ANNUAL REPORT 2005

Nishat Chunian Ltd

CONTENTS

Brief Profile

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

COMPANY INFORMATION

Board of Director:	Mr. Muhammad Saleem	Chairman
	Mr. Shahzad Saleem	Chief Executive
	Mr. Yahya Saleem	
	Mr. Manzoor Ahmed	Nominee NIT
	Mr. Khalid Niaz Khawaja	
	Syed Jawad Gillani	
	Mr. Aftab Ahmad Khan	
Audit Committee:	Mr. Shahzad Saleem	Chairman
	Mr. Aftab Ahmed Khan	Member
	Syed Jawad Gillani	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	
	NDLC IFIC 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 Kilometer, Multan Road,	
	Bhai Pheru, Tehsil Chunian,	
	District Kasur.	
	Spinning 2, 3 & Weaving	
	49th Kilometer, Multan Road,	
	Kamogal, Tehsil Pattoki	
	District Kasur.	
	Dyeing & Printing	
	4th Kilometre, Manga Road,	
	Raiwind.	

NOTICE OF ANNUAL GENERAL MEETING

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

1. To confirm the minutes of the last General Meeting.

2. To receive and adopt audited accounts of the Company for the year ended 30 June 2005 together with Directors' and Auditors' reports thereon.

3. To approve 20% Cash Dividend (i.e. Rs.2.00 Per share) and 10% Bonus shares (i.e. Ten Bonus Shares against Hundred existing shares) as recommended by Board of the Directors. This is in addition to an interim issue of Bonus shares @ 50% (i.e. Fifty Bonus shares for every Hundred existing shares) already issued on March 26, 2005.

4. To appoint auditors for the year ending 30 June 2006 and to fix their remuneration. The present Auditors M/s Riaz Ahmad & Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.

SPECIAL BUSINESS:

5. To consider and pass the following Special Resolutions:

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

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

Clause 'V' of the Memorandum of Association

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

Clause '7' of the Articles of Association

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

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

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

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

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

BOOKS CLOSURE

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

By Order of the Board

Furrukh Ifzal
Company Secretary

Lahore: October 05, 2005

Notes:

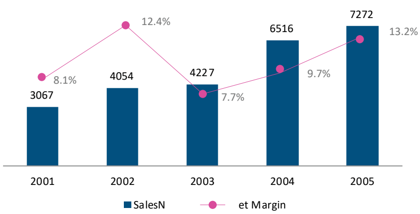
1. A shareholder entitled to attend and vote at this meeting may appoint another shareholder as his / her proxy to attend and vote as his/her proxy to attend and vote on his / her behalf. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be received at the Registered Office of the Company, duly stamped, signed and witnessed not later than 48 hours before the meeting.

2. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their National Identity Card (NIC) along with their Account Number in CDC for verification. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

3. In case of proxy for and individual beneficial owner of CDC attested copies of beneficial owner's NIC or passport, account and participants ID numbers must be deposited alongwith the form of proxy. Representatives of corporate members should bring the usual documents required for such purpose.

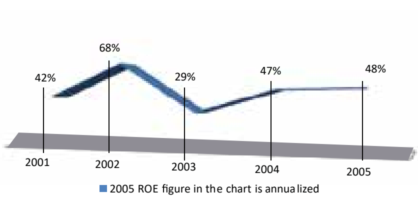
4. Shareholders are requested to notify any change in their addresses immediately.

Sales and Net Profit Margin



* 2005 Sales figure in the chart is annualized.

Return on Equity



Economic Environment

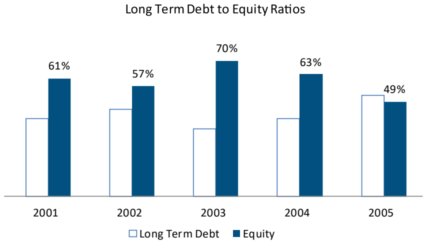
The period under review is from October 2004 to June 2005. During this period the economy continued to thrive. Large scale manufacturing and key service sectors grew at double digit rates. However rising inflation became a major concern and as a result interest rates started to climb in the latter half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

Performance of the Company

During the period under review the company's performance is at its historic best. Sales are Rs. 5.454 billion in nine months as compared to the annual Sales of Rs. 6.581 billion in Year 2004. This shows an increase in sales of 10.50% on annualized basis. The company earned a before tax profit of Rs. 759.94 million in nine months (annualized Rs. 1,013.25 million) as compared to the annual before tax profit of Rs. 685.69 million in Year 2004. Net profit margin improved from 9.65% in year ending 2004 to 13.24% during this period.

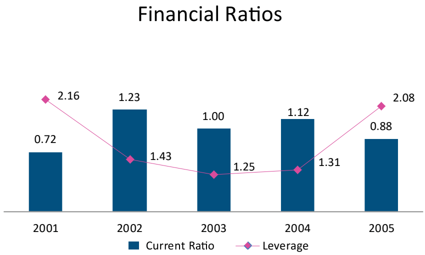
The improved performance during the period can be attributed to a number of factors. The increase in sales and profitability is mainly due to increase in production capacity, sale of high margin products, cost cutting measures and lower cotton prices. During the period, the company increased its spinning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

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



Investments and Sources of Financing

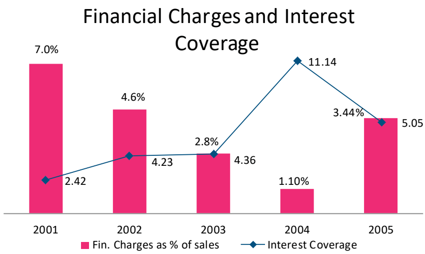
During the period under review, the company invested Rs. 2,680 million in expansion plans. Major expansions executed during the period in addition to the spinning and weaving capacity enhancement, are setting up of modern Dyeing and Finishing Plant and installation of captive power plants with a capacity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



