

Nishat (Chunian) Limited



Interim Financial Statements
Nine Months Ended 31 March 2007



Contents

Company Information	2
Directors' Report	3
Balance Sheet	4-5
Profit and Loss Account	6
Cash Flow Statement	7
Statement of Changes in Equity	8
Selected Notes to the Financial Statements	9 - 12



Company Information

Board of Directors:	Mr. Muhammad Saleem	Chairman
	Mr. Shahzad Saleem	Chief Executive
	Mrs. Farhat Saleem	
	Mr. Manzoor Ahmed	Nominee NIT
	Mr. Khalid Niaz Khawaja	
	Mr. Manzar Mushtaq	
	Mr. Aftab Ahmad Khan	

Audit Committee:	Mr. Aftab Ahmad Khan	Chairman
	Mr. Shahzad Saleem	Member
	Mr. Khalid Niaz Khawaja	Member

Company Secretary:	Mr. Farrukh Ifzal
---------------------------	-------------------

Bankers to the Company:	ABN AMRO Bank N.V. Allied Bank Limited Askari Commercial Bank Limited Bank Alfalah Limited Citibank N.A. 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
--------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Auditors:	Riaz Ahmad & Company Chartered Accountants
------------------	-----------------------------------------------

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

Mills:	Spinning 1, 4 & 5 49th Kilometre, Multan Road, Bhai Pheru, Tehsil Chunian, District Kasur.
	Spinning 2, 3 & Weaving 49th Kilometre, Multan Road, Kamogal, Tehsil Pattoki, District Kasur.
	Dyeing & Printing 4th Kilometre, Manga Road, Raiwind.



Directors' Report

We hereby present the un-audited financial statements of the Company for the nine months ended 31 March 2007. Our sales are Rs. 5,431.03 million and there is a loss before tax of Rs. 39.97 million. Loss after tax is Rs. 111.97 million because of the tax provision of Rs. 72 million, as Company is under presumptive tax regime. The gross margin is 11.62%. Financial charges have increased to Rs. 482.81 million.

The main reason for the loss is the spinning business. We have made major changes in the product mix of one spinning unit – a delay in this changeover has adversely effected the Company's results. However, the changeover is now complete and we expect the situation to improve in the coming months. The Home Textiles Division is also operating at 90% capacity; overall the Company was in profit in March 2007 and we expect the trend to continue for the balance of the year.

The directors look forward to the last quarter of the year with an expectation of recovery in profitability.

On behalf of the Board

Shahzad Saleem
Chief Executive

Lahore: 25 April 2007



Condensed Interim Balance Sheet

	Note	Unaudited 31 March 2007 Rupees	Audited 30 June 2006 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 80,000,000 (30 June 2006: 80,000,000) ordinary shares of Rupees 10 each		<u>800,000,000</u>	<u>800,000,000</u>
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		<u>1,812,059,507</u>	2,036,834,357
Total Equity		<u>2,564,067,887</u>	2,788,842,737
NON-CURRENT LIABILITIES			
Long term financing	5	2,269,131,024	3,106,770,396
Long term murabaha	6	475,000,000	306,250,000
		<u>2,744,131,024</u>	3,413,020,396
CURRENT LIABILITIES			
Trade and other payables		397,394,206	302,126,632
Accrued mark-up		125,411,472	105,126,233
Short term borrowings	7	3,816,991,377	2,274,882,896
Current portion of non-current liabilities		856,892,238	581,179,605
		<u>5,196,689,293</u>	3,263,315,366
TOTAL LIABILITIES		<u>7,940,820,317</u>	6,676,335,762
CONTINGENCIES AND COMMITMENTS	8	-	-
TOTAL EQUITY AND LIABILITIES		<u>10,504,888,204</u>	<u>9,465,178,499</u>

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

Chief Executive



as at 31 March 2007

	Note	Unaudited 31 March 2007 Rupees	Audited 30 June 2006 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	9	6,452,939,030	6,680,266,277
Capital work-in-progress	10	121,767,803	223,068,675
		<u>6,574,706,833</u>	<u>6,903,334,952</u>
Long term loans		3,275,875	4,099,271
Long term deposits		718,942	728,945
		<u>6,578,701,650</u>	<u>6,908,163,168</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		205,989,507	198,046,974
Stock in trade		2,478,279,454	1,572,827,386
Trade debts		961,909,560	542,877,601
Loans and advances		111,626,915	91,142,585
Short term deposits and prepayments		389,340	1,299,534
Other receivables		110,241,393	139,880,989
Cash and bank balances		57,750,385	10,940,262
		<u>3,926,186,554</u>	<u>2,557,015,331</u>
TOTAL ASSETS		<u><u>10,504,888,204</u></u>	<u><u>9,465,178,499</u></u>

