



Nishat Mills Limited
Third Quarter Report
For the period ended 31 March 2009



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Nishat Mills Limited

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COMPANY INFORMATION

BOARD OF DIRECTORS:

Mian Umer Mansha	Chairman/Chief Executive
Mian Hassan Mansha	
Mr. Khalid Qadeer Qureshi	
Mr. Muhammad Azam	
Mr. Muhammad Ali Zeb	
Rana Muhammad Mushtaq	
Ms. Nabiha Shahnawaz Cheema	

AUDIT COMMITTEE:

Mr. Khalid Qadeer Qureshi	Chairman/Member
Mr. Muhammad Azam	Member
Ms. Nabiha Shahnawaz Cheema	Member

CHIEF FINANCIAL OFFICER:

Mr. Badar-ul-Hassan

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:

Albaraka Islamic Bank B.S.C (E.C)	HSBC Bank Middle East Limited
Allied Bank Limited	JS Bank Limited
Askari Bank Limited	KASB Bank Limited
Bank Alfalah Limited	Meezan Bank Limited
Bank Islami Pakistan Limited	National Bank of Pakistan
Barclays Bank PLC	NIB Bank Limited
Citibank N.A.	Samba Bank Limited
Deutsche Bank	Saudi Pak Commercial Bank Limited
Faysal Bank Limited	Standard Chartered Bank (Pakistan) Limited
Habib Bank Limited	The Royal Bank of Scotland
Habib Metropolitan Bank Limited	United Bank Limited

MILLS:

Nishatabad, Faisalabad	(Spinning 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, Stitching unit and Power plant)
20 K.M. Sheikhupura Faisalabad Road, Feroze Watwan	(Spinning unit & Power plant)

**REGISTERED OFFICE &
SHARES DEPARTMENT**

Nishat House,
53 - A, Lawrence Road, Lahore.
Tel: 042-6367812-16, 042-111 113 333
Fax: 042-6367414

HEAD OFFICE:

7, Main Gulberg, Lahore.
Tel: 042-5716351-59, 042-111 332 200
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E-mail: nishat@nishatmills.com
Website: www.nishatmillsltd.com

LIAISON OFFICE:

Ist Floor, Karachi Chambers,
Hasrat Mohani Road, Karachi.
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DIRECTORS' REPORT

Operating Results

We are pleased to present financial statements for the period ended March 31, 2009. The net profit after tax has increased to Rs. 1,216.744 million as compared to Rs. 754.459 million for the previous corresponding period, thus showing an increase of 61.27%. The gross profit has increased to Rs. 3,516.103 million as compared to Rs. 1,989.839 million, thus showing an increase of 76.70%. The increase in gross profit is mainly due to increase in sale quantities and sale rates of the products manufactured by the Company. Devaluation of rupee against dollar played a key role in increasing sale rates. However, there were various factors negatively affecting the profitability of the company that includes increase in borrowing rates, minimum wages of workers and gas tariff as compared to previous period. Finance cost increased by 76.64 % (March 2009: Rs. 1,086.161 million, March 2008: Rs. 614.888 million) as compared to previous period as the average borrowing rates of the company increased from 8.11 % to 10.92 % and , in addition to this, average borrowings of the company increased by 28.49 % during the period under review. Moreover, other income decreased by Rs. 148.804 million as compared to corresponding period mainly due to decrease in dividend income.

Financial Highlights	Nine Months ended March 31		(Inc./)Dec. %age
	2009	2008	
Net Sales ('000' Rs)	17,266,968	13,826,073	(24.89)
Gross Profit ('000' Rs)	3,516,103	1,989,839	(76.70)
Pre-tax Profit ('000' Rs)	1,427,744	947,459	(50.69)
After Tax Profit ('000' Rs)	1,216,744	754,459	(61.27)
Gross Profit (%)	20.36	14.39	-
After Tax Profit (%)	7.05	5.46	-
Earning Per Share (Rs)	5.08	3.15	-

Market Review & Future Prospects

Spinning

The third quarter for the year 2008-2009 inherited confronts of last two quarters. Cotton prices remained on higher side with price at Rs.3,300/mnd. Although an increase was observed in cotton price during the quarter under review but due to its inconsistency, prices of yarn did not

Yarn	Nine Months ended March 31		Variance	
	2009	2008	Total	%age
Sales - '000' Kgs	23,437	22,990	447	1.94
Rate / Kg	181.11	157.92	23.19	14.68
Sales - '000' Rs.	4,244,746	3,630,510	614,236	16.92

Cotton Purchase Rate / Mnd	Nine Months ended March 31		Variance	
	2009	2008	Total	%age
Local Cotton	3,207	3,195	12	0.38
Imported Cotton	4,845	3,779	1,066	28.21

Cotton Consumption Rate / Mnd	Nine Months ended March 31		Variance	
	2009	2008	Total	%age
Local Cotton	3,173	3,043	130	4.27
Imported Cotton	4,356	3,547	809	22.81

improve. During the quarter under review, demand of 100% grey cotton yarn was low and so the export prices of yarn. However, local market came up with accommodating approach and improved demand and prices helped the spinners to survive. Earlier part of the quarter under review was very challenging for Nishat. However, it ended up with better results due to increasing demand by export customers. Far East market came up with increase in demand and prices of carded and combed yarn. USA & Europe became quieter due to their economic conditions. Development in terms of machinery has been made and now we can produce finer counts with more improved quality with new installed European machinery at one of our spinning unit.

Weaving

The quarter under review was very tough in terms of weaving business and our profitability fell gradually as per expectation. Cotton market showed a bullish trend at the end of quarter under review and caused an increase of almost 12% in cotton yarn prices and further provoked the problems for weaving sector. The coming quarter seems to follow the similar trend. Global recession has caused a major decline in our sales to the European market. Our major European markets namely Italy and Germany have been hit hard by this economic downturn. Volume in both fashion and technical fabrics has gone down. We also faced immense price pressure. The

Grey Cloth	Nine Months ended March 31		Variance	
	2009	2008	Total	%age
Sales - '000' Mtrs	36,818	36,365	453	1.25
Rate / Mtr	113.32	94.90	18.42	19.41
Sales - '000' Rs.	4,172,212	3,451,002	721,210	20.90

decline of sale in the European market was compensated by sales to the Far East and local market. Our strategy is to keep a close contact with our current customers and develop new products for them. At the same time, we are looking for new avenues in different markets. We are trying to explore the technical and institutional fabric industry as it has a lot of potential.

Printing, Dyeing and Stitching

The quarter under review showed an upward trend and our company was able to maintain its projected sales proportionate to the plant efficiency. We achieved the projected results as we focused to increase the production efficiency. Although it is not in full swing but early signs of amplifying USA economy has started changing the overall atmosphere in positive direction. USA Market is expected to revive more swiftly during the coming quarters and that will certainly

Processed Cloth (Bleached, Dyed & Printed)	Nine Months ended March 31		Variance	
	2009	2008	Total	%age
Sales - '000' Mtrs	1,314	1,336	(22)	(1.65)
Rate / Mtr	170.93	149.97	20.96	13.98
Sales - '000' Rs.	224,603	200,358	24,245	12.10

Made-Ups	Nine Months ended March 31		Variance	
	2009	2008	Total	%age
Sales - '000' Mtrs	12,247	15,046	(2,799)	(18.60)
Rate / Mtr	186.01	146.14	39.87	27.28
Sales - '000' Rs.	2,278,107	2,198,859	79,248	3.60

determine the pace of whole textile sector. Our diversified strategy for American and European markets and strong presence in both regions is an important factor of its unflinching standing

even during the worst economic and financial crises. Nishat, being the market leader keep developing new products and diversifying its product mix to attract the large number of clientele. Our strategy to penetrate in the top upper segments with value added products has started paying off and our developments during this period have taken form of concrete orders. During the quarter, a big relief came for European sector with the abolition of anti-dumping duty which has given an edge to all our European clients and it has extended huge business opportunities to the Pakistani vendors. Keeping in view post anti-dumping scenario and the improving American market, our business is expected to grow further in days to come. Moreover, our dual policy to become more open to the retailers as well as to keep close relations with selected customers is also opening many new doors of entry.

