

First Quarterly Report

For the period ended 30 September 2007



Nishat Mills Limited

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Nishat Mills Limited

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COMPANY INFORMATION

BOARD OF DIRECTORS:

Mian Umer Mansha	Chairman/Chief Executive/Director
Mian Hassan Mansha	
Mr. Muhammad Nawaz Tishna (NIT)	
Mr. Khalid Qadeer Qureshi	Chief Financial Officer
Mr. Muhammad Azam	
Rana Muhammad Mushtaq	
Ms. Nabiha Shahnawaz Cheema	

AUDIT COMMITTEE:

Mian Hassan Mansha	Member
Mr. Muhammad Azam	Member
Ms. Nabiha Shahnawaz Cheema	Chairperson/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 Bank Limited	NIB Bank Limited
Bank Alfalah Limited	PICIC Commercial Bank Limited
Citibank N.A.	Standard Chartered Bank (Pakistan) Limited
Crescent Commercial Bank Limited	The Hong Kong & Shangai Banking Corporation Limited
Deutsche Bank	United Bank Limited
Faysal Bank Limited	
Habib Bank Limited	
Habib Metropolitan Bank Limited	

MILLS:

Nishatabad, Faisalabad	(Spinning and 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, Processing 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, 042-111 113 333
Fax: 042-6367414

HEAD OFFICE:

7, Main Gulberg, Lahore.
Tel: 042-5716351-9, 042-111 332 200
Fax: 042-5716349-50
E-mail: nishat@nishatmills.com
Website: www.nishatmills.com

LIAISON OFFICE:

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

DIRECTORS' REPORT

Operating Results

We are pleased to present unaudited financial statements for the quarter ended September 30, 2007. The company has earned an after tax profit of Rs 483.369 million as compared to Rs 425.704 million in the corresponding period ended September 30, 2006, resulting in net increase of 13.55 %. This increase in profitability, despite decrease in sales and gross profit, is mainly due to increase in other operating income (September 2007: Rs 116.472 million, September 2006: Rs 21.283 million) and decrease in financial charges (September 2007: Rs 177.345 million, September 2006: Rs 212.675 million). The increase in other operating income is mainly due to increase in dividend income (September 2007: Rs 110.447 million, September 2006: Rs 1.250 million) and decrease in financial charges is due to decrease in borrowing rates (September 2007: 7.60 %, September 2006: 8.72 %). Gross profit has decreased by 3.55 % due to increase in local cotton consumption rate (September 2007: Rs 2,548 / maund, September 2006: Rs 2,345 / maund)

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

Financial Highlights	Quarter ended September 30		Inc./(Dec.) %age
	2007	2006	
Net Sales ('000' Rs)	4,277,037	4,360,839	(1.92)
Gross Profit ('000' Rs)	791,537	820,699	(3.55)
Pre-tax Profit ('000' Rs)	536,369	475,990	12.68
After Tax Profit ('000' Rs)	483,369	425,704	13.55
Gross Profit (%)	18.51	18.82	
After Tax Profit (%)	11.30	9.76	
Earning Per Share (Rs)	3.03	2.66	

Market Review & Future Prospects

Spinning

During the 1st quarter of year 2007-2008, cotton prices increased from Rs. 2,700/maund to Rs. 3,500/maund. Firm buying trends were witnessed on cotton market as most of the spinners, besides facing stock shortage for raw cotton to fulfill their forward commitments at their end, were anticipating further rise in prices. This scenario kept the cotton prices gradually increasing. By the end of quarter, however, cotton prices started a sharp decline to get around Rs. 2,900/maund but did not get stable as per previous observations due to late arrival of crop.

At Nishat Mills, the demand of 100% grey cotton yarn remained consistent. However, incessant increase in cotton prices, late arrival of crop from Punjab region were big restraints to achieve marketing & selling targets. Moreover, Hong Kong and China (being the major market for cotton yarn) showed low interest in buying cotton yarn due to increased prices. However, Malaysia appeared with increasing demand of cotton yarn due to MPFTA (Malaysia Pakistan Free Trade Agreement), which helps importers to pay 5% less import duty.

Though it was not easy to achieve the marketing goals in this quarter but we achieved our targets somehow and tried to maintain the prices to keep the spinning sector in profit. In Far East, demand for carded yarn was a little more than combed yarn during this quarter. The demand of cotton yarn in European market showed declining trend and USA market did not show much interest as well.

Quantity sold to outside customers increased to 7,302,000 Kgs as compared to 5,903,000 Kgs for the corresponding quarter ended September 30, 2006. However, average sale rate increased to Rs 149 / Kg as compared to Rs 142 / Kg for the corresponding quarter ended September 30, 2006.

