The Collectorate of Customs (Export) has issued show cause notices with the intention to reject the duty draw back claims aggregating to Rupees 9.482 million (2005: 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.

14.3 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 there against in these financial statements as managment is confident for favourable outcome.

14.4 While framing assessment orders of Umer Fabrics Limited (merged entity) for the assessment years 1998-99, 2000-01, 2001-02 and 2002-2003 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, the provision for taxation amounting to Rupees 17.157 million would be required.

14.5 The Company has preferred appeal against the Government of Punjab in the Lahore High Court, Lahore for imposition of Electricity Duty on internal generation. The Company has fully provided and paid its liability in respect of generation for the current year.

14.6 The Company has filed appeals before Customs, Excise & Sales Tax Apellant Tribunal, Lahore agaisnt order of Collector, Sales Tax for rejecting the Company's certain input tax claims on the basis of weight shortage, whereas such claims have been allowed in subsequent cases. These claims amount to Rupees 1.575 million and the Company is confident of the favourable outcome of these cases.

Commitments

i) Contracts for capital expenditure are amounting to Rupees 88.391 million (2005: Rupees 237.932 million).

ii) Letters of credit other than for capital expenditure are amounting to Rupees 32.415 million (2005: Rupees 11.599 million).

15. OPERATING FIXED ASSETS

DESCRIPTION	AS AT 01 JULY 2005			MOVEMENT DURING THE YEAR			AS AT 30 JUNE 2006			DEPRECIATION
	Cost	Accumulated depreciation	Net book value	Additions	Disposal Cost / (accumulated depreciaiton)	Depreciaiton charge	Cost	Accumulated depreciation	Net book value	Rates %
	.... Rupees									
Freehold land	81,583,332	-	81,583,332	107,193,000	-	-	188,776,332	-	188,776,332	-
Buildings on freehold land	660,965,156	333,142,698	327,822,458	618,892,831	-	67,510,238	1,279,857,987	400,652,936	879,205,051	10
Plant and machinery	5,097,482,515	1,400,288,822	3,697,193,693	2,137,957,085	177,405,937 (82,006,910)	430,943,530	7,058,033,663	1,749,225,442	5,308,808,221	10
Electrical installations	154,354,734	51,207,179	103,147,555	890,850	-	10,359,485	155,245,584	61,566,664	93,678,920	10
Factory equipment	55,731,950	27,831,748	27,900,202	719,846	312,732 (37,919)	2,795,686	56,139,064	30,589,515	25,549,549	10
Furniture and fixtures	21,136,544	9,494,977	11,641,567	12,110,921	-	1,472,092	33,247,465	10,967,069	22,280,396	10
Office equipment	26,215,613	9,988,943	16,226,670	90,164,002	51,471 (3,002)	5,954,149	116,328,144	15,940,090	100,388,054	10
Vehicles	86,723,780	37,041,965	49,681,815	35,174,451	21,375,280 (9,855,166)	11,756,398	100,522,951	38,943,197	61,579,754	20
2006	6,184,193,624	1,868,996,332	4,315,197,292	3,003,102,986	199,145,420 (91,902,997)	530,791,578	8,988,151,190	2,307,884,913	6,680,266,277	

15.1 Additions to buildings, plant and machinery and electrical installations include mark-up amounting to Rupees 76.431 million (2005: Rupees 23.584).

	2006 Rupees	Nine months Ended 2005 Rupees
15.2 Depreciation charge for the year / period has been allocated as follows:		
Cost of goods sold (Note 27)	517,846,626	246,033,004
Administrative expenses (Note 29)	11,770,642	8,940,829
Capital work in progress	1,174,310	1,059,717
	530,791,578	256,033,550

