



NISHAT
Nishat Mills Limited

First Quarterly Report
for the Quarter ended 30 September 2010

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COMPANY INFORMATION

BOARD OF DIRECTORS:

Mian Umer Mansha
Mian Hassan Mansha
Mr. Khalid Qadeer Qureshi
Mr. Muhammad Azam
Mr. Muhammad Ali Zeb
Mr. Syed Zahid Hussain
Ms. Nabiha Shahnawaz Cheema

Chairman/Chief Executive Officer

AUDIT COMMITTEE:

Mr. Khalid Qadeer Qureshi
Mr. Muhammad Azam
Ms. Nabiha Shahnawaz Cheema

Chairman/Member
Member
Member

CHIEF FINANCIAL OFFICER:

Mr. Badar-ul-Hassan

COMPANY SECRETARY:

Mr. Khalid Mahmood Chohan

AUDITORS:

Riaz Ahmad & Company

Chartered Accountants

LEGAL ADVISOR:

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

BANKERS TO THE COMPANY:

Albaraka Islamic Bank
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Barclays Bank PLC
Citibank N.A.
Deutsche Bank
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
JS Bank Limited

KASB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Pak Brunei Investment Company Limited
Pakistan Kuwait Investment Company (Pvt) Limited
Samba Bank Limited
Saudi Pak Industrial & Agricultural
Investment Company Limited
Silk Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Royal Bank of Scotland
United Bank Limited

MILLS:

Nishatabad, Faisalabad.

(Spinning units, Yarn Dyeing unit & 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, Stitching unit and
Power plant)

7 K.M. East Hadiara Drain
Off: 22 K.M. Ferozepur Road,
Lahore.

(Apparel Unit)

20 K.M. Sheikhupura Faisalabad
Road, Feroze Watwan.

(Spinning unit & Power plant)

REGISTERED OFFICE & SHARES DEPARTMENT

Nishat House,
53 - A, Lawrence Road, Lahore.
Tel: 042-36360154, 042-111 113 333
Fax: 042-36367414

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7, Main Gulberg, Lahore.
Tel: 042-35716351-59, 042-111 332 200
Fax: 042-35716349-50
E-mail: nishat@nishatmills.com
Website: www.nishatmills.com

LIAISON OFFICE:

1st Floor, Karachi Chambers,
Hasrat Mohani Road, Karachi.
Tel: 021-32414721-23
Fax: 021-32412936



NISHAT MILLS LIMITED

**UNCONSOLIDATED CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE QUARTER
ENDED 30 SEPTEMBER 2010**

DIRECTORS' REPORT

Operating Results

We are pleased to present financial information of Nishat Mills Limited ("the Company") for the three months period ended September 30, 2010. In the first quarter of 2010-2011, the Company has continued its revenue and profit growth trend from the financial year 2009-2010. The after tax profit of the Company in three months period ended September 30, 2010 has significantly increased to Rs 1,350.109 million compared to Rs 513.208 million in the corresponding period ended September 30, 2009, showing an excellent increase of 163.07 %. Similarly, the gross profit for the current period has increased to Rs 2,138.386 million compared to Rs 1,181.531 million in the previous corresponding period. This significant growth in gross profit and net profit is mainly attributable to increase in quantities and prices of the products manufactured and sold by the Company. All business segments of the Company have contributed towards excellent results in the current period over the previous corresponding period, however, spinning and garments businesses of the Company have performed tremendously well. Our spinning business has mainly reaped the benefits of high investment in cotton in the last season when there was an unprecedented rise in cotton and cotton yarn prices besides being ably supported by our excellent production facilities. Our newly established garments business has shown excellent results in the current quarter and is expected to grow further in future.

Financial highlights	Quarter ended September 30		Increase / (decrease) % age
	2010	2009	
Net sales ('000' Rs)	9,960,849	6,395,633	55.74
Gross profit ('000' Rs)	2,138,386	1,181,531	80.98
Pre-tax profit ('000' Rs)	1,477,609	592,708	149.30
After tax profit ('000' Rs)	1,350,109	513,208	163.07
Gross profit (%)	21.47	18.47	
After tax profit (%)	13.55	8.02	
Earnings per share (Rs)	3.84	1.94	

Furthermore, the increase in distribution and administrative expenses is only 26.42% and 20.47% respectively against 55.74% increase in sales due to effective cost curtailment measures. Similarly, owing to excellent profit of the financial year 2009-2010 and better funds management, the Company has been able to limit the increase in its finance cost to 21.58% only (September 2009: Rs 258.845 million, September 2010: Rs 314.708 million) from the previous corresponding period even though its sales have increased by 55.74%. The Company has also focused on foreign exchange management and is benefitted from the use of foreign currency derivatives.

Market Review and Future Prospects

Textile industry in Pakistan is facing multiple challenges internally and globally. On domestic front ever increasing production cost, uncertainty about cotton supply and prices and double digit inflation are posing a major threat to the textile industry. High energy cost and inflation have swelled up to almost twice in the last twelve months together with prolonged power and gas shut downs has made it very difficult for the textile companies to survive and compete in the international markets. On these fronts the situation is expected to remain volatile in the near future.

Our textile industry has shown great courage in coping with these challenges in the financial year 2009-2010, however, the worse is feared in the financial year 2010-2011 when the loss of cotton crop resulting from unprecedented rains and floods in the Country may cause reduction in cotton supply and consequently high prices of this basic raw material. The impact of this huge natural calamity has not yet been fully assessed and the companies are largely speculating. As a result both the buyers and sellers of cotton are very cautious in their decisions. Cotton prices in the international market have also reached to unprecedented levels in the recent times which will

result in higher cost of imported raw material too. Furthermore, expected devaluation of Rupee and higher inflation are the other causes of concern for this sector. In this difficult time, textile sector expects very effective measures from the Government to protect export businesses of the Country of which textile sector is the biggest contributor.

Increase in demand of our products in Europe and America and the announcement of withdrawal of import duty on number of our textile products by the European Union are some helping factors which may help our textile sector to sail through these challenging times. A lot of efforts are in progress jointly by the Government and our textile associations firstly to ensure the implementation of already announced withdrawal of import duties and secondly to get this relaxation for more of our finished textile products.

As always the management of Nishat Mills is keeping a close eye on the volatile market situation and is taking proactive measures to mitigate the impact of emerging challenges. Our future marketing strategy will be to explore new markets for our products, broadening our product mix and getting maximum benefit from our vertically integrated production facilities that can turn raw cotton to a final finished consumer product.

Spinning

During the first quarter of the financial year 2010-11 cotton prices both in international and local market have kept fluctuating. Domestic cotton market is highly speculative mainly due to the uncertainty about the extent of damage to the Country's cotton crop in the recent floods which may result in major shortage in cotton supply. Cotton prices in international market soared due to higher demand. In this speculative market it is difficult to determine the best buying.

Another challenge was that in the start of the current quarter, the rate of increase in cotton yarn prices in international market was much less than the rate of increase in raw cotton prices. However, our local cotton market initially supported us with good supply. Towards the end of the current quarter, demand for cotton yarn in local and international markets increased resulting in increase in yarn prices which helped us to maintain our profit margins against the significant increase in cotton prices. In international market demand for cotton yarn increased mainly in Far East while demand in Europe and USA has not yet improved much.

Once again we have been able to increase our sales value and earn good margins owing to our timely investment in bulk purchase of cotton in the previous financial year. We also broadened our product and quality mix to maintain our margins. We are analyzing the cotton market very vigilantly this year and are very careful in purchasing new cotton. We are hoping that the uncertainty in the cotton market about the effects of the floods on the cotton crop will be cleared very soon and the prices will become stable in the local market.

Yarn	Quarter ended September 30		Increase / (decrease)	
	2010	2009	Value	% age
Sale ('000' Kgs)	9,022	9,202	(180)	(1.96)
Rate/Kg	303.30	187.50	115.80	61.76
Sale ('000' Rs)	2,736,364	1,725,404	1,010,960	58.59

During the current quarter we have started our Yarn Dyeing business. Our marketing team is working very enthusiastically to develop business for this new segment and they have been successful in getting orders from the local and international customers.