Weaving

The quarter under review was not so good for over all weaving business. The difficulties faced were mainly triggered by bullish and uncertain cotton market. This led to an ample increase in the cotton yarn prices. Polyester yarn market also remained difficult because of the increasing oil prices. Difficulties in Far East market and major turnover in Central American customer base were the main threats to our Weaving Sector.

Despite difficulties and unfavorable circumstances, our Weaving sector has done well in the quarter under review. We have been successful in maintaining our profit margins. Moreover, our wider width greige fabric sector became profitable during the quarter. We have added new European customers and started business with these new customers from Germany and Spain during this quarter. Our business in the special and technical fabric (Antistatic, Fire retardant, and Military fabrics) business has also increased. We are doing quite good to make up for the gap of Far East market and Central American customers by increasing the sales to our European customers. In the near future, we are planning to inject new air jet state of art and dobby looms to meet the new requirements of the market.

Sale quantity decreased by 32 % (Sep 2007: 11,516,000 Mtrs, Sep 2006: 16,928,288 Mtrs) and average sale rate, however, increased by 16 % (Sep 2007: Rs 98.86 / Mtr, Sep 2006: Rs 85.19 / Mtr).

Printing, Dyeing and Stitching

The quarter under review was satisfactory in terms of orders inflow from European market on better prices. We have also entered in strategic alliance with some US companies. We have also hired foreign consultants from USA to achieve quality standards, enhance technical efficiency and strengthen marketing skills.

Overall political scenario of the country refrained big companies for long term placement of orders for Pakistan Market but this factor could not affect more as the similar scenario at Bangladesh caused the shifting of major brands to neighbored countries. The appreciation of Chinese Yen, Indian Rupee and Turkish Lira against US Dollar and Euro were also the helping factors for overall Pakistan exports to European and US Market.

Company has completed its phase of shifting its processing machinery from Faisalabad to the new setup at Lahore. This has brought all processing operations under one roof which will improve lead times, minimize excessive handling of fabric and reduce the costs.

We are planning to install Back Coating Plant and caustic soda recovery plant to have further value addition, cost reduction and diversification in production resources. We are also in the process of installing new automatic gerber cutting equipments in our sewing operations.

As compared to the previous corresponding quarter, made-ups export decreased from 5,369,000 meters to 3,932,000 meters and average sale rates decreased from Rs 146/Mtr to Rs 144/Mtr. For processed fabric, sale quantity decreased from 584,328 meters to 378,000 meters and average sale rates increased from Rs 114/Mtr to 153/Mtr.

Nishat Dyeing & Finishing (NDF)

The quarter under review witnessed a mixed trend in terms of sales. The challenges posed to this sector due to changing market situation were big. A plunging US economy resulted in weak sales of major US garment retailers in the last quarter. These retailers including some of the largest customers of NDF in turn gave significant challenges to their suppliers in terms of shorter lead time, cost cutting and overall reduced number of orders.

NDF responded to these challenges by launching extensive marketing efforts, concentrating on value addition of products in terms of innovations as well as offering complete garment packages from Gulf Nishat for a one-window operation to its customers. The biggest advantage of NDF over competitors, in the light of this varying market situation, would be to use the Gulf Nishat facility for offering garments packages and reducing thereby the overall garment production lead time as well as offering a one stop-shopping to its customers. Though filled with challenges, the next quarter seems promising.

Sale of processed cloth increased to 9,483,000 meters from 8,260,000 meters as compared to the corresponding quarter. Concomitantly, average sale rates slightly increased to Rs 126.26/Mtr from Rs 125.74/Mtr as compared to the previous corresponding quarter.

Acknowledgement

The Board wants to thanks for the continued efforts of the management, staff and workers.

For and on behalf of the Board

Chairman / Chief Executive / Director
October 29, 2007.

BALANCE SHEET
 AS AT 30 SEPTEMBER 2007

	Note	Unaudited 30 September 2007 (Rupees in thousand)	Audited 30 June 2007
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 178,470,000 (June 2007: 178,470,000) ordinary shares of Rupees 10 each		1,784,700	1,784,700
Issued, subscribed and paid up share capital 159,785,717 (June 2007: 159,785,717) ordinary shares of Rupees 10 each	5	1,597,857	1,597,857
Reserves		29,586,317	28,359,567
Total equity		31,184,174	29,957,424
NON-CURRENT LIABILITIES			
Long term finances Liabilities against assets subject to finance lease	6	1,391,422 - 1,391,422	1,773,820 - 1,773,820
CURRENT LIABILITIES			
Trade and other payables		1,228,844	926,593
Accrued markup		119,963	131,744
Short term finances		5,077,881	5,018,664
Current portion of long term liabilities		1,313,666	1,341,565
Provision for taxation		283,807	230,807
		8,024,161	7,649,373
Total Liabilities		9,415,583	9,423,193
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		40,599,757	39,380,617

