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## COMPANY INFORMATION

### BOARD OF DIRECTORS:

Mrs. Naz Mansha	Chief Executive/Chairperson
Mian Raza Mansha	
Mian Hassan Mansha	
Mr. Muhammad Nawaz Tishna (NIT)	
Mr. Faisal Ehsan Ellahi	
Mr. Khalid Qadeer Qureshi	Chief Financial Officer
Mr. Muhammad Azam	
Rana Muhammad Mushtaq	

### AUDIT COMMITTEE:

Mr. Faisal Ehsan Ellahi	Chairman/Member
Mian Hassan Mansha	Member
Mr. Muhammad Azam	Member

### COMPANY SECRETARY:

Mr. Khalid Mahmood Chohan

### AUDITORS:

Riaz Ahmad & Company	Chartered Accountants
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### LEGAL ADVISOR:

Mr. M. Aurangzeb Khan, Advocate,  
Chamber No. 6, District Court, Faisalabad.

### BANKERS TO THE COMPANY:

ABN AMRO Bank	KASB Bank Limited
Albaraka Islamic Bank B.S.C (E.C)	Meezan Bank Limited
Allied Bank of Pakistan Limited	National Bank of Pakistan
Askari Commercial Bank Limited	NIB Bank Limited
Bank Alfalah Limited	PICIC Commercial Bank Limited
Citibank N.A.	Standard Chartered Bank
Crescent Commercial Bank Ltd.	The Hong Kong & Shanghai
Deutsche Bank	Banking Corporation Limited
Faysal Bank Limited	Union Bank Limited
Habib Bank Limited	United Bank Limited
Habib Bank A.G. Zurich	

### MILLS:

Nishatabad, Faisalabad	(Spinning, Processing, Stitching units & Power Plant)
12 K.M. Faisalabad Road, Sheikhupura.	(Weaving units & Power Plant)
21 K.M. Ferozepur Road, Lahore.	(Stitching unit)
5 K.M. Nishat Avenue Off 22 K.M. Ferozepur Road, Lahore.	(Weaving, Dyeing & Finishing unit and Power Plant)
20 K.M. Sheikhupura Faisalabad Road, FerozeWatwan	(Spinning unit)

### REGISTERED OFFICE & SHARES DEPARTMENT

Nishat House,  
53 - A, Lawrence Road, Lahore.  
Tel: 042-6367812-16  
Fax: 042-6367414

### HEAD OFFICE:

7, Main Gulberg, Lahore.  
Tel: 042-5716351-9  
Fax: 042-5716349-50  
E-mail: nishat@nishatmills.com  
Website: www.nishatmills.com

### LIAISON OFFICE:

Ist Floor, Karachi Chambers,  
Hasrat Mohani Road, Karachi.  
Tel: 021-2414721-23  
Fax: 021-2412936

## DIRECTORS' REPORT

### Operating Results

We are pleased to present Un-Audited Financial statements for the quarter ended September 30, 2006. The company has earned an after tax profit of Rs 425.704 million as compared to Rs 559.151 million in the corresponding period ending September 30, 2005, resulting in net decrease of 23.87 %. This decrease in profitability, despite of an increase in sales, is due to increase in local cotton rate to Rs 2,345 / maund as compared to Rs 2,139 / maund for the corresponding quarter and imported cotton rate to Rs 3,410 / maund as compared to Rs 3,296 / maund for the corresponding quarter ending September 30, 2005. Moreover, fund cost has increased by 34.15 % (September 2006: Rs 212.675 million, September 2005: Rs 158.537 million) due to increase in average borrowing rates and utilization of finances. Long term borrowing rate increased from 8.69 % to 10.03 % and short term borrowing rate increased from 6.96 % to 7.42 % as compared to previous corresponding period.

