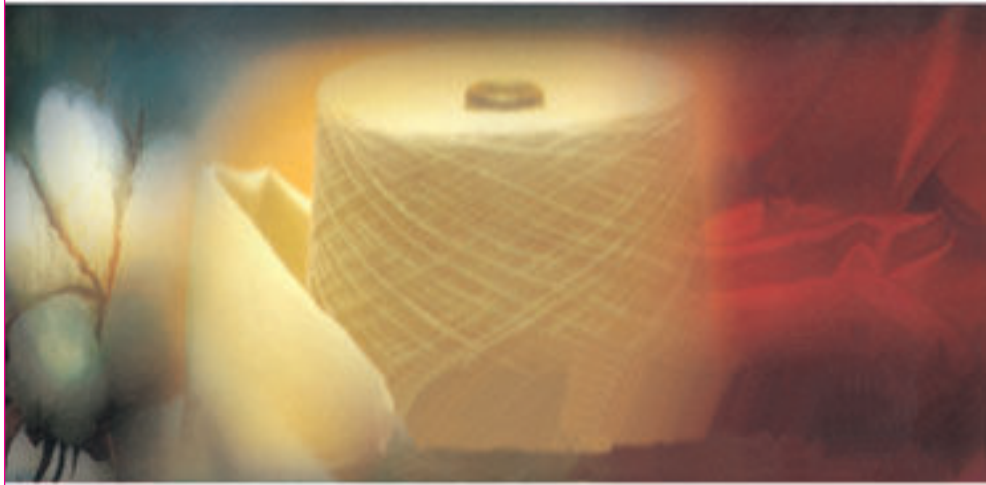


Nishat (Chunian) Ltd.



**Interim Financial Statements**  
Half Year Ended 31 December 2006



## Company Information

<b>Board of Directors:</b>	Mr. Muhammad Saleem	Chairman
	Mr. Shahzad Saleem	Chief Executive
	Mr. Yahya Saleem	
	Mr. Manzoor Ahmed	Nominee NIT
	Mr. Khalid Niaz Khawaja	
	Mr. Manzar Mushtaq	

Mr. Aftab Ahmad Khan

<b>Audit Committee:</b>	Mr. Aftab Ahmad Khan	Chairman
	Mr. Shahzad Saleem	Member
	Mr. Khalid Niaz Khawaja	Member

<b>Company Secretary:</b>	Mr. Farrukh Ifzal
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<b>Bankers to the Company:</b>	ABN AMRO Bank N.V. Allied Bank Limited Askari Commercial Bank Limited Bank Alfalah Limited Citibank N.A. Deutsche Bank AG Dubai Islamic Bank Pakistan Limited Faysal Bank Limited Habib Metropolitan Bank Limited Habib Bank Limited Hong Kong & Shanghai Banking Corporation Limited Meezan Bank Limited National Bank of Pakistan NIB Bank Limited Standard Chartered Bank Pakistan Limited The Bank of Punjab United Bank Limited
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<b>Auditors:</b>	Riaz Ahmad & Company Chartered Accountants
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<b>Registered &amp; Head Office:</b>	31-Q, Gulberg-II, Lahore, Pakistan. Phone : 5761730-39 Fax : 5878696-97 Web : www.nishatchunian.com
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<b>Mills:</b>	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.



## Directors' Report

We are pleased to present the unaudited financial statements for the half year ended 31 December 2006. The Company's sales are Rs. 3,489.49 million as compared to Rs. 3,143.33 million during the corresponding period last year, which shows an increase of 11%. However, the Company's profitability is hampered because of the certain factors, which have resulted into a loss before tax of Rs. 16.88 million. Loss after tax is Rs. 62.88 million because of the tax provision of Rs. 46 million, as the Company is under presumptive tax regime. Slump in the prices of textiles internationally and increased cost of production has reduced the gross margin substantially. Gross margin is reduced to 12.24% as compared to 18.60% during the corresponding period last year. Profit from operations is reduced to Rs. 297.66 million as compared to Rs. 438.22 million during corresponding period. Higher interest rates have increased the Company's financial charges to Rs. 314.55 million as compared to Rs. 218.25 million during the corresponding period last year.

We are constantly trying to improve the profitability of the Company. Sales of Home Textiles Division are increasing and presently we are operating at 70% capacity utilization. We are hopeful that capacity utilization will be further increased which will result into profitability of the Company. Our financial cost will also be reduced during current half year because of the swap of our long terms loans under SBP's LTF-EOP scheme. The directors look forward to the rest of the year with an expectation of improvement in financial results.