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

CHIEF EXECUTIVE OFFICER

	Note	Unaudited 30 September 2007 (Rupees in thousand)	Audited 30 June 2007
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	10,407,678	10,586,159
Long term investments		17,221,865	15,466,506
Long term loans		9,717	9,523
Long term deposits, prepayments and deferred cost		9,185	9,342
		27,648,445	26,071,530
CURRENT ASSETS			
Stores, spare parts and loose tools		465,859	422,428
Stock-in-trade		2,970,659	3,106,436
Trade debts		1,090,781	831,653
Short term Investments		7,376,363	8,118,459
Loans and advances		603,103	411,270
Short term deposits and prepayments		50,891	26,395
Other receivables		329,633	322,839
Cash and bank balances		64,023	69,607
		12,951,312	13,309,087
TOTAL ASSETS		40,599,757	39,380,617

DIRECTOR / CHIEF FINANCIAL OFFICER

**PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED 30 SEPTEMBER 2007
(UN-AUDITED)**

	Note	Quarter ended	
		30 September 2007 (Rupees in thousand)	30 September 2006
SALES		4,277,037	4,360,839
COST OF SALES	9	3,485,500	3,540,140
GROSS PROFIT		791,537	820,699
DISTRIBUTION AND SELLING COST		209,256	262,444
ADMINISTRATIVE AND GENERAL EXPENSES		93,108	91,245
OTHER OPERATING EXPENSES	10	29,912	20,112
		332,276	373,801
OTHER OPERATING INCOME		459,261	446,898
		116,472	21,283
OPERATING PROFIT		575,733	468,181
FINANCE COST		177,345	212,675
		398,388	255,506
SHARE OF PROFIT IN ASSOCIATED COMPANIES		137,981	220,484
PROFIT BEFORE TAXATION		536,369	475,990
PROVISION FOR TAXATION		53,000	50,286
PROFIT AFTER TAXATION		483,369	425,704
EARNINGS PER SHARE			
- BASIC AND DILUTED (RUPEES)		3.03	2.66

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 2007
(UN-AUDITED)**

	Quarter ended	
	30 September 2007	30 September 2006
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	536,369	475,990
Adjustments for non cash charges and other items.		
Depreciation	245,653	238,364
Loss/(Gain) on disposal of operating fixed assets	10,382	(2,693)
Share of profit in associated companies	(137,981)	(220,484)
Amortization of deferred cost	158	158
Finance cost	177,345	212,675
CASH FLOW FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES	831,926	704,010
CASH FLOW FROM WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(43,431)	18,252
Stock-in-trade	135,777	717,418
Trade debts	(259,128)	(11,293)
Loans and advances	(142,912)	(20,627)
Short term deposits and prepayments	(24,496)	(15,275)
Other receivables	(6,794)	(53,111)
Increase / (decrease) in current liabilities		
Trade and other payables	302,315	159,420
Short term finances	59,217	(136,317)
NET CASH FLOWS FROM WORKING CAPITAL CHANGES	20,548	658,467
CASH GENERATED FROM OPERATING ACTIVITIES	852,474	1,362,477
Finance cost paid	(189,126)	(244,204)
Income tax paid	(49,127)	(49,857)
NET CASH GENERATED FROM OPERATING ACTIVITIES	614,221	1,068,416

	Quarter ended	
	30 September 2007	30 September 2006
	(Rupees in thousand)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term loans	12	1,237
Long term deposits, prepayments and deferred cost	(1)	548
Proceeds from disposal of operating fixed assets	37,835	7,128
Investment made	(131,901)	(513,721)
Fixed capital expenditure	(115,389)	(170,579)
NET CASH USED IN INVESTING ACTIVITIES	(209,444)	(675,387)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finances	(402,606)	(306,356)
Repayment of finance lease liabilities	(7,691)	(6,842)
Dividend paid	(64)	(2,466)
NET CASH USED IN FINANCING ACTIVITIES	(410,361)	(315,664)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(5,584)	77,365
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	69,607	50,250
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	64,023	127,615