Nishat Dyeing & Finishing (NDF)

Quarter ended March 2009 continued to witness the downtrend in the overall textile market that started gaining its momentum at US and EU retail market in the previous quarter. Most of the retailers faced a major decline in sales as compared to the last year. This resulted in increased unsold stocks and consequently decline in further buying for the quarter under review. Planned inventory by retail giants was slashed by 25% as compared to last year. This situation resulted into more violent competition amongst textile units both in the Far East as well as in Indo-Pak region.

Dyed Cloth	Nine Months ended March 31		Variance	
	2009	2008	Total	%age
Sales - '000' Mtrs	30,344	29,950	394	1.32
Rate / Mtr	168.50	123.08	45.42	36.90
Sales - '000' Rs.	5,112,953	3,686,178	1,426,775	38.71

Nishat, however, performed quite well even in these adverse market conditions throughout the quarter under review. Sales were improved in terms of quantity sold as well as the average contribution margin earned. This performance was mostly attributed to the strategy of increasing the customer base. The outlook for next quarter looks extremely challenging. Owing to the global economic recession, the market has further slowed down and due to declining retail business, few retailers have also announced another cut on their buying for next quarter. Turkish market is facing a huge challenge due to depreciation of Turkish Lira against dollar and Turkish customers are considering cheaper Chinese options due to price factor alone.

In order to meet up these challenges, we will continue to pursue its existing strategy of increasing the customer base. New customers like Hagger and Target have been contacted and negotiations are already under way. Further, rigorous marketing efforts are being made with all existing customers to enhance the number of planned orders and thus deal with the diminishing numbers of buys owing to the slow retail.

Merger of Nishat Mills Limited with Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited)

The Board of Directors of the company in their meeting held on 01 November 2008 approved the scheme of arrangement for merger of Nishat Apparel Limited into Nishat Mills Limited. Currently, the company holds 25.72 percent shares in Nishat Apparel Limited. The shareholders of both companies have approved the scheme on 29 November 2008. The swap ratio in the scheme is one share of Nishat Mills Limited for every 19 shares of Nishat Apparel Limited.

Right Issue of Shares

The company issued 79,892,858 Ordinary Shares of Rs.10/ each, paid at Rs. 25 per share (Inclusive of premium of Rs. 15 per shares). Thus, the paid up capital of the Company has increased from Rs. 1,597,857,170 to Rs.2,396,785,750 by issue of said right shares. The funds were utilized by the company to meet the working capital requirements and to counter the liquidity crunch of banks.

Consolidated Financial Statements

The company has annexed interim consolidated financial statements along with its separate financial statements, in accordance with the requirements of International Accounting Standard (IAS) 27 (Consolidated and Separate Financial Statements).

Acknowledgement

The Board is pleased to acknowledge the resourcefulness and efforts of the management, staff and workers.

For and on behalf of the Board**Chief Executive / Chairman**

Lahore:

April 24, 2009.

INTERIM CONDENSED BALANCE SHEET AS AT 31 MARCH 2009

	Note	Unaudited 31 March 2009 (Rupees in thousand)	Audited 30 June 2008 Restated
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
1,000,000,000 (30 June 2008: 178,470,000) ordinary shares of Rupees 10 each		10,000,000	1,784,700
Issued, subscribed and paid up share capital			
239,678,575 (30 June 2008: 159,785,717) ordinary shares of Rupees 10 each		2,396,786	1,597,857
Reserves		15,068,195	25,108,870
Total equity		17,464,981	26,706,727
NON-CURRENT LIABILITIES			
Long term financing	6	2,267,892	1,047,794
CURRENT LIABILITIES			
Trade and other payables		1,313,491	1,141,227
Accrued markup		251,748	201,847
Short term borrowings		8,628,717	9,175,518
Current portion of non-current liabilities	6	186,765	926,025
Provision for taxation		231,417	276,988
		10,612,138	11,721,605
Total Liabilities		12,880,030	12,769,399
CONTINGENCIES AND COMMITMENTS	7	-	-
TOTAL EQUITY AND LIABILITIES		30,345,011	39,476,126

The annexed notes 1 to 15 form an integral part of this interim financial information. The details of valuation of investments, impairment and impact on profit and loss account are given in note 3.2 .

CHIEF EXECUTIVE OFFICER

	Note	Unaudited 31 March 2009 (Rupees in thousand)	Audited 30 June 2008 Restated
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	10,697,217	10,647,310
Long term investments		3,780,472	7,025,582
Long term loans		11,284	8,122
Long term deposits and prepayments		11,209	10,541
		<u>14,500,182</u>	<u>17,691,555</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		570,162	490,229
Stock-in-trade		4,900,625	4,103,648
Trade debts		1,903,834	1,329,027
Short term Investments		7,419,274	14,984,207
Loans and advances		336,035	403,295
Short term deposits and prepayments		53,476	30,400
Other receivables		342,515	370,013
Cash and bank balances		318,908	73,752
		<u>15,844,829</u>	<u>21,784,571</u>
TOTAL ASSETS		<u><u>30,345,011</u></u>	<u><u>39,476,126</u></u>

DIRECTOR

**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 MARCH 2009
(UN-AUDITED)**

	Note	PERIOD ENDED		QUARTER ENDED	
		31 March 2009	31 March 2008	31 March 2009	31 March 2008
----- (Rupees in thousand) -----					
SALES		17,266,968	13,826,073	5,326,063	5,104,744
COST OF SALES	9	13,750,865	11,836,234	4,593,221	4,431,748
GROSS PROFIT		3,516,103	1,989,839	732,842	672,996
DISTRIBUTION COST		959,450	669,488	296,520	230,621
ADMINISTRATIVE EXPENSES		297,384	281,115	96,665	97,316
OTHER OPERATING EXPENSES	10	190,776	71,105	9,112	22,374
		1,447,610	1,021,708	402,297	350,311
		2,068,493	968,131	330,545	322,685
OTHER OPERATING INCOME		445,412	594,216	129,696	222,072
PROFIT FROM OPERATIONS		2,513,905	1,562,347	460,241	544,757
FINANCE COST		1,086,161	614,888	375,829	242,867
PROFIT BEFORE TAXATION		1,427,744	947,459	84,412	301,890
PROVISION FOR TAXATION		211,000	193,000	64,500	72,000
PROFIT AFTER TAXATION		1,216,744	754,459	19,912	229,890
EARNINGS PER SHARE- BASIC AND DILUTED (RUPEES)	11	5.08	3.15	0.08	0.96

The annexed notes 1 to 15 form an integral part of this interim financial information. The details of valuation of investments, impairment and impact on profit and loss account are given in note 3.2.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**INTERIM CONDENSED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2009
(UN-AUDITED)**