The directors wish to express their appreciation to the team of dedicated managers, officers and staff, who continue to play pivotal role for the success and growth of the Company.

On behalf of the Board

Shahzad Saleem  
Chief Executive

Lahore: 26 February 2007



## Review Report to the Members

We have reviewed the annexed balance sheet of NISHAT (CHUNIAN) LIMITED as at 31 December 2006, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the “financial statements”), for the half year then ended. These financial statements are the responsibility of the company’s management. Our responsibility is to issue a report on these financial statements based on our review. The figures of the profit and loss account for the quarters ended 31 December 2005 and 2006 have not been reviewed as we are required to review only the cumulative figures for the half year ended 31 December 2006.

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

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Lahore: 26 February 2007

RIAZ AHMAD & COMPANY  
Chartered Accountants



## Condensed Interim Balance Sheet

	Note	Unaudited 31 December 2006 Rupees	Audited 30 June 2006 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital 80,000,000 (30 June 2006: 80,000,000) ordinary shares of Rupees 10 each		800,000,000	800,000,000
Issued, subscribed and paid up share capital 75,200,838 (30 June 2006: 75,200,838) ordinary shares of Rupees 10 each		752,008,380	752,008,380
Revenue reserves		1,861,153,521	2,036,834,357
Total Equity		2,613,161,901	2,788,842,737
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	5	2,724,400,228	3,106,770,396
Long term murabaha	6	475,000,000	306,250,000
		3,199,400,228	3,413,020,396
<b>CURRENT LIABILITIES</b>			
Trade and other payables		424,812,741	302,126,632
Accrued mark-up		116,687,557	105,126,233
Short term borrowings	7	3,033,477,149	2,274,882,896
Current portion of non-current liabilities		843,621,272	581,179,605
		4,418,598,719	3,263,315,366
TOTAL LIABILITIES		7,617,998,947	6,676,335,762
CONTINGENCIES AND COMMITMENTS	8	-	-
TOTAL EQUITY AND LIABILITIES		10,231,160,848	9,465,178,499

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

Chief Executive



## as at 31 December 2006

	Note	Unaudited 31 December 2006 Rupees	Audited 30 June 2006 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment			
Operating fixed assets	9	6,531,081,897	6,680,266,277
Capital work-in-progress	10	149,128,338	223,068,675
		<u>6,680,210,235</u>	<u>6,903,334,952</u>
Long term loans		3,557,202	4,099,271
Long term deposits		<u>718,942</u>	<u>728,945</u>
		<u>6,684,486,379</u>	<u>6,908,163,168</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		193,555,053	198,046,974
Stock in trade		2,292,888,166	1,572,827,386
Trade debts		597,700,883	542,877,601
Loans and advances		286,621,037	91,142,585
Short term deposits and prepayments		11,834,790	1,299,534
Other receivables		115,867,954	139,880,989
Cash and bank balances		48,206,586	10,940,262
		<u>3,546,674,469</u>	<u>2,557,015,331</u>
<b>TOTAL ASSETS</b>		<u><u>10,231,160,848</u></u>	<u><u>9,465,178,499</u></u>

Director



## Condensed Interim Profit and Loss Account (Unaudited)

For the Half Year Ended 31 December 2006

	Note	Half Year Ended		Quarter Ended	
		31 December	31 December	31 December	31 December
		2006	2005	2006	2005
		Rupees	Rupees	Rupees	Rupees
Sales		3,489,493,832	3,143,326,841	1,724,694,923	1,420,098,854
Cost of sales	11	3,062,285,036	2,558,558,427	1,563,357,566	1,161,480,786
Gross profit		427,208,796	584,768,414	161,337,357	258,618,068
Distribution and selling expenses		90,496,098	86,289,951	42,318,245	35,790,964
Administrative expenses		59,505,985	51,987,448	32,990,613	27,277,754
Other operating expenses		9,856,750	24,648,192	4,476,396	6,678,355
		159,858,833	162,925,591	79,785,254	69,747,073
		267,349,963	421,842,823	81,552,103	188,870,995
Other operating income		30,316,854	16,379,639	17,722,363	11,676,462
Profit from operations		297,666,817	438,222,462	99,274,466	200,547,457
Finance costs		314,546,396	218,247,646	159,195,764	117,194,291
Profit / (loss) before taxation		(16,879,579)	219,974,816	(59,921,297)	83,353,166
Provision for taxation		46,000,000	43,000,000	23,000,000	21,000,000
Profit / (loss) after taxation		(62,879,579)	176,974,816	(82,921,297)	62,353,166
Earnings per share					
- Basic and diluted		(0.84)	2.35	(1.10)	0.83