CHIEF EXECUTIVE OFFICER

DIRECTOR / CHIEF FINANCIAL OFFICER

**STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2007 (UN-AUDITED)**

	(Rupees in thousand)							
	Share capital	Premium on issue of right shares	Fair value reserve	Reserve for issue of bonus shares	Capital redemption reserve fund	General reserve	Unappropriated profit	Shareholders' equity
Balance as on 30 June 2006- restated	1,452,597	1,027,622	10,194,839	-	82,331	6,135,132	1,701,888	20,594,409
Share of (decrease)/increase in reserves of associated companies under equity method	-	-	(487,350)	-	6,971	-	(6,971)	(487,350)
Fair value gain for the period	-	-	1,490,966	-	-	-	-	1,490,966
Profit for the quarter	-	-	-	-	-	-	425,704	425,704
Balance as on 30 September 2006	1,452,597	1,027,622	11,198,455	-	89,302	6,135,132	2,120,621	22,023,729
Dividend @ Rs 1.5 per share	-	-	-	-	-	-	(217,890)	(217,890)
Transfer to reserve for issue of bonus shares	-	-	-	145,260	-	-	(145,260)	-
Bonus shares issued during the period	145,260	-	-	(145,260)	-	-	-	-
Transfer to general reserve	-	-	-	-	-	1,269,000	(1,269,000)	-
Fair value gain adjusted on sale of investment	-	-	(11,625)	-	-	-	-	(11,625)
Fair value gain for the period	-	-	5,314,352	-	-	-	-	5,314,352
Share of increase in reserves of associated companies under equity method	-	-	1,672,766	-	20,912	-	(93,286)	1,600,392
Net profit for the period	-	-	-	-	-	-	1,248,466	1,248,466
Balance as on 30 June 2007	1,597,857	1,027,622	18,173,948	-	110,214	7,404,132	1,643,651	29,957,424
Fair value loss for the quarter	-	-	(1,275,887)	-	-	-	-	(1,275,887)
Share of increase in reserves of associated companies under equity method	-	-	2,024,768	-	788	-	(6,288)	2,019,268
Net profit for the quarter ended 30 September 2007	-	-	-	-	-	-	483,369	483,369
Balance as on 30 September 2007	1,597,857	1,027,622	18,922,829	-	111,002	7,404,132	2,120,732	31,184,174

CHIEF EXECUTIVE OFFICER

DIRECTOR / CHIEF FINANCIAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2007 (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 except for the changes in accounting estimate disclosed in Note 4.

4. CHANGE IN ACCOUNTING ESTIMATE

During the quarter ended on 30 September 2007, the company has revised its accounting estimate in respect of charging of depreciation on computers and useful life (depreciation rate) thereof. The useful life of computers has been reassessed and depreciation rate has been revised to 30% from 10%.

Had there been no change in this accounting estimate, the profit for the period and the written down value of operating fixed assets as at 30 September 2007 would have been higher by Rs 2.67 million.

	30 September 2007	30 June 2007
	(Rupees in thousand)	
5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL		
67,762,264 (June 2007: 67,762,264) ordinary shares of Rupees 10 each fully paid up in cash	677,623	677,623
37,252,280 (June 2007: 37,252,280) fully paid ordinary shares of Rupees 10 each issued for consideration other than cash	372,522	372,522
54,771,173 (June 2007: 54,771,173) ordinary shares of Rupees 10 each issued as fully paid bonus shares	547,712	547,712
	1,597,857	1,597,857

5.1 Ordinary shares of the company held by associated undertakings are as follows:

	30 September 2007	30 June 2007
	(Number of shares)	
D.G. Khan Cement Company Limited	20,157,391	20,157,391
Adamjee Insurance Company Limited	868,035	868,035
	21,025,426	21,025,426

	30 September 2007	30 June 2007
	(Rupees in thousand)	
6. LONG TERM FINANCES		
Opening balance	3,082,354	4,296,512
Add: Disbursement during the period/ year	-	-
	3,082,354	4,296,512
Less: Repayment during the period/ year	402,606	1,214,158
	2,679,748	3,082,354
Less: Current portion shown under current liabilities	1,288,326	1,308,534
	1,391,422	1,773,820

7. CONTINGENCIES AND COMMITMENTS

Contingencies

- i) The company is contingently liable for Rupees 61.891 million (June 2007: 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 674.444 million (June 2007: Rupees 669.944 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, Wartsila Finland for power project and collector of customs.
- iii) Company's share in contingencies of associated companies is Rupees 436.312 million (June 2007: Rupees 249.430 million).

Commitments

- i) Contracts for capital expenditure are approximately amounting to Rupees 81.800 million (June 2007: Rupees 17.882 million).
- ii) Letters of credit other than for capital expenditure are amounting to Rupees 221.513 million (June 2007: Rupees 458.158 million).