During the period under review, the operating results of the company were as follows:

Financial Highlights	Quarter ended September 30		(Inc.) / Dec. % age
	2006	2005	
Net Sales ('000' Rs)	4,313,888	4,009,124	(7.60)
Gross Profit ('000' Rs)	740,603	745,294	0.63
Pre-tax Profit ('000' Rs)	481,204	612,065	21.38
After Tax Profit ('000' Rs)	425,704	559,151	23.87
Gross Profit (%)	17.17	18.59	
After Tax Profit (%)	9.87	13.95	
Earning Per Share (Rs)	2.93	3.85	

### Market Review & Future Prospects

#### Spinning

During the quarter ended September 30, 2006, prices of cotton showed quite an increase in domestic as well as in international markets. The major reason behind this increase was rumors that local cotton crop was damage because of heavy rains. But towards the end of the quarter it became clear that crop is not that much damaged and the local cotton price which was Rs. 2,600 to Rs 2,700 per maund in August 2006 settled down to Rs. 2,500 per maund by the end of this quarter. New York Cotton Future also started coming down by the end of September 2006.

Your Company have started purchasing local cotton in early October 2006. We are supplying major portion of our yarn production to our own weaving units. This strategy is yielding excellent results for our company. However, we are also selling yarn in export markets of the world among which Far East is the major market for Nishat yarn.

Quantity sold to outside customers decreased to 5,903,037 Kgs as compared to 7,644,151 Kgs for the corresponding quarter ending September 30, 2005. However, average sale rate increased to Rs 142 / Kg as compared to Rs 138 / Kg for the corresponding quarter ending September 30, 2005.

#### Weaving

The first quarter of current financial year started with stable market trends both in yarn and narrow width greige fabric market. China's cotton demand speculation also caused cotton prices to remain firm. The pressure on wider width market also resulted in increased demand of coarse counts thus further increasing the yarn price levels. Fabric prices absorbed the yarn

price increase to some extent but not fully. Sale quantity showed an increasing trend along with average sale rates. Sale quantity increased by 29 % (Sep 2006: 16,928,288 Mtrs, Sep 2005: 13,109,262 Mtrs) and average sale rate increased by 5.6 % (Sep 2006: Rs 85.19 / Mtr, Sep 2005: Rs 80.67 / Mtr). Price levels in narrow width fabric market did not match the proportionate change in yarn prices. Wider width market kept the slow trend till the end of this quarter. Polyester prices faced uncertainty in view of high oil prices effecting work wear fabric. This trend also subsided as oil prices have started to decline.

Nishat greige was displayed again on Tex-world fair this year with positive response. Italian, German, French, Moroccan and Mexican markets were continued to be explored and business was done successfully. Far eastern market share reduced as price levels dropped. The production capacity was shifted to in house requirements. Size recovery plant was completed last year and now final production trials are in process before the plant enters regular production.

#### **Printing, Dyeing and Stitching**

The World market for Home Textiles remained bearish through out the quarter ended September 30, 2006. America and Europe being the largest markets remained sluggish through out this period. Over all sales for Home Textile products experienced a downward trend which created pressure on suppliers to maintain, if not increase, their respective sales volumes in these markets. In addition to this, the rising raw material prices have also been a major feature of the quarter under review.

Our new wider width dyeing plant has started its commercial production from July 1, 2006. The set up includes an open width bleaching machine, a chain mercerizing machine, a continuous dyeing thermosol, pad steam dyeing range, finishing stenters, calendar, saforizer and a wider width emerizing machine. These machines are backed by a new high tech laboratory to deliver fault free fabrics to Nishat's valued clients. All the machines and technology is from leading European manufacturers. Special emphasis has been given to incorporate time and energy efficiency. This plant is expected to have very good impact on the profitability of the company in the years to come.

In addition to operational and production efficiencies, our division has experienced consistent inflow of new orders from the existing customer base. The coming quarter does hold the same challenges of increasing raw material costs, a depressed US and European market but leaves us with a silver lining of improved efficiencies and serving a diverse customer base.