15.3 Operating fixed assets

DESCRIPTION	AS AT 01 OCTOBER 2004			MOVEMENT DURING THE PERIOD			AS AT 30 JUNE 2005			DEPRECIATION
	Cost	Accumulated depreciation	Net book value	Additions	Disposal Cost / (accumulated depreciaiton)	Depreciaiton charge	Cost	Accumulated depreciation	Net book value	Rates %
	.... Rupees									
Freehold land	48,445,864	-	48,445,864	33,137,468	-	-	81,583,332	-	81,583,332	-
Buildings on freehold land	632,176,003	306,562,499	325,613,504	28,789,153	-	26,580,199	660,965,156	333,142,698	327,822,458	10
Plant and machinery	3,162,670,252	1,235,534,022	1,927,136,230	2,019,783,008	84,970,745 (45,562,868)	210,317,668	5,097,482,515	1,400,288,822	3,697,193,693	10
Electrical installations	103,057,625	45,029,662	58,027,963	51,297,109	-	6,177,517	154,354,734	51,207,179	103,147,555	10
Factory equipment	52,694,205	25,610,517	27,083,688	3,037,745	-	2,221,231	55,731,950	27,831,748	27,900,202	10
Furniture and fixtures	18,749,707	8,566,908	10,182,799	2,386,837	-	928,069	21,136,544	9,494,977	11,641,567	10
Office equipment	21,301,524	8,681,791	12,619,733	4,914,089	-	1,307,152	26,215,613	9,988,943	16,226,670	10
Vehicles	63,293,911	29,191,516	34,102,395	24,612,043	1,182,174 (651,265)	8,501,714	86,723,780	37,041,965	49,681,815	20
2005 Rupees	4,102,389,091	1,659,176,915	2,443,212,176	2,167,957,452	86,152,919 (46,214,133)	256,033,550	6,184,193,624	1,868,996,332	4,315,197,292	

15.4 Disposal of operating fixed assets

Description	Cost	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
	.... Rupees				
Plant and machinery					
Picanol Looms	41,343,442	29,169,607	21,000,000	Negotiation	Rajbi Industries, Plot No. 38/39, Sector 27 Korangi Industrial Area, Karachi.
Picanol Looms	29,531,030	20,488,176	5,946,561	Negotiation	Zephyr Textile Mills Ltd., 3rd Floor, IEP Building, 97-B/D-1, Gulberg III, Lahore.
Picanol Looms	5,906,206	2,688,459	1,200,000	Negotiation	Muhammad Arshad, Faisalabad.
Picanol Looms	91,113,376	41,107,065	19,636,350	Negotiation	Melba Textile, Lake Road, Dhaka, Bangladesh.
Doubler/Twisters	9,511,883	1,945,719	2,000,000	Negotiation	SKR Enterprises (Pvt) Limited, 554-G-1, M. A. Johar Town, Lahore.
Vehicles					
Honda Civic LXN-468	1,049,060	233,754	400,000	Negotiation	Sabir Ali, 2- Habib Homes, PECO Road, Lahore.
Hyundi Shahzor LXP-5384	535,000	186,266	370,000	Negotiation	Muhammad Ashraf, 12A, Shalamar Town, Lahore.
Toyota Crolla LXV-7352	1,046,440	358,257	720,000	Negotiation	Sultan Habib Rana, 1043-E, Canal View Housing Society, Lahore.
Hino Bus LOT 7260	1,195,000	127,243	625,000	Negotiation	Zulfiqar Ali, Mohalla Govt. High School, Phool Nagar, Distt Kasur.
Toyota Hilux LXK-3273	751,075	150,620	525,000	Negotiation	Abdul Hafeez, 33-A, Islamia Park, Lahore.
Tractor MF 240 LXP-6558	362,850	113,697	185,000	Negotiation	Abid Hussain, Mohlanwal, Lahore.
Suzuki Cultus LRD-6417	550,000	211,435	430,000	Negotiation	Naseer Ahmed Malik, 53-B, GOR III, Shadman, Lahore.
Mazda LRC-607	1,182,948	1,084,369	850,000	Negotiation	Allah Wasaya, Alfareed Motors, Circular Road, Badami Bagh, Lahore.
Toyota Corolla LXV-3097	1,144,000	528,986	650,000	Negotiation	Sabir Ali, 2- Habib Homes, PECO Road, Lahore.
Range Rover LZF-467	9,819,502	6,816,371	7,250,000	Negotiation	Jawad Sohrab Malik, Street 14A, Sector F-7/2, Islamabad.
Daihatsu Cuore LZ-6882	468,180	281,220	469,180	Negotiation	Tanvir Qadir Lone, 510 Umer Block, Allama Iqbal Town, Lahore.
					Employees
Suzuki Cultus LXR-4723	525,000	146,227	325,000	Negotiation	Waheed Rashid, 31-Q, Gulberg-II, Lahore.
Suzuki Cultus LRG-9637	565,950	297,614	425,000	Negotiation	Col. Muhammad Ashraf, 31-Q, Gulberg II , Lahore.
Suzuki Alto LRG-7799	474,340	240,838	300,000	Negotiation	Farrukh Riaz, 31-Q, Gulberg-II, Lahore.
Suzuki Alto LXX-8900	478,740	194,458	175,000	Negotiation	Sonia Noman, 31-Q, Gulberg-II, Lahore.
Hyundai Santro LRZ-6861	505,000	309,060	505,000	Negotiation	Ayesha Hassan, 31-Q, Gulberg-II, Lahore.
Suzuki Alto LXX-9400	478,740	173,623	225,000	Negotiation	Hassan Sharif, 31-Q, Gulberg-II, Lahore.
Tools and Equipment					
Novibra Oiling Machine	312,732	274,813	319,339	Warranty	Novibra Boskovice S.R.O, Stodulky, Czech Republic.