Financial Structure

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

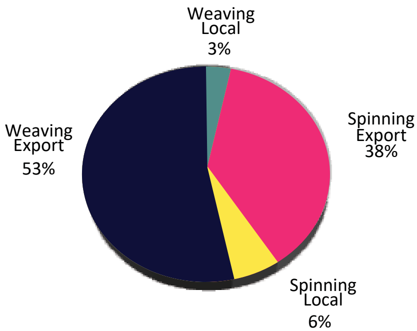
During the period under review, financial charges have substantially increased as compared to the last year. This is mainly due to general increase in the interest rates in the country and higher level of borrowing required for expansion. The illustration shows the last five years' financial charges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



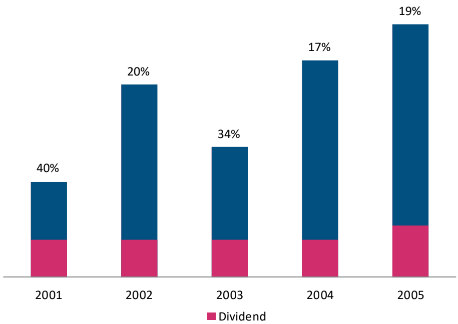
Business Strategy

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

Sales Breakup



Payout to Shareholders



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

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

Dividends

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

Future Outlook

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

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

Corporate Governance

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

a. The financial statements prepared by the management of the Company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.

b. Proper books of account of the Company have been maintained.

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

d. International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.

e. The system of internal control is sound and has been effectively implemented and monitored.

f. There are no doubts upon the Company's ability to continue as a going concern.

g. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.

h. The value of investment of contributory provident fund as on 30 June 2005 amounts to Rs.15.608 Million

i. The pattern of shareholding as at 30 June 2005 is annexed.

Board Meetings

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

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

On behalf of the Board

Shahzad Saleem
Chief Executive

Lahore: 05 October 2005

(Rupees in thousand)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Capital	144,000	144,000	144,000	144,000	403,200	403,200	403,200	443,520	442,520	683,644
Reserves	86,988	110,627	162,237	194,792	192,289	340,409	742,888	919,106	1,444,303	1,992,547
Net Worth	230,988	254,627	306,237	338,792	595,489	743,609	1,146,088	1,362,626	1,886,823	2,676,191
Long Term Liabilities	34,737	26,765	270,431	280,856	567,030	476,321	865,539	589,642	1,116,667	2,780,833
Current Liabilities	235,245	201,965	702,242	1,015,989	619,802	1,130,202	773,885	1,110,277	1,355,126	2,790,559
Total Equity & Liabilities	500,970	483,357	1,278,910	1,635,637	1,782,321	2,350,132	2,785,512	3,062,545	4,358,616	8,247,583
Fixed Assets	271,695	258,221	886,593	956,365	1,202,614	1,537,288	1,829,775	1,954,767	2,837,084	5,778,293
Long Term Deposits	2,059	311	227	227	527	545	545	426	386	1,800
Current Assets	227,216	224,825	392,090	679,048	5,791,810	812,299	955,192	1,107,352	1,521,146	2,467,490
Total Assets	500,970	483,357	1,278,910	1,635,640	6,994,951	2,350,132	2,785,512	3,062,545	4,358,616	8,247,583
Sales	971,188	1,111,537	1,148,551	2,094,958	2,367,018	3,066,830	4,054,099	4,226,715	6,516,226	5,454,231
Gross Profit	172,615	186,017	183,371	362,475	628,457	684,287	966,745	742,242	968,808	1,225,206
Operating Profit plus Other Income	148,573	144,251	156,465	290,531	533,773	523,634	781,787	519,004	496,705	947,843
Financial & Other charges	91,423	91,225	93,244	185,936	155,772	237,811	218,099	143,586	111,014	187,899
Taxation	5,669	7,787	11,611	13,000	20,504	36,903	60,409	48,000	50,614	37,542
Net Profit	51,481	45,239	51,610	91,595	357,497	248,920	503,279	327,418	635,077	722,402
Gross Margin	17.8%	16.7%	16.0%	17.3%	26.6%	22.3%	18.9%	17.6%	14.9%	22.5%
Net Margin	5.3%	4.1%	4.5%	4.4%	15.1%	8.1%	12.4%	7.7%	9.7%	13.2%
Current Ratio	0.97	1.11	0.56	0.67	0.93	0.72	1.23	1.00	1.12	0.88
Leverage (Total Liab./Net Worth)	1.17	0.90	3.17	3.83	1.99	2.16	1.43	1.25	1.31	2.08
Long Term Debt : Equity	13:87	10:90	47:53	45:55	49:51	39:61	43:57	30:70	37:63	51:49
EPS	3.58	3.14	3.58	6.36	8.87	6.17	12.48	7.38	14.32	10.57

WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD ENDED 30 JUNE 2005

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes one independent non-executive director.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy has occurred during the period under review.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged orientation courses for its directors during the year to apprise them of their duties and responsibilities.

10. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

13. The Company has complied with all the corporate and financial reporting requirements of the Code.

14. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.

15 The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

16 The Board has set-up an effective internal audit function with suitably qualified and experienced staff, conversant with the policies and procedures of the Company and involved in the internal audit function on a full time basis.

17 The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

18 The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

19 We confirm that all other material principles contained in the Code have been complied with.

Muhammad Saleem
Chairman

Lahore: 05 October 2005

TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Director 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 the inquiries of the Company personnel and review of various documents prepared by the company to company 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.

RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore: 05 October, 2005

AUDITORS' REPORT TO THE MEMBERS

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

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

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

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in notes No. 4.2 and 4.8 with which we concur;

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

iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2005 and of the profit, its cash flows and changes in equity for the period then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore: 05 October 2005

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

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

CHIEF EXECUTIVE

BALANCE SHEET AS AT 30 JUNE 2005

FOR THE QUARTER ENDED 30 SEPTEMBER 2004

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	16	4,315,197,292	2,443,212,176
Capital work-in-progress	17	1,463,096,393	951,333,007
		5,778,293,685	3,394,545,183
Long term loans	18	1,179,042	-
Long term deposits		620,642	743,442
CURRENT ASSETS			
Stores, spare parts and loose tools	19	117,454,634	75,990,704
Stock in trade	20	1,212,933,438	824,740,894
Trade debts	21	335,844,386	443,334,644
Investment	22	6,150,000	5,570,000
Loans and advances	23	546,380,295	95,391,242
Short term deposits and prepayments	24	2,996,461	662,403
Other receivables	25	208,364,018	203,801,841
Cash and bank balances	26	37,366,416	30,803,098
		2,467,489,648	1,680,294,826
		8,247,583,317	5,075,583,451

DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 30 JUNE 2005

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

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

CHIEF EXECUTIVE

DIRECTOR

FOR THE PERIOD ENDED 30 JUNE 2005

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

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2005

	SHARE CAPITAL	REVENUE RESERVES General reserve	Unappro-priated profit	Sub total	SHAREHOLDERS EQUITY
		…………………………….	Rupees	…………………………….	
Balance as at 30 September 2003 - as previously reported	443,520,000	915,000,000	4,105,869	919,105,869	1,362,625,869
Effect of change in accounting policy (Note 4.2)		(215,000,000)	325,880,000	110,880,000	110,880,000
Balance as at 30 September 2003 (Restated)	443,520,000	700,000,000	329,985,869	1,029,985,869	1,473,505,869
Dividend for the year ended 30 September 2003	-	-	(110,880,000)	(110,880,000)	(110,880,000)
Net profit for the year	-	-	635,076,653	635,076,653	635,076,653
Interim dividend	-	-	(55,440,000)	(55,440,000)	(55,440,000)
Transferred to general reserve	-	215,000,000	(215,000,000)	-	-
Balance as at 30 September 2004	443,520,000	915,000,000	583,742,522	1,498,742,522	1,942,262,522
Effect of the scheme of Arrangement for merger	-	-	-	-	-
of Umer Fabrics Limited into	-	-	-	-	-
Nishat (Chunian) Limited, as approved by	-	-	-	-	-
the Honourable Lahore High Court, Lahore	12,242,650	52,221,278	2,502,412	54,723,690	66,966,340
Balance as at 01 October 2004	455,762,650	967,221,278	586,244,934	1,553,466,212	2,009,228,862
Dividend for the year ended 30 September 2004	-	-	(55,440,000)	(55,440,000)	(55,440,000)
Net profit for the period	-	-	722,401,631	722,401,631	722,401,631
Bonus share issued	227,881,330	-	(227,881,330)	(227,881,330)	-
Transferred to general reserve	-	525,000,000	(525,000,000)	-	-
	683,643,980	1,492,221,278	500,325,235	1,992,546,513	2,676,190,493

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

CHIEF EXECUTIVE

DIRECTOR

1 THE COMPANY AND ITS OPERATIONS

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

Merger of Umer Fabrics Limited with Nishat (Chunian) Limited

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

2 STATEMENT OF COMPLIANCE

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

3 CHANGE IN THE FINANCIAL YEAR

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

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

4.2 Dividend and other appropriations

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

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

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

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

4.3 Taxation

Current

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

Deferred

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

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

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

4.4 Employee benefits

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

Provident fund

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

Accumulating compensated absences

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

4.5 Property, plant, equipment and depreciation

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

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

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

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

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

4.6 Stores, spare parts and loose tools

Useable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

4.7 Stock in trade

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

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

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

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

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

4.8 Foreign currencies

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

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

4.9 Borrowing cost

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

4.10. Revenue recognition

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

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

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

4.11 Cash and cash equivalents

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

4.12 Financial instruments

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

Trade debts

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

Borrowings

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

Trade and other payables

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

Investments

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

Derivative financial instruments

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

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

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

4.13 Provisions

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

4.14 Related party transactions and transfer pricing

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

4.15 Offsetting

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

4.16 Impairment

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

	2005	2004
	(Number of Shares)	
5. AUTHORISED SHARE CAPITAL		
Opening balance	51,530,000	51,530,000
Increase during the period	18,470,000	-
Closing balance	70,000,000	51,530,000

	2005	2004
	Rupees	Rupees
6. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL		
12,000,000 (September 2004: 12,000,000) ordinary shares of Rupees 10 each fully paid in cash.	120,000,000	120,000,000
55,140,133 (September 2004: 32,532,000) ordinary shares of Rupees 10 each issued as fully paid bonus shares.	551,401,330	323,520,000
1,224,265 (September 2004: 1,224,265) ordinary shares of Rupees 10 each fully paid for consideration other than cash to members of Umer Fabrics Limited as per the Scheme of arrangement as approved by the Honourable Lahore High Court, Lahore.	12,242,650	12,242,650
	683,643,980	455,762,650

	2005	2004
	(Number of Shares)	
6.1 Ordinary shares of the company held by related parties and associated undertaking		
Nishat Mills Limited	9,786,882	6,781,988
DG Khan Cement Company Limited	6,426,019	3,953,697
Adamjee Insurance Company Limited (associated undertaking)	13,102	13,102
	16,226,003	10,748,787
6.2 Reconciliation of Issued, subscribed and paid-up share capital		
Opening balance	45,576,265	44,352,000
Issued as per Scheme of Arrangement	-	1,224,265
Bonus share issued	22,788,133	-
Closing balance	68,364,398	45,576,265