As compared to the previous corresponding quarter, made-ups export decreased from 6,019,715 meters to 5,369,395 meters and average sale rates increased from Rs 128/Mtr to Rs 146/Mtr. Following the similar trend for processed fabric, sale quantity decreased from 1,034,085 meters to 584,328 meters and average sale rates increased from Rs 99.50/Mtr to 113.66/Mtr.

#### **Nishat Dyeing & Finishing (NDF)**

Nishat Dyeing & Finishing has started the current year with a lot of enthusiasm. Heavy investments made in the last year have been proved fruitful. NDF has successfully expanded its new capacities by 30%. The plant capacity now stands at 4 million meters / month. This has made us the largest dedicated dyeing & finishing plant in the region. The new machines have successfully started their operations. NDF invested very heavily in increasing the finishing capabilities. This was necessary to compete with good European manufacturers of similar products. The new knife coating machine is helping us achieve excellent finishes with better margins. At the same time, the Lafer peaching machines helped us significantly to reduce our process costs.

The Year started positively in terms of our profitability, however, the margins remain shrunk

due to the fluctuating cotton prices. The lead times for order processing are getting shorter every day, thus resulting in limited forecast on future raw material purchases. The second quarter looks positive. The cotton seems to have come to an appropriate level.

Our sales are looking good and we are all set to have a positive year. Sale of processed cloth increased to 8,259,785 meters from 7,722,301 meters as compared to the previous corresponding quarter. Concurrently, average sale rates increased to Rs 125.74/Mtr from Rs 115.60/Mtr as compared to the previous corresponding quarter.

**Acknowledgement**

The Board is pleased about the loyalty and efforts of the management, staff and workers.

**For and on behalf of the Board**

**Chief Executive / Chairperson**

Lahore:

October 27, 2006.

**BALANCE SHEET**  
AS AT 30 SEPTEMBER 2006 (UN-AUDITED)

	Note	Unaudited 30 September 2006 (Rupees in thousand)	Audited 30 June 2006
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 178,470,000 (June 2006: 178,470,000) ordinary shares of Rupees 10 each		<u>1,784,700</u>	1,784,700
Issued, subscribed and paid up share capital 145,259,743 (June 2006: 145,259,743) fully paid ordinary shares of Rupees 10 each	4	<u>1,452,597</u>	1,452,597
Reserves		<u>21,089,132</u>	19,659,812
		<b>22,541,729</b>	21,112,409
<b>NON-CURRENT LIABILITIES</b>			
Long term finances	5	2,679,747	2,982,353
Liabilities against assets subject to finance lease		25,341	33,031
		<b>2,705,088</b>	3,015,384
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,112,176	960,436
Accrued markup		119,707	151,236
Short term finances		4,179,391	4,315,708
Current portion of long term liabilities		1,339,869	1,342,771
Provision for taxation		336,882	281,382
		<b>7,088,025</b>	7,051,533
<b>CONTINGENCIES AND COMMITMENTS</b>			
	6	<u>32,334,842</u>	<u>31,179,326</u>

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

**CHIEF EXECUTIVE OFFICER**

	Note	Unaudited 30 September 2006 (Rupees in thousand)	Audited 30 June 2006
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	10,539,133	10,611,353
Long term investments		11,639,132	10,793,026
Long term loans		6,812	6,377
Long term deposits, prepayments and deferred cost		9,955	10,130
		22,195,032	21,420,886
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		453,268	471,520
Stock-in-trade		2,285,756	3,003,174
Trade debts		1,038,177	1,026,884
Short term Investments		5,241,861	4,350,146
Loans and advances		487,606	418,794
Short term deposits and prepayments		45,269	30,525
Other receivables		460,258	407,147
Cash and bank balances		127,615	50,250
		10,139,810	9,758,440
		32,334,842	31,179,326