Weaving

Towards the later half of the first quarter of the financial year 2010-2011, we witnessed sharp rise in cotton yarn and polyester prices. This sharp increase in prices of our raw material created a lot of uncertainty in the market. Customers are extremely cautious and are currently not willing to absorb any significant increase in grey prices resulting from increase in prices of yarn and polyester. At the start of the current year a decline in cotton prices was expected with the supply of the new cotton crop in the market due to which customers had delayed their orders to get the benefit from lower cotton prices. However, with the increased uncertainty in the local cotton market, customers were forced to do some panic buying in the month of September. In this situation it is extremely difficult for us to analyse future business scenario with any level of certainty.

However, Nishat is confident to face this big challenge ahead. Our strategy once again will be to focus on and retain our valuable customers which will only be possible by keeping our prices low (reducing margins) and keep on getting business volume. We have been able to increase our sales volume and prices in the current quarter compared to the previous corresponding quarter. We have started business with some new customers in Turkey in the current quarter. We are also benefitted from our sales in Europe, our major export market, with the recent strengthening of Euro against US dollar. Our sales in Europe can further improve if expected withdrawal of import duty on our grey sale to the countries falling under European Union becomes effective in January 2011. Our experienced team is continuously monitoring the market situation and taking effective measures.

Grey Cloth	Quarter ended September 30		Increase / (decrease)	
	2010	2009	Value	% age
Sale ('000' Mtrs)	13,097	11,205	1,892	16.89
Rate/Mtr	147.49	112.63	34.86	30.95
Sale ('000' Rs)	1,931,656	1,262,038	669,618	53.06

We are in the process of installing 17 additional airjet looms to increase our production capacity. We have bought state of the art looms that will give us added advantage for specialized products.

Processing and Home Textile

An unprecedented increase in cotton prices has dominated the concerns of the value added sector during the first quarter of this financial year. We have observed sharp rise in the raw material prices caused by the increase in cotton and grey prices in the international markets as well as uncertain situation of the supply of cotton in the country after the floods. During the last six months global economy has shown signs of recovery from economic recession which has increased demand of our finished products, however, value added sector of our country is not geared up to take full advantage of this situation because of uncertain raw material supply and prices in the domestic market, tough competition from neighboring countries and serious internal problems.

It is an established fact that Nishat's financial strength, its production capabilities and its being an integrated unit play a critical role in amplifying the business. Unlike many other companies in the business we have again done well in the current quarter and have been able to increase our revenue from processing and home textile sector by more than 50% compared to the previous corresponding quarter. Our better marketing strategy and provision of fabulous services has played a tremendous role in building strong relations with our current customers as well as attracting new business opportunities. In the coming months our strategy will be to further increase our customer base and thus increase our sales volume which will help us to ease pressure on the profitability due to increased prices of grey fabric. The price trend of cotton and certainty about the withdrawal of import duty by the European Union will play a pivotal role in determining our margins in the rest of the current financial year. We are continuously monitoring the ever changing situation and are taking effective measures.

Processing and Home Textile	Quarter ended September 30		Increase / (decrease)	
	2010	2009	Value	% age
Sale ('000' Mtrs)	17,529	14,169	3,360	23.71
Rate/Mtr	216.73	176.80	39.93	22.58
Sale ('000' Rs)	3,798,999	2,505,039	1,293,960	51.65

Owing to rapid increase in demand and our sales volume, we are in the process of increasing our processing and stitching production capacities to cater the growing demand. This added capability is expected to enhance our performance even further in upcoming months and we are looking forward to broaden our product mix and customer base.

Garments

Our garments facility is a purpose built, state of the art project of Nishat Mills Limited established in 2007. It is today in its fourth financial year of operation and is termed as a benchmark for apparel manufacturing in Pakistan. It is one of its kind project, bringing in industrial concepts into a traditionally small and medium sized business sector.

With the excellent results achieved in the year 2009-2010, our garment business is poised to achieve even greater results in the current year. Our garments business is continuously growing with the help of good marketing strategy and heavy investments into machinery and infrastructure development. It has achieved more than 60% growth in revenues and more than 120% growth in gross profit in the current quarter compared to the previous corresponding quarter. These results are even better than our expectations. Future plans include further investments in enhancing capacities and extending our reach into newer high value markets.

Garments	Quarter ended September 30		Increase / (decrease)	
	2010	2009	Value	% age
Sale ('000' Pcs)	1,616	1,117	499	44.67
Rate/Pc	552.83	496.99	55.84	11.24
Sale ('000' Rs)	893,371	555,142	338,229	60.93

Our future strategies include investments in building and machineries, thus increasing the capacities to 600,000 garments / month and in this regard we have already ordered world's best laundry machines. With these changes, continuous growth and tremendous customer support, we believe our garment business will show great results in future.

Power Generation

Nishat Mills has installed most modern captive power plants at all its sites to keep running with a low cost power at all the divisions like Spinning, Weaving, Processing and Stitching and Garment units without any failures. This also played a vital role to maintain an extraordinary record of timely shipments. The plants are based on natural gas fired generators which besides generating electricity efficiently also produce steam through exhaust gas and chilling through hot water from engine cooling system. This concept utilizes the fuel to the fullest. Our cost of electricity generation has increased significantly due to the regular break downs in gas supply and increase in fuel prices.

In order to mitigate the power crises faced by the Country, Nishat Mills is also supplying surplus power from its different sites to PEPCO distribution companies.

Subsidiaries and Consolidated Financial Statements

Nishat USA Incorporation and Nishat Power Limited are the subsidiary companies of Nishat Mills Limited. Therefore, the Company has annexed consolidated condensed interim financial information along with its unconsolidated condensed interim financial information, in accordance with the requirements of International Accounting Standard-27 (Consolidated and Separate Financial Statements).

Setting up a Limited Liability Company (“LLC”) in the United Arab Emirates (“UAE”)

The Board of Directors of Nishat Mills Limited in the board of directors meeting held on September 09, 2010 has approved the establishment of a Limited Liability Company in UAE under the proposed name of Nishat UAE LLC, as a wholly owned subsidiary company to be incorporated under the laws of UAE for the purposes, among others, of operating wholesale and retail outlets of the Company in the UAE. The proposed investments will expand the business horizon of the Company beyond Pakistan. The management expects that the dividends from the investee company will enhance the profitability of the Company resulting in addition to the shareholders value. Moreover, the presence of the Company in UAE will expand the area of operations of the Company which could bring in substantial demand for the Company's products.

Acknowledgment

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

For and on behalf of the Board of Directors

Mian Umer Mansha
Chief Executive Officer / Chairman
Lahore: October 26, 2010

UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2010

	Note	Un-audited 30 September 2010 (Rupees in thousand)	Audited 30 June 2010
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
1,100,000,000 (30 June 2010: 1,100,000,000) ordinary shares of Rupees 10 each		11,000,000	11,000,000
Issued, subscribed and paid up share capital			
351,599,848 (30 June 2010: 351,599,848) ordinary shares of Rupees 10 each		3,515,999	3,515,999
Reserves		28,934,401	27,860,314
Total Equity		32,450,400	31,376,313
NON-CURRENT LIABILITIES			
Long term financing- secured	5	2,716,236	2,980,694
Deferred tax		1,256,892	1,256,892
		3,973,128	4,237,586
CURRENT LIABILITIES			
Trade and other payables		2,210,426	2,139,321
Accrued mark-up		189,653	232,247
Short term borrowings		8,187,215	6,649,447
Current portion of long term financing- secured	5	1,217,274	1,128,632
Provision for taxation		546,268	418,768
		12,350,836	10,568,415
Total Liabilities		16,323,964	14,806,001
CONTINGENCIES AND COMMITMENTS	6	-	-
TOTAL EQUITY AND LIABILITIES		48,774,364	46,182,314

The annexed notes form an integral part of this unconsolidated condensed interim financial information.