	2005	2004
	Rupees	Rupees
7. Reserves		
Revenue Reserves:		
General reserves	1,492,221,278	967,221,278
Unappropriated profit	500,325,235	586,244,934
	1,992,546,513	1,553,466,212

8. LONG TERM FINANCING

From Banking Companies-Secured

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

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

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

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

10. DEFFERED TAXATION

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

		2005 Rupees	2004 Rupees
11.	**TRADE AND OTHER PAYABLES**		
	Creditors (Note 11.1)	**127,282,420**	176,980,676
	Accrued liabilities	**73,780,743**	72,880,468
	Advances from customers	**17,423,969**	39,310,797
	Retention money	**9,818,871**	5,212,839
	Payable to provident fund trust		331,593
	Income tax deducted at source	**1,039,836**	3,076,934
	Unpaid and unclaimed dividend	**10,700,091**	45,764,657
	Due to associated undertaking-Adamjee Insurance Company Limited	**2,713,703**	
	Workers' profit participation fund (Note 11.2)	**40,051,236**	44,009,966
	Restructuring fee on convertible forward contract	**2,190,623**	
	Loss on convertible forward contract	**5,077,403**	
	Others	**20,348,006**	4,496,587
		310,426,901	392,064,517

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

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

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

11.3 The company retains worker' profit participation fund 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.

12. ACCRUED MARK-UP

	2005 Rupees	2004 Rupees
Long term financing	**21,994,717**	4,085,699
Long term murabaha	**539,811**	33,390
Short term borrowings	**31,670,088**	10,647,827
	54,204,616	14,766,916

13. SHORT TERM BORROWINGS

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

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

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

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

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

	2005 Rupees	2004 Rupees
14 **CURRENT PORTION OF NON-CURRENT LIABILITIES**		
Long Term financing (Note 8)	210,416,667	200,000,002
Long Term murabaha (Note 9)	12,500,000	12,500,000
	222,916,667	212,500,002

15 CONTINGENCIES AND COMMITMENTS

Contingencies

15.1 The company has issued counter-guarantees amounting to Rupees 144.16 million (2004 Rupees 58.90 million) in favour of bank for issuing letters of guarantee favouring Sui Northern Gas Pipelines Limited for gas connections.

15.2 The Collectorate of Customs (Export) has issued show cause notices with the intention to reject the duty draw back claims aggregating to Rupees 8.520 million on blended grey fabrics exported under Duty and Tax Remission Rules for Export (DTRE) scheme The department is of the view that company has not submitted Appendix-1 as per rule 297-A of the above referred scheme. The company considers that since it has taken benefit of remission of sales tax only, it is entitled to full duty draw back and has applied to CBR to allow replacement of appendix-1 with appendix 1-B as per rule 297(B) under DTRE Rules 2001, which is under consideration of CBR.

15.3 Orders were issued by the Taxation Officer under Section 221 of the Income Tax Ordinance, 2001 for assessment years 1998-99 to 2000-01 under which the assessing officer has levied tax under Section 80D on local sales of the Company irrespective of the tax paid under Section 80CC and thus creating a demand of Rupees 1.470 million, Rupees 1.436 million and Rupees 2.250 million respectively for said years. An appeal against said order has been filed before the CIT (Appeals). No provision has been made in these financial statements for this liability as management is confident for favourable outcome.

15.4 While framing assessment orders of Umer Fabrics Limited (merged entity) for the assessment years 1998-99, 2000-01,2001-02 and 2002-03, the Income Tax Officer disallowed certain expenses on pro-rata basis. The company being aggrieved has filed appeals with the Commissioner of Income Tax (Appeals) which have been decided in company's favour against which the department has preferred an appeal to Income Tax Appellate Tribunal (ITAT). No provision against these disallowances has been made in the books of account as the management is confident that the matter would be settled in the company's favour. If the decision of CIT (Appeals) is not upheld, provision for taxation amounting to Rupees 17.157 million would be required.

Commitments

i) Contracts for capital expenditure are amounting to rupees 237.932 million (2004: Rupees 937.813 million)

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

16. OPERATING FIXED ASSETS

DESCRIPTION	COST As at 01 October 2004	COST Additions/ (Deletions)	COST As at 30 June 2005	ACCUMULATED DEPRECIATION As at 01 October 2004	ACCUMULATED DEPRECIATION Adjustment	ACCUMULATED DEPRECIATION As at 01 June 2005	Book Value as at 30 June 2005	Depreciation Change for the period	Depreciation Rate %
	....	....	....	.... Rupees	....	....	....		
Freehold land	48,445,864	33,137,468	81,583,332	-	-	-	81,583,332	-	-
Buildings on freehold land	632,176,003	28,789,153	660,965,156	306,562,499	-	333,142,698	327,822,458	26,580,199	10
Plant and machinery	3,162,670,252	2,019,783,008	5,097,482,515	1,235,534,022	(45,562,868)	1,400,288,822	3,697,193,693	210,317,668	10
		(84,970,745)							
Electrical installations	103,057,625	51,297,109	154,354,734	45,029,662	-	51,207,179	103,147,555	6,177,517	10
Factory equipments	52,694,205	3,037,745	55,731,950	25,610,517	-	27,831,748	27,900,202	2,221,231	10
Furniture and fixture	18,749,707	2,386,837	21,136,544	8,566,908	-	9,494,977	11,641,567	928,069	10
Office equipment	21,301,524	4,914,089	26,215,613	89,681,791	-	9,988,943	16,226,670	13,074,152	10
Vehicles	63,293,911	24,612,043	86,723,780	29,191,516	(651,265)	37,041,965	49,681,815	8,501,714	20
		(1,182,174)							
Rupees 2005	**4,102,389,091**	**2,167,957,452**	**6,184,193,624**	**1,740,176,915**	**(46,214,133)**	**1,868,996,332**	**4,315,197,292**	**256,033,550**	
		(86,152,919)							
	3,917,472,063	209,102,952	4,102,389,091	1,396,828,822	(8,473,497)	1,659,176,915	2,443,212,176	270,821,590	
Rupees 2004		(24,185,924)							