DIRECTOR/CHIEF FINANCIAL OFFICER

**PROFIT AND LOSS ACCOUNT**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2006**  
**(UN-AUDITED)**

	Note	Quarter ended	
		30 September 2006	30 September 2005
		(Rupees in thousand)	
SALES		4,313,888	4,009,124
COST OF SALES	8	3,573,285	3,263,830
<b>GROSS PROFIT</b>		<b>740,603</b>	<b>745,294</b>
DISTRIBUTION AND SELLING COST		198,854	161,245
ADMINISTRATIVE AND GENERAL EXPENSES		74,739	62,984
OTHER OPERATING EXPENSES	9	14,898	20,195
		<b>288,491</b>	<b>244,424</b>
OTHER OPERATING INCOME		452,112	500,870
		<b>21,283</b>	<b>30,721</b>
<b>OPERATING PROFIT</b>		<b>473,395</b>	<b>531,591</b>
FINANCE COST		212,675	158,537
		<b>260,720</b>	<b>373,054</b>
SHARE OF PROFIT IN ASSOCIATED COMPANIES		220,484	239,011
<b>PROFIT BEFORE TAXATION</b>		<b>481,204</b>	<b>612,065</b>
PROVISION FOR TAXATION		55,500	52,914
<b>PROFIT AFTER TAXATION</b>		<b>425,704</b>	<b>559,151</b>
<b>EARNINGS PER SHARE- BASIC (RUPEES)</b>		<b>2.93</b>	<b>3.85</b>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR/CHIEF FINANCIAL OFFICER

**CASH FLOW STATEMENT**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2006**  
**(UN-AUDITED)**

	<b>Quarter ended</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2006</b>	<b>2005</b>
	<b>(Rupees in thousand)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	<b>481,204</b>	612,065
<b>Adjustments for non cash charges and other items.</b>		
Depreciation	<b>238,364</b>	196,441
Gain on disposal of operating fixed assets	<b>(2,693)</b>	(2,348)
Gain on sale of investment	<b>-</b>	(15,035)
Share of profit in associated companies	<b>(220,484)</b>	(239,011)
Amortization of deferred cost	<b>158</b>	603
Finance cost	<b>212,675</b>	158,537
<b>CASH FLOW FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES</b>	<b>709,224</b>	711,252
<b>CASH FLOW FROM WORKING CAPITAL CHANGES</b>		
<b>(Increase) / decrease in current assets</b>		
Stores, spare parts and loose tools	<b>18,252</b>	15,383
Stock-in-trade	<b>717,418</b>	536,919
Trade debts	<b>(11,293)</b>	63,250
Loans and advances	<b>(20,627)</b>	(113,166)
Short term deposits and prepayments	<b>(15,275)</b>	3,347
Other receivables	<b>(53,111)</b>	(26,136)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	<b>154,206</b>	134,448
Short term finances	<b>(136,317)</b>	(325,184)
<b>NET CASH GENERATED FROM WORKING CAPITAL CHANGES</b>	<b>653,253</b>	288,861
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>1,362,477</b>	1,000,113
Finance cost paid	<b>(244,204)</b>	(189,080)
Income tax paid	<b>(49,857)</b>	(48,588)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>1,068,416</b>	762,445

**Quarter ended**  
**30 September 2006**    **30 September 2005**  
**(Rupees in thousand)**

**CASH FLOWS FROM INVESTING ACTIVITIES**

Long term loans	1,237	55
Long term deposits, prepayments and deferred cost	548	454
Proceeds from disposal of operating fixed assets	7,128	5,970
Proceeds from sale of equity investment	-	16,808
Investment made	(513,721)	(178,795)
Fixed capital expenditure	(170,579)	(611,300)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(675,387)</b>	<b>(766,808)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Repayment of long term finances	(306,356)	(436,538)
Repayment of finance lease liabilities	(6,842)	(16,398)
Dividend paid	(2,466)	(431)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(315,664)</b>	<b>(453,367)</b>

<b>NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>77,365</b>	<b>(457,730)</b>
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<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>50,250</b>	<b>520,999</b>
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<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>127,615</b>	<b>63,269</b>
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CHIEF EXECUTIVE OFFICER