Director



Condensed Interim Profit and Loss Account (Unaudited)

For the Nine Months Ended 31 March 2007

	Note	Nine Months Ended		Quarter Ended	
		31 March	31 March	31 March	31 March
		2007	2006	2007	2006
		Rupees	Rupees	Rupees	Rupees
Sales		5,431,034,226	4,836,510,025	1,941,540,395	1,693,183,184
Cost of sales	11	4,799,727,300	3,984,654,289	1,737,442,264	1,426,095,862
Gross profit		631,306,926	851,855,736	204,098,131	267,087,322
Distribution and selling expenses		136,870,989	132,632,967	46,374,890	46,343,016
Administrative expenses		88,934,942	80,623,351	29,428,957	28,635,903
Other operating expenses		12,034,136	46,506,711	2,177,386	21,858,519
		237,840,067	259,763,029	77,981,233	96,837,438
		393,466,859	592,092,707	126,116,898	170,249,884
Other operating income		49,368,549	26,112,322	19,051,694	9,732,683
Profit from operations		442,835,408	618,205,029	145,168,592	179,982,567
Finance costs		482,809,002	342,937,454	168,262,607	124,689,808
Profit / (loss) before taxation		(39,973,594)	275,267,575	(23,094,015)	55,292,759
Provision for taxation		72,000,000	65,000,000	26,000,000	22,000,000
Profit / (loss) after taxation		(111,973,594)	210,267,575	(49,094,015)	33,292,759
Earnings per share					
- Basic and diluted		(1.49)	2.80	(0.65)	0.44

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

Chief Executive

Director



Condensed Interim Cash Flow Statement (Unaudited)

For the Nine Months Ended 31 March 2007

	31 March 2007	31 March 2006
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Cash (used in) / generated from operations (Note 12)	(318,615,373)	241,958,162
Long term deposits - net	10,002	(50,000)
Finance costs paid	(462,523,763)	(291,126,660)
Taxes paid	(47,756,595)	(54,759,103)
Net cash used in operating activities	(828,885,729)	(103,977,601)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(169,270,406)	(1,132,955,599)
Long term loans - net	823,396	735,452
Sale proceeds of investment	-	10,451,977
Sale proceeds of property, plant and equipment	7,230,652	36,782,623
Net cash used in investing activities	(161,216,358)	(1,084,985,547)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing and murabaha obtained	625,000,000	434,200,000
Long term financing and murabaha repaid	(1,018,176,738)	(210,416,666)
Dividend paid	(112,019,533)	(134,393,465)
Net cash (used for) / from financing activities	(505,196,271)	89,389,869
Net decrease in cash and cash equivalents	(1,495,298,358)	(1,099,573,279)
Cash and cash equivalents at beginning of the period	(2,263,942,634)	(2,165,614,891)
Cash and cash equivalents at end of the period	<u>(3,759,240,992)</u>	<u>(3,265,188,170)</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 Nine Months Ended 31 March 2007

	SHARE CAPITAL	CAPITAL RESERVE	REVENUE RESERVES		TOTAL RESERVES	SHARE HOLDERS' EQUITY
		Fair Value Reserve	General Reserve	Unappropriated 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 nine months ended 31 March 2006	-	-	-	210,267,575	210,267,575	210,267,575
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)	-
Balance as at 31 March 2006	752,008,380	1,419,225	1,492,221,278	504,080,389	1,997,720,892	2,749,729,272
Net cumulative gain transferred to profit and loss account	-	(1,419,225)	-	-	(1,419,225)	(1,419,225)
Net profit for the quarter ended 30 June 2006	-	-	-	40,532,690	40,532,690	40,532,690
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	-	-	-	(112,801,256)	(112,801,256)	(112,801,256)
Net profit for the nine months ended 31 March 2007	-	-	-	(111,973,594)	(111,973,594)	(111,973,594)
Balance as at 31 March 2007	<u>752,008,380</u>	<u>-</u>	<u>1,629,221,278</u>	<u>182,838,229</u>	<u>1,812,059,507</u>	<u>2,564,067,887</u>