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

Chief Executive

Director



## Condensed Interim Cash Flow Statement (Unaudited)

For the Half Year Ended 31 December 2006

	Note	31 December 2006	31 December 2005
		Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	12	(261,450,879)	(466,107,608)
Long term deposits - net		10,003	(45,000)
Finance costs paid		(302,985,072)	(197,498,020)
Income tax paid		(35,829,390)	(33,683,290)
<b>Net cash used in operating activities</b>		<b>(600,255,339)</b>	<b>(697,333,918)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(106,491,325)	(489,320,060)
Long term loans - net		542,069	185,760
Proceeds from sale of property, plant and equipment		3,490,000	26,284,855
<b>Net cash used in investing activities</b>		<b>(102,459,256)</b>	<b>(462,849,445)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		150,000,000	73,246,368
Proceeds from long term murabaha		475,000,000	300,000,000
Repayment of long term financing		(269,928,500)	(79,166,666)
Repayment of long term murabaha		(306,250,000)	(6,250,000)
Dividend paid		(67,434,835)	(134,408,484)
<b>Net cash from/ (used in) financing activities</b>		<b>(18,613,335)</b>	<b>153,421,218</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(721,327,929)</b>	<b>(1,006,762,145)</b>
Cash and cash equivalents at the beginning of the period		(2,263,942,634)	(2,165,614,891)
Cash and cash equivalents at the end of the period		<u>(2,985,270,563)</u>	<u>(3,172,377,036)</u>

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

Chief Executive

Director





## Condensed Interim Statement of Changes in Equity (Unaudited)

For the Half Year Ended 31 December 2006

	SHARE CAPITAL	CAPITAL RESERVE	REVENUE RESERVES		TOTAL RESERVES	TOTAL EQUITY
		Fair Value Reserve	General Reserve	Unappro- priated Profit		
..... R u p e e s .....						
Balance as at 30 June 2005	683,643,980	1,419,225	1,492,221,278	498,906,010	1,992,546,513	2,676,190,493
Net profit for the half year ended 31 December 2005	-	-	-	176,974,816	176,974,816	176,974,816
Dividend for the period ended 30 June 2005	-	-	-	(136,728,796)	(136,728,796)	(136,728,796)
Bonus shares Issued	68,364,400	-	-	(68,364,400)	(68,364,400)	-
Balance as at 31 December 2005	752,008,380	1,419,225	1,492,221,278	470,787,630	1,964,428,133	2,716,436,513
Cumulative fair value gain transferred to profit and loss account	-	(1,419,225)	-	-	(1,419,225)	(1,419,225)
Net profit for the half year ended 30 June 2006	-	-	-	73,825,449	73,825,449	73,825,449
Balance as at 30 June 2006	752,008,380	-	1,492,221,278	544,613,079	2,036,834,357	2,788,842,737
Transfer to general reserve	-	-	137,000,000	(137,000,000)	-	-
Dividend for the year ended 30 June 2006	-	-	-	(112,801,257)	(112,801,257)	(112,801,257)
Net loss for the half year ended 31 December 2006	-	-	-	(62,879,579)	(62,879,579)	(62,879,579)
Balance as at 31 December 2006	752,008,380	-	1,629,221,278	231,932,243	1,861,153,521	2,613,161,901

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director



## Selected Notes to the Condensed Interim Financial Statements (Unaudited)

For the Half Year Ended 31 December 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 the 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

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

### 3. ACCOUNTING POLICIES AND COMPUTATION METHODS

Accounting policies and method of computations adopted for the preparation of these condensed interim financial statements are the same as applied in the preparation of the preceding annual published financial statements of the company for the year ended 30 June 2006.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates made by the management in the preparation of these condensed interim financial statements are the same as those applied to the annual financial statements for the year ended 30 June 2006.