DIRECTOR/CHIEF FINANCIAL OFFICER

**STATEMENT OF CHANGES IN EQUITY**  
FOR THE QUARTER ENDED 30 SEPTEMBER 2006 (UN-AUDITED)

(Rupees in thousand)

	Share capital	Premium on issue of right shares	Fair value reserve	Hedging reserve	Capital redemption reserve	General reserve	Unappropriated profit	Shareholders' equity
Balance as on 30 June 2005- restated	1,452,597	1,517,886	3,179,748	-	54,448	4,579,908	1,777,341	12,561,928
Share of increase / (decrease) in reserves of associated companies under equity method	-	-	98,825	(93,649)	6,970	413,224	(420,195)	5,175
Fair value gain for the period	-	-	1,350,141	-	-	-	-	1,350,141
Profit for the quarter	-	-	-	-	-	-	559,151	559,151
Balance as on 30 September 2005	1,452,597	1,517,886	4,628,714	(93,649)	61,418	4,993,132	1,916,297	14,476,395
Dividend @ Rs 2 per share	-	-	-	-	-	-	(363,149)	(363,149)
Transfer to general reserve	-	-	-	-	-	1,142,000	(1,142,000)	-
Fair value gain adjusted on sale of investment	-	-	(40,640)	-	-	-	-	(40,640)
Reserves adjusted against sale of investment in associated companies	-	-	-	-	-	-	(1,073)	(1,073)
Fair value gain for the period	-	-	2,791,604	-	-	-	-	2,791,604
Share of increase / (decrease) in reserves of associated companies under equity method	-	-	2,842,897	93,649	20,913	-	(20,913)	2,936,546
Profit for the period	-	-	-	-	-	-	1,312,726	1,312,726
Balance as on 30 June 2006	1,452,597	1,517,886	10,222,575	-	82,331	6,135,132	1,701,888	21,112,409
Fair value gain for the quarter	-	-	1,490,966	-	-	-	-	1,490,966
Share of increase / (decrease) in reserves of associated companies under equity method	-	-	(487,350)	-	6,971	-	(6,971)	(487,350)
Net profit for the quarter ended 30 September 2006	-	-	-	-	-	-	425,704	425,704
Balance as on 30 September 2006	1,452,597	1,517,886	11,226,191	-	89,302	6,135,132	2,120,621	22,541,729

CHIEF EXECUTIVE OFFICER

DIRECTOR/CHIEF FINANCIAL OFFICER

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2006**  
**(UN-AUDITED)**

**1. THE COMPANY AND ITS OPERATIONS**

Nishat Mills Limited is a public company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984) and listed on Stock Exchanges in Pakistan. Its registered office is situated at 53-A, Lawrence Road, Lahore. The company is engaged in the business of textile manufacturing and of spinning, combing, weaving, bleaching, dyeing, printing, stitching, buying, selling and otherwise dealing in yarn, linen, cloth and other goods and fabrics made from raw cotton, synthetic fibre and cloth, and to generate, accumulate, distribute and supply electricity.

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

These financial statements are unaudited and are being submitted to share holders as required u/s 245 of Companies Ordinance, 1984. These have been prepared in accordance with the International Accounting Standard 34 " Interim Financial Reporting" as applicable in Pakistan and notified by Securities and Exchange Commission of Pakistan (SECP).

**3. ACCOUNTING POLICIES AND COMPUTATION METHODS**

The accounting policies and methods of computations adopted for the preparation of these financial statements are the same as applied in the preparation of the preceding annual published financial statements of the company.