	2006 Rupees	2005 Rupees
16. CAPITAL WORK-IN-PROGRESS		
Plant, machinery and equipment	122,432,833	982,104,107
Civil works	97,936,382	479,932,569
Unallocated depreciation	-	1,059,717
Advance for purchase of assets	2,699,460	-
	223,068,675	1,463,096,393

16.1 Capital work-in-progress includes mark-up amounting to Rupees Nil (2005: Rupees13.290 million).

	2006 Rupees	2005 Rupees
17. LONG TERM LOANS		
Secured-considered good:		
Executives (Note 17.1)	2,463,127	701,248
Other employees	3,699,640	1,480,608
	6,162,767	2,181,856
Less: Current portion (Note 22)		
Executives	1,467,000	90,828
Other employees	596,496	911,986
	2,063,496	1,002,814
	4,099,271	1,179,042

17.1 Reconciliation of carrying amount of loans to executives:

	2006 Rupees	2005 Rupees
Opening balance	701,248	-
Disbursements	2,706,738	1,129,000
Less: Repayments	944,859	427,752
Closing balance	2,463,127	701,248

17.2 These represent car and house construction loans to executives and employees, payable in 48 and 15 monthly installments respectively. These loans carry interest at the rate upto 5% per annum. Car loans are secured against registration of cars in the name of company, whereas house construcion loans are unsecured.

17.3 Maximum aggregate balance due from executives at the end of any month during the year is Rupees 2.604 million (2005: Rupees 0.701 million).

17.4 The fair value adjustment in accordance with the requirements of IAS-39 arising in respect of staff loans is not considered material and hence not recognized.

	2006 Rupees	2005 Rupees
18. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	127,104,191	80,210,708
Spare parts	67,807,688	37,031,672
Loose tools	3,135,095	212,254
	198,046,974	117,454,634

18.1 Stores includes the following items held by third parties

Description	Name of Party	2006 Rupees	2005 Rupees
Miscellaneous store items	Shahtaj Weaving Mills Limited	-	9,739
Miscellaneous store items	Faisal Weaving Mills Limited	-	29,654
Miscellaneous store items	Zephyr Textile Mills Limited	-	5,931
Miscellaneous store items	Colony Weaving Mills Limited	-	148,269
Miscellaneous store items	Yousaf Weaving Mills Limited	-	296,537
Miscellaneous store items	Prosperity Weaving Mills Limited	-	9,739
		-	499,869

	2006 Rupees	2005 Rupees
19. STOCK IN TRADE		
Raw materials	1,027,945,029	871,697,621
Work in process	179,358,235	95,893,760
Finished goods - own produced	342,593,878	210,693,641
Finished goods - trading stock	4,625,201	27,441,378
Waste	18,305,043	7,207,038
	1,572,827,386	1,212,933,438
20. TRADE DEBTS		
Considered good:		
Secured (against letters of credit)	326,891,924	243,558,489
Unsecured	215,985,677	92,285,897
	542,877,601	335,844,386
21. INVESTMENT		
Available for sale - Quoted		
Sui Northern Gas Pipelines Limited		
Nil (2005: 100,000) fully paid ordinary shares of Rupees 10 each	-	6,150,000
22. LOANS AND ADVANCES		
Considered good:		
Employees:		
- Executives	200,752	276,101
- Other employees	4,649,057	2,427,689
	4,849,809	2,703,790
Current portion of long term loans (Note 17)	2,063,496	1,002,814
Suppliers (Note 22.1)	39,370,310	90,742,809
Contractors	3,692,891	1,372,622
Letters of credit	41,166,079	450,558,260
	91,142,585	546,380,295

22.1 Advances to suppliers include Rupees 6.786 million (2005: Rupees 10.386 million) due from Nishat Mills Limited- related party.