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

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

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

16.3 Disposal of Operating Fixed Assets

Description	Quantity Nos.	Cost Rupees	Book Value Rupees	Sale Rupees	Mode of Disposal	Particulars of Purchasers
Plant and machinery						
Draw Frame Finisher	2	633,358	144,892	1,800,000	Negotiation	Khawaja Spining Mills Limited, Khawaja Nager, Dewan Road, Gujranwala.
Draw Frame Finisher	1	316,679	72,446	900,000	Negotiation	Chiniot Textile Mills Limited, 45/50 Industrial Area, Gulberg III, Lahore.
Draw Frame Finisher	2	633,358	144,892	1,750,000	Negotiation	Punjab Textile Mills Limited, Multan.
Draw Frame Finisher	4	1,266,716	289,784	3,500,000	Negotiation	Meezan Textile Mills (Private) Limited, plot No. 70/1 , Industrial estate, Gadoon Amazi, Sawabi.
Draw Frame Finisher	1	316,679	72,446	875,000	Negotiation	Bilal Spinning Mills Limited, 53-K.M. Multan Road, Phool Nager, Kasur.
Draw Frame Finisher	2	633,358	144,892	700,000	Negotiation	Qureshi Textile Mills Limited, 2nd Floor Khawaja Arcade, 22/19-A, Abbot Road , Lahore.
Draw Frame Finisher	2	633,358	144,892	850,000	Negotiation	Al-Azher Textile Mills Limited, 10 KM Hasilpur Road Bahawalpur. Off 1646/10-M, Nazimabad Chungi no 8. Multan.
Graf Card	1	1,103,916	184,102	150,000	Negotiation	Syed Hasnat Ali Shah, Khawaja Arcade, Lahore.
Simplex	3	19,691,121	4,054,227	4,500,000	Negotiation	Qureshi Textile Mills Limited, 2nd Floor Khawaja Arcade, 22/19-A, Abbot Road , Lahore.
Simplex	1	6,563,707	1,321,409	1,400,000	Negotiation	Alliance Textile Mills Limited, Rawalpindi Road, Jehlum.
Simplex	1	6,563,707	1,351,409	1,500,000	Negotiation	Harum Textile Mills Limited, 145-E-I, Gulberg III, Lahore.
Picanol Looms	6	17,083,758	8,927,693	4,500,000	Negotiation	Zafar Fabrics, Chak No. 119 JB, Samana Sargosdha Road, Faisalabad.
Picanol Looms	10	29,531,030	22,524,793	15,000,000	Negotiation	Rajbi Industries, Plot No. 38/39, Sector 27 Korangi Industrial Area, Karachi.
Vehicles						
Suzuki Baleno - LXV 5271	1	638,617	209,262	223,232	Negotiation	Balqees Azam, Defence Housing Society, Lahore.
Suzuki Alto - LRG 3341	1	474,140	303,450	300,000	Company Policy	Shahzad Qamar, 31-Q Gulberg II, Lahore-Employee
Yamaha -LXl 5932	1	69,417	18,197	69,417	Company Policy	Muhammad Asghar, 31-Q Gulberg II, Lahore-Employee

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

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

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

18.1 Reconciliation of carrying amount of loans to executives:

	2005	2004
Opening balance	**-**	-
Disbursements	**550,000**	-
Less: Repayments	**273,684**	-
Closing balance	**276,316**	

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

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

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

		2005 Rupees	2004 Rupees
19.1 Stores includes the following items held by third parties.			
Description	**Name of Party**		
Miscellaneous store items	Shahtaj Weaving Mills Limited	**9,739**	8,172
Miscellaneous store items	Faisal Weaving Mills Limited	**-**	37,350
Miscellaneous store items	Kohinoor Weaving Mills Limited	**-**	706,287
Miscellaneous store items	Faisal Weaving Mills Limited	**29,654**	-
Miscellaneous store items	Zaphyr 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	751,809

20. STOCK IN TRADE

	2005 Rupees	2004 Rupees
Raw materials	**871,697,621**	525,854,616
Work in progress	**95,893,760**	90,218,951
Finished goods - own produced	**210,693,641**	147,159,779
Finished goods - trading stock	**27,441,378**	54,148,719
Waste	**7,207,038**	7,358,829
	1,212,933,438	824,740,894

21. TRADE DEBTS

	2005 Rupees	2004 Rupees
Considered good:		
Secured (Against letter of credit)	**243,558,489**	306,184,250
Unsecured	**92,285,897**	137,150,394
	335,844,386	443,334,644

22. INVESTMENTS

	2005 Rupees	2004 Rupees
Available for sale - Quoted		
Sui Northern Gas Pipelines Limited		
100,000 (2004: 100,000) fully paid ordinary shares of Rupees 10 each	**6,150,000**	5,570,000

23. LOANS AND ADVANCES

	2005 Rupees	2004 Rupees
Considered good:		
Employees:		
-Executives	**276,101**	1,041,575
-Other employees	**2,427,689**	1,564,784
	2,703,790	2,606,359
Current portion of long term loans (Note 18)	**1,002,814**	-
Suppliers (Note 23.1)	**90,742,809**	79,708,412
Contractors	**1,372,622**	548,556
Letter of credit	**450,558,260**	12,527,915
	546,380,295	95,391,242