	30 September 2007	30 June 2007
	(Rupees in thousand)	
8. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 8.1)	10,053,799	10,309,611
Assets subject to finance lease (Note 8.2)	69,298	71,019
Capital work-in-progress	284,581	205,529
	10,407,678	10,586,159
8.1 OPERATING FIXED ASSETS		
Opening written down value	10,309,611	8,398,310
Add: Cost of additions during the period/ year (Note 8.1.1)	36,337	3,005,383
	10,345,948	11,403,693
Less: Written down value of deletions during the period/ year (Note 8.1.2)	48,217	118,919
	10,297,731	11,284,774
Less: Depreciation charged for the period/ year	243,932	975,163
	10,053,799	10,309,611
8.1.1 Cost of additions during the period/ year		
Freehold land	-	8,541
Buildings on freehold land	3,934	667,997
Plant and machinery	9,365	2,103,923
Electric installations	4,444	75,963
Factory equipments	5,039	28,587
Furniture, fixture and office equipments	4,173	35,697
Vehicles	9,382	84,675
	36,337	3,005,383
8.1.2 Written down value of deletions during the period/ year		
Buildings on freehold land	457	524
Plant and machinery	45,819	101,769
Electric installations	-	137
Factory equipments	-	76
Furniture, fixture and office equipments	-	158
Vehicles	1,941	16,255
	48,217	118,919
8.2 ASSETS SUBJECT TO FINANCE LEASE		
Opening book value	71,019	78,624
Add: Cost of addition to machinery during the period/ year	-	-
	71,019	78,624
Less: Written down value of machinery deleted during the period/ year	-	-
	71,019	78,624
Less: Depreciation during the period/ year	1,721	7,605
	69,298	71,019

	Quarter ended	
	30 September 2007	30 September 2006
	(Rupees in thousand)	
9. COST OF SALES		
Raw materials consumed	1,223,668	1,142,541
Cloth and yarn purchased/used	1,254,973	1,049,147
Processing charges	35,990	8,973
Salaries, wages and other benefits	291,125	266,759
Staff retirement benefits	9,271	7,952
Stores, spare parts and loose tools	352,109	316,135
Packing materials	104,310	88,193
Repair and maintenance	19,600	22,059
Fuel and power	324,657	371,606
Insurance	5,607	5,667
Other factory overheads	34,021	34,115
Depreciation	231,943	229,139
	3,887,274	3,542,286
Work-in-process		
Opening stock	942,753	896,854
Closing stock	(1,135,350)	(910,816)
	(192,597)	(13,962)
Cost of goods manufactured	3,694,677	3,528,324
Finished goods		
Opening stock	898,896	837,434
Closing stock	(1,108,073)	(825,618)
	(209,177)	11,816
	3,485,500	3,540,140
10. OTHER OPERATING EXPENSES		
Worker's participation fund	21,548	13,722
Worker's welfare fund	8,130	5,214
Amortization of deferred cost	158	158
Donation	76	1,018
	29,912	20,112
11. EARNINGS PER SHARE - BASIC AND DILUTED		
There is no dilutive effect on the basic earnings per share.		
12. TRANSACTIONS WITH RELATED PARTIES		
Purchase of goods and services	58,082	49,928
Sale of goods and services	25,532	836
Sale of operating fixed assets	-	67
Dividend income	109,197	-
Company's contribution to provident fund trust	11,880	10,182
Remuneration paid to Chief Executive Officer, Directors and executives	11,399	11,221
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 29 October, 2007.

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

NISHAT MILLS LIMITED AND ITS SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION**

QUARTER ENDED SEPTEMBER 30, 2007

CONSOLIDATED BALANCE SHEET
 AS AT 30 SEPTEMBER 2007

	Note	Unaudited 30 September 2007 (Rupees in thousand)	Audited 30 June 2007						
EQUITY AND LIABILITIES									
SHARE CAPITAL AND RESERVES									
Authorized share capital 178,470,000 (June 2007: 178,470,000) ordinary shares of Rupees 10 each		<u>1,784,700</u>	<u>1,784,700</u>						
Issued, subscribed and paid up share capital 159,785,717 (June 2007: 159,785,717) ordinary shares of Rupees 10 each	5	<u>1,597,857</u>	1,597,857						
Reserves		<u>29,586,317</u>	<u>28,359,567</u>						
Total equity		31,184,174	29,957,424						
NON-CURRENT LIABILITIES									
Long term finances Liabilities against assets subject to finance lease	6	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td style="text-align: right;">1,391,422</td></tr> <tr><td style="text-align: right;">-</td></tr> <tr><td style="text-align: right;">1,391,422</td></tr> </table>	1,391,422	-	1,391,422	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td style="text-align: right;">1,773,820</td></tr> <tr><td style="text-align: right;">-</td></tr> <tr><td style="text-align: right;">1,773,820</td></tr> </table>	1,773,820	-	1,773,820
1,391,422									
-									
1,391,422									
1,773,820									
-									
1,773,820									
CURRENT LIABILITIES									
Trade and other payables		1,228,844	926,593						
Accrued markup		119,963	131,744						
Short term finances		5,077,881	5,018,664						
Current portion of long term liabilities		1,313,666	1,341,565						
Provision for taxation		283,807	230,807						
		<u>8,024,161</u>	<u>7,649,373</u>						
Total Liabilities		9,415,583	9,423,193						
CONTINGENCIES AND COMMITMENTS									
	7								
TOTAL EQUITY AND LIABILITIES		<u>40,599,757</u>	<u>39,380,617</u>						