	2006 Rupees	2005 Rupees
23. SHORT TERM DEPOSITS AND PREPAYMENTS		
Short term deposits	122,000	185,000
Prepayments	1,177,534	2,811,461
	1,299,534	2,996,461

	2006 Rupees	2005 Rupees
24. OTHER RECEIVABLES		
Sales tax refundable	90,672,496	147,493,750
Advance income tax	33,936,610	46,278,004
Export rebate	8,021,156	8,638,759
Insurance claim receivable from Adamjee Insurance Company Limited (associated undertaking)	728,095	1,889,069
Others	6,522,632	4,064,436
	139,880,989	208,364,018
25. CASH AND BANK BALANCES		
With Banks:		
On PLS saving accounts	12,443	8,609
On current accounts (Note 25.1) Including US$ 58,779 (2005: US$ 38,819)	10,365,516	37,262,440
	10,377,959	37,271,049
Cash in hand	562,303	95,367
	10,940,262	37,366,416

25.1 Included in cash at bank Rupees 2.67 million (2005: Rupees 27.90 million) deposited at MCB Bank Limited - associated undertaking.

25.2 Rate of profit on bank deposits ranges from 1.00% to 1.50% (2005: 1.25% to 2.00%) per annum.

	2006 Rupees	Nine months Ended 2005 Rupees
26. SALES		
Export	5,522,684,949	4,939,036,211
Local (Note 26.1)	1,020,641,630	499,741,782
Export rebate	7,455,464	15,453,414
	6,550,782,043	5,454,231,407
26.1 Local sales		
Sales	991,626,320	558,368,983
Procsessing income	25,229,398	-
Doubling income	3,785,912	6,254,436
	1,020,641,630	564,623,419
Less: Sales tax	-	64,881,637
	1,020,641,630	499,741,782

	2006 Rupees	Nine months Ended 2005 Rupees
27. COST OF SALES		
Raw material consumed (Note 27.1)	3,783,139,439	2,685,881,240
Packing materials consumed	100,621,554	58,643,556
Stores, spare parts and loose tools	159,074,743	107,091,374
Salaries, wages and other benefits (Note 27.2)	362,582,792	200,967,679
Fuel and power	418,618,720	314,022,828
Insurance	12,447,551	5,675,891
Postage and telephone	1,118,822	1,473,054
Travelling and conveyance	2,807,131	549,929
Vehicle running	5,620,742	1,957,412
Entertainment	1,128,219	1,288,992
Depreciation (Note 15.2)	517,846,626	246,033,004
Repair and maintenance	7,793,728	4,474,636
Other factory overheads	22,998,963	14,430,710
	5,395,799,030	3,642,490,305
Work-in-process		
Opening stock	95,893,760	90,218,951
Closing stock	(179,358,235)	(95,893,760)
Cost of goods manufactured	5,312,334,555	3,636,815,496
Finished goods and waste-opening stocks		
Finished goods	210,693,641	147,159,779
Waste	7,207,038	7,358,829
	217,900,679	154,518,608
	5,530,235,234	3,791,334,104
Finished goods and waste-closing stocks		
Finished goods	(342,593,878)	(210,693,641)
Waste	(18,305,043)	(7,207,038)
	(360,898,921)	(217,900,679)
Cost of goods sold-own manufactured	5,169,336,313	3,573,433,425
Opening stock of purchased finished goods	27,441,378	54,148,719
Add: Finished goods purchased	190,097,771	628,885,067
Less: Closing stock of purchased finished goods	4,625,201	27,441,378
Cost of sales-purchased finished goods	212,913,948	655,592,408
	5,382,250,261	4,229,025,833
27.1 Raw material consumed		
Opening stock	871,697,621	525,854,616
Add: Purchases-net	3,939,386,847	3,031,724,245
	4,811,084,468	3,557,578,861
Less: Closing stock	1,027,945,029	871,697,621
	3,783,139,439	2,685,881,240

27.2 Salaries, wages and other benefits include Rupees 5.720 million (2005: Rupees 3.920 million) and Rupees 8.557 million (2005: Rupees 3.959 million) in respect of staff compensated absences and provident fund respectively.

	2006 Rupees	Nine months Ended 2005 Rupees
28. DISTRIBUTION AND SELLING EXPENSES		
Salaries, wages and other benefits (Note 28.1)	13,041,992	8,383,217
Ocean freight	56,721,301	61,683,620
Freight and octroi	24,917,700	18,848,048
Forwarding and other expenses	12,571,471	8,462,496
Export marketing expenses	25,982,273	22,606,946
Commission to selling agents	64,822,302	55,797,301
	198,057,039	175,781,628

28.1 Salaries, wages and other benefits include Rupees 0.278 million (2005: Rupees 0.082 million) and Rupees 0.617 million (2005: Rupees 0.168 million) in respect of staff compensated absences and provident fund contribution by the employer respectively.