	PERIOD ENDED	
	31 March 2009	31 March 2008
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,427,744	947,459
Adjustments for non-cash charges and other items:		
Depreciation	748,125	738,375
Provision for doubtful debts	80,458	-
(Gain) / loss on sale of property, plant and equipment	(2,147)	2,535
Dividend income	(379,770)	(543,097)
Translation gain on foreign investment in subsidiary	(82)	-
Impairment loss on investments	2,659	-
Amortization of deferred cost	-	158
Finance cost	1,086,161	614,888
Cash flow from operating activities before adjustment of working capital changes	2,963,148	1,760,318
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(79,933)	(134,952)
Stock-in-trade	(796,977)	(1,982,181)
Trade debts	(655,265)	(316,186)
Loans and advances	(5,715)	21,739
Short term deposits and prepayments	(23,084)	(11,713)
Other receivables	27,498	(87,910)
	(1,533,476)	(2,511,203)
Increase / (Decrease) in current liabilities		
Trade and other payables	165,354	320,812
Short term borrowings	(546,801)	3,841,057
	(381,447)	4,161,869
Cash generated from operations	1,048,225	3,410,984
Finance cost paid	(1,036,260)	(629,063)
Income tax paid	(182,063)	(168,652)
Net decrease / (increase) in long term loans	(4,695)	2,234
Net increase in long term deposits and prepayments	(660)	(1,945)
Net cash (used in) / generated from operating activities	(175,453)	2,613,558

	PERIOD ENDED	
	31 March 2009	31 March 2008
	(Rupees in thousand)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(820,183)	(871,027)
Proceeds from sale of property, plant and equipment	24,298	80,636
Dividends received	379,770	543,097
Investments made	(1,248,881)	(958,949)
Net cash used in investing activities	(1,664,996)	(1,206,243)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term financing	1,137,500	200,000
Proceeds from right shares issued	1,997,321	-
Repayment of long term financing	(656,662)	(1,046,770)
Repayment of finance lease liabilities	-	(23,764)
Dividend paid	(392,554)	(395,896)
Net cash from / (used in) financing activities	2,085,605	(1,266,430)
Net increase in cash and cash equivalents	245,156	140,885
Cash and cash equivalents at the beginning of the period	73,752	69,607
Cash and cash equivalents at the end of the period	318,908	210,492

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2009 (UN-AUDITED)**

(RUPEES IN THOUSAND)

	RESERVES								Total	Total equity
	Share Capital	CAPITAL RESERVES			REVENUE RESERVES			Total		
		Premium on issue of right shares	Fair value reserve	Sub Total	General reserve	Unappropriated profit	Sub Total			
Balance as at 30 June 2007	1,597,857	1,027,622	20,034,207	21,061,829	6,730,028	774,184	7,504,212	28,566,041	30,163,898	
Effect of change in accounting policy (Note 4.1)	-	-	1,753,962	1,753,962	-	-	-	1,753,962	1,753,962	
Balance as at 30 June 2007 - restated	1,597,857	1,027,622	21,788,169	22,815,791	6,730,028	774,184	7,504,212	30,320,003	31,917,860	
Final dividend for the year ended 30 June 2007 @ Rupees 2.5 per share	-	-	-	-	-	(399,464)	(399,464)	(399,464)	(399,464)	
Transfer to general reserve	-	-	-	-	1,244,000	(1,244,000)	-	-	-	
Fair value adjustment on investments	-	-	1,763,300	1,763,300	-	-	-	1,763,300	1,763,300	
Net profit for the period ended	-	-	-	-	-	754,459	754,459	754,459	754,459	
Balance as at 31 March 2008 - restated	1,597,857	1,027,622	23,551,469	24,579,091	7,974,028	(114,821)	7,859,207	32,438,298	34,036,155	
Fair value adjustment on investments	-	-	(12,713,937)	(12,713,937)	-	-	-	(12,713,937)	(12,713,937)	
Net profit for the period ended	-	-	-	-	-	5,384,509	5,384,509	5,384,509	5,384,509	
Balance as at 30 June 2008 - restated	1,597,857	1,027,622	10,837,532	11,865,154	7,974,028	5,269,688	13,243,716	25,108,870	26,706,727	
Final dividend for the year ended 30 June 2008 @ Rupees 2.5 per share	-	-	-	-	-	(399,464)	(399,464)	(399,464)	(399,464)	
Right shares issued during the period	798,929	1,198,392	-	1,198,392	-	-	-	1,198,392	1,997,321	
Transfer to general reserve	-	-	-	-	4,870,000	(4,870,000)	-	-	-	
Fair value adjustment on investments	-	-	(12,056,347)	(12,056,347)	-	-	-	(12,056,347)	(12,056,347)	
Net profit for the period ended	-	-	-	-	-	1,216,744	1,216,744	1,216,744	1,216,744	
Balance as at 31 March 2009	2,396,786	2,226,014	(1,218,815)	1,007,199	12,844,028	1,216,968	14,060,996	15,068,195	17,464,981	

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

SELECTED NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UN-AUDITED) FOR THE PERIOD ENDED 31 MARCH 2009

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, 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.

- 1.1 The board of directors of the company in their meeting held on 01 November 2008 has approved the scheme of arrangement for merger of Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited) into Nishat Mills Limited. Currently, the company holds 25.72 percent shares in Nishat Apparel Limited. The scheme was approved by the shareholders of both companies on 29 November 2008 and will become effective after approval of Honourable Lahore High Court, Lahore.

2. BASIS OF PREPARATION

This interim financial information is unaudited and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. This 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 interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2008.

3. INVESTMENTS

3.1 Investment in Associates

Indications are there that the investment may be impaired. Therefore the management, in accordance with provisions of International Accounting Standard (IAS) 36 "Impairment of Assets" has determined the recoverable amounts of its investments i.e. higher of fair value less cost to sell and value in use. Based on favourable value in use, the management concludes that the carrying amount of investments in associates does not exceed their recoverable amounts.

3.2 Investment not in Associates

The Impairment loss of Rupees 10.637 million is determined on the basis of quoted market prices as at 31 March 2009. The amount taken to equity, including any adjustment / effect for price movement, is required to be charged to Profit and Loss Account on quarterly basis during the year ending on 31 December 2009, to comply with SRO 150 (1)/2009 dated 13 February 2009 of Securities and Exchange Commission of Pakistan (SECP). Hence the management of the Company has charged an amount of Rupees 2.659 million to profit and loss account as impairment loss on investments to comply with the aforesaid notification. Further, the amount taken to equity as at 31 March 2009 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

Had the complete impairment loss been recognized through Profit and Loss Account, the figures recognized in interim financial information for the period ended 31 March 2009 would have been different as follows:

	Unaudited 31 March 2009
Decrease in profit for the period (Rupees in thousand)	7,978
Decrease in deficit of fair value reserve (Rupees in thousand)	7,978
Decrease in profit per share (Rupees)	0.03

4. ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and methods of computations adopted for the preparation of this 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 2008 except for the change disclosed in note 4.1.

4.1 Available for sale investments - Unquoted

Change in accounting policy

Previously, available for sale investments in unquoted equity instruments were carried at cost less impairment loss, if any. Now the company has changed its accounting policy to carry these investments at fair value determined on the basis of appropriate valuation techniques as allowed by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement". This change in accounting policy has been applied retrospectively in accordance with IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change in this accounting policy, the figures recognised in this interim financial information would have been different as follows:

	Unaudited 31 March 2009 (Rupees in thousand)	Audited 30 June 2008
Investment would have been lower by	516,237	1,559,547
Fair value reserve would have been lower by	516,237	1,559,547

4.1.1 As explained in the note 1.1, Nishat Apparel Limited will be merged with the company after approval from Honourable Lahore High Court, Lahore. Therefore, investment in Nishat Apparel Limited - (Unquoted company) has not been valued at fair value.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Judgments and estimates made by the management in the preparation of this interim financial information are the same as those applied to the preceding annual published financial statements of the company for the year ended 30 June 2008.