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 Nine Months Ended 31 March 2007

1. THE COMPANY AND ITS OPERATIONS

Nishat (Chunian) Limited is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 and is listed on the Lahore and Karachi Stock Exchanges. Its registered office is situated at 31-Q, Gulberg II, Lahore. The Company is engaged in business of spinning, weaving, dyeing, stitching, processing, doubling, sizing, buying, selling and otherwise dealing in yarn, fabric and made-ups made from raw cotton, synthetic fibre and cloth and to generate electricity for internal use.

2. STATEMENT OF COMPLIANCE

These financial statements are unaudited and 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 condensed interim financial statements are the same as those applied to the annual financial statements 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 March 2007 Rupees	Audited 30 June 2006 Rupees
5. LONG TERM FINANCING		
Opening balance	3,675,450,000	2,972,500,000
Add: Obtained during the period/year	150,000,000	934,200,000
Less: Repaid during the period/year	(705,676,738)	(231,249,999)
	<u>3,119,773,262</u>	<u>3,675,450,001</u>
Closing balance	3,119,773,262	3,675,450,001
Less: Current portion shown under current liabilities	(850,642,238)	(568,679,605)
	<u>2,269,131,024</u>	<u>3,106,770,396</u>
Non-current portion	<u>2,269,131,024</u>	<u>3,106,770,396</u>
6. LONG TERM MURABAHA		
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	(312,500,000)	(12,500,000)
	<u>481,250,000</u>	<u>318,750,000</u>
Closing balance	481,250,000	318,750,000
Less: Current portion shown under current liabilities	(6,250,000)	(12,500,000)
	<u>475,000,000</u>	<u>306,250,000</u>
Non-current portion	<u>475,000,000</u>	<u>306,250,000</u>



	Unaudited 31 March 2007 Rupees	Audited 30 June 2006 Rupees
7. SHORT TERM BORROWINGS		
Short term running finances	1,327,566,900	570,010,783
Export finances-preshipment/SBP refinance	1,523,122,806	1,074,872,113
Other short term finances	966,301,671	630,000,000
	3,816,991,377	2,274,882,896

8. CONTINGENCIES AND COMMITMENTS

Contingencies

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

Commitments

- i) Commitments in respect of capital expenditure are Rupees 143.977 million (June 2006: Rupees 88.391 million).
- ii) Letters of credit other than for capital expenditure are Rupees 84.647 million (June 2006: Rupees 32.415 million).

	Unaudited 31 March 2007 Rupees	Audited 30 June 2006 Rupees
9. OPERATING FIXED ASSETS		
Opening book value	6,680,266,277	4,315,197,292
Additions during the period/year (Note 9.1)	270,571,278	3,003,102,986
	6,950,837,555	7,318,300,278
Book value of deletions during the period/year (Note 9.2)	5,359,914	107,242,423
Depreciation charged during the period/year	492,538,611	530,791,578
Closing book value	6,452,939,030	6,680,266,277
9.1 Additions during the period/year		
Freehold land	-	107,193,000
Building on freehold land	142,643,446	618,892,831
Machinery and Electric Installation	102,730,298	2,139,567,781
Furniture, fixtures and office equipment	10,451,578	102,274,923
Vehicles	14,745,956	35,174,451
	270,571,278	3,003,102,986
9.2 Book value of deletions during the period/year		
Machinery and Electric Installation	3,569,627	95,399,027
Furniture, fixtures and office equipment	20,702	323,282
Vehicles	1,769,585	11,520,114
	5,359,914	107,242,423



	Unaudited 31 March 2007 Rupees	Audited 30 June 2006 Rupees
10. CAPITAL WORK IN PROGRESS		
Plant, machinery and equipment	22,382,264	122,432,833
Civil works	93,613,479	97,936,382
Advance for purchase of assets	5,772,060	2,699,460
	121,767,803	223,068,675

