

# Interim Financial Statements

Nine Months Ended 31 March 2006



Nishat (Chunian) Ltd.



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## Company Information

<b>Board of Directors:</b>	Mr. Muhammad Saleem	Chairman
	Mr. Shahzad Saleem	Chief Executive
	Mr. Yahya Saleem	
	Mr. Manzoor Ahmed	Nominee NIT
	Mr. Khalid Niaz Khawaja	
	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.
	Faysal Bank Limited
	Habib Bank AG Zurich
	Habib Bank Limited
	Hong Kong & Shanghai Banking Corporation Limited
	Meezan Bank Limited
	National Bank of Pakistan
	NIB Bank Limited
	Standard Chartered Bank
	The Bank of Punjab
Union Bank Limited	
United Bank Limited	

<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 of the Company for the nine months ended 31 March 2006. The profit before taxation is Rupees 275.27 million and sales Rupees 4,789.90 million as compared to Rupees 784.64 million and Rupees 5,476.95 million respectively, for the corresponding period last year. Sales have declined by 12.54% and profit before taxation has decreased by 64.92%. Higher cotton prices this year have resulted into reduced profitability margins. Moreover, drastic increase in interest rates has also decreased the profitability of the Company. Financial charges have increased by Rupees 225.94 million as compared to the corresponding period. However, keeping in view all these factors, the Company's performance is good as compared to the industry. We expect substantial improvement in profitability in the next year as economic benefits from our expansion projects will be fully realized.

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

On behalf of the Board

Lahore: 27 April 2006

Shahzad Saleem  
Chief Executive



## Balance Sheet

	Unaudited 31 March 2006 Rupees	Audited 30 June 2005 Rupees
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorised share capital 80,000,000 (June 2005: 70,000,000) ordinary shares of Rupees 10 each	800,000,000	700,000,000
Issued, subscribed and paid up share capital 75,200,838 (June 2005: 68,364,398) ordinary shares of Rupees 10 each	752,008,380	683,643,980
Revenue reserves	1,997,720,893	1,992,546,513
	<u>2,749,729,273</u>	2,676,190,493
<b>NON-CURRENT LIABILITIES</b>		
Long term financing	2,927,533,333	2,762,083,333
Long term murabaha	6,250,000	18,750,000
	<u>2,933,783,333</u>	2,780,833,333
<b>CURRENT LIABILITIES</b>		
Trade and other payables	336,189,362	310,456,901
Accrued mark-up	106,015,409	54,204,616
Short term borrowings	3,304,727,103	2,202,981,307
Current portion of non-current liabilities	293,750,002	222,916,667
	<u>4,040,681,876</u>	2,790,559,491
CONTINGENCIES AND COMMITMENTS (Note 4)	-	-
	<u>9,724,194,482</u>	<u>8,247,583,317</u>

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

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



## as at 31 March 2006

	Unaudited 31 March 2006 Rupees	Audited 30 June 2005 Rupees
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment		
Operating fixed assets (Note 5)	5,103,600,211	4,315,197,292
Capital work-in-progress	1,382,341,668	1,463,096,393
	<u>6,485,941,879</u>	<u>5,778,293,685</u>
Long term loans	443,590	1,179,042
Long term deposits	670,942	620,942
<b>CURRENT ASSETS</b>		
Stores, spare parts and loose tools	186,243,665	117,454,634
Stock in trade	1,637,626,158	1,212,933,438
Trade debts	663,146,186	335,844,386
Investment	-	6,150,000
Loans and advances	556,727,051	546,380,295
Short term deposits and prepayments	228,340	2,996,461
Other receivables	153,627,737	208,364,018
Cash and bank balances	39,538,934	37,366,416
	<u>3,237,138,071</u>	<u>2,467,489,648</u>
	<u><u>9,724,194,482</u></u>	<u><u>8,247,583,317</u></u>

Director



## Profit and Loss Account

For the Nine Months Ended 31 March 2006 (Unaudited)