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

CHIEF EXECUTIVE OFFICER

	Note	Unaudited 30 September 2007 (Rupees in thousand)	Audited 30 June 2007
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	10,525,820	10,586,159
Long term investments		17,211,865	15,466,506
Long term loans		9,717	9,523
Long term deposits, prepayments and deferred cost		9,185	9,342
		27,756,587	26,071,530
CURRENT ASSETS			
Stores, spare parts and loose tools		465,859	422,428
Stock-in-trade		2,970,659	3,106,436
Trade debts		1,090,781	831,653
Short term Investments		7,376,363	8,118,459
Loans and advances		494,693	411,270
Short term deposits and prepayments		50,891	26,395
Other receivables		329,633	322,839
Cash and bank balances		64,291	69,607
		12,843,170	13,309,087
TOTAL ASSETS		40,599,757	39,380,617

DIRECTOR / CHIEF FINANCIAL OFFICER

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED 30 SEPTEMBER 2007
(UN-AUDITED)**

	Note	Quarter ended	
		30 September 2007	30 September 2006
(Rupees in thousand)			
SALES		4,277,037	4,360,839
COST OF SALES	9	3,485,500	3,540,140
GROSS PROFIT		791,537	820,699
DISTRIBUTION AND SELLING COST		209,256	262,444
ADMINISTRATIVE AND GENERAL EXPENSES		93,108	91,245
OTHER OPERATING EXPENSES	10	29,912	20,112
		332,276	373,801
OTHER OPERATING INCOME		459,261	446,898
		116,472	21,283
OPERATING PROFIT		575,733	468,181
FINANCE COST		177,345	212,675
		398,388	255,506
SHARE OF PROFIT IN ASSOCIATED COMPANIES		137,981	220,484
PROFIT BEFORE TAXATION		536,369	475,990
PROVISION FOR TAXATION		53,000	50,286
PROFIT AFTER TAXATION		483,369	425,704
EARNINGS PER SHARE			
- BASIC AND DILUTED (RUPEES)		3.03	2.66

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

CHIEF EXECUTIVE OFFICER

DIRECTOR / CHIEF FINANCIAL OFFICER

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE QUARTER ENDED 30 SEPTEMBER 2007
(UN-AUDITED)**

	Quarter ended	
	30 September 2007	30 September 2006
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	536,369	475,990
Adjustments for non cash charges and other items.		
Depreciation	245,653	238,364
Loss/(Gain) on disposal of operating fixed assets	10,382	(2,693)
Share of profit in associated companies	(137,981)	(220,484)
Amortization of deferred cost	158	158
Finance cost	177,345	212,675
CASH FLOW FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES	831,926	704,010
CASH FLOW FROM WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(43,431)	18,252
Stock-in-trade	135,777	717,418
Trade debts	(259,128)	(11,293)
Loans and advances	(34,502)	(20,627)
Short term deposits and prepayments	(24,496)	(15,275)
Other receivables	(6,794)	(53,111)
Increase / (decrease) in current liabilities		
Trade and other payables	302,315	159,420
Short term finances	59,217	(136,317)
NET CASH FLOWS FROM WORKING CAPITAL CHANGES	128,958	658,467
CASH GENERATED FROM OPERATING ACTIVITIES	960,884	1,362,477
Finance cost paid	(189,126)	(244,204)
Income tax paid	(49,127)	(49,857)
NET CASH GENERATED FROM OPERATING ACTIVITIES	722,631	1,068,416

	Quarter ended	
	30 September 2007	30 September 2006
	(Rupees in thousand)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term loans	12	1,237
Long term deposits, prepayments and deferred cost	(1)	548
Proceeds from disposal of operating fixed assets	37,835	7,128
Investment made	(121,901)	(513,721)
Fixed capital expenditure	(233,531)	(170,579)
NET CASH USED IN INVESTING ACTIVITIES	(317,586)	(675,387)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finances	(402,606)	(306,356)
Repayment of finance lease liabilities	(7,691)	(6,842)
Dividend paid	(64)	(2,466)
NET CASH USED IN FINANCING ACTIVITIES	(410,361)	(315,664)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(5,316)	77,365
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	69,607	50,250
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	64,291	127,615