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

	2005 Rupees	2004 Rupees
24. SHORT TERM DEPOSITS AND REPAYMENTS		
Short term deposits	**185,000**	70,000
Prepayments	**2,811,461**	592,403
	2,996,461	662,403
25. OTHER RECEIVABLES		
Sales tax refundable	**147,493,750**	181,966,431
Advance income tax	**46,278,004**	15,217,509
Export rebate	**8,638,759**	4,843,217
Insurance claim receivable from Adamjee Insurance Company Limited (associated undertaking)	**1,889,069**	-
Others	**4,064,436**	1,774,684
	208,364,018	203,801,841
26. CASH AND BANK BALANCES		
With Banks:		
On PLS saving accounts	**8,609**	346,425
On current accounts (Including USD 38,819-2004: USD 88,604) (Note 26.1)	**37,262,440**	30,226,529
	37,271,049	30,572,954
Cash In Hand	**95,367**	230,144
	37,366,416	30,803,098

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

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

	2005 Rupees	2004 Rupees
28. COST OF GOODS SOLD		
Raw material consumed (Note 28.1)	2,685,881,240	3,230,094,837
Packing material consumed	58,643,556	40,290,787
Stores, spare parts and loose tools	107,091,374	150,600,632
Salaries, wages and other benefits (Note 28.2)	200,967,679	145,473,582
Fuel and power	314,022,828	323,302,888
Insurance	5,675,891	5,672,253
Postage and telephone	1,473,054	1,122,115
Traveling and conveyance	549,929	547,431
Vehicle running	1,957,412	827,139
Entertainment	1,288,992	330,753
Depreciation (Note 16.2)	246,033,004	199,137,452
Repair and maintenance	4,474,636	2,797,013
Other factory overheads	14,430,710	18,208,359
	3,642,490,305	4,118,405,241
Work-in-process		
Opening stock	**90,218,951**	54,151,437
Closing stock	**(95,893,760)**	(74,725,873)
Cost of goods manufactured	**3,636,815,496**	4,097,830,805
Finished goods and waste-opening stock	**147,159,779**	88,432,400
Finished goods	**7,358,829**	3,022,958
Waste	**154,518,608**	91,455,358
	3,791,334,104	4,189,286,163
Finished goods and waste-closing stock	**(210,693,641)**	(123,797,186)
Finished goods	**(7,207,038)**	(4,998,750)
Waste	**(217,900,679)**	(128,795,936)
Cost of goods sold - own manufactured	**3,573,433,425**	4,060,490,227
Opening stock of purchased finished goods	**54,148,719**	36,001,989
Add: Finished goods purchased	**628,885,067**	1,505,075,310
Less: Closing stock of purchased finished goods	**27,441,378**	54,148,719
Cost of sales-purchased finished goods	**655,592,408**	1,486,928,580
	4,229,025,833	5,547,418,807
28.1 Raw material consumed		
Opening stock	**525,854,616**	350,381,579
Add: Purchases-net	**3,031,724,245**	3,306,226,811
	3,557,578,861	3,656,608,390
Less: Closing stock	**871,697,621**	426,513,553
	2,685,881,240	3,230,094,837

28.2 Salaries,wages and other benefits include Rupees 3.920 million (2004: Rupees 1.861 million and Rupees 3.959 million (2004: Rupees 3.858 million) in respect of staff compensated absences and provident fund respectively.

	2005 Rupees	2004 Rupees
29. DISTRIBUTION AND SELLING EXPENSES		
Salaries, wages and other benefits (Note 29.1)	**8,383,217**	7,259,654
Ocean freight	**61,683,620**	52,036,273
Freight and octroi	**18,848,048**	15,784,002
Forwarding and other expenses	**8,462,496**	9,617,189
Export marketing expenses	**22,606,946**	32,005,450
Commission to selling agents	**55,797,301**	64,391,118
	175,781,628	181,093,686

29.1 Salaries, wages and other benefits include Rupees 0.168 million (2004: Rupees 0.070 million) and Rupees 0.082 million (2004: Rupees 0.046 million) in respect of provident fund contribution by the employer and staff compensated absences respectively.

	2005 Rupees	2004 Rupees
30. ADMINISTRATIVE EXPENSES		
Salaries, wags ad other benefits (Note 30.1)	**23,859,926**	20,662,092
Printing and stationery	**1,219,342**	1,264,435
Vehicle's running	**2,575,958**	2,483,310
Traveling and conveyance	**18,122,967**	14,981,481
Postage, telephone and telegraph	**6,735,642**	4,432,768
Fee and subscription	**2,487,376**	1,094,781
Legal and professional	**921,312**	382,058
Electrical and sui gas	**1,865,197**	1,854,693
Insurance	**2,244,115**	1,075,526
Repair and maintenance	**595,725**	192,838
Entertainment	**1,204,439**	1,047,302
Auditor's remuneration (Note 30.2)	**560,000**	355,000
Advertisement	**1,139,045**	243,463
Depreciation (Note 16.2)	**8,940,829**	9,925,981
Miscellaneous	**1,997,974**	1,537,122
	74,469,847	61,532,850

30.1 Salaries, wages and other benefits include Rupees 0.479 million (2004: Rupees 0.200 million) and Rupees 0.233 million (2004: Rupees 0.132 million) in respect of provident fund contribution by the employer and staff compensated absences respectively.