6. LONG TERM FINANCING - SECURED

Opening balance	1,973,819	3,082,354
Add: Obtained during the period / year	1,137,500	200,000
Less: Repaid during the period / year	656,662	1,308,535
	<hr/>	<hr/>
Closing balance	2,454,657	1,973,819
Less: Current portion shown under current liabilities	186,765	926,025
	<hr/>	<hr/>
Non-Current Portion	2,267,892	1,047,794
	<hr/> <hr/>	<hr/> <hr/>

7. CONTINGENCIES AND COMMITMENTS

Contingencies

- i) The company is contingently liable for Rupees 61.891 million (30 June 2008: Rupees 61.891 million) on account of central excise duty not acknowledged as debt as the cases are pending before Court.
- ii) Post dated cheques have been issued to customs authorities in respect of duties amounting to Rupees 170.970 million (30 June 2008: Rupees 59.163 million) on imported material availed on the basis of consumption and export plans. In the event the documents of exports are not provided on due dates, cheques issued as security shall be encashable.
- iii) Guarantees of Rupees 390.851 million (30 June 2008: Rupees 347.751 million) have been given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections, Shell Pakistan Limited against purchase of furnace oil and Director Excise and Taxation, Karachi.
- iv) The Company has given following guarantee on behalf of Nishat Power Limited - subsidiary company:

Performance guarantee of USD 1 million (Pak Rupees 80.550 million) in favour of Private Power and Infrastructure Board to secure performance of Nishat Power Limited under Implementation Agreement and Power Purchase Agreement.

Commitments

- i) Contracts for capital expenditure are approximately amounting to Rupees 1.876 million (30 June 2008: Rupees 370.168 million).
- ii) Letters of credit other than for capital expenditure are amounting to Rupees 251.275 million (30 June 2008: Rupees 403.627 million).
- iii) The Company has given following commitment on behalf of Nishat Power Limited - subsidiary company:

Irrevocable standby letters of credit of Rupees 814.536 million (30 June 2008: Rupees 1,104.995 million) for equity injection and Rupees 147.120 million (30 June 2008: 147.120 million) for positive cost overrun, in accordance with Project Funds Agreement, in favour of security trustee of syndicated lenders of Nishat Power Limited.

	Unaudited	Audited
	31 March	30 June
	2009	2008
	(Rupees in thousand)	
8. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 8.1)	10,383,420	10,365,262
Capital work in progress (Note 8.2)	313,797	282,048
	10,697,217	10,647,310

	Unaudited 31 March 2009 (Rupees in thousand)	Audited 30 June 2008
8.1 OPERATING FIXED ASSETS		
Opening book value	10,365,262	10,309,611
Add: Cost of additions during the period / year (Note 8.1.1)	788,434	1,132,568
Add: Plant and machinery transferred from leased assets	-	64,174
	11,153,696	11,506,353
Less: Book value of deletions during the period / year (Note 8.1.2)	22,151	147,864
	11,131,545	11,358,489
Less: Depreciation charged for the period / year	748,125	993,227
	10,383,420	10,365,262
8.1.1 Cost of additions during the period / year		
Freehold land	28,518	7,971
Buildings on freehold land	103,625	299,004
Plant and machinery	561,371	730,187
Electric installations	9,542	24,222
Factory equipment	25,370	19,362
Furniture, fixtures and office equipment	14,095	14,414
Computer equipment	4,184	4,137
Vehicles	41,729	33,271
	788,434	1,132,568
8.1.2 Book value of deletions during the period / year		
Freehold land	-	249
Buildings on freehold land	-	457
Plant and machinery	9,147	129,083
Electric installations	17	-
Factory equipment	2,018	911
Furniture, fixtures and office equipment	504	76
Computer equipment	-	121
Vehicles	10,465	16,967
	22,151	147,864
8.2 CAPITAL WORK-IN-PROGRESS		
Buildings on freehold land	63,588	51,974
Plant and machinery	241,605	213,937
Electric installations	5,261	3,820
Letters of credit against machinery	6	756
Letters of credit and advances against furniture and office equipment	2,632	5,646
Advances for purchase of vehicles	705	5,915
	313,797	282,048

(Un-Audited)			
PERIOD ENDED		QUARTER ENDED	
31 March 2009	31 March 2008	31 March 2009	31 March 2008

----- (Rupees in thousand) -----

9. COST OF SALES

Raw materials consumed	4,420,832	4,026,982	1,429,120	1,371,848
Cloth and yarn purchased / used	4,104,753	3,929,820	1,046,381	1,488,007
Processing charges	48,840	95,924	18,765	45,906
Salaries, wages and other benefits	1,080,334	903,509	359,889	297,185
Staff retirement benefits	33,550	28,971	11,405	9,783
Stores, spare parts and loose tools	1,431,795	1,047,524	472,912	365,702
Packing materials	321,998	312,750	101,777	106,680
Repair and maintenance	103,108	77,455	33,784	27,571
Fuel and power	1,581,601	1,053,421	493,950	402,542
Insurance	18,827	16,765	6,300	5,576
Other factory overheads	151,866	110,216	56,339	41,917
Depreciation	706,340	696,845	238,256	234,630
	14,003,844	12,300,182	4,268,878	4,397,347

Work-in-process:

Opening stock	1,157,415	942,753	1,482,482	1,068,021
Closing stock	(1,391,340)	(1,205,334)	(1,391,340)	(1,205,334)
	(233,925)	(262,581)	91,142	(137,313)

Cost of goods manufactured	13,769,919	12,037,601	4,360,020	4,260,034
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Finished goods:

Opening stock	1,145,407	898,896	1,397,662	1,271,977
Closing stock	(1,164,461)	(1,100,263)	(1,164,461)	(1,100,263)
	(19,054)	(201,367)	233,201	171,714

	13,750,865	11,836,234	4,593,221	4,431,748
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10. OTHER OPERATING EXPENSES

Workers' profit participation fund	76,967	51,036	4,676	16,213
Workers' welfare fund	29,192	19,336	1,777	6,161
Provision for doubtful debts	80,458	-	-	-
Impairment loss on investments	2,659	-	2,659	-
Amortization of deferred cost	-	158	-	-
Donations (Note 10.1)	1,500	575	-	-
	190,776	71,105	9,112	22,374

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

11. EARNINGS PER SHARE - BASIC AND DILUTED

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

12. 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. Detail of transactions with related parties are as follows:

(Un-Audited)			
PERIOD ENDED		QUARTER ENDED	
31 March 2009	31 March 2008	31 March 2009	31 March 2008

----- (Rupees in thousand) -----

Subsidiary companies

Purchase of goods and services	9,641	-	4,979	-
Investment made	1,136,139	560,000	803,200	550,000

Associated companies

Investment made	125,343	-	118,177	-
Purchase of goods and services	8,559	6,271	2,775	1,614
Sale of goods and services	370,512	125,273	109,580	73,563
Purchase of operating fixed assets	2,129	19,060	1,459	-
Sale of operating fixed assets	2,183	-	800	-
Dividend income	379,420	541,847	108,660	201,464
Dividend paid	52,564	52,564	-	-
Insurance premium paid	44,680	34,436	18,002	11,217
Insurance claims received	10,260	1,845	492	681

Other related parties

Purchase of goods and services	86,279	110,753	42,106	24,710
Sale of goods and services	64,786	43,546	32,716	30,333
Sale of operating fixed assets	300	-	-	-
Company's contribution to provident fund trust	43,598	37,683	14,806	12,783
Remuneration paid to Chief Executive Officer, Directors and Executives	66,988	52,423	22,010	19,592
Sale of operating fixed assets	1,651	-	551	-

13. DATE OF AUTHORIZATION FOR ISSUE

This interim financial information was approved by the Board of Directors and authorized for issue on April 24, 2009.