	2006 Rupees	Nine months Ended 2005 Rupees
29. ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits (Note 29.1)	37,928,774	23,859,926
Printing and stationery	1,683,709	1,219,342
Vehicle running	4,241,251	2,575,958
Travelling and conveyance	15,027,126	18,122,967
Postage, telephone and telegraph	5,218,140	6,735,642
Fee and subscription	1,801,279	2,487,376
Legal and professional	1,949,500	921,312
Electricity and sui gas	3,129,213	1,865,197
Insurance	3,166,489	2,244,115
Repair and maintenance	40,839	595,725
Entertainment	1,615,012	1,204,439
Auditors' remuneration (Note 29.2)	682,000	560,000
Advertisement	801,248	1,139,045
Depreciation (Note 15.2)	11,770,642	8,940,829
Miscellaneous	4,729,760	1,997,974
	93,784,982	74,469,847

29.1 Salaries, wages and other benefits include Rupees 1.321 million (2005: Rupees 0.233 million) and Rupees 1.317 million (2005: Rupees 0.479 million) in respect of staff compensated absences and provident fund contribution by the employer respectively.

	2006 Rupees	Nine months Ended 2005 Rupees
29.2 Auditors' remuneration		
Audit fee	450,000	380,000
Half yearly review	100,000	100,000
Certification fees etc	57,000	25,000
Reimbursable expenses	75,000	55,000
	682,000	560,000

	2006 Rupees	Nine months Ended 2005 Rupees
30. OTHER OPERATING EXPENSES		
Workers' profit participation fund (Note 10.2)	18,289,535	40,051,235
Donations (Note 30.1)	15,128,395	7,048,150
Loss on sale of operating fixed assets	42,626,749	1,966,137
	76,044,679	49,065,522
30.1 Name of donee in which a director or his spouse has an interest:		
Mian Muhammad Yahya Trust, 31-Q, Gulberg II, Lahore Mr. Muhammad Saleem, Chairman and Mr. Shahzad Saleem, Chief Executive are trustees.	14,068,395	6,004,000
31. OTHER OPERATING INCOME		
Income from financial assets		
Gain on sale of investment	5,721,202	-
Dividend income	300,000	250,000
Mark-up on saving accounts	11,501	36,293
Exchange gain	22,786,905	16,780,467
Income from non financial assets		
Sale of scrap	5,164,500	4,145,887
Others	215,825	161,427
	34,199,933	21,374,074
32. FINANCE COSTS		
Mark-up on:		
-long term financing	251,932,156	68,450,960
-long term murabaha	1,870,633	1,715,154
-short term running finances	71,277,785	32,501,614
-export finances - Preshipment / SBP refinances	67,138,156	27,971,099
-short term finances	67,463,655	25,323,898
Restructuring fee on convertible forward contract	-	6,187,653
Loss on convertible forward contract	-	5,077,403
Interest on workers' profit participation fund (Note 10.2)	6,700,900	1,029,631
Bank and other charges	27,661,465	19,641,409
	494,044,750	187,898,821
33. PROVISION FOR TAXATION		
Current - for the year/period (Note 33.1)	90,000,000	62,000,000
Deferred tax reversed	-	(24,457,801)
	90,000,000	37,542,199

33.1 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 2006 are estimated at Rupees 10.324 million (2005: Rupees 15.704 million).

	2006 %	2005 %
33.2 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	(8.60)	(26.84)
Effect of deferred tax liability reversal	-	(3.22)
	(8.60)	(30.06)
Average effective tax rate charged to profit and loss account	26.40	4.94

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2006	Nine months ended 2005	2006	Nine months ended 2005	2006	Nine months ended 2005
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	1,537,675	903,402	3,281,527	2,020,650	12,080,032	6,198,693
Contribution to provident fund	-	-	-	-	997,254	2,249,149
House rent	615,070	406,531	1,312,611	909,293	4,831,941	2,665,595
Utilities	547,593	224,912	911,430	335,756	1,208,003	443,834
Others	518,258	1,309,623	1,268,543	1,818,537	690,297	621,078
	3,218,596	2,844,468	6,774,111	5,084,236	19,807,527	12,178,349
Number of persons	1	1	2	2	15	13

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

35. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise asociated 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:

	2006 Rupees	Nine months Ended 2005 Rupees
Associated Undertakings		
Purchase of goods	28,081,247	41,295,629
Insurance premium paid	20,471,704	15,131,381
Insurance claims received	9,791,079	753,917
Related Parties		
Purchase of goods	45,010,369	354,127,635
Sale of goods and services	45,508,785	26,128,291
Post Employment Benefit Plan		
Expense charged in respect of retirement benefit plans	10,490,930	4,606,351