CHIEF EXECUTIVE OFFICER

Note	Un-audited 30 September 2010 (Rupees in thousand)	Audited 30 June 2010
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ASSETS

NON-CURRENT ASSETS

Property, plant and equipment	7	11,829,342	11,841,667
Investment properties	8	131,109	132,550
Long term investments		21,778,342	21,959,543
Long term loans	9	841,874	498,803
Long term deposits and prepayments		17,462	16,823
		34,598,129	34,449,386

CURRENT ASSETS

Stores, spare parts and loose tools	777,366	688,832
Stock in trade	6,024,019	6,060,441
Trade debts	2,153,355	2,041,256
Loans and advances	631,026	504,046
Short term deposits and prepayments	68,699	31,912
Other receivables	896,261	724,407
Accrued interest	43,842	16,906
Short term investments	1,561,352	1,554,543
Cash and bank balances	2,020,315	110,585
	14,176,235	11,732,928

TOTAL ASSETS

48,774,364	46,182,314
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DIRECTOR

**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED 30 SEPTEMBER 2010 (UN-AUDITED)**

	Note	QUARTER ENDED	
		30 September 2010	30 September 2009
		(Rupees in thousand)	
SALES		9,960,849	6,395,633
COST OF SALES	10	(7,822,463)	(5,214,102)
GROSS PROFIT		2,138,386	1,181,531
DISTRIBUTION COST		(433,414)	(342,826)
ADMINISTRATIVE EXPENSES		(150,923)	(125,278)
OTHER OPERATING EXPENSES	11	(119,068)	(47,438)
		(703,405)	(515,542)
		1,434,981	665,989
OTHER OPERATING INCOME		357,336	185,564
PROFIT FROM OPERATIONS		1,792,317	851,553
FINANCE COST		(314,708)	(258,845)
PROFIT BEFORE TAXATION		1,477,609	592,708
PROVISION FOR TAXATION		(127,500)	(79,500)
PROFIT AFTER TAXATION		1,350,109	513,208
EARNINGS PER SHARE- BASIC AND DILUTED (RUPEES)	13	3.84	1.94

The annexed notes form an integral part of this unconsolidated condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT
OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2010 (UN-AUDITED)**

	QUARTER ENDED	
	30 September 2010	30 September 2009
	(Rupees in thousand)	
PROFIT AFTER TAXATION	1,350,109	513,208
OTHER COMPREHENSIVE INCOME:		
(Deficit) / surplus arising on remeasurement of available for sale investments	(276,022)	4,122,639
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,074,087	4,635,847

The annexed notes form an integral part of this unconsolidated condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED 30 SEPTEMBER 2010 (UN-AUDITED)

	QUARTER ENDED	
	30 September 2010	30 September 2009
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,477,609	592,708
Adjustments for non-cash charges and other items:		
Depreciation	278,750	266,255
Provision for doubtful debts	3,000	-
(Gain) / loss on sale of property, plant and equipment	(783)	3,051
(Gain) on sale of investment	-	(32,000)
Dividend income	(159,850)	(129,752)
Exchange difference on translation of investment in foreign subsidiary	(25)	(67)
Net exchange gain including loss on forward contracts	(122,250)	-
Interest income on loan to subsidiary company	(26,936)	-
Finance cost	314,708	258,845
Cash flows from operating activities before adjustment of working capital changes	1,764,223	959,040
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(88,534)	(73,916)
Stock-in-trade	36,422	435,002
Trade debts	(115,099)	100,753
Loans and advances	(26,653)	(25,739)
Short term deposits and prepayments	(36,787)	(68,480)
Other receivables	(155,588)	(5,859)
	(386,239)	361,761
Increase in trade and other payables	71,376	232,430
Cash generated from operations	1,449,360	1,553,231
Finance cost paid	(357,302)	(312,361)
Income tax paid	(101,122)	(67,436)
Exchange gain on forward exchange contracts received	105,984	-
Net decrease in long term loans	3,059	1,436
Net (increase) / decrease in long term deposits and prepayments	(639)	57
Net cash generated from operating activities	1,099,340	1,174,927
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	9,162	7,402
Proceeds from sale of investment	-	430,000
Long term loan to subsidiary company	(345,335)	(25,000)
Dividends received	159,850	129,752
Investments made	(101,605)	(510,885)
Capital expenditure on property, plant and equipment	(273,363)	(361,107)
Net cash used in investing activities	(551,291)	(329,838)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(175,816)	-
Short term borrowings- net	1,537,768	(847,550)
Dividend paid	(271)	(64)
Net cash generated from / (used in) financing activities	1,361,681	(847,614)
Net increase / (decrease) in cash and cash equivalents	1,909,730	(2,525)
Cash and cash equivalents at the beginning of the period	110,585	111,494
Cash and cash equivalents at the end of the period	2,020,315	108,969

The annexed notes form an integral part of this unconsolidated condensed interim financial information.

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 SEPTEMBER 2010 (UN-AUDITED)

(RUPEES IN THOUSAND)

SHARE CAPITAL	RESERVES							TOTAL EQUITY
	CAPITAL RESERVES			REVENUE RESERVES				
	Premium on issue of right shares	Fair value reserve	Sub Total	General reserve	Unappropri- ated profit	Sub Total	Total	
2,424,827	2,226,014	400,990	2,627,004	12,844,028	1,434,908	14,278,936	16,905,940	19,330,767
-	-	4,122,639	4,122,639	-	513,208	513,208	4,635,847	4,635,847
2,424,827	2,226,014	4,523,629	6,749,643	12,844,028	1,948,116	14,792,144	21,541,787	23,966,614
-	-	-	-	-	(484,965)	(484,965)	(484,965)	(484,965)
-	-	-	-	948,000	(948,000)	-	-	-
1,091,172	3,273,516	-	3,273,516	-	-	-	3,273,516	4,364,688
-	-	1,127,723	1,127,723	-	2,402,253	2,402,253	3,529,976	3,529,976
3,515,999	5,499,530	5,651,352	11,150,882	13,792,028	2,917,404	16,709,432	27,860,314	31,376,313
-	-	(276,022)	(276,022)	-	1,350,109	1,350,109	1,074,087	1,074,087
3,515,999	5,499,530	5,375,330	10,874,860	13,792,028	4,267,513	18,059,541	28,934,401	32,450,400

Balance as at 30 June 2009 (Audited)

Total comprehensive income for the period
- net of deferred tax

Balance as at 30 September 2009 (Un-audited)

Final dividend for the year ended 30 June 2009
@ Rupees 2 per share

Transfer to general reserve

Right shares issued during the period ended
30 June 2010

Total comprehensive income for the period
- net of deferred tax

Balance as at 30 June 2010 (Audited)

Total comprehensive income for the period
- net of deferred tax

Balance as at 30 September 2010 (Un-audited)

The annexed notes form an integral part of this unconsolidated condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED 30 SEPTEMBER 2010 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

Nishat Mills Limited is a public limited Company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984) and listed on all 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, apparel, 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 sell electricity.

2. BASIS OF PREPARATION

This unconsolidated condensed interim financial information is unaudited and is being submitted to share holders as required by section 245 of the Companies Ordinance, 1984. This unconsolidated condensed interim financial information has been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" as applicable in Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP). This condensed interim unconsolidated financial information does not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2010.

3. ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and methods of computations adopted for the preparation of this unconsolidated condensed interim financial information are the same as applied in the preparation of the preceding annual published financial statements of the company for the year ended 30 June 2010.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this unconsolidated condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of this unconsolidated condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2010.