	Unaudited 31 December 2006	Audited 30 June 2006
	Rupees	Rupees
<b>5. LONG TERM FINANCING</b>		
Opening balance	3,675,450,001	2,972,500,000
Add: Obtained during the period/year	150,000,000	934,200,000
Less: Repaid during the period/year	(269,928,501)	(231,249,999)
Closing balance	3,555,521,500	3,675,450,001
Less: Current portion shown under non current liabilities	(831,121,272)	(568,679,605)
Non-current portion	2,724,400,228	3,106,770,396
<b>6. LONG TERM MURABAHA</b>		
Opening balance	318,750,000	31,250,000
Add: Obtained during the period/year	475,000,000	300,000,000
Less: Repaid during the period/year	(306,250,000)	(12,500,000)
Closing balance	487,500,000	318,750,000
Less: Current portion shown under non current liabilities	(12,500,000)	(12,500,000)
Non-current portion	475,000,000	306,250,000
<b>7. SHORT TERM BORROWINGS</b>		
Short term running finances	679,006,217	570,010,783
Export finances-shipment/SBP refinance	1,204,470,932	1,074,872,113
Other short term finances	1,150,000,000	630,000,000
	3,033,477,149	2,274,882,896



## 8. CONTINGENCIES AND COMMITMENTS

### Contingencies

There has been no change in contingencies since the last audited financial statements.

### Commitments

i) Commitments in respect of capital expenditure are Rupees 125.907 million (30 June 2006: Rupees 88.391 million).

ii) Letters of credit other than for capital expenditure are Rupees 105.588 million (30 June 2006: Rupees 32.415 million).

	Unaudited 31 December 2006	Audited 30 June 2006
	Rupees	Rupees
<b>9. OPERATING FIXED ASSETS</b>		
Opening book value	6,680,266,277	4,315,197,292
Cost of additions during the period/year	(Note 9.1) 180,431,663	3,003,102,986
	<u>6,860,697,940</u>	<u>7,318,300,278</u>
Book value of deletions during the period/year	(Note 9.2) 3,560,349	107,242,423
Depreciation charged during the period/year	326,055,694	530,791,578
Closing book value	<u>6,531,081,897</u>	<u>6,680,266,277</u>
<b>9.1 Cost of additions during the period/year</b>		
Freehold land	-	107,193,000
Building on freehold land	123,422,776	618,892,831
Plant and machinery	45,021,300	2,137,957,085
Electric installations	-	890,850
Factory equipment	1,230,112	719,846
Furniture and fixtures	2,229,196	12,110,921
Office equipment	2,170,323	90,164,002
Vehicles	6,357,956	35,174,451
	<u>180,431,663</u>	<u>3,003,102,986</u>
<b>9.2 Cost of deletions during the period / year</b>		
Plant and machinery	9,501,118	177,405,937
Factory equipment	-	312,732
Office equipment	-	51,471
Vehicles	1,476,760	21,375,280
	<u>10,977,878</u>	<u>199,145,420</u>
Less: Accumulated depreciation	7,417,529	91,902,997
Book value of deletions during the period / year	<u>3,560,349</u>	<u>107,242,423</u>
<b>10. CAPITAL WORK IN PROGRESS</b>		
Plant, machinery and equipment	109,162,298	122,432,833
Civil works	32,981,290	97,936,382
Advance for purchase of assets	6,984,750	2,699,460
	<u>149,128,338</u>	<u>223,068,675</u>