36. FINANCIAL INSTRUMENTS

	INTEREST / MARK-UP BEARING			NON-INTEREST / MARK-UP BEARING			TOTAL	
	Maturity upto One year	Maturity after One year	Sub Total	Maturity upto One year	Maturity after One year	Sub Total	2006	2005
				.... Rupees				
Financial assets								
Long term loans	1,163,496	4,099,271	5,262,767	900,000	-	900,000	6,162,767	2,181,856
Long term deposits	-	-	-	-	728,945	728,945	728,945	620,942
Trade debts	-	-	-	542,877,601	-	542,877,601	542,877,601	335,844,386
Investment	-	-	-	-	-	-	-	6,150,000
Loans and advances	-	-	-	4,849,809	-	4,849,809	4,849,809	2,703,790
Short term deposits	-	-	-	122,000	-	122,000	122,000	185,000
Other receivables	-	-	-	7,250,727	-	7,250,727	7,250,727	5,953,505
Cash and bank	12,443	-	12,443	10,927,819	-	10,927,819	10,940,262	37,366,416
	1,175,939	4,099,271	5,275,210	566,927,956	728,945	567,656,901	572,932,111	391,005,895
Off balance sheet	-	-	-	-	-	-	-	-
Total	1,175,939	4,099,271	5,275,210	566,927,956	728,945	567,656,901	572,932,111	391,005,895
Financial liabilities								
Long term financing	568,679,605	3,106,770,396	3,675,450,001	-	-	-	3,675,450,001	2,972,500,000
Long term murabaha	12,500,000	306,250,000	318,750,000	-	-	-	318,750,000	31,250,000
Short term borrowings	2,274,882,896	-	2,274,882,896	-	-	-	2,274,882,896	2,202,981,307
Trade and other payables	-	-	-	254,450,062	-	254,450,062	254,450,062	251,941,859
Accrued mark-up	-	-	-	105,126,233	-	105,126,233	105,126,233	54,204,616
	2,856,062,501	3,413,020,396	6,269,082,897	359,576,295	-	359,576,295	6,628,659,192	5,512,877,782
Off balance sheet								
Contracts for capital expenditure	-	-	-	88,391,216	-	88,391,216	88,391,216	237,932,212
Letters of credit other than for capital expenditure	-	-	-	32,415,739	-	32,415,739	32,415,739	11,599,566
	-	-	-	120,806,955	-	120,806,955	120,806,955	249,531,778
Total	2,856,062,501	3,413,020,396	6,269,082,897	480,383,250	-	480,383,250	6,749,466,147	5,762,409,560
On balance sheet sensitivity gap	(2,854,886,562)	(3,408,921,125)	(6,263,807,687)	207,351,661	728,945	208,080,606	(6,055,727,081)	(5,121,871,887)
Off balance sheet sensitivity gap	-	-	-	(120,806,955)	-	(120,806,955)	(120,806,955)	(249,531,778)

	2006 Percentage	2005 Percentage
36.1 Effective interest / mark-up rates		
The Company's exposure to interest / mark-up effective rates on its financial assets and financial liabilities are summarised as follows:		
Financial assets		
Long term loans	upto 5	upto 5
Profit on bank deposits	1 to 1.50	1.25 to 2
Financial liabilities		
Long term financing	6.43 to 10.92	3.02 to 9.51
Long term murabaha	7.13 to 10.28	6.50
Short term finances	5.72 to 11.16	1.89 to 10.36

36.2 Financial risk management objectives

The Company's activities expose it to a variety of financial risks including the effects of changes in foreign exchange rates, market interest rates such as State Bank of Pakistan's discount rate and short term federal bond rates, credit risks associated with various financial assets as referred to in Note 36 and cash flow risk associated with accrued interests in respect of secured long term financing and long term murabaha as referred to in Note 8 and Note 9 respectively.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk.

Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

36.2.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade receivables and its balances at bank. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company has no significant concentration of credit risk as exposre is spread over a large number of counter parites in the case of trade debts.

Out of the total financial assets of Rupees 572.932 million (2005: Rupees. 391.006 million) financial assets which are subject to credit risk amounting to Rupees 235.100 million (2005: Rupees 110.080 million). To manage exposure to credit risk, the Company also applies credit limits to its customers.

36.2.2 Foreign exchange risk management

Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The Company operates internationally and is exposed to foreign exchange risks arising from various currency exposures primarily with respect to U.S. dollars.

36.2.3 Interest rate risk

The Company usually borrows funds at fixed and market based rates and as such the risk is minimized.