CHIEF EXECUTIVE OFFICER

DIRECTOR / CHIEF FINANCIAL OFFICER

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2007 (UN-AUDITED)**

	Share capital	Premium on issue of right shares	Fair value reserve	Reserve for issue of bonus shares	Capital redemption reserve fund	General reserve	Unappropriated profit	Shareholders' equity
	1,452,597	1,027,622	10,194,839	-	82,331	6,135,132	1,701,888	20,594,409
Balance as on 30 June 2006- restated								
Share of (decrease)/increase in reserves of associated companies under equity method	-	-	(487,350)	-	6,971	-	(6,971)	(487,350)
Fair value gain for the period	-	-	1,490,966	-	-	-	-	1,490,966
Profit for the quarter	-	-	-	-	-	-	425,704	425,704
	1,452,597	1,027,622	11,198,455	-	89,302	6,135,132	2,120,621	22,023,729
Balance as on 30 September 2006								
Dividend @ Rs 1.5 per share	-	-	-	-	-	-	(217,890)	(217,890)
Transfer to reserve for issue of bonus shares	-	-	-	145,260	-	-	(145,260)	-
Bonus shares issued during the period	145,260	-	-	(145,260)	-	-	-	-
Transfer to general reserve	-	-	-	-	-	1,269,000	(1,269,000)	-
Fair value gain adjusted on sale of investment	-	-	(11,625)	-	-	-	-	(11,625)
Fair value gain for the period	-	-	5,314,352	-	-	-	-	5,314,352
Share of increase in reserves of associated companies under equity method	-	-	1,672,766	-	20,912	-	(93,286)	1,600,392
Net profit for the period	-	-	-	-	-	-	1,248,466	1,248,466
	1,597,857	1,027,622	18,173,948	-	110,214	7,404,132	1,643,651	29,957,424
Balance as on 30 June 2007								
Fair value loss for the quarter	-	-	(1,275,887)	-	-	-	-	(1,275,887)
Share of increase in reserves of associated companies under equity method	-	-	2,024,768	-	788	-	(6,288)	2,019,268
Net profit for the quarter ended 30 September 2007	-	-	-	-	-	-	483,369	483,369
	1,597,857	1,027,622	18,922,829	-	111,002	7,404,132	2,120,732	31,184,174

CHIEF EXECUTIVE OFFICER

DIRECTOR / CHIEF FINANCIAL OFFICER

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2007
(UN-AUDITED)**

1. THE GROUP AND ITS OPERATIONS

The Holding Company

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.

The Subsidiary Company

The Private Power and Infrastructure Board, Ministry of Water and Power, Government of Pakistan, granted special permission, under its Policy for Power Generation Projects, 2002 (the "Power Policy"), to Nishat Mills Limited to establish a residual fuel oil fired power generation project of approximately 200 MW capacity based on reciprocating engine technology. Accordingly, Nishat Mills Limited incorporated Nishat Power Limited (NPL) under the Companies Ordinance, 1984, on February 23, 2007.

Nishat Power Limited is a wholly-owned subsidiary of Nishat Mills Limited and commenced business on July 26, 2007. Nishat Power Limited is an unlisted public limited company having its registered office at 53-A, Lawrence Road, Lahore and site office at 66 Kilometer Lahore Multan Road, Jumber Kalan, District Kasur, Division Lahore. The principle business of the subsidiary is generation, supply and transmission of electrical power.

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 except for the changes in accounting estimate disclosed in Note 4.

4. CHANGE IN ACCOUNTING ESTIMATE

During the quarter ended on 30 September 2007, the company has revised its accounting estimate in respect of charging of depreciation on computers and useful life (depreciation rate) thereof. The useful life of computers has been reassessed and depreciation rate has been revised to 30% from 10%.

Had there been no change in this accounting estimate, the profit for the period and the written down value of operating fixed assets as at 30 September 2007 would have been higher by Rs 2.67 million.

	30 September 2007	30 June 2007
	(Rupees in thousand)	
5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL		
67,762,264 (June 2007: 67,762,264) ordinary shares of Rupees 10 each fully paid up in cash	677,623	677,623
37,252,280 (June 2007: 37,252,280) fully paid ordinary shares of Rupees 10 each issued for consideration other than cash	372,522	372,522
54,771,173 (June 2007: 54,771,173) ordinary shares of Rupees 10 each issued as fully paid bonus shares	547,712	547,712
	1,597,857	1,597,857

5.1 Ordinary shares of the company held by associated undertakings are as follows:

	30 September 2007	30 June 2007
	(Number of shares)	
D.G. Khan Cement Company Limited	20,157,391	20,157,391
Adamjee Insurance Company Limited	868,035	868,035
	21,025,426	21,025,426