	Nine Months Ended		Quarter Ended	
	31 March 2006	31 March 2005	31 March 2006	31 March 2005
	Rupees	Rupees	Rupees	Rupees
Sales	4,789,898,260	5,476,952,574	1,677,997,576	1,821,432,675
Cost of sales	3,984,654,290	4,358,081,177	1,426,095,863	1,444,558,279
Gross profit	805,243,970	1,118,871,397	251,901,713	376,874,396
Distribution and selling expenses	86,021,202	107,286,865	31,157,409	40,688,873
Administrative expenses	80,623,351	81,112,948	28,635,903	32,257,416
Other operating expenses	46,506,711	45,572,244	21,858,519	16,265,850
	213,151,264	233,972,057	81,651,831	89,212,139
	592,092,706	884,899,340	170,249,882	287,662,257
Other operating income	26,112,322	16,744,673	9,732,682	3,938,663
Profit from operations	618,205,028	901,644,013	179,982,564	291,600,920
Finance costs	342,937,452	117,000,715	124,689,806	58,800,232
Profit before taxation	275,267,576	784,643,298	55,292,758	232,800,688
Provision for taxation	65,000,000	58,500,000	22,000,000	17,500,000
Profit after taxation	210,267,576	726,143,298	33,292,758	215,300,688
Earnings per share - basic	2.80	9.66	0.44	2.86

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

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

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Director



## Cash Flow Statement

For the Nine Months Ended 31 March 2006 (Unaudited)

	31 March 2006 Rupees	31 March 2005 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations (Note 6)	241,958,162	508,206,190
Long term deposits	(50,000)	-
Finance costs paid	(291,126,660)	(81,817,911)
Taxes paid	(54,759,103)	(145,052,095)
<b>Net Cash (used in)/generated from operating activities</b>	<b>(103,977,601)</b>	<b>281,336,184</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,132,955,599)	(2,957,648,016)
Long term loans	735,452	17,105
Sale proceeds of investment	10,451,977	-
Sale proceeds of property, plant and equipment	36,782,623	15,300,242
<b>Net cash used in investing activities</b>	<b>(1,084,985,547)</b>	<b>(2,942,330,669)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing and murabaha obtained	434,200,001	1,600,000,000
Long term financing and murabaha repaid	(210,416,666)	(125,000,333)
Dividend paid	(134,393,465)	(136,317,198)
<b>Net cash from financing activities</b>	<b>89,389,870</b>	<b>1,338,682,469</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,099,573,278)</b>	<b>(1,322,312,016)</b>
Cash and cash equivalents at beginning of the period	(2,165,614,891)	(1,022,264,077)
Cash and cash equivalents transferred from Umer Fabrics Limited	-	(490,750,540)
<b>Cash and cash equivalents at end of the period</b>	<b>(3,265,188,169)</b>	<b>(2,835,326,633)</b>

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

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Chief Executive

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Director





## Statement of Changes in Equity

For the Nine Months Ended 31 March 2006 (Unaudited)

	SHARE CAPITAL	REVENUE RESERVES			SHAREHOLDERS' EQUITY
		General Reserve	Unappropriated Profit	Sub-Total	
..... R u p e e s .....					
Balance as at 30 June 2004	443,520,000	915,000,000	431,530,176	1,346,530,176	1,790,050,176
Interim dividend for the quarter ended 30 June 2004	-	-	(55,440,000)	(55,440,000)	(55,440,000)
Effect of the Scheme of Arrangement for merger of Umer Fabrics Limited into Nishat (Chunian) Limited, as approved by the Honourable Lahore High Court, Lahore	12,242,650	52,221,278	2,502,412	54,723,690	66,966,340
Final dividend for the year ended 30 September 2004	-	-	(55,440,000)	(55,440,000)	(55,440,000)
Net profit for the nine months ended 31 March 2005	-	-	726,143,298	726,143,298	726,143,298
Bonus shares issued	227,881,330	-	(227,881,330)	(227,881,330)	-
Transferred to general reserve	-	525,000,000	(525,000,000)	-	-
Balance as at 31 March 2005	683,643,980	1,492,221,278	296,414,556	1,788,635,834	2,472,279,814
Net profit for the quarter ended 30 June 2005	-	-	203,910,679	203,910,679	203,910,679
Balance as at 30 June 2005	683,643,980	1,492,221,278	500,325,235	1,992,546,513	2,676,190,493
Dividend for the year ended 30 June 2005	-	-	(136,728,796)	(136,728,796)	(136,728,796)
Bonus shares Issued	68,364,400	-	(68,364,400)	(68,364,400)	-
Net profit for the nine months ended 31 March 2006	-	-	210,267,576	210,267,576	210,267,576
Balance as at 31 March 2006	<u>752,008,380</u>	<u>1,492,221,278</u>	<u>505,499,615</u>	<u>1,997,720,893</u>	<u>2,749,729,273</u>