	Unaudited Half Year Ended		Unaudited Quarter Ended	
	31 December 2006 Rupees	31 December 2005 Rupees	31 December 2006 Rupees	31 December 2005 Rupees
<b>11. COST OF SALES</b>				
Raw material consumed	2,274,867,106	1,815,233,478	1,151,375,717	868,216,131
Packing materials consumed	86,879,165	39,799,107	42,779,899	19,687,885
Stores, spare parts and loose tools	84,457,204	31,716,215	43,342,113	35,694,429
Salaries, wages and other benefits	263,497,681	165,430,386	142,153,321	85,698,938
Fuel and power	272,779,813	194,242,437	136,073,185	95,592,490
Insurance	8,760,312	5,014,454	4,425,465	2,857,728
Postage and telephone	440,755	461,477	258,166	256,837
Travelling and conveyance	5,488,119	136,491	2,700,878	44,486
Vehicle running	4,608,652	2,249,370	2,482,106	1,268,539
Entertainment	483,371	554,852	240,663	372,274
Depreciation	320,042,291	232,123,280	160,900,811	118,326,280
Repair and maintenance	5,565,295	2,992,253	3,153,014	2,040,951
Other factory overheads	16,419,052	10,746,415	8,602,665	5,894,791
	<u>3,344,288,816</u>	<u>2,500,700,215</u>	<u>1,698,488,003</u>	<u>1,235,951,759</u>
Work-in-process				
Opening stock	179,358,235	95,893,760	192,597,443	99,865,580
Closing stock	(178,007,928)	(92,240,518)	(178,007,928)	(92,240,518)
Cost of goods manufactured	<u>3,345,639,123</u>	<u>2,504,353,457</u>	<u>1,713,077,518</u>	<u>1,243,576,821</u>
Finished goods and waste-opening stocks				
Finished goods	342,593,878	210,693,641	473,698,196	166,215,213
Waste	18,305,043	7,207,038	26,873,912	18,343,107
	<u>360,898,921</u>	<u>217,900,679</u>	<u>500,572,108</u>	<u>184,558,320</u>
	<u>3,706,538,044</u>	<u>2,722,254,136</u>	<u>2,213,649,626</u>	<u>1,428,135,141</u>
Finished goods and waste-closing stocks				
Finished goods	(636,286,795)	(259,423,704)	(636,286,795)	(259,423,704)
Waste	(27,967,738)	(19,925,080)	(27,967,738)	(19,925,080)
	<u>(664,254,533)</u>	<u>(279,348,784)</u>	<u>(664,254,533)</u>	<u>(279,348,784)</u>
Cost of goods sold-own manufactured	<u>3,042,283,511</u>	<u>2,442,905,352</u>	<u>1,549,395,093</u>	<u>1,148,786,357</u>
Opening stock of purchased finished goods	4,625,201	27,441,378	13,257,353	9,736,188
Add: Finished goods purchased	21,642,938	94,630,425	6,971,734	9,376,969
Less: Closing stock of purchased finished goods	(6,266,614)	(6,418,728)	(6,266,614)	(6,418,728)
Cost of sales-purchased finished goods	<u>20,001,525</u>	<u>115,653,075</u>	<u>13,962,473</u>	<u>12,694,429</u>
	<u>3,062,285,036</u>	<u>2,558,558,427</u>	<u>1,563,357,566</u>	<u>1,161,480,786</u>



	Unaudited 31 December 2006	Unaudited 31 December 2005
	Rupees	Rupees
<b>12. CASH USED IN OPERATIONS</b>		
Profit / (loss) before taxation	(16,879,579)	219,974,816
Add/(less) adjustments for non cash charges and other items:		
Depreciation	326,055,694	237,435,875
Loss on sale of operating fixed assets	70,347	6,840,570
Fair value gain on investment	-	(650,000)
Finance costs	314,546,396	218,247,646
Provision for employee's benefits	1,412,553	1,624,397
Cash flows from operating activities before working capital changes	625,205,411	683,473,304
(Increase)/decrease in current assets		
Stores, spare parts and loose tools	4,491,921	(20,876,089)
Stock in trade	(720,060,780)	(596,722,151)
Trade debts	(54,823,282)	(268,360,932)
Loans and advances	(195,478,452)	(374,741,442)
Short term deposits and prepayments	(10,535,256)	2,681,121
Other receivables	13,842,425	5,861,317
Increase in current liabilities		
Trade and other payables	75,907,134	102,577,264
Cash used in working capital	(886,656,290)	(1,149,580,912)
	(261,450,879)	(466,107,608)

### 13. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, other related parties, key management personnel and provident fund trust. The company in the normal course of business carries out transactions with related parties.

Purchase of goods and services	4,616,073	29,545,912
Sale of goods and services	22,859,208	12,352,096
Insurance premium paid	12,221,486	9,545,624
Insurance claim received	1,045,530	1,185,135
Contribution to employees' provident fund	12,427,080	6,288,773

### 14. AUTHORISED FOR ISSUE

These financial statements were approved by the Board of Directors and authorised for issue on 26 February 2007.

### 15. CORRESPONDING FIGURES

Corresponding figures have been rearranged / regrouped, wherever necessary, for the purpose of comparison. However, no significant rearrangements / regrouping have been made except for 'Commission to Selling Agents' of Rupees 31,426,157 which has been added to 'Distribution Cost' instead of deducting it from 'Sales' in compliance with presentation requirements of revised Fourth Schedule to the Companies Ordinance, 1984. This change has no effect on profit / (loss) for the periods presented.

Chief Executive

Director