	Unaudited Nine Month Ended		Unaudited Quarter Ended	
	31 March 2007 Rupees	31 March 2006 Rupees	31 March 2007 Rupees	31 March 2006 Rupees
11. COST OF SALES				
Raw material consumed	3,331,428,365	2,674,286,476	1,056,561,259	859,052,998
Packing materials consumed	143,896,291	62,163,929	57,017,126	22,364,822
Stores, spare parts and loose tools	136,038,265	111,213,725	51,581,061	79,497,510
Salaries, wages and other benefits	413,409,156	254,228,311	149,911,475	88,797,925
Fuel and power	406,801,378	296,519,500	134,021,565	102,277,063
Insurance	13,578,612	8,198,138	4,818,300	3,183,684
Postage and telephone	666,521	620,273	225,766	158,796
Travelling and conveyance	8,227,811	264,317	2,739,692	127,826
Vehicle running	6,781,461	3,512,973	2,172,809	1,263,603
Entertainment	775,106	815,397	291,735	260,545
Depreciation	483,207,846	358,193,856	163,165,555	126,070,576
Repair and maintenance	7,747,005	5,434,223	2,181,710	2,441,970
Other factory overheads	25,334,485	16,073,854	8,915,433	5,327,439
	4,977,892,303	3,791,524,972	1,633,603,486	1,290,824,757
Work-in-process				
Opening stock	179,358,235	95,893,760	178,007,928	92,240,518
Closing stock	(251,335,107)	(108,247,319)	(251,335,107)	(108,247,319)
Cost of goods manufactured	4,905,915,430	3,779,171,413	1,560,276,307	1,274,817,956
Finished goods and waste-opening stocks				
Finished goods	342,593,878	210,693,641	636,286,795	259,423,704
Waste	18,305,043	7,207,038	27,967,738	19,925,080
	360,898,921	217,900,679	664,254,532	279,348,784
	5,266,814,351	3,997,072,092	2,224,530,840	1,554,166,740
Finished goods and waste-closing stocks				
Finished goods	(504,196,408)	(157,668,278)	(504,196,408)	(157,668,278)
Waste	(17,715,098)	(24,725,602)	(17,715,098)	(24,725,602)
	(521,911,505)	(182,393,880)	(521,911,506)	(182,393,880)
Cost of goods sold-own manufactured	4,744,902,846	3,814,678,212	1,702,619,334	1,371,772,860
Opening stock of purchased finished goods	4,625,201	27,441,378	6,266,614	6,418,728
Add: Finished goods purchased	75,296,828	158,376,787	53,653,891	63,746,362
Less: Closing stock of purchased finished goods	(25,097,575)	(15,842,088)	(25,097,575)	(15,842,088)
Cost of sales-purchased finished goods	54,824,454	169,976,077	34,822,930	54,323,002
	4,799,727,300	3,984,654,289	1,737,442,264	1,426,095,862



	Unaudited 31 March 2007	Unaudited 31 March 2006
	Rupees	Rupees
12. CASH (USED IN) / GENERATED FROM OPERATIONS		
(Loss) / Profit before taxation	(39,973,594)	275,267,575
Add/(less) adjustment for non cash charges and other items:		
Depreciation	492,538,611	366,750,838
(Gain) / loss on sale of operating fixed assets	(1,870,738)	21,773,944
Fair value gain on investment	-	(650,000)
Gain on sale of investment	-	(3,651,977)
Finance costs	482,809,002	342,937,454
Cash flows from operating activities before working capital changes	933,503,281	1,002,427,834
(Increase)/decrease in current assets		
- Stores, spare parts and loose tools	(7,942,533)	(68,789,031)
- Stock in trade	(905,452,068)	(424,692,720)
- Trade debts	(419,031,959)	(327,301,800)
- Loans and advances	(20,484,330)	(10,346,756)
- Short term deposits and prepayments	910,194	2,768,121
- Other receivables	5,396,190	44,495,384
Increase in current liabilities		
- Trade and other payables	94,485,852	23,397,130
Cash used in working capital	(1,252,118,654)	(760,469,672)
	(318,615,373)	241,958,162

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	5,257,290	59,255,213
Sale of goods and services	23,426,208	33,304,405
Insurance premium paid	18,105,907	13,212,607
Insurance claim received	1,733,247	2,019,138
Contribution to employees' provident fund	24,623,782	16,926,710

14. AUTHORISED FOR ISSUE

These financial statements were approved by the Board of Directors and authorised for issue on 25 April 2007.

Chief Executive

Director