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

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

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Director



## Notes to the Financial Statements

For the Nine Months Ended 31 March 2006 (Unaudited)

### 1. THE COMPANY AND ITS OPERATIONS

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

### 2. STATEMENT OF COMPLIANCE

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

### 3. ACCOUNTING POLICIES AND COMPUTATION METHODS

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

### 4. CONTINGENCIES AND COMMITMENTS

#### Contingencies

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

#### Commitments

- i) Commitments in respect of capital expenditure are Rupees 121.796 million (June 2005: Rupees 237.932 million).
- ii) Letters of credit other than for capital expenditure are Rupees 19.366 million (June 2005: Rupees 11.599 million).

### 5. OPERATING FIXED ASSETS

	31 March 2006 Rupees	30 June 2005 Rupees
Opening book value	4,315,197,292	2,443,212,176
Additions during the period (Note 5.1)	1,215,127,800	2,167,957,452
	<u>5,530,325,092</u>	<u>4,611,169,628</u>
Deletions during the period (Note 5.2)	58,556,568	39,938,786
Depreciation charged during the period	368,168,313	256,033,550
	<u>5,103,600,211</u>	<u>4,315,197,292</u>



	31 March 2006 Rupees	30 June 2005 Rupees
<b>5.1 Additions during the period</b>		
Freehold land	107,193,000	33,137,468
Building on freehold land	307,235,550	28,789,153
Machinery and electric installation	733,602,947	2,071,080,117
Furniture, fixtures and office equipment	44,139,940	10,338,671
Vehicles	22,956,363	24,612,043
	<u>1,215,127,800</u>	<u>2,167,957,452</u>
<b>5.2 Deletions during the period</b>		
Machinery and electric installation	54,291,962	39,407,877
Furniture, fixtures and office equipment	323,282	-
Vehicles	3,941,324	530,909
	<u>58,556,568</u>	<u>39,938,786</u>

### 5.3 Change in accounting estimate

In the previous years/periods, no depreciation was charged on assets deleted during the year while full year's depreciation was charged on additions. However, as required by IAS-16 "Property, Plant and Equipment (revised 2003)", the Company has revised its accounting estimate and now depreciation on additions is charged from the month in which the assets are available for use and on deletions up to the month in which the assets are deleted. Had there been no change in this estimate, profit for the period and book value of operating fixed assets would have been lower by Rupees 5.45 million.

	31 March 2006 Rupees	31 March 2005 Rupees
<b>6. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	275,267,576	784,643,298
Adjustment for non-cash charges and other items:		
Depreciation	366,750,839	199,768,402
(Profit) / loss on sale of operating fixed assets	21,773,944	(12,420,225)
Fair value (gain) / loss on investment	(650,000)	720,000
Gain on sale of investment	(3,651,977)	-
Finance costs	342,937,452	117,000,715
Cash flows from operating activities before working capital changes	<u>1,002,427,834</u>	<u>1,089,712,190</u>
(Increase) / decrease in current assets		
- Stores, spare parts and loose tools	(68,789,031)	(51,085,869)
- Stock in trade	(424,692,720)	(401,429,177)
- Trade debts	(327,301,800)	(304,063,531)
- Loans and advances	(10,346,757)	(51,353,687)
- Short term deposits and prepayments	2,768,121	(5,738,951)
- Other receivables	44,495,384	207,857,071
Increase in current liabilities		
- Trade and other payables	23,397,131	24,308,144
Cash used in working capital	<u>(760,469,672)</u>	<u>(581,506,000)</u>
	<u>241,958,162</u>	<u>508,206,190</u>



	<u>31 March 2006</u>	<u>31 March 2005</u>
	Rupees	Rupees

**7. TRANSACTIONS WITH RELATED PARTIES**

Purchase of goods and services	59,255,213	410,765,037
Sale of goods and services	33,304,405	33,353,474
Insurance premium paid	13,212,607	10,518,271
Insurance claim received	2,019,138	696,621

**8. AUTHORISED FOR ISSUE**

These financial statements were approved by the Board of Directors and authorised for issue on 27 April 2006.

**9. GENERAL**

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

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

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Director