	2005 Rupees	2004 Rupees
30.2 AUDITORS' REMUNERATION		
Audit fee	**380,000**	220,000
Half yearly review	**100,000**	55,000
Certification fees etc.	**25,000**	25,000
Reimbursable expenses	**55,000**	55,000
	560,000	355,000

	2005 Rupees	2004 Rupees
31. OTHER OPERATING EXPENSES		
Workers' profit contribution fund	**40,051,235**	36,273,313
Donations (Note 31.1)	**7,048,150**	2,922,180
Loss on sale of operating fixed assets	**1,966,137**	-
Exchange loss	-	278,184
	49,065,522	39,473,677
31.1 Donations		
Name of donee in which a director or his spouse has an interest: Mian Muhammad Yahya Trust, Lahore Mr. Muhammad Saleem, Chairman and Mr. Shahzad Saleem, Chief Executive are trustees.	**6,004,000**	1,274,000
32. OTHER OPERATING INCOME		
Income from financial assets:		
Dividend income	**250,000**	-
Fair value gain on investment	**580,000**	839,225
Mark-up on saving accounts	**36,293**	14,868
Exchange gain	**16,780,467**	-
Income from non financial assets:		
Profit on sale of operating fixed assets	-	476,262
Sale of scrap	**4,145,887**	962,570
Rental income	-	1,200,000
Others	**161,427**	2,640,008
	21,954,074	6,132,933
33. FINANCING COST		
Mark-up on:		
-long term financing	**68,450,960**	18,863,639
-long term murabaha	**1,715,154**	3,035,102
-short term running finances	**32,501,614**	10,404,536
-export finances- Preshipment / SBP refinances	**27,971,099**	9,105,146
-short term finances	**25,323,898**	6,766,459
Restructuring fee convertible forward contract	**6,187,653**	-
Loss on convertible forward contract	**5,077,403**	-
Interest on workers' profit participation fund	**1,029,631**	968,930
Bank and other charges	**19,641,409**	22,396,865
	187,898,821	71,540,677
34. PROVISION FOR TAXATION		
Current - for the period / year (Note 34.1)	**62,000,000**	71,000,000
Prior year	-	(20,385,987)
Deferred tax reversed	**(24,457,801)**	-
	37,542,199	50,614,013

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

34.2 Tax Charges reconciliation.
Numerical reconciliation between the average effective tax rate and the applicable rate.

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

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

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

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

36. TRANSACTIONS WITH RELATED PARTIES

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

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

37. FINANCIAL INSTRUMENTS

DESCRIPTION	Interest/mark up bering			Non Interest/mark up bering			TOTAL	
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2005	2004
	.... Rupees							
Financial assets								
Long term loans	1,002,814	1,179,042	2,181,856	-	-	-	2,181,856	-
Long term deposits	-	-	-	-	620,942	620,942	620,942	743,442
Trade debts	-	-	-	335,844,386	-	335,844,386	335,844,386	443,334,644
Investment	-	-	-	6,150,000	-	6,150,000	6,150,000	5,570,000
Loans and advances	-	-	-	2,703,790	-	2,703,790	2,703,790	2,606,359
Short term deposits	-	-	-	185,000	-	185,000	185,000	70,000
Other receivables	-	-	-	5,953,505	-	5,953,505	5,953,505	1,774,684
Cash and bank	8,609	-	8,609	37,357,807	-	37,357,807	37,366,416	30,803,098
	1,011,423	**1,179,042**	**2,190,465**	**388,194,488**	**620,942**	**388,815,430**	**391,005,895**	**484,902,227**
Financial liabilities								
Long term financing	210,416,667	2,762,083,333	2,972,500,000	-	-	-	2,972,500,000	1,291,666,667
Long term murabaha	12,500,000	18,750,000	31,250,000	-	-	-	31,250,000	37,500,000
Short term borrowings	2,202,981,307	-	2,202,981,307	-	-	-	2,202,981,307	1,266,753,534
Trade and other payables	-	-	-	251,941,859	-	251,941,859	251,941,859	305,666,820
Accrued mark-up	-	-	-	54,204,616	-	54,204,616	54,204,616	14,766,916
	2,425,897,974	2,780,833,333	5,206,731,307	306,146,475	-	306,146,475	5,512,877,782	2,916,353,937
Sensitivity gap	**(2,424,886,551)**	**(2,779,654,291)**	**(5,204,540,842)**	**82,048,013**	**620,942**	**82,668,955**	**(5,121,871,887)**	**(2,431,451,710)**

37.1 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:

	2005 percentage	2004 percentage
Financial assets		
Long term loans	5	5
Profit on bank deposits	1.5 to 2	1 to 2
Financial liabilities		
Long term financing	3.02 to 9.51	2.43 to 4.00
Long term murabaha	6.50	6.50
Short term finances	1.89 to 10.36	1.75 to 7.99

37.2 **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 37 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.

37.2.1 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 exposure is spread over a large number of counter parties in the case of trade debts. Out of the total financial assets of Rupees 391.006 million (2004: Rupees 484.902 million) financial assets which are subject to credit risk amounting to Rupees 347.489 million (2004: Rupees 448.529 million). To manage exposure to credit risk, the company also applies credit limits to its customers.

37.2.2 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. The company uses forward contracts to hedge their exposure to foreign currency risk in the local reporting currency.

37.2.3 Interest rate risk

The company usually borrows funds at fixed and market based rates and as such the risk is minimized. Significant interest rate and cash flow risk exposures are primarily managed by contracting floor and cap of interest rates.

37.2.4 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.

37.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all financial instruments reflected in the financial statements approximate their fair values. The fair value of forward exchange contracts is the difference between the committed rate and the exchange rate prevailing at the balance sheet date.