	30 September 2007	30 June 2007
	(Rupees in thousand)	
6. LONG TERM FINANCES		
Opening balance	3,082,354	4,296,512
Add: Disbursement during the period/ year	-	-
	3,082,354	4,296,512
Less: Repayment during the period/ year	402,606	1,214,158
	2,679,748	3,082,354
Less: Current portion shown under current liabilities	1,288,326	1,308,534
	1,391,422	1,773,820

7. CONTINGENCIES AND COMMITMENTS

Contingencies

- i) The company is contingently liable for Rupees 61.891 million (June 2007: 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 674.444 million (June 2007: Rupees 669.944 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, Wartsila Finland for power project and collector of customs.

- iii) Company's share in contingencies of associated companies is Rupees 436.312 million (June 2007: Rupees 249.430 million).

Commitments

- i) Contracts for capital expenditure are approximately amounting to Rupees 81.800 million (June 2007: Rupees 17.882 million).
- ii) Letters of credit other than for capital expenditure are amounting to Rupees 221.513 million (June 2007: Rupees 458.158 million).

	30 September 2007 (Rupees in thousand)	30 June 2007
8. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 8.1)	10,053,799	10,309,611
Assets subject to finance lease (Note 8.2)	69,298	71,019
Capital work-in-progress	402,723	205,529
	10,525,820	10,586,159
8.1 OPERATING FIXED ASSETS		
Opening written down value	10,309,611	8,398,310
Add: Cost of additions during the period/ year (Note 8.1.1)	36,337	3,005,383
	10,345,948	11,403,693
Less: Written down value of deletions during the period/ year (Note 8.1.2)	48,217	118,919
	10,297,731	11,284,774
Less: Depreciation charged for the period/ year	243,932	975,163
	10,053,799	10,309,611
8.1.1 Cost of additions during the period/ year		
Freehold land	-	8,541
Buildings on freehold land	3,934	667,997
Plant and machinery	9,365	2,103,923
Electric installations	4,444	75,963
Factory equipments	5,039	28,587
Furniture, fixture and office equipments	4,173	35,697
Vehicles	9,382	84,675
	36,337	3,005,383
8.1.2 Written down value of deletions during the period/ year		
Buildings on freehold land	457	524
Plant and machinery	45,819	101,769
Electric installations	-	137
Factory equipments	-	76
Furniture, fixture and office equipments	-	158
Vehicles	1,941	16,255
	48,217	118,919

	30 September 2007	30 June 2007
	(Rupees in thousand)	
8.2 ASSETS SUBJECT TO FINANCE LEASE		
Opening book value	71,019	78,624
Add: Cost of addition to machinery during the period/ year	-	-
	71,019	78,624
Less: Written down value of machinery deleted during the period/ year	-	-
	71,019	78,624
Less: Depreciation during the period/ year	1,721	7,605
	69,298	71,019
	Quarter ended	
	30 September 2007	30 September 2006
	(Rupees in thousand)	
9. COST OF SALES		
Raw materials consumed	1,223,668	1,142,541
Cloth and yarn purchased/used	1,254,973	1,049,147
Processing charges	35,990	8,973
Salaries, wages and other benefits	291,125	266,759
Staff retirement benefits	9,271	7,952
Stores, spare parts and loose tools	352,109	316,135
Packing materials	104,310	88,193
Repair and maintenance	19,600	22,059
Fuel and power	324,657	371,606
Insurance	5,607	5,667
Other factory overheads	34,021	34,115
Depreciation	231,943	229,139
	3,887,274	3,542,286
Work-in-process		
Opening stock	942,753	896,854
Closing stock	(1,135,350)	(910,816)
	(192,597)	(13,962)
Cost of goods manufactured	3,694,677	3,528,324
Finished goods		
Opening stock	898,896	837,434
Closing stock	(1,108,073)	(825,618)
	(209,177)	11,816
	3,485,500	3,540,140
10. OTHER OPERATING EXPENSES		
Worker's participation fund	21,548	13,722
Worker's welfare fund	8,130	5,214
Amortization of deferred cost	158	158
Donation	76	1,018
	29,912	20,112

11. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share.

Quarter ended
30 September 2007 30 September 2006
(Rupees in thousand)

12. TRANSACTIONS WITH RELATED PARTIES

Purchase of goods and services	58,082	49,928
Sale of goods and services	25,532	836
Sale of operating fixed assets	-	67
Dividend income	109,197	-
Company's contribution to provident fund trust	11,880	10,182
Remuneration paid to Chief Executive Officer, Directors and executives	11,399	11,221

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 29 October, 2007.

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