14. CORRESPONDING FIGURES

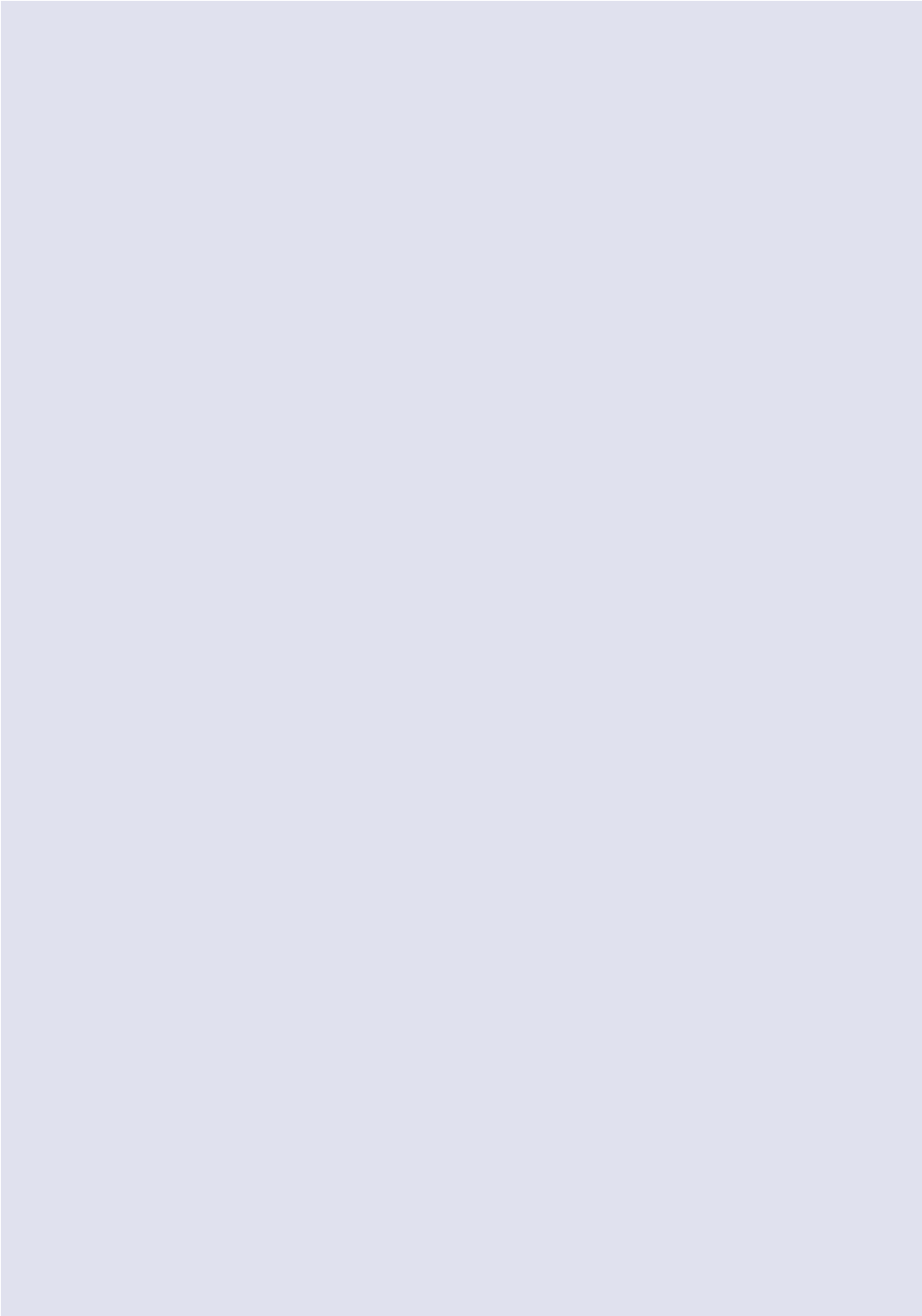
- 14.1 Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison. However, there were no major reclassification except required for the change in accounting policy stated in note 4.1.

15. GENERAL

Figures have been rounded off to the nearest thousand of rupees.

CHIEF EXECUTIVE OFFICER

DIRECTOR



NISHAT MILLS LIMITED AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED

FINANCIAL INFORMATION

FOR THE PERIOD

ENDED 31 MARCH 2009

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009

	Note	Unaudited 31 March 2009 (Rupees in thousand)	Audited 30 June 2008 Restated
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
1,000,000,000 (30 June 2008: 178,470,000) ordinary shares of Rupees 10 each		10,000,000	1,784,700
Issued, subscribed and paid up share capital			
239,678,575 (30 June 2008: 159,785,717) ordinary shares of Rupees 10 each		2,396,786	1,597,857
Reserves		23,304,086	25,715,851
Minority interest		935,057	158,261
Total equity		26,635,929	27,471,969
NON-CURRENT LIABILITIES			
Long term financing	7	2,267,892	1,047,794
Long term murabaha	8	10,807,932	2,841,813
		13,075,824	3,889,607
CURRENT LIABILITIES			
Trade and other payables		1,339,583	1,156,587
Accrued mark-up		544,751	292,419
Short term borrowings		8,628,717	9,175,518
Current portion of non-current liabilities	7	186,765	926,025
Provision for taxation		233,349	276,988
		10,933,165	11,827,537
Total Liabilities		24,008,989	15,717,144
CONTINGENCIES AND COMMITMENTS	9	-	-
TOTAL EQUITY AND LIABILITIES		50,644,918	43,189,113

The annexed notes 1 to 16 form an integral part of this interim financial information. The details of valuation of investments, impairment and impact on profit and loss account are given in note 3.2.

CHIEF EXECUTIVE OFFICER

	Note	Unaudited 31 March 2009 (Rupees in thousand)	Audited 30 June 2008 Restated
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	20,607,221	14,394,890
Long term investments		6,637,820	11,072,900
Long term loans		11,284	8,122
Long term deposits and prepayments		11,530	10,541
		27,267,855	25,486,453
CURRENT ASSETS			
Stores, spare parts and loose tools		570,162	490,229
Stock-in-trade		4,900,625	4,103,648
Trade debts		1,903,834	1,329,027
Short term Investments		11,040,564	10,898,324
Loans and advances		336,171	403,399
Short term deposits and prepayments		53,866	30,500
Other receivables		344,887	371,397
Cash and bank balances		4,226,954	76,136
		23,377,063	17,702,660
TOTAL ASSETS		50,644,918	43,189,113

DIRECTOR

**INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 MARCH 2009
(UN-AUDITED)**

	Note	PERIOD ENDED		QUARTER ENDED	
		31 March 2009	31 March 2008	31 March 2009	31 March 2008
		Restated		Restated	
----- (Rupees in thousand) -----					
SALES		17,266,968	13,826,073	5,326,063	5,104,744
COST OF SALES	11	13,750,865	11,836,234	4,593,221	4,431,748
GROSS PROFIT		3,516,103	1,989,839	732,842	672,996
DISTRIBUTION COST		959,231	669,488	296,463	230,621
ADMINISTRATIVE EXPENSES		299,298	290,533	97,226	106,734
OTHER OPERATING EXPENSES	12	190,776	68,717	9,112	28,226
		1,449,305	1,028,738	402,801	365,581
		2,066,798	961,101	330,041	307,415
OTHER OPERATING INCOME		85,835	475,505	24,171	222,783
PROFIT FROM OPERATIONS		2,152,633	1,436,606	354,212	530,198
FINANCE COST		1,105,379	614,888	369,504	242,867
		1,047,254	821,718	(15,292)	287,331
SHARE OF PROFIT/ (LOSS) IN ASSOCIATED COMPANIES		13,525	209,868	74,079	749
PROFIT BEFORE TAXATION		1,060,779	1,031,586	58,787	288,080
PROVISION FOR TAXATION		213,046	193,000	65,614	72,000
PROFIT AFTER TAXATION		847,733	838,586	(6,827)	216,080
SHARE OF PROFIT/ (LOSS) ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE GROUP		854,237	840,327	(5,642)	217,821
MINORITY INTEREST		(6,504)	(1,741)	(1,185)	(1,741)
		847,733	838,586	(6,827)	216,080
EARNINGS PER SHARE- BASIC AND DILUTED (RUPEES)	13	3.54	3.50	(0.03)	0.90

The annexed notes 1 to 16 form an integral part of this interim financial information. The details of valuation of investments, impairment and impact on profit and loss account are given in note 3.2 .