	2005 Rupees	2004 Rupees
38. PLANT CAPACITY AND ACTUAL PRODUCTION		
Spinning		
Number of spindles installed	129,624	89,496
Number of spindles worked	**127,023**	88,756
Number of shift per day	**3**	3
Capacity after conversion into 20/1 count (Kgs.)	**28,403,565**	32,232,568
Actual production of yarn after conversion into 20/1 count (Kgs.)	**27,984,475**	31,661,448

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

	2005 Rupees	2004 Rupees
Weaving		
Number of looms installed (Average)	**262**	212
Number of looms worked	**262**	212
Number of shift per day	**3**	3
Capacity after conversion into 50 picks - square yards	**125,217,388**	151,356,941
Actual production after conversion into 50 picks - square yards	**123,066,723**	145,160,563

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

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

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

Under utilisation of available capacity was due to actual demand

39. CASH GENERATED FROM OPERATIONS

	2005 Rupees	2004 Rupees
Profit before taxation	**759,943,830**	685,690,666
Add/(less) adjustment for non cash charges and other items.		
Depreciation	**256,033,550**	209,063,433
(Profit) / loss on sale of operating fixed assets	**1,966,137**	(476,262)
Provision for employees' benefits	**1,571,400**	6,198,851
Fair value gain on investment	**(580,000)**	(839,225)
Financial charges	**187,898,821**	71,540,678
Working capital charges (Note 39.1)	**(797,105,459)**	(286,417,985)
	409,728,279	684,760,156

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

40. CASH AND CASH EQUIVALENTS

	2005 Rupees	2004 Rupees
Cash and bank balances (Note 26)	**37,366,416**	30,803,098
Short term borrowings (Note 13)	**(2,202,981,307)**	(1,266,753,534)
	(2,165,614,891)	(1,235,950,436)

41. EARNING PER SHARE - BASIC

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

	2005	2004
Profit attributable to ordinary shareholders (Rupees)	**722,401,631**	634,076,653
Weighted average number of shares	**68,364,398**	68,364,398
Earning per share-basic (Rupees)	**10.57**	9.29

42. NUMBER OF EMPLOYEES

	2005	2004
Number of employees at the period / year end	**4,859**	2,322

43. DATE OF AUTHORIZATION FOR ISSUE

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

44. COMPARATIVE FIGURES

Due to the revision of the Fourth Schedule to the Companies Ordinance, 1884 by the Securities and Exchange Commission of Pakistan vide SRO 589(I) / 2004 dated 05 July 2004, previous year's figures have been rearranged and / or reclassified, for the purpose of comparison. The entire reclassifications and rearrangements due to revision are Impracticable to list and disclose. Comparative figures of the balance sheet and the statement of changes in equity have been restated / re-arranged due to Merger Scheme. However, comparative figures in the Profit and Loss Account and the Cash Flow Statement could not be restated due to the problem of divisibility between Nishat (Chunian) Limited and Nishat Mills Limited.

CHIEF EXECUTIVE

DIRECTOR

FOR THE PERIOD ENDED 30 JUNE 2005

Share Holders	Share Holding From	To	Total Shares held
2694	1	100	66522
1000	101	500	292499
649	501	1000	452247
833	1001	5000	2040459
146	5001	10000	1057298
39	10001	15000	507124
30	15001	20000	530464
25	20001	25000	589134
12	25001	30000	334220
12	30001	35000	392180
5	35001	40000	190672
1	40001	45000	41250
6	45001	50000	285255
9	50001	55000	473399
5	55001	60000	284607
3	60001	65000	192325
6	65001	70000	409915
6	70001	75000	439800
1	75001	80000	75600
4	80000	85000	332238
2	85001	90000	180000
1	95001	100000	99330
1	100001	105000	105000
1	110001	115000	110250
2	125001	130000	254550
1	145001	150000	145234
1	150001	155000	154200
1	200001	205000	200080
1	245001	250000	250000
1	255001	260000	255495
1	260001	265000	262500
1	280001	285000	282525
1	435001	440000	439900
1	450001	455000	450450
1	480001	485000	484200
1	459001	500000	500000
1	510001	515000	514400
1	625001	630000	625767
1	640001	645000	644293
1	750001	755000	751950
1	755001	760000	760000
1	765001	770000	766800
1	775001	780000	780000
1	805001	810000	805200
1	815001	820000	818850
1	825001	830000	828400
1	935001	940000	937050
1	1010001	1015000	1010484
1	1165001	1170000	1165806
2	1225001	1230000	2456407
1	2205001	2210000	2205343
1	2490001	2495000	2494800
1	2560001	2565000	2563263
1	2800001	2805000	2804000
1	2815001	2820000	2816550
1	3140001	3145000	3143300
1	3695001	3700000	3696000
1	3780001	3785000	3783450
1	4855001	4860000	4857004
1	5415001	5420000	5415534
1	8555001	8560000	8558825
5530			68364398

CATEGORIES OF SHAREHOLDERS

FOR THE PERIOD ENDED 30 JUNE 2005

Categories of Shareholders	Number of Shareholders	Shares Held	Percentage
Individuals	5356	33720305	49.32
Investment Companies	10	101350	0.15
Insurance Companies	6	2852205	4.17
Joint Stock Companies	94	18175058	26.59
Financial Institutions	19	5723945	8.37
Modaraba Companies	10	56576	0.08
Foreign Companies	8	31109	0.05
Mutual Funds	16	7551125	11.05
Others	11	152725	0.22
	5,530	68,364,398	100.00

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

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

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

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

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

I/We ____

of ____ being a member(s) of

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

as per Share Register Folio No ____

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

Participant I.D. No ___________________________________) hereby appoint ______________________________

of ____ another member of the Company as per

Share Register Folio No. ____________________________________ or (failing him/her) ______________________

of ____ another member of the Company) as my / our Proxy to

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

As witness my hand this _______________________________ day of ________________________________ 2005

signed by the said ____ in presence

of ____

Witness

Signature

Affix Revenue Stamp

Signature

Notes:

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

31-Q, Gulberg II, Lahore 54660, Pakistan
Tel: +92 42 3576 1730, Fax: +92 42 3587 8696
Email: info@nishat.net
www.nishat.net
www.facebook.com/NishatChunianGroup

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