36.2.4 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

36.3 Fair value of financial instruments

The carrying value of all financial instruments reflected in the financial statements approximate their fair values except for loans to employees which are valued at their original cost less re-payments.

37. PLANT CAPACITY AND ACTUAL PRODUCTION

	2006	2005
Spinning		
Number of spindles installed	141,096	129,624
Number of spindles worked	128,310	127,023
Number of shifts per day	3	3
Capacity after conversion into 20/1 count (Kgs.)	46,961,235	28,403,565
Actual production of yarn after conversion into 20/1 count (Kgs.)	46,274,198	27,984,475

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

	2006	2005
Weaving		
Number of looms installed	293	262
Number of looms worked	293	262
Number of shifts per day	3	3
Capacity after conversion into 50 picks - square yards	171,333,044	125,217,388
Actual production after conversion into 50 picks - square yards	167,856,006	123,066,723

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

	2006	2005
Power Plant		
Number of engines installed	7	3
Number of engines worked	7	3
Number of shifts per day	3	3
Generation capacity (KWH)	216,356,640	52,642,512
Actual generation (KWH)	192,703,048	37,170,289

Under utilisation of available capacity was due to normal maintenance.

	2006	2005
Dyeing (for three months)		
Number of thermosol dyeing machines	1	-
Number of stenters machines	2	-
Number of shifts per day	3	-
Capacity in meters	6,600,000	-
Actual processing of fabrics - meters	2,214,847	-
Stitching (for three months)		
Number of stitiching machines	240	-
Number of shifts per day	1	-
Capacity in meters	4,200,000	-
Actual stitching of fabrics - meters	1,396,938	-

Dyeing and stitching units are in startup phase and will take time to attain their normal operational capacity.

38. CASH GENERATED FROM OPERATIONS

	2006 Rupees	2005 Rupees
Profit before taxation	340,800,265	759,363,830
Add/(less) adjustment for non cash charges and other items:		
Depreciation	529,617,268	256,033,550
Loss on sale of operating fixed assets	42,626,749	1,966,137
Gain on sale of investment	(5,721,202)	-
Financial charges	494,044,750	187,898,821
Provision for employees' benefits	1,551,370	1,571,400
Working capital changes (Note 38.1)	(144,907,221)	(797,105,459)
	1,258,011,979	409,728,279

	2006 Rupees	2005 Rupees
38.1 Working capital changes		
(Increase)/decrease in current assets		
- stores, spare parts and loose tools	(80,592,340)	(41,463,930)
- stock in trade	(359,893,948)	(388,192,544)
- trade debts	(207,033,215)	107,490,258
- loans and advances	455,237,710	(450,989,053)
- short term deposits and prepayments	1,696,927	(2,334,058)
- other receivables	56,141,635	26,498,318
	(134,443,231)	(748,991,009)
Decrease in current liabilities		
- Trade and other payables	(10,463,990)	(48,114,450)
	(144,907,221)	(797,105,459)

39. CASH AND CASH EQUIVALENTS

	2006 Rupees	2005 Rupees
Cash and bank balances (Note 25)	10,940,262	37,366,416
Short term borrowings (Note 12)	(2,274,882,896)	(2,202,981,307)
	(2,263,942,634)	(2,165,614,891)

40. EARNINGS PER SHARE-BASIC

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

	2006 Rupees	2005 Rupees
Profit attributable to ordinary shareholders	250,800,265	721,821,631
Weighted average number of shares	75,200,838	75,200,838
Earnings per share-basic	3.34	9.60

41. UNUTILIZED CREDIT FACILITIES

The Company has total credit facilities amounting to Rupees 10,104.70 million out of which Rupees 3,593.33 million remained unutilized at the end of the year.

42. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on 04 October 2006 has proposed a cash dividend in respect of the year ended June 30, 2006 of Rupees 1.50 per share (2005: Rupees 2 per share) and nil bonus shares (2005: 10% bonus shares). The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 04 October 2006 by the Board of Directors of the Company.