<b>30 September 2006</b>	<b>30 June 2006</b>
<b>(Rupees in thousand)</b>	

**4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL**

67,762,264 (June 2006: 67,762,264) ordinary shares of Rupees 10 each fully paid up in cash (Note 4.1)	<b>677,623</b>	677,623
37,252,280 (June 2006: 37,252,280) fully paid ordinary shares of Rupees 10 each issued for consideration other than cash	<b>372,522</b>	372,522
40,245,199 (June 2006: 40,245,199) ordinary shares of Rupees 10 each issued as fully paid bonus shares	<b>402,452</b>	402,452
	<b>1,452,597</b>	<b>1,452,597</b>

**4.1** 18,324,901 (June 2006: 18,324,901) shares of the company are held by the associated undertakings.

**5. LONG TERM FINANCES**

Opening balance	<b>4,296,512</b>	3,466,155
Add: Disbursement during the period / year	-	1,650,000
	<b>4,296,512</b>	5,116,155
Less: Repayment during the period / year	<b>306,356</b>	819,643
	<b>3,990,156</b>	4,296,512
Less: Current portion shown under current liabilities	<b>1,310,409</b>	1,314,159
	<b>2,679,747</b>	<b>2,982,353</b>

## 6. CONTINGENCIES AND COMMITMENTS

### Contingencies

- i) The company is contingently liable for Rupees 61.891 million (June 2006: Rupees 61.891 million) on account of central excise duty not acknowledged as debt as the cases are pending before Court.
- ii) Guarantees of Rupees 311.119 million (June 2006: Rupees 311.119 million) have been given by the banks of the Company to Sui Northern Gas pipelines Company Limited against gas connections, Shell Pakistan Limited against purchase of furnace oil and collector of customs.
- iii) Company's share in contingencies of associated companies is Rupees 276.008 million (June 2006: Rupees 234.942 million).

### Commitments

- i) Contracts for capital expenditure are approximately amounting to Rupees 121.624 million (June 2006: Rupees 77.967 million).
- ii) Letters of credit other than for capital expenditure are amounting to Rupees 332.304 million (June 2006: Rupees 384.814 million).

**30 September**      30 June  
**2006**                      2006  
**(Rupees in thousand)**

## 7. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (Note 7.1)	<b>10,104,354</b>	8,398,310
Assets subject to finance lease (Note 7.2)	<b>76,707</b>	78,624
Capital work-in-progress	<b>358,072</b>	2,134,419
	<b>10,539,133</b>	10,611,353

### 7.1 OPERATING FIXED ASSETS

Opening written down value	<b>8,398,310</b>	7,926,838
Add: Cost of additions during the period/year (Note 7.1.1)	<b>1,946,926</b>	1,331,909
	<b>10,345,236</b>	9,258,747
Less: Written down value of deletions during the period/ year (Note 7.1.2)	<b>4,435</b>	73,381
	<b>10,340,801</b>	9,185,366
Less: Depreciation charged for the period/ year	<b>236,447</b>	787,056
	<b>10,104,354</b>	8,398,310

	<b>30 September 2006</b>	30 June 2006
	<b>(Rupees in thousand)</b>	
<b>7.1.1 Cost of additions during the period / year</b>		
Freehold land	-	152,515
Buildings on freehold land	<b>284,434</b>	191,922
Plant and machinery	<b>1,598,060</b>	844,007
Electric installations	<b>33,882</b>	35,583
Factory equipments	<b>10,510</b>	14,988
Furniture, fixture and office equipments	<b>7,320</b>	32,020
Vehicles	<b>12,720</b>	60,874
	<b>1,946,926</b>	1,331,909
<b>7.1.2 Written down value of deletions during the period/ year</b>		
Plant and machinery	<b>301</b>	64,328
Electric installations	<b>13</b>	193
Factory equipments	-	33
Furniture, fixture and office equipments	<b>128</b>	1
Vehicles	<b>3,993</b>	8,826
	<b>4,435</b>	73,381
<b>7.2 ASSETS SUBJECT TO FINANCE LEASE</b>		
Opening book value	<b>78,624</b>	160,070
Add: Cost of addition to machinery during the period / year	-	-
	<b>78,624</b>	160,070
Less: Written down value of machinery deleted during the period/ year	-	70,621
	<b>78,624</b>	89,449
Less: Depreciation during the period/ year	<b>1,917</b>	10,825
	<b>76,707</b>	78,624