	Un-audited 30 September 2010 (Rupees in thousand)	Audited 30 June 2010
5. LONG TERM FINANCING - SECURED		
Opening balance	4,109,326	2,767,724
Add: Obtained during the period / year	-	1,937,415
Less: Repaid during the period / year	175,816	595,813
	<hr/>	<hr/>
Closing balance	3,933,510	4,109,326
Less: Current portion shown under current liabilities	1,217,274	1,128,632
	<hr/>	<hr/>
Non-Current portion	2,716,236	2,980,694
	<hr/> <hr/>	<hr/> <hr/>

6. CONTINGENCIES AND COMMITMENTS

Contingencies

- i) The Company is contingently liable for Rupees 82.722 million (30 June 2010: Rupees 87.378 million) on account of central excise duty not acknowledged as debt as the cases are pending before Court.
- ii) Guarantees of Rupees 545.733 million (30 June 2010: Rupees 472.398 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections, Shell Pakistan Limited against purchase of furnace oil, Director Excise and Taxation, Karachi and Collector of Customs, Excise and Sales Tax against infrastructure cess.
- iii) Post dated cheques of Rupees 363.588 million (30 June 2010: Rupees 537.000 million) are issued to customs authorities in respect of duties on imported items availed on the basis of consumption and export plans. If documents of exports are not provided on due dates, cheques issued as security shall be encashable.
- iv) The Company has given following guarantees on behalf of Nishat Power Limited - subsidiary company:
 - (a) Performance guarantee of USD 1 million [Pak Rupees 86.380 million] (30 June 2010: USD 1 million [Pak Rupees 85.600 million]) in favour of Private Power and Infrastructure Board to secure performance of Nishat Power Limited under Implementation Agreement and Power Purchase Agreement.
 - (b) Irrevocable standby letters of credit of Rupees 430 million (30 June 2010: 430 million) for equity injection, in accordance with Project Funds Agreement, in favour of security trustee of syndicated lenders of Nishat Power Limited.

Commitments

- i) Contracts for capital expenditure are approximately of Rupees 822.181 million (30 June 2010: Rupees 935.095 million).
- ii) Letters of credit other than for capital expenditure are of Rupees 433.780 million (30 June 2010: Rupees 313.142 million).

	Un-audited 30 September 2010	Audited 30 June 2010
	(Rupees in thousand)	
7. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 7.1)	11,581,449	11,476,005
Capital work in progress (Note 7.2)	247,893	365,662
	11,829,342	11,841,667
7.1 OPERATING FIXED ASSETS		
Opening net book value	11,476,005	11,102,355
Add: Cost of additions during the period / year (Note 7.1.1)	391,203	1,687,321
Less: Book value of assets transferred to investment properties during the period / year (Note 7.1.2 and 8)	-	97,853
	11,867,208	12,691,823
Less: Book value of deletions during the period / year (Note 7.1.3)	8,379	116,136
	11,858,829	12,575,687
Less: Depreciation charged for the period / year	277,380	1,099,682
	11,581,449	11,476,005
7.1.1 Cost of additions during the period / year		
Freehold land	-	144,262
Buildings on freehold land	77,061	144,833
Plant and machinery	280,709	1,259,480
Electric installations	4,328	16,322
Factory equipment	4,115	16,509
Furniture, fixtures and office equipment	6,567	18,842
Computer equipment	2,533	15,237
Vehicles	15,890	71,836
	391,203	1,687,321
7.1.2 Book value of assets transferred to investment properties during the period / year		
Freehold land	-	56,632
Buildings on freehold land	-	41,221
	-	97,853

	Un-audited 30 September 2010 (Rupees in thousand)	Audited 30 June 2010
7.1.3 Book value of deletions during the period / year		
Plant and machinery	4,125	101,416
Electric installations	211	3,366
Factory equipment	-	378
Furniture, fixtures and office equipment	44	126
Computer equipment	-	50
Vehicles	3,999	10,800
	8,379	116,136
7.2 CAPITAL WORK-IN-PROGRESS		
Buildings on freehold land	131,965	106,742
Plant and machinery	106,365	245,225
Electric installation	546	546
Unallocated capital expenditures	-	7,219
Letters of credit against machinery	2,225	2,631
Advances against furniture and office equipment	2,211	652
Advances against vehicles	4,581	2,647
	247,893	365,662
8. INVESTMENT PROPERTIES		
Opening net book value	132,550	41,049
Add: Book value of assets transferred from operating fixed assets during the period / year (Note 7.1.2)	-	97,853
	132,550	138,902
Less: Depreciation charged for the period/ year	1,441	6,352
	131,109	132,550
9 LONG TERM LOANS		

These include subordinated long term loans of Rupees 818.220 million (30 June 2010: Rupees 472.885 million) given to Nishat Power Limited - subsidiary company. These loans are unsecured and carries markup at the rate of 3 months KIBOR plus 2% payable on quarterly basis. The principal amount will be repaid in two payments on 24 September 2014 and 12 July 2015.

(Un-audited)

QUARTER ENDED	
30 September 2010	30 September 2009

(Rupees in thousand)

10. COST OF SALES

Raw material consumed	2,364,041	1,574,807
Cloth and yarn purchased / used	3,490,372	1,869,095
Processing charges	54,821	28,107
Salaries, wages and other benefits	559,386	463,881
Stores, spare parts and loose tools	799,666	603,531
Packing materials consumed	174,811	116,659
Repair and maintenance	58,614	58,358
Fuel and power	666,579	514,041
Insurance	7,371	6,803
Other factory overheads	58,230	51,681
Depreciation	261,941	251,242
	8,495,832	5,538,205
Work-in-process		
Opening stock	2,921,946	1,529,335
Closing stock	(3,178,389)	(1,712,731)
	(256,443)	(183,396)
Cost of goods manufactured	8,239,389	5,354,809
Finished goods		
Opening stock	1,545,610	1,164,522
Closing stock	(1,962,536)	(1,305,229)
	(416,926)	(140,707)
Cost of sales	7,822,463	5,214,102

11. OTHER OPERATING EXPENSES

Workers' profit participation fund	79,472	30,203
Workers' welfare fund	30,155	12,096
Loss on sale of property, plant and equipment	-	3,051
Provision for doubtful debts	3,000	-
Depreciation on investment properties	1,441	1,588
Donations (Note 11.1)	5,000	500
	119,068	47,438

11.1 There is no interest of any director or his/her spouse in donee's fund.

12. SEGMENT INFORMATION

12.1 The company has five reportable business segments. The following summary describes the operation in each of the Company's reportable segments:

- Spinning: Production of different qualities of yarn using natural and artificial fibers.
 Weaving: Production of different qualities of grey fabric using yarn.
 Processing & Home Textile: Processing of grey fabric for production of printed and dyed fabric and its further use in manufacturing variety of home textile articles.
 Garments: Manufacturing of garments using processed fabric.
 Power Generation: Generation and distribution of power using gas, oil and steam.

Transactions among the business segments are recorded at cost basis.

12.2

	Spinning		Weaving		Processing & Home Textile		Garments		Power generation		Elimination of inter-segment transactions		(Un-audited) Total-Company	
	Quarter ended		Quarter ended		Quarter ended		Quarter ended		Quarter ended		Quarter ended		Quarter ended	
	Sep 10	Sep 09	Sep 10	Sep 09	Sep 10	Sep 09	Sep 10	Sep 09	Sep 10	Sep 09	Sep 10	Sep 09	Sep 10	Sep 09
Sales	3,668,873	2,421,778	3,454,923	2,330,338	4,151,645	2,651,133	943,025	569,732	599,597	531,614	(2,857,214)	(2,108,962)	9,960,849	6,395,633
Cost of sales	2,830,989	2,125,453	2,959,434	2,030,066	3,446,827	2,118,266	776,438	496,060	665,989	553,219	(2,857,214)	(2,108,962)	7,822,463	5,214,102
Gross profit/(loss)	837,884	296,325	495,489	300,272	704,818	532,867	166,587	73,672	(66,392)	(21,605)	-	-	2,138,386	1,181,531
Distribution cost	62,740	46,577	111,567	78,727	220,553	192,350	38,554	25,172	-	-	-	-	433,414	342,826
Administrative expenses	41,150	34,979	37,366	30,955	54,606	45,046	13,323	10,617	4,478	3,681	-	-	150,923	125,278
	103,890	81,556	148,933	109,682	275,159	237,396	51,877	35,789	4,478	3,681	-	-	584,337	468,104
Profit before taxation and unallocated income and expenses	733,994	214,769	346,556	190,590	429,659	295,471	114,710	37,883	(70,870)	(25,286)	-	-	1,554,049	713,427

Unallocated income and expenses:

Other operating expenses	(119,068)	(47,438)
Other operating income	357,336	185,564
Finance cost	(314,708)	(25,884)
Provision for taxation	(127,500)	(79,500)
Profit after taxation	1,350,109	513,208

12.3 Reconciliation of reportable segment assets

	Spinning		Weaving		Processing & Home Textile		Garments		Power generation		Total-Company	
	Quarter ended		Quarter ended		Quarter ended		Quarter ended		Quarter ended		Quarter ended	
	Sep 10	Jun 10	Sep 10	Jun 10	Sep 10	Jun 10	Sep 10	Jun 10	Sep 10	Jun 10	Sep 10	Jun 10
5,990,897	6,184,668	3,845,812	3,635,533	7,616,690	7,359,656	1,695,313	1,763,519	1,851,917	1,849,672	21,000,629	20,793,048	

Total assets for reportable segments

Unallocated assets:

Long term investments	21,778,342	21,959,543
Other receivables	896,261	724,407
Cash and bank balances	2,020,315	110,585
Other corporate assets	3,078,817	2,594,731
Total assets as per balance sheet	48,774,364	46,182,314

12.4 Inter-segment sales and purchases

Inter-segment sales and purchases are eliminated from the total.