CHIEF EXECUTIVE OFFICER

DIRECTOR

**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2009
(UN-AUDITED)**

	PERIOD ENDED	
	31 March 2009	31 March 2008 Restated
(Rupees in thousand)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,060,779	1,031,586
Adjustments for non-cash charges and other items:		
Depreciation	748,191	738,375
Provision for doubtful debts	80,458	-
(Gain) / loss on sale of property, plant and equipment	(2,147)	2,535
Dividend income- other than associated companies	(15,734)	(423,675)
Share of (profit) / loss from associated companies	(13,525)	(209,868)
Unrealized gain on exchange rate differences		
- Subsidiary Company	82	-
Impairment loss on investments	2,659	-
Amortization of deferred cost	-	158
Finance cost	1,086,188	614,888
Cash flow from operating activities before adjustment of working capital changes	2,946,951	1,753,999
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(79,933)	(134,952)
Stock-in-trade	(796,977)	(1,982,181)
Trade debts	(655,265)	(316,186)
Loans and advances	(5,846)	21,901
Short term deposits and prepayments	(23,374)	(11,813)
Other receivables	26,510	(87,944)
	(1,534,885)	(2,511,175)
Increase / (decrease) in current liabilities		
Trade and other payables	176,958	319,264
Short term borrowings	(546,801)	3,841,057
	(369,843)	4,160,321
Cash generated from operations	1,042,223	3,403,145
Finance cost paid	(1,036,287)	(600,227)
Income tax paid	(182,950)	(168,658)
Net decrease / (increase) in long term loans	(4,695)	2,234
Net decrease / (increase) in long term deposits and prepayments	(981)	(1,945)
Net cash (used in) / generated from operating activities	(182,690)	2,634,549

	PERIOD ENDED	
	31 March 2009	31 March 2008 Restated
(Rupees in thousand)		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,780,242)	(2,134,311)
Proceeds from sale of property, plant and equipment	24,298	80,636
Dividends received	379,770	543,097
Investments made	(125,342)	(398,949)
Net cash used in investing activities	(6,501,516)	(1,909,527)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term financing	9,103,619	1,196,999
Proceeds from right shares issued	1,997,321	-
Proceeds from issue of share to minority shareholders	783,300	140,000
Repayment of long term financing	(656,662)	(1,046,770)
Payment of finance lease liabilities	-	(23,764)
Dividend paid	(392,554)	(395,896)
Net cash generated from/ (used in) financing activities	10,835,024	(129,431)
Net increase in cash and cash equivalents	4,150,818	595,591
Cash and cash equivalents at the beginning of the period	76,136	69,607
Cash and cash equivalents at the end of the period	4,226,954	665,198

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2009 (UN-AUDITED)

(RUPEES IN THOUSAND)

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY													
	CAPITAL RESERVES					REVENUE RESERVES					Total Reserves	Shareholder Equity	Minority Interest	Total
	Share Capital	Premium on issue of right shares	Fair value reserve	Exchange rate differences reserve	Capital redemption reserve fund	Sub Total	General reserve	Statutory reserve	Unappropriated profit	Sub Total				
Balance as at 30 June 2007	1,597,857	1,027,622	18,173,848	-	110,214	19,311,784	7,404,132	-	1,643,651	9,047,783	28,359,567	29,957,424	-	29,957,424
Change in accounting policy (Note 4.1)	-	-	1,786,632	-	-	1,786,632	-	-	-	-	1,786,632	1,786,632	-	1,786,632
Share in reserves of associated companies under equity method/ Fair value adjustment (Note 4.2)	-	-	(12,700,565)	(4,899)	-	(12,705,464)	851,840	361,183	267,178	1,510,201	(11,195,263)	(11,195,263)	-	(11,195,263)
Balance as at 30 June 2007 - restated	1,597,857	1,027,622	7,522,015	(4,899)	110,214	8,384,962	8,285,972	361,183	1,910,829	10,557,084	18,952,398	20,550,793	-	20,550,793
Final dividend for the year ended 30 June 2007 @ Rupees 2.5 per share	-	-	-	-	-	-	-	-	(399,464)	(399,464)	(399,464)	-	-	(399,464)
Transfer to general reserve	-	-	-	-	-	-	1,244,000	-	(1,244,000)	-	-	-	-	-
Fair value adjustment on investments	-	-	66,047	-	-	66,047	-	-	-	-	66,047	66,047	-	66,047
Share in reserves of associated companies under equity method	-	-	2,519,035	3,422	-	2,522,457	615,950	72,031	(358,165)	329,816	2,852,273	2,852,273	-	2,852,273
Minority interest arising on investment in Subsidiary Company	-	-	-	-	-	-	-	-	-	-	-	-	140,000	140,000
Net profit for the period ended	-	-	-	-	-	-	-	-	840,327	840,327	840,327	840,327	(1,714)	838,586
Balance as at 31 March 2008 - restated	1,597,857	1,027,622	9,847,097	(1,477)	110,214	10,983,456	10,145,922	433,214	749,527	11,328,663	22,312,319	23,909,978	138,296	24,048,235
Fair value adjustment on investments under equity method	-	-	(438,051)	-	-	(438,051)	-	-	-	-	(438,051)	(438,051)	-	(438,051)
Share in reserves of associated companies under equity method	-	-	(1,565,253)	6,553	788	(1,557,912)	67,700	24,133	22,732	114,565	(1,443,347)	(1,443,347)	-	(1,443,347)
Minority interest arising on investment in Subsidiary Company	-	-	-	-	-	-	-	-	-	-	-	-	20,000	20,000
Net profit for the period ended	-	-	-	-	-	-	-	-	-	5,285,130	5,285,130	5,285,130	2	5,285,132
Balance as at 30 June 2008 - restated	1,597,857	1,027,622	7,843,793	5,076	111,002	8,987,493	10,213,622	457,347	6,057,389	16,728,358	25,715,851	27,131,708	158,261	27,471,969
Final dividend for the year ended 30 June 2008 @ Rupees 2.5 per share	-	-	-	-	-	-	-	-	(399,464)	(399,464)	(399,464)	-	-	(399,464)
Transfer to general reserve	-	-	-	-	-	-	5,294,000	-	(5,294,000)	-	-	-	-	-
Fair value adjustment on investments	-	-	(1,190,834)	-	-	(1,190,834)	-	-	-	-	(1,190,834)	(1,190,834)	-	(1,190,834)
Right shares issued during the period	798,929	1,198,392	-	-	-	1,198,392	-	-	-	-	1,198,392	1,997,321	-	1,997,321
Share in reserves of associated companies under equity method	-	-	(3,673,145)	6,783	-	(3,666,362)	-	80,727	711,457	792,184	(2,874,178)	(2,874,178)	-	(2,874,178)
Exchange rate differences reserve - Subsidiary Company	-	-	-	82	-	82	-	-	-	-	82	82	-	82
Minority interest arising on investment in Subsidiary Company	-	-	-	-	-	-	-	-	-	-	-	-	783,305	783,305
Net profit for the period ended	-	-	-	-	-	-	-	-	854,237	854,237	854,237	854,237	(9,504)	847,733
Balance as at 31 March 2009	2,396,786	2,226,014	2,979,814	11,841	111,002	5,328,771	15,507,622	538,074	1,929,619	17,975,315	23,304,086	25,700,872	935,057	26,635,929

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED) FOR THE PERIOD ENDED 31 MARCH 2009

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, 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 an unlisted public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The principal activity of the Company will be to build, own, operate and maintain a fuel fired power station based on Reciprocating Engine Technology having gross capacity of 200 MW ISO in Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan. The expected project commissioning date is 30 September 2009. Its registered office is situated at 53-A, Lawrence Road, Lahore.