	<b>Quarter ended</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2006</b>	<b>2005</b>
	<b>(Rupees in thousand)</b>	
<b>8. COST OF SALES</b>		
Raw materials consumed	<b>1,142,541</b>	1,054,041
Cloth and yarn purchased/used	<b>1,058,691</b>	1,087,149
Processing charges	<b>8,973</b>	42,368
Salaries, wages and other benefits	<b>273,908</b>	228,985
Staff retirement benefits	<b>7,952</b>	7,080
Stores, spare parts and loose tools	<b>326,345</b>	303,183
Packing material consumed	<b>88,193</b>	79,702
Repair and maintenance	<b>22,059</b>	18,423
Fuel and power	<b>371,606</b>	261,859
Insurance	<b>5,667</b>	5,304
Other factory overheads	<b>40,357</b>	34,326
Depreciation	<b>229,139</b>	188,314
	<b>3,575,431</b>	3,310,734
Work-in-process:		
Opening stock	<b>896,854</b>	877,560
Closing stock	<b>(910,816)</b>	(889,695)
	<b>(13,962)</b>	(12,135)
Cost of goods manufactured	<b>3,561,469</b>	3,298,599
Finished goods:		
Opening stock	<b>837,434</b>	826,365
Closing stock	<b>(825,618)</b>	(861,134)
	<b>11,816</b>	(34,769)
	<b>3,573,285</b>	3,263,830
<b>9. OTHER OPERATING EXPENSES</b>		
Worker's participation fund (Note 9.1)	<b>13,722</b>	18,844
Amortization of deferred cost	<b>158</b>	603
Donation	<b>1,018</b>	748
	<b>14,898</b>	20,195
<b>9.1 WORKERS' PROFIT PARTICIPATION FUND</b>		
Provision for Workers' Profit Participation Fund against share of profit in associated companies has been made to the extent of dividend income received from these associated companies.		
<b>10. EARNINGS PER SHARE</b>		
There is no dilutive effect on the basic earnings per share.		

## 11. EVENTS AFTER THE BALANCE SHEET DATE

Board of Directors of the company have proposed a cash dividend for the year ended 30 June 2006 amounting to Rupees 1.50 per share and stock dividend (Bonus shares) at the rate of 01 ordinary share per 10 ordinary shares of Rupees 10 each at their meeting held on 18 September 2006 and proposed to transfer Rupees 1 269.000 million from un-appropriated profit to general reserve and Rupees 145.260 million from un-appropriated profit to reserve for issue of bonus shares. However, these events have been considered as non-adjusting events under IAS-10 and have not been recognized in these financial statements. These will be recognised in financial statements after approval of shareholders in Annual General Meeting of the company to be held on 31 October 2006.

**Quarter ended**  
**30 September 2006**    **30 September 2005**  
**(Rupees in thousand)**

## 12. TRANSACTIONS WITH RELATED PARTIES

Purchase of goods and services	<b>49,928</b>	14,496
Sale of goods and services	<b>836</b>	11,241
Sale of operating fixed assets	<b>67</b>	
Company's contribution to provident fund trust	<b>10,182</b>	9,334
Remuneration paid to Chief Executive Officer, Directors and executives	<b>11,221</b>	9,593

**12.1** The company purchased from and sold to related parties goods, material and services at an arm's length price determined in accordance with comparable uncontrolled price method.

## 13. AUTHORIZATION FOR ISSUE

These financial statements were approved by Board of Directors and authorized for issue on 27 October, 2006.

## 14. CORRESPONDING FIGURES

\* Corresponding figures have been re-arranged, where ever necessary for the purpose of comparison.

\* Figures have been rounded off to nearest thousand rupees.

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR/CHIEF FINANCIAL OFFICER**