13. EARNINGS PER SHARE - BASIC AND DILUTED

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

14. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise subsidiary companies, associated undertakings, other related companies and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in this unconsolidated condensed interim financial information are as follows:

	(Un-audited)	
	QUARTER ENDED	
	30 September 2010	30 September 2009
	(Rupees in thousand)	
Subsidiary companies		
Investment made	-	510,885
Share deposit money	-	510,885
Working capital loan	345,335	25,000
Interest on working capital loan	26,935	60
Purchase of goods and services	4,409	3,941
Associated companies		
Investment made	101,605	-
Purchase of goods and services	4,699	1,739
Sale of goods and services	2,100	1,650
Sale of operating fixed assets	1,455	1,253
Dividend income	159,274	129,752
Insurance premium paid	29,963	19,449
Insurance claims received	5,308	3,541
Profit on saving accounts	7	-
Subscription paid	750	563
Other related parties		
Purchase of goods and services	52,544	64,565
Sale of goods and services	31,682	41,918
Company's contribution to provident fund trust	20,545	17,834
Remuneration paid to Chief Executive Officer, Directors and Executives	69,186	30,453

15. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding annual published financial statements of the Company for the year ended 30 June 2010.

16. DATE OF AUTHORIZATION FOR ISSUE

This unconsolidated condensed interim financial information was approved by the Board of Directors and authorized for issue on October 26, 2010.

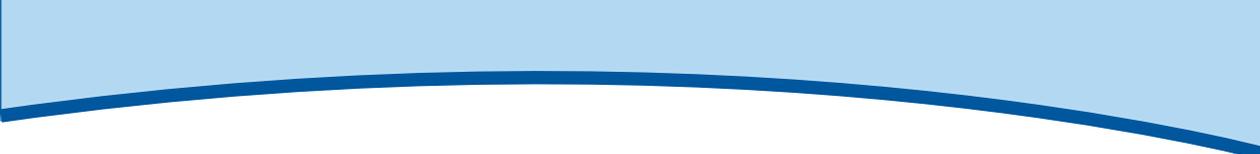
17. CORRESPONDING FIGURES

17.1 Figures have been re-arranged where ever necessary for the purpose of comparison ,however, no significant changes have been made.

17.2 Figures have been rounded off to the nearest thousand of Rupees.

CHIEF EXECUTIVE OFFICER

DIRECTOR



NISHAT MILLS LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE QUARTER ENDED
30 SEPTEMBER 2010**

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2010

	Note	Un-audited 30 September 2010 (Rupees in thousand)	Audited 30 June 2010
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
1,100,000,000 (30 June 2010: 1,100,000,000) ordinary shares of Rupees 10 each		11,000,000	11,000,000
Issued, subscribed and paid up share capital			
351,599,848 (30 June 2010: 351,599,848) ordinary shares of Rupees 10 each		3,515,999	3,515,999
Reserves		36,273,716	34,762,289
Equity attributable to equity holders of the parent		39,789,715	38,278,288
Minority interest		1,583,876	1,559,986
Total equity		41,373,591	39,838,274
NON-CURRENT LIABILITIES			
Long term financing- secured Deferred tax	6	16,150,803 310,976	16,404,955 310,976
		16,461,779	16,715,931
CURRENT LIABILITIES			
Trade and other payables Accrued mark-up Short term borrowings Current portion of long term financing- secured Provision for taxation	6	2,343,852 839,894 11,568,490 1,574,355 568,941	2,909,695 816,436 9,441,973 1,867,912 438,248
		16,895,532	15,474,264
Total Liabilities		33,357,311	32,190,195
CONTINGENCIES AND COMMITMENTS	7	-	-
TOTAL EQUITY AND LIABILITIES		74,730,902	72,028,469

The annexed notes form an integral part of this consolidated condensed interim financial information.

CHIEF EXECUTIVE OFFICER

Note	Un-audited 30 September 2010 (Rupees in thousand)	Audited 30 June 2010
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ASSETS

NON-CURRENT ASSETS

Property, plant and equipment	8	28,295,255	28,473,874
Investment properties	9	131,109	132,550
Long term investments		26,116,329	25,892,058
Long term loans		23,654	25,918
Long term deposits and prepayments		17,807	17,166
		54,584,154	54,541,566

CURRENT ASSETS

Stores, spare parts and loose tools	1,016,303	904,316
Stock-in-trade	6,650,553	6,414,919
Trade debts	6,597,158	4,709,853
Loans and advances	960,751	1,144,952
Short term deposits and prepayments	75,742	32,430
Other receivables	984,442	839,564
Short term investments	1,561,352	1,554,543
Cash and bank balances	2,300,447	1,886,326
	20,146,748	17,486,903

TOTAL ASSETS

74,730,902	72,028,469
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DIRECTOR

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED 30 SEPTEMBER 2010 (UN-AUDITED)**

	Note	QUARTER ENDED	
		30 September 2010	30 September 2009 Restated
(Rupees in thousand)			
SALES	10	14,300,125	6,395,633
COST OF SALES	11	(11,400,663)	(5,214,102)
GROSS PROFIT		2,899,462	1,181,531
DISTRIBUTION COST		(433,384)	(342,750)
ADMINISTRATIVE EXPENSES		(163,176)	(127,998)
OTHER OPERATING EXPENSES	12	(119,068)	(47,438)
		(715,628)	(518,186)
		2,183,834	663,345
OTHER OPERATING INCOME		184,287	67,705
PROFIT FROM OPERATIONS		2,368,121	731,050
FINANCE COST		(989,469)	(258,789)
		1,378,652	472,261
SHARE OF PROFIT IN ASSOCIATED COMPANIES		416,483	338,475
PROFIT BEFORE TAXATION		1,795,135	810,736
PROVISION FOR TAXATION		(132,115)	(80,128)
PROFIT AFTER TAXATION		1,663,020	730,608
SHARE OF PROFIT / (LOSS) ATTRIBUTABLE TO:			
EQUITY HOLDERS OF PARENT		1,639,130	731,280
MINORITY INTEREST		23,890	(672)
		1,663,020	730,608
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	14	4.73	2.76

The annexed notes form an integral part of this consolidated condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**CONSOLIDATED CONDENSED INTERIM STATEMENT
OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2010 (UN-AUDITED)**

	QUARTER ENDED	
	30 September 2010	30 September 2009
	Restated	
	(Rupees in thousand)	
PROFIT AFTER TAXATION	1,663,020	730,608
OTHER COMPREHENSIVE INCOME:		
(Deficit)/surplus arising on remeasurement of available for sale investments	(139,817)	1,759,918
Deferred income tax relating to deficit/ (surplus) on available for sale investments	8,059	30,944
	(131,758)	1,790,862
Effect of translation of net investment in foreign branches	3,642	2,556
Exchange differences on translating foreign operation	33	71
	3,675	2,627
Other comprehensive income / (loss) for the period- net of tax	(128,083)	1,793,489
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,534,937	2,524,097
SHARE OF PROFIT / (LOSS) ATTRIBUTABLE TO:		
EQUITY HOLDERS OF PARENT	1,511,047	2,524,769
MINORITY INTEREST	23,890	(672)
	1,534,937	2,524,097

The annexed notes form an integral part of this consolidated condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED 30 SEPTEMBER 2010 (UN-AUDITED)

	QUARTER ENDED	
	30 September 2010	30 September 2009
		Restated
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,795,135	810,736
Adjustments for non-cash charges and other items:		
Depreciation	446,571	266,291
Provision for doubtful debts	3,000	-
(Gain)/ loss on sale of property, plant and equipment	(783)	3,051
Dividend income	(576)	(10,226)
Share of profit from associated companies	(416,483)	(338,475)
Net exchange gain including loss on forward contracts	(122,250)	-
Finance cost	989,469	258,789
Cash flows from operating activities before adjustment of working capital changes	2,694,083	990,166
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(111,987)	(797,405)
Stock-in-trade	(235,634)	435,002
Trade debts	(1,890,305)	(35,530)
Loans and advances	284,528	(58,925)
Short term deposits and prepayments	(43,312)	(73,288)
Other receivables	(128,612)	(147,428)
	(2,125,322)	(677,574)
(Decrease) / increase in trade and other payables	(565,572)	251,234
Cash generated from operations	3,189	563,826
Finance cost paid	(966,011)	(312,305)
Income tax paid	(102,544)	(67,637)
Exchange gain on forward exchange contracts received	105,984	-
Net decrease in long term loans	3,059	1,436
Net (increase) / decrease in long term deposits and prepayments	(641)	50
Net cash (used in)/ generated from operating activities	(956,964)	185,370
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	9,162	7,402
Dividends received	159,850	129,752
Investments made	(101,605)	-
Capital expenditure on property, plant and equipment	(274,890)	(1,240,338)
Net cash used in investing activities	(207,483)	(1,103,184)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term financing	-	756,024
Proceeds from disposal of interest to minority shareholders	-	515,500
Cost of issuance of shares	-	(2,022)
Repayment of long term financing	(547,709)	-
Exchange difference on translation of the net investment in foreign subsidiary	33	71
Short term borrowings - net	2,126,517	(324,330)
Dividend paid	(273)	(64)
Net cash generated from financing activities	1,578,568	945,179
Net increase in cash and cash equivalents	414,121	27,365
Cash and cash equivalents at the beginning of the period	1,886,326	170,864
Cash and cash equivalents at the end of the period	2,300,447	198,229

The annexed notes form an integral part of this consolidated condensed interim financial information.

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 SEPTEMBER 2010 (UN-AUDITED)

(RUPEES IN THOUSAND)

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY											MINORITY INTEREST	TOTAL EQUITY
	SHARE CAPITAL	CAPITAL RESERVES					REVENUE RESERVES			TOTAL RESERVES	SHARE- HOLDERS' EQUITY		
		Premium on issue of right Shares	Fair value reserve	Exchange translation reserve	Capital redemption reserve fund	Statutory reserve	Sub Total	General reserve	Unappro- priated profit				
Balance as at 30 June 2009-restated (Audited)	2,424,827	3,492,679	1,937	111,002	25,061	5,856,693	14,373,882	1,886,524	16,260,406	22,117,099	24,541,926	1,023,169	25,565,095
Share in reserves of associated companies under equity method	-	-	-	-	-	28,016	-	(28,016)	-	-	-	-	-
Share in surplus on revaluation of fixed assets relating to incremental depreciation- net of tax under equity method	-	-	-	-	-	-	-	369	-	369	369	-	369
Disposal of interest to minority - net of deferred tax	-	1,790,862	2,627	-	-	1,793,489	731,280	-	731,280	2,524,769	2,524,769	(672)	2,524,097
Balance as at 30 September 2009- restated (Un-audited)	2,424,827	5,283,541	4,564	111,002	53,077	7,678,198	14,373,882	2,590,157	16,964,039	24,642,237	27,067,064	1,537,997	28,605,061
Final dividend for the year ended 30 June 2009 @ Rupees 2 per share	-	-	-	-	-	-	-	(484,965)	(484,965)	-	(484,965)	-	(484,965)
Transfer to general reserve	-	-	-	-	-	-	1,350,000	(1,350,000)	-	-	-	-	-
Right shares issued during the period ended 30 June 2010	1,091,172	3,273,516	-	-	-	3,273,516	-	-	-	3,273,516	4,364,688	-	4,364,688
Share in reserves of associated companies under equity method	-	-	-	-	-	80,496	-	(80,496)	-	-	-	-	-
Share in surplus on revaluation of fixed assets relating to incremental depreciation- net of tax under equity method	-	-	-	-	-	-	-	1,192	1,192	1,192	1,192	-	1,192
Disposal of interest to minority - net of deferred tax	-	(168,333)	4,487	-	-	(163,846)	-	7,462,965	7,299,119	7,299,119	7,299,119	21,179	7,320,298
Balance as at 30 June 2010 (Audited)	3,515,999	5,499,530	9,051	111,002	133,573	10,868,364	15,723,882	8,170,043	23,893,925	34,762,289	36,278,288	1,559,986	39,838,274
Share in reserves of associated companies under equity method	-	-	-	-	-	31,789	-	(31,789)	-	-	-	-	-
Share in surplus on revaluation of fixed assets relating to incremental depreciation- net of tax under equity method	-	-	-	-	-	-	-	380	380	380	380	-	380
Total comprehensive income/ (loss) for the period - net of deferred tax	-	(131,758)	3,675	-	-	(128,083)	-	1,639,130	1,639,130	1,511,047	1,511,047	23,890	1,534,937
Balance as at 30 September 2010 (Un-audited)	3,515,999	5,499,530	4,983,450	12,726	111,002	10,772,070	15,723,882	9,777,764	25,501,646	36,273,716	39,789,715	1,583,876	41,373,591

The annexed notes form an integral part of this consolidated condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED 30 SEPTEMBER 2010 (UN-AUDITED)

1. THE GROUP AND ITS OPERATIONS

The Group consists of:

Holding Company

- Nishat Mills Limited

Subsidiary Companies

- Nishat Power Limited
- Nishat USA, INC.

Nishat Mills Limited

Nishat Mills Limited is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984) and listed on all 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, apparel, 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, supply and sell electricity.

Nishat Power Limited

Nishat Power Limited is a public limited company incorporated in Pakistan under Companies Ordinance, 1984 and listed on Karachi stock exchange (Guarantee) Limited and Lahore stock exchange (Guarantee) Limited in Pakistan. The principal activity of the company is to build, own, operate and maintain a fuel fired power station having gross capacity of 200 MW ISO in Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan. Its commercial operations have commenced from 09 June 2010. Its registered office is situated at 53-A, Lawrence Road, Lahore.

NISHAT USA, INC.

Nishat USA Inc. is a foreign subsidiary incorporated under the Business Corporation Laws of the State of New York. The registered office of Nishat USA Inc. is situated at 676 Broadway, New York, NY 10012, U.S.A. The principal business of the subsidiary company is to provide marketing services to Nishat Mills Limited - Holding Company. Nishat Mills Limited acquired 100% share holding of Nishat USA Inc. on 01 October 2008.

2. BASIS OF PREPARATION

This consolidated condensed interim financial information is unaudited and is being submitted to share holders as required by section 245 of the Companies Ordinance, 1984. This consolidated condensed interim financial information has been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and (IAS) 27 "Consolidated and separate financial statements" as applicable in Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP). This consolidated condensed interim financial information should be read in conjunction with the audited annual published consolidated financial statements of the Group for the year ended 30 June 2010.

3. ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and methods of computations adopted for the preparation of this consolidated condensed interim financial information are the same as applied in the preparation of preceding annual published consolidated financial statements of the Group for the year ended 30 June 2010.

4. CONSOLIDATION

a) Subsidiary

Subsidiaries are those entities in which Holding Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The condensed interim financial information of the subsidiary companies is included in this consolidated condensed interim financial information from the date control commences until the date that control ceases.

The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against Holding Company's share in paid up capital of the subsidiary companies.

Intragroup balances and transactions have been eliminated.

Minority interests are that part of net results of the operations and of net assets of subsidiary companies attributable to interest which are not owned by the Holding Company. Minority interests are presented as separate item in this consolidated condensed interim financial information.

b) Associates

Associates are the entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in these associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment loss, if any.

The Group's share of its associate's post-acquisition profits or losses, movement in other comprehensive income, and its share of post-acquisition movements in reserves is recognized in the profit and loss account, statement of comprehensive income and reserves respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an associate reduce the carrying amount of the investment.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this consolidated condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of this consolidated condensed interim financial information, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published consolidated financial statements of the Group for the year ended 30 June 2010.

	Un-audited 30 September 2010 (Rupees in thousand)	Audited 30 June 2010
6. LONG TERM FINANCING - SECURED		
Opening balance	18,272,867	14,417,710
Add: Obtained during the period / year	-	4,450,970
Less: Repaid during the period / year	547,709	595,813
	<hr/> 17,725,158	<hr/> 18,272,867
Less: Current portion shown under current liabilities	1,574,355	1,867,912
	<hr/> 16,150,803	<hr/> 16,404,955
Non-current portion	<hr/> 16,150,803	<hr/> 16,404,955

7. CONTINGENCIES AND COMMITMENTS

Contingencies

- i) Nishat Mills Limited - Holding Company is contingently liable for Rupees 82.722 million (30 June 2010: Rupees 87.378 million) on account of central excise duty not acknowledged as debt as the cases are pending before Court.
- ii) Guarantees of Rupees 545.733 million (30 June 2010: Rupees 472.398 million) are given by the banks of the Nishat Mills Limited - Holding Company to Sui Northern Gas Pipelines Limited against gas connections, Shell Pakistan Limited against purchase of furnace oil, Director Excise and Taxation, Karachi and Collector of Customs, Excise and Sales Tax against infrastructure cess.
- iii) Post dated cheques of Rupees 363.588 million (30 June 2010: Rupees 537.000 million) are issued by the Nishat Mills Limited - Holding Company to customs authorities in respect of duties on imported items availed on the basis of consumption and export plans. If documents of exports are not provided on due dates, cheques issued as security shall be encashable.
- iv) Nishat Mills Limited - Holding Company has given performance guarantee of USD 1 million [Pak Rupees 86.380 million] (30 June 2010: USD 1 million [Pak Rupees 85.600 million] in favour of Private Power and Infrastructure Board to secure performance of Nishat Power Limited - Subsidiary Company under Implementation Agreement and Power Purchase Agreement.
- v) Irrevocable standby letters of credit of Rupees 430 million (30 June 2010: 430 million) given by Nishat Mills Limited - Holding Company for equity injection, in accordance with Project Funds Agreement, in favour of security trustee of syndicated lenders of Nishat Power Limited - Subsidiary company.
- vi) The Nishat Mills Limited's share in contingencies of associated companies' accounted for under equity method is Rupees 6,320.154 million (30 June 2010: Rupees 5,706.861 million).
- vii) Nishat Power Limited - Subsidiary Company has issued irrevocable letter of credit of USD 5.370 million [Pak Rupees 462.864 million] (30 June 2010: USD 5.370 million [Pak Rupees 459.642 million]) in favour of National Transmission and Despatch Company Limited (NTDCL) as required under Power Purchase Agreement.

- viii) As per terms of Power Purchase Agreement (“PPA”) with National Transmission and Despatch Company Limited (the power purchaser from Nishat Power Limited – Subsidiary Company), the Required Commercial Operations Date of the power project was 31 December 2009. However, the Subsidiary Company achieved commercial operations on 09 June 2010. Consequently, the power purchaser may raise liquidated damages against the Subsidiary Company for not meeting the required Commercial Operations Date in accordance with section 9.4 of the PPA, which are estimated at USD 2.572 million equivalent to Rupees 222.169 million.

The Subsidiary Company's management has requested in writing to the power purchaser for extension in the Required Commercial Operations Date on the basis that the delay in commissioning was due to circumstances beyond the Subsidiary Company's control, which is under consideration of the power purchaser. The Subsidiary Company's management is confident that there are meritorious grounds that the power purchaser would not raise any liquidated damages against the Subsidiary Company. In light of the above, the Subsidiary Company's management considers that in case, the power purchaser raises the above mentioned liquidated damages against the Subsidiary Company, the Subsidiary Company is fully secure to pay the liquidated damages to the power purchaser from the funds received in respect of the liquidated damages from the Engineering, Procurement and Construction (“EPC”) contractor.

Consequently, no provision has been made in this consolidated condensed interim financial information for the above mentioned liquidated damages that may be raised by the power purchaser.

Commitments

- i) Contracts for capital expenditure of the group are approximately of Rupees 822.181 million (30 June 2010: Rupees 935.095 million).
- ii) Letters of credit other than for capital expenditure of the Group are of Rupees 438.711 million (30 June 2010: Rupees 313.814 million).
- iii) The Group has also commitments in respect of other contracts of Rupees 5.580 million (30 June 2010: Rupees 1.313 million).
- iv) Nishat Power Limited - Subsidiary Company has entered into a contract for purchase of fuel oil from Shell Pakistan Limited (“SPL”) for a period of ten years starting from the commercial operations date of the power station i.e 09 June 2010. Under the terms of the Fuel Supply Agreement, the Subsidiary Company is not required to buy any minimum quantity of oil from SPL.
- v) Nishat Power Limited - Subsidiary Company has also entered into an agreement with Wartsila Pakistan (Private) Limited for the operations and maintenance (O&M) of the power station for a five years period starting from the commercial operations date of the power station i.e 09 June 2010. Under the terms of the O&M agreement, the Subsidiary Company is required to pay a monthly fixed O&M fee and a variable O&M fee depending on the net electrical output, both of which are adjustable according to the Wholesale Price Index.

	Un-audited 30 September 2010	Audited 30 June 2010
	(Rupees in thousand)	
8. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 8.1)	28,047,116	28,108,212
Capital work in progress (Note 8.2)	248,139	365,662
	28,295,255	28,473,874
8.1 OPERATING FIXED ASSETS		
Opening net book value	28,108,212	11,189,711
Add: Cost of additions during the period / year (Note 8.1.1)	392,413	18,273,648
Less: Book value of assets transferred to investment properties during the period / year (Note 8.1.2 and 9)	-	97,853
	28,500,625	29,365,506
Less: Book value of deletions during the period / year (Note 8.1.3)	8,379	116,103
	28,492,246	29,249,403
Less: Depreciation charged for the period / year	445,130	1,141,191
	28,047,116	28,108,212
8.1.1 Cost of additions during the period / year		
Freehold land	-	144,262
Buildings on freehold land	77,061	323,269
Plant and machinery	280,709	17,664,376
Electric installations	4,328	16,322
Factory equipment	4,115	16,509
Furniture, fixtures and office equipment	6,799	19,874
Computer equipment	2,533	15,825
Vehicles	16,868	73,211
	392,413	18,273,648
8.1.2 Book value of assets transferred to investment properties during the period / year		
Freehold land	-	56,632
Buildings on freehold land	-	41,221
	-	97,853

	Un-audited 30 September 2010	Audited 30 June 2010
	(Rupees in thousand)	
8.1.3 Book value of deletions during the period / year		
Plant and machinery	4,125	101,416
Electric installations	211	3,366
Factory equipment	-	378
Furniture, fixtures and office equipment	44	126
Computer equipment	-	50
Vehicles	3,999	10,767
	8,379	116,103
8.2 Capital work-in-progress		
Buildings on freehold land	132,211	261,535
Plant and machinery	106,365	14,506,900
Electric installations	546	546
Unallocated expenses	-	7,219
Letters of credit against machinery	2,225	2,631
Advances against furniture and office equipment	2,211	652
Advances against vehicles	4,581	2,647
Unallocated capital expenditures (Note 8.2.1)	-	2,166,865
	248,139	16,948,995
Transfer to operating fixed assets	-	(16,583,333)
	248,139	365,662
8.2.1 Unallocated expenditures - Nishat Power Limited - Subsidiary Company		
Raw material consumed	-	2,189,759
Stores, spare parts and loose tools consumed	-	1,169
Salaries and other benefits	-	42,982
Electricity consumed in-house	-	23,123
Insurance	-	204,282
Traveling and conveyance	-	12,213
Rent, rates and taxes	-	1,415
Postage and telephone	-	1,370
Legal and professional charges	-	7,191
Consultancy charges	-	18,429
Fee and subscription	-	45,381
Mark-up on		
Long term financing- secured	-	3,041,941
Short term borrowings- secured	-	108,817
Bank charges and financing fee	-	169,502
Bank guarantee commission	-	10,092
Depreciation	-	2,741
Miscellaneous	-	4,566
	-	5,884,973
Delay liquidity damages recovered	-	(1,461,648)
Sale of trial production	-	(2,256,460)
	-	2,166,865

	Un-audited 30 September 2010 (Rupees in thousand)	Audited 30 June 2010
9. INVESTMENT PROPERTIES		
Opening net book value	132,550	41,049
Add: Book value of assets transferred from operating fixed assets during the period / year (Note 8.1.2)	-	97,853
	132,550	138,902
Less: Depreciation charged for the period / year	1,441	6,352
	131,109	132,550

10. SALES

During the quarter ended September 30, 2010, Nishat Power Limited- Subsidiary Company has recognized sales of Rupees 4,339.276 million on the basis of reference tariff approved by National Electric Power Regulatory Authority (NEPRA), which was notified by the Federal Government as required by section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act. During the period NEPRA has announced revised tariff through its decision dated August 27, 2010 which has been revised again on October 15, 2010. This revised tariff is subject to notification by the Federal Government, therefore has not been accounted for in the accounts for the period ended September 30, 2010. However, had the revised tariff been taken into account, the revenue for the period would have been higher by Rs. 579.950 million resulting in increase of profit after tax for the period by the same amount.

(Un-audited)

QUARTER ENDED	
30 September 2010	30 September 2009

Restated

(Rupees in thousand)

11. COST OF SALES

Raw material consumed	5,658,432	1,574,807
Cloth and yarn purchased / used	3,490,372	1,869,095
Processing charges	54,821	28,107
Salaries, wages and other benefits	566,404	463,881
Stores, spare parts and loose tools consumed	804,697	603,531
Packing materials consumed	174,811	116,659
Repair and maintenance	121,591	58,358
Fuel and power	667,023	514,041
Insurance	45,813	6,803
Other factory overheads	60,664	51,681
Depreciation	429,404	251,242
	12,074,032	5,538,205
Work-in-process		
Opening stock	2,921,946	1,529,335
Closing stock	(3,178,389)	(1,712,731)
	(256,443)	(183,396)
Cost of goods manufactured	11,817,589	5,354,809
Finished goods		
Opening stock	1,545,610	1,164,522
Closing stock	(1,962,536)	(1,305,229)
	(416,926)	(140,707)
Cost of sales	11,400,663	5,214,102

12. OTHER OPERATING EXPENSES

Workers' profit participation fund	79,472	30,203
Workers' welfare fund	30,155	12,096
Loss on sale of property, plant and equipment	-	3,051
Provision for doubtful debts	3,000	-
Depreciation on investment properties	1,441	1,588
Donations (Note 12.1)	5,000	500
	119,068	47,438

12.1 There is no interest of any director or his spouse in donee's fund.

13. SEGMENT INFORMATION

13.1 The Group has five reportable business segments. The following summary describes the operation in each of the Group's reportable segments:

- Spinning: Production of different qualities of yarn using natural and artificial fibers.
- Weaving: Production of different qualities of grey fabric using yarn.
- Processing & Home Textile: Processing of grey fabric for production of printed and dyed fabric and its further use in manufacturing variety of home textile articles.
- Garments: Manufacturing of garments using processed fabric.
- Power Generation: Generation and distribution of power using gas, oil and steam.

Transactions among the business segments are recorded at cost basis.

13.2

	Spinning		Weaving		Processing & Home Textile		Garments		Power generation		Elimination of inter-segment transactions		Total-Group	
	Quarter ended		Quarter ended		Quarter ended		Quarter ended		Quarter ended		Quarter ended		Quarter ended	
	Sep 10	Sep 09	Sep 10	Sep 09	Sep 10	Sep 09	Sep 10	Sep 09	Sep 10	Sep 09	Sep 10	Sep 09	Sep 10	Sep 09
Sales	3,668,873	2,421,778	3,454,923	2,330,338	4,151,645	2,651,133	945,025	569,732	4,938,873	531,614	(2,857,214)	(2,108,962)	14,300,125	6,395,633
Cost of sales	2,830,989	2,125,453	2,959,434	2,030,066	3,446,827	2,118,266	776,438	496,060	4,244,189	553,219	(2,857,214)	(2,108,962)	11,400,663	5,214,102
Gross profit/(loss)	837,884	296,325	495,489	300,272	704,818	532,867	166,587	73,672	694,684	(21,605)	-	-	2,899,462	1,181,531
Distribution cost	62,740	46,577	111,567	78,727	220,523	192,274	38,554	25,172	-	-	-	-	433,384	342,750
Administrative expenses	41,150	34,979	37,366	30,955	54,606	45,046	13,323	10,617	16,731	6,401	-	-	163,176	127,998
	103,890	81,556	148,933	109,682	275,129	237,320	51,877	35,789	16,731	6,401	-	-	596,560	470,748
Profit before taxation and unallocated income and expenses	793,994	214,769	346,556	190,590	429,689	295,547	114,710	37,883	677,953	(28,006)	-	-	2,302,902	710,783
Unallocated income and expenses:														
Other operating expenses													(119,068)	(47,438)
Other operating income													184,287	67,705
Finance cost													(989,469)	(238,789)
Share of profit in associated companies													416,483	338,475
Provision for taxation													(132,115)	(80,128)
Profit after taxation													1,663,020	730,608

13.3 Reconciliation of reportable segment assets

	Spinning		Weaving		Processing & Home Textile		Garments		Power generation		Total-Group		
	Audited		Audited		Audited		Audited		Audited		Audited		
	Jun 10	Sep 10	Jun 10	Sep 10	Jun 10	Sep 10	Jun 10	Sep 10	Jun 10	Sep 10	Jun 10	Sep 10	
Total assets for reportable segments	5,990,897	6,184,668	3,845,812	3,635,533	7,617,575	7,360,584	1,695,313	1,763,519	23,962,981	22,361,278	43,112,578	41,305,582	
Unallocated assets:													
Long term investments												26,116,329	25,892,058
Other receivables												984,442	839,564
Cash and bank balances												2,300,447	1,886,326
Other corporate assets												2,217,106	2,104,939
Total assets as per balance sheet												74,730,902	72,028,469

13.4 inter-segment sales and purchases

Inter-segment sales and purchases are eliminated from the total.

14. EARNINGS PER SHARE - BASIC AND DILUTED

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

15. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related companies and key management personnel. The Group in the normal course of business management carries out transactions with various related parties. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in this consolidated condensed interim financial information are as follows:

(Un-audited)	
QUARTER ENDED	
30 September 2010	30 September 2009

(Rupees in thousand)

Associated companies

Investment made	101,605	-
Purchase of goods and services	5,406	1,804
Sale of goods and services	2,100	1,650
Sale of operating fixed assets	1,455	1,253
Dividend received	159,274	129,752
Insurance premium paid	88,580	19,449
Insurance claims received	5,308	3,541
Profit on saving account	285	-
Subscription paid	750	563

Other related parties

Purchase of goods and services	52,544	64,565
Sale of goods and services	31,682	41,918
Group's contribution to provident fund trust	20,915	18,221
Remuneration paid to Chief Executive Officer, Directors and Executives of the Holding Company	69,186	30,453

16. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the preceding annual published consolidated financial statements of the Group for the year ended 30 June 2010.

17. DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was approved by the Board of Directors and authorized for issue on October 26, 2010.

18. CORRESPONDING FIGURES

18.1 Figures have been re-arranged where ever necessary for the purpose of comparison ,however, no significant changes have been made.

18.2 Figures have been rounded off to the nearest thousand of Rupees.