Nishat USA, Inc.

Nishat USA, Inc. a wholly owned subsidiary of Nishat Mills Limited, is a corporation service company incorporated on 22nd May, 2006 under the Business Corporation Law of The State of New York. The registered office of the corporation is situated at 676 Broadway, New York, NY 10012, U.S.A. Nishat Mills Limited acquired 200 fully paid shares, with no par value per share, of capital stock of Nishat USA, Inc. on 1st October, 2008. Nishat USA Inc. is a liaison office of Nishat Mills Limited marketing department to provide marketing services in USA to Nishat Mills Limited.

- 1.1 The board of directors of the Parent Company in their meeting held on 01 November 2008 has approved the scheme of arrangement for merger of Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited) into Nishat Mills Limited- Parent Company. Currently, the Parent Company holds 25.72 percent shares in Nishat Apparel Limited. The scheme was approved by the shareholders of both companies on 29 November 2008 and will become effective after approval of Honourable Lahore High Court, Lahore.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information is unaudited and is being submitted to share holders as required by section 245 of the Companies Ordinance, 1984. This 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).

3. INVESTMENTS

3.1 Investment in Associates

Indications are there that the investment may be impaired. Therefore the management, in accordance with provisions of International Accounting Standard (IAS) 36 "Impairment of Assets" has determined the recoverable amounts of its investments i.e. higher of fair value less cost to sell and value in use. Based on favourable value in use, the management concludes that the carrying amount of investments in associates does not exceed their recoverable amounts.

3.2 Investment not in Associates

The Impairment loss of Rupees 10.637 million is determined on the basis of quoted market prices as at 31 March 2009. The amount taken to equity, including any adjustment / effect for price movement, is required to be charged to Profit and Loss Account on quarterly basis during the year ending on 31 December 2009, to comply with SRO 150 (1)/2009 dated 13 February 2009 of Securities and Exchange Commission of Pakistan (SECP). Hence the management of the Company has charged an amount of Rupees 2.659 million to profit and loss account as impairment loss on investments to comply with the aforesaid notification. Further, the amount taken to equity as at 31 March 2009 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

Had the complete impairment loss been recognized through Profit and Loss Account, the figures recognized in interim financial information for the period ended 31 March 2009 would have been different as follows:

	Unaudited 31 March 2009
Decrease in profit for the period (Rupees in thousand)	7,978
Decrease in deficit of fair value reserve (Rupees in thousand)	7,978
Decrease in profit per share (Rupees)	0.03

4. ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and methods of computations adopted for the preparation of this interim condensed consolidated financial information are the same as applied by the Parent Company in the preparation of its preceding annual published financial statements for the year ended 30 June 2008 which currently coincide with the Subsidiary Company accounting policies and method of computations except for the changes disclosed in note 4.1 and 4.2.

4.1 Available for sale investments - Unquoted

Change in accounting policy

Previously, available for sale investments in unquoted equity instruments were carried at cost less impairment loss, if any. Now the Parent Company has changed its accounting policy to carry these investments at fair value determined on the basis of appropriate valuation techniques as allowed by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement". This change in accounting policy has been applied retrospectively in accordance with IAS-8 "Accounting Policies, Changes in

Accounting Estimates and Errors". Had there been no change in this accounting policy, the figures recognised in this interim financial information would have been different as follows:

	Unaudited 31 March 2009 (Rupees in thousand)	Audited 30 June 2008
Investment would have been lower by	551,256	1,594,333
Fair value reserve would have been lower by	551,256	1,594,333

- 4.2** After the election of two directors of Nishat Mills Limited on the board of MCB Bank Limited on 27 March 2009 coupled with nomination on key board committees, Nishat Mills Limited believes that it has acquired significant influence over operating and financial policy decisions made by MCB Bank Limited. As a result the investment in MCB Bank Limited has been accounted for in accordance with the equity method of accounting as prescribed by IAS 28 "Investments in Associates". This change in method of accounting for investment in associate has been applied retrospectively in the consolidated interim financial information.

5. 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 financial statements of the Subsidiary Companies are included in the consolidated financial statements 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 the carrying value of investment held by the Holding Companies is eliminated against Holding company's share in paid up capital of the Subsidiary Companies.

Intra group balances and transactions have been eliminated.

Minority interests are that part of net results of the operations and of net assets of the Subsidiary Company attributable to interest which are not owned by the Holding Company. Minority interests are presented as a separate item in the consolidated financial statements.

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.

The Group's share of its associate's post-acquisition profits or losses is recognized in the profit and loss account, and its share of post-acquisition movements in reserves is recognized in reserves. 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.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates made by the management in the preparation of this interim condensed consolidated financial information are the same as those applied to the preceeding annual published financial statements of the Parent Company for the year ended 30 June 2008.

	Unaudited 31 March 2009 (Rupees in thousand)	Audited 30 June 2008
7. LONG TERM FINANCING - SECURED		
Opening balance	1,973,819	3,082,354
Add: Obtained during the period / year	1,137,500	200,000
Less: Repaid during the period / year	656,662	1,308,535
	<hr/>	<hr/>
Closing balance	2,454,657	1,973,819
Less: Current portion shown under current liabilities	186,765	926,025
	<hr/>	<hr/>
Non-Current Portion	2,267,892	1,047,794
	<hr/> <hr/>	<hr/> <hr/>
8. LONG TERM MURABAHA- SECURED		
Opening balance	2,841,813	-
Add: Obtained during the period / year	7,966,119	2,841,813
	<hr/>	<hr/>
Closing balance	10,807,932	2,841,813
	<hr/> <hr/>	<hr/> <hr/>

9. CONTINGENCIES AND COMMITMENTS**Contingencies**

- i) The Nishat Mills Limited is contingently liable for Rupees 61.891 million (30 June 2008: Rupees 61.891 million) on account of central excise duty not acknowledged as debt as the cases are pending before the Court.
- ii) Post dated cheques have been issued by the Nishat Mills Limited to customs authorities in respect of duties amounting to Rupees 170.970 million (30 June 2008: Rupees 59.163 million) on imported material availed on the basis of consumption and export plans. In the event the documents of exports are not provided on due dates, cheques issued as security shall be encashable.
- iii) Guarantees of Rupees 390.851 million (30 June 2008: Rupees 347.751 million) have been given by the banks of the Nishat Mills Limited to Sui Northern Gas Pipelines Limited against gas connections, Shell Pakistan Limited against purchase of furnace oil and Director Excise and Taxation, Karachi.
- iv) Nishat Mills Limited has given performance guarantee of USD 1 million (Pak Rupees 80.550 million) in favour of Private Power and Infrastructure Board to secure performance of Nishat Power Limited under Implementation Agreement and Power Purchase Agreement.

- v) Irrevocable letter of credit of USD 5,369,650 (Pak Rupees 431.720 million) given by the Nishat Power Limited in favour of National Transmission and Despatch Company as required under Power Purchase Agreement.
- vi) The Nishat Mills Limited's share in contingencies of associated companies' is Rupees 6,781.956 million (30 June 2008: 5,909.582 million).