CHIEF EXECUTIVE

DIRECTOR

Pattern of Shareholding

as at 30 June 2006

Share Holders	Shareholding From	To	Total Shares Held	
2838	1	100	80,621	
1454		500	478,469	101
1205	501	1000	943,181	
1481	1001	5000	3,675,965	
259	5001	10000	1,890,369	
68	10001	15000	836,875	
42	15001	20000	745,276	
36	20001	25000	819,490	
23	25001	30000	634,687	
9	30001	35000	296,931	
13	35001	40000	495,150	
2	40001	45000	82,653	
11	45001	50000	532,577	
8	50001	55000	415,130	
9	55001	60000	520,878	
3	60001	65000	187,373	
5	65001	70000	336,017	
6	70001	75000	436,654	
6	75001	80000	461,396	
3	80001	85000	246,783	
1	85001	90000	86,100	
2	90001	95000	184,900	
2	95001	100000	200,000	
3	100001	105000	311,000	
1	105001	110000	109,263	
1	110001	115000	110,300	
2	115001	120000	234,477	
1	120001	125000	125,000	
2	125001	130000	256,500	
1	135001	140000	139,755	
1	140001	145000	140,250	
2	150001	155000	301,600	
1	155001	160000	159,513	
1	170001	175000	170,767	
2	185001	190000	375,700	
1	190001	195000	195,000	
1	205001	210000	206,044	
1	220001	225000	222,400	
1	245001	250000	250,000	
2	325001	330000	654,915	
1	330001	335000	332,000	
1	445001	450000	449,568	
1	530001	535000	532,620	
1	565001	570000	565,841	
1	725001	730000	728,330	
1	805001	810000	805,040	
1	875001	880000	878,035	
1	885001	890000	885,720	
1	925001	930000	925,800	
1	1050001	1055000	1,050,877	
1	1270001	1275000	1,271,386	
1	1350001	1355000	1,350,862	
1	1395001	1400000	1,400,000	
1	2395001	2400000	2,396,480	
1	2435001	2440000	2,438,205	
1	2530001	2535000	2,534,400	
1	2740001	2745000	2,744,280	
1	2800001	2805000	2,800,030	
1	3035001	3040000	3,039,677	
1	4065001	4070000	4,065,600	
1	4160001	4165000	4,161,795	
1	5340001	5345000	5,343,246	
1	7065001	7070000	7,068,620	
1	8880001	8085000	8,882,467	
7534			75,200,838	

Categories of Shareholders
as at 30 June 2006

Categories of Shareholders	Number of Shareholders	Shares Held	Percentage
Individuals	7,307	37,879,148	50.37
Investment Companies	13	1,668,888	2.22
Insurance Companies	13	3,489,174	4.64
Joint Stock Companies	115	19,667,656	26.15
Financial Institutions	30	6,594,870	8.77
Modarabas	14	69,800	0.09
Foreign Companies	7	1,025	0.00
Mutual Funds	8	5,109,267	6.79
Leasing Companies	2	225,900	0.30
Cooperative Societies	1	2,500	0.00
Others	24	492,610	0.66
	7,534	75,200,838	100.00

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

			Shareholding as at 30 June 2006	Percentage
1.	Associated Compaines:			
	M/s. Adamjee Insurance Co.Ltd.		14,412	0.02%
	M/s D.G.Khan Cement Co. Ltd.		7,068,620	9.40%
2.	NIT & ICP:			
	National Bank Of Pakistan Trustee Deptt.		5,348,446	7.11%
	Investment Corporation of Pakistan		21,430	0.03%
3.	Directors, CEO and their spouse and minor children:			
	Mr. Muhammad Saleem	(Chairman)	2,800,030	3.72%
	Mr. Shahzad Saleem	(Chief Executive)	6,600,000	8.78%
	Mr. Yahya Saleem	(Director)	6,600,000	8.78%
	Spouse:-			
	Mrs. Farhat Saleem w/o Mr. Muhammad Saleem		3,630,000	4.83%
	Mrs. Ayesha Shahzad w/o Mr. Shahzad Saleem		74,415	0.10%
4.	Executives:		15,362	0.02%
5.	Public Sector, Companies & Corporations Joint Stock Companies		19,667,656	26.15%
6.	Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds:			
	a) Investment Companies		1,668,888	2.22%
	b) Insurance Companies		3,489,174	4.64%
	c) Financial Institutions		6,594,870	8.77%
	d) Modaraba Companies		69,800	0.09%
7.	Shareholder holding ten percent or more voting interest in the Company:			
	M/s. Nishat Mills Limited		10,233,329	13.61%

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

All trade in the Companys shares, carried out by its Directrors, CEO, CFO, Company Secretary and their spouses and minor children during the year 01 July 2005 to 30 June 2006:

	Sale	Purchase
Mr. Muhammad Saleem (Chairman)	651,300	-
Mr. Shahzad Saleem (Chief Executive)	550,000	-
Mr. Yahya Saleem (Director)	640,000	-

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 2006 (Tuesday) 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 ______________________ 2006

signed by the said ______________________________________ in presence

of ____

Witness

Signature

Signature

Affix Rs. 5/- Revenue Stamp

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.