Commitments

- i) Contracts for capital expenditure of the Group are approximately amounting to Rupees 5,251.324 million (30 June 2008: Rupees 10,895.782 million).
- ii) Letters of credit other than for capital expenditure of Nishat Mills Limited are amounting to Rupees 251.275 million (30 June 2008: Rupees 403.627 million).
- iii) Irrevocable standby letters of credit of Rupees 814.536 million (30 June 2008: Rupees 1,104.995 million) given by Nishat Mills Limited for equity injection and Rupees 147.120 million (30 June 2008: Rupees 147.120 million) for positive cost overrun, in accordance with Project Funds Agreement, in favour of security trustee of syndicated lenders of Nishat Power Limited.

	Unaudited 31 March 2009 (Rupees in thousand)	Audited 30 June 2008
10. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 10.1)	10,470,112	10,449,290
Capital work in progress (Note 10.2)	10,137,109	3,945,600
	<u>20,607,221</u>	<u>14,394,890</u>
10.1 OPERATING FIXED ASSETS		
Opening book value	10,449,290	10,309,611
Add: Cost of additions during the period/ year (Note 10.1.1)	791,749	1,215,063
Add: Plant and machinery transferred from leased assets	-	64,174
	11,241,039	11,588,848
Less: Book value of deletions during the period/ year (Note 10.1.2)	22,151	146,195
	11,218,888	11,442,653
Less: Depreciation charged for the period/ year	748,776	993,363
	<u>10,470,112</u>	<u>10,449,290</u>

	Unaudited 31 March 2009 (Rupees in thousand)	Audited 30 June 2008
10.1.1 Cost of additions during the period/ year		
Freehold land	28,518	88,657
Buildings on freehold land	103,625	299,004
Plant and machinery	561,371	730,187
Electric installations	9,542	24,377
Factory equipment	25,370	19,362
Furniture, fixtures and office equipment	15,281	14,519
Computer equipment	4,535	4,448
Vehicles	43,507	34,509
	791,749	1,215,063
10.1.2 Book value of deletions during the period/ year		
Freehold land	-	249
Buildings on freehold land	-	457
Plant and machinery	9,147	129,083
Electric installations	17	-
Factory equipment	2,018	911
Furniture, fixtures and office equipment	504	76
Computer equipment	-	121
Vehicles	10,465	15,298
	22,151	146,195
10.2 CAPITAL WORK-IN-PROGRESS		
Buildings on freehold land	188,087	127,950
Plant and machinery	6,693,750	229,001
Electric installations	5,530	3,848
Letters of credit against plant and machinery	6	7,616
Letters of credit and advances against furniture and office equipment	2,632	5,646
Advances against plant and machinery	1,413,723	2,839,426
Advances against vehicles	705	5,915
Advances to contractors	779,335	305,459
Unallocated expenditure (Note 10.2.1)	1,053,341	420,739
	10,137,109	3,945,600

	Unaudited 31 March 2009	Audited 30 June 2008
	(Rupees in thousand)	
10.2.1 Unallocated expenditures - Nishat Power Limited - Subsidiary Company		
Salaries and other benefits	18,694	7,450
Insurance	150,737	150,661
Traveling and conveyance	4,159	1,734
Entertainment	204	129
Rent, rates and taxes	847	487
Vehicle running and maintenance	1,181	440
Printing and stationery	194	109
Postage and telephone	1,005	77
Fuel and power	51	21
Legal and professional charges	3,586	2,238
Auditor's remuneration	150	-
Consultancy charges	9,832	9,121
Registration fee	40	40
Fee and subscription	16,973	13,514
Mark-up on long term murabaha	716,744	119,408
Bank charges and financing fee	117,896	107,394
Bank guarantee commission	8,918	6,740
Miscellaneous	1,422	1,053
Depreciation	708	123
	1,053,341	420,739

(Un-Audited)			
PERIOD ENDED		QUARTER ENDED	
31 March 2009	31 March 2008	31 March 2009	31 March 2008

----- (Rupees in thousand) -----

11. COST OF SALES

Raw materials consumed	4,420,832	4,026,982	1,429,120	1,371,848
Cloth and yarn purchased/ used	4,104,753	3,929,820	1,046,381	1,488,007
Processing charges	48,840	95,924	18,765	45,906
Salaries, wages and other benefits	1,080,334	903,509	359,889	297,185
Staff retirement benefits	33,550	28,971	11,405	9,783
Stores, spare parts and loose tools	1,431,795	1,047,524	472,912	365,702
Packing materials	321,998	312,750	101,777	106,680
Repair and maintenance	103,108	77,455	33,784	27,571
Fuel and power	1,581,601	1,053,421	493,950	402,542
Insurance	18,827	16,765	6,300	5,576
Other factory overheads	151,866	110,216	56,339	41,917
Depreciation	706,340	696,845	238,256	234,630
	14,003,844	12,300,182	4,268,878	4,397,347
Work-in-process				
Opening stock	1,157,415	942,753	1,482,482	1,068,021
Closing stock	(1,391,340)	(1,205,334)	(1,391,340)	(1,205,334)
	(233,925)	(262,581)	91,142	(137,313)
Cost of goods manufactured	13,769,919	12,037,601	4,360,020	4,260,034
Finished goods				
Opening stock	1,145,407	898,896	1,397,662	1,271,977
Closing stock	(1,164,461)	(1,100,263)	(1,164,461)	(1,100,263)
	(19,054)	(201,367)	233,201	171,714
	13,750,865	11,836,234	4,593,221	4,431,748

12. OTHER OPERATING EXPENSES

Workers' profit participation fund	76,967	51,036	4,676	22,184
Workers' welfare fund	29,192	16,948	1,777	6,042
Provision for doubtful debts	80,458	-	-	-
Impairment loss on investments	2,659	-	2,659	-
Amortization of deferred cost	-	158	-	-
Donation (Note 12.1)	1,500	575	-	-
	190,776	68,717	9,112	28,226

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

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

(Un-Audited)			
PERIOD ENDED		QUARTER ENDED	
31 March 2009	31 March 2008	31 March 2009	31 March 2008

----- (Rupees in thousand) -----

Associated companies

Investment made	125,343	-	118,177	-
Purchase of goods and services	12,949	6,541	2,775	1,884
Sale of goods and services	370,512	125,273	109,580	73,563
Purchase of operating fixed assets	2,129	19,060	1,459	-
Sale of operating fixed assets	2,183	-	800	-
Dividend income	379,420	541,847	108,660	201,464
Dividend paid	52,564	52,564	-	-
Insurance premium paid	44,680	34,436	18,002	11,217
Insurance claims received	10,260	1,845	492	681
Deposit placed with bank	4,173	-	3,073	-
Profit on bank deposits	11	-	10	-

Other related parties

Purchase of goods and services	86,279	110,753	42,106	24,710
Sale of goods and services	64,786	43,546	32,716	30,333
Sale of operating fixed assets	300	-	-	-
Group's contribution to provident fund trust	44,019	37,787	14,958	12,814
Remuneration paid to Chief Executive Officer, Directors and Executives of the Holding Company	66,988	52,423	22,010	19,592
Sale of operating fixed assets	1,651	-	551	-

15. AUTHORIZED FOR ISSUE

This interim condensed consolidated financial information was approved by the Board of Directors and authorized for issue on April 24, 2009.

16. CORRESPONDING FIGURES

16.1 Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison. However, there were no major reclassification except required for the changes in accounting policy stated in note 4.1 and 4.2.

16.2 Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

CHIEF EXECUTIVE OFFICER

